DFI®

INDEPENDENT AUDITORS' REPORT
The Board of Directors and Shareholders
DFI, Inc.

We have audited the accompanying consolidated balance sheets of DFI, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements of some consolidated subsidiaries were audited by other auditors with unqualified opinions. Therefore, the opinion we gave concerning the figures of consolidated subsidiaries was based on those auditors' audit reports. The consolidated assets from those subsidiaries audited by other auditors total NT$197,339 thousands and NT$192,872 thousands, respectively, as of December 31, 2012 and 2011, representing 6.07% and 6.06% of consolidated assets for respective year. The consolidated revenues total NT$390,131 thousands and NT$482,249 thousands, respectively, for 2012 and 2011, representing 20.14% and 27.20% of consolidated revenue for respective year. The consolidated net income total NT$3,860 thousands and NT$8,337 thousands, respectively, for 2012 and 2011, representing 1.79% and 3.97% of consolidated income of each year.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DFI, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

Deloitte & Touche

Taipei, Taiwan
March 22, 2013

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.
For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

DFI

DFI Inc.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value)

	2012		2011	
Assets	Amount	%	Amount	%
Cash and cash equivalents (Note 4)	$ 882,435	27	$ 965,645	30
Financial assets at fair value through profit or loss (Notes 2, 5 and 17)	1,039,995	32	994,458	31
Available-for-sale financial assets (Notes 2 and 6)	-	-	61,440	2
Held-to-maturity financial assets (Notes 2 and 8)	200,000	6	200,000	6
Notes and Accounts receivable (Notes 2 and 3)	261,677	8	209,519	7
Receivable from Affiliates (Note 18)	86,219	3	32,365	1
Other Receivables (Note 13)	14,284	-	15,983	1
Inventory (Notes 2 and 7)	360,697	11	288,418	9
Time deposits pledged (Note 19)	2,000	-	5,500	-
Deferred income taxes-current (Notes 2 and 13)	18,642	1	22,293	1
Prepayments and other current asset	19,788	1	10,950	-
Total Current Assets	2,885,737	89	2,806,571	88
LONG-TERM INVESTMENTS				
Financial assets carried at cost (Notes 2 and 9)	7,000	-	13,454	-
PROPERTY, PLANT & EQUIPMENT (Notes 2 and 10)				
Land	29,442	1	30,154	1
Buildings	124,854	4	119,757	4
Machinery & equipment	298,259	9	399,700	12
Office equipment	19,662	1	21,557	1
Other equipment	34,423	1	31,316	1
Cost Subtotal	506,640	16	602,484	19
Accumulated Depreciation	353,592	11	453,269	14
Net property, plant & equipment	153,048	5	149,215	5
INTANGIBLE ASSETS (Note 2)				
Goodwill	187,365	6	187,365	6
Computer software	1,758	-	147	-
Total Intangible Assets	189,123	6	187,512	6
OTHER ASSETS				
Deferred charges (Note 2)	9,243	-	18,124	1
Guarantee deposits	4,543	-	4,402	-
Confined Assets (Note 19)	2,965	-	2,965	-
Total other assets	16,751	-	25,491	1
TOTAL ASSETS	$ 3,251,659	100	$ 3,182,243	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2013)

(Continued)

DFI Inc.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value)

	2012		2011	
Liabilities& Shareholders' Equity	Amount	%	Amount	%
CURRENT LIABILITIES				
Notes Payable	$ 77,468	2	$ 51,910	2
Accounts Payable	159,611	5	141,015	4
Payable to Affiliates (Note 18)	1,011	-	-	-
Income Tax Payable (Notes 2 & 14)	23,686	1	15,225	-
Accrued Expenses	104,239	3	113,518	4
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	-	-	111	-
Other Current Liabilities	21,371	1	7,339	-
Total current liabilities	387,563	12	329,118	10
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 11)	57,420	2	56,137	2
Noncurrent deferred income tax liabilities (Notes 2 and 14)	8,200	-	2,879	-
Others	1,934	-	2,449	-
Total other liabilities	67,554	2	61,465	2
Total liabilities	455,117	14	390,583	12
SHAREHOLDERS' EQUITY				
CAPITAL STOCK	1,148,399	36	1,148,399	36
CAPITAL SURPLUS				
Additional paid-in capital	764,907	23	764,907	24
Gain on asset disposition	808	-	808	-
From long-term equity investments	653	-	653	-
Other	23,603	1	23,603	1
Total capital surplus	789,971	24	789,971	25
RETAINED EARNINGS				
Legal Reserve	453,891	14	432,885	14
Special Reserve	-	-	4,818	-
Unappropriated earnings	416,432	13	389,496	12
Total retained earnings	870,323	27	827,199	26
OTHER EQUITY ADJUSTMENTS				
Cumulative translation adjustments	(12,153)	-	24,649	1
Unrealized gain or loss on financial instruments	-	-	1,440	-
Total other equity adjustments	(12,153)	-	26,089	1
MINORITY INTEREST	2	-	2	-
Total shareholders' equity	2,796,542	86	2,791,660	88
TOTAL LIABILITIES & EQUITY	$ 3,251,659	100	$ 3,182,243	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2013)

DFI Inc.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Consolidated Earnings per Share)

	2012		2011	
	Amount	%	Amount	%
Gross Sales	$ 1,946,418	100	$ 1,781,770	100
Sales Return & Allowance	9,554	-	8,842	-
Net Sales (Notes 2 and 18)	1,936,864	100	1,772,928	100
Cost of Goods Sold (Notes 7, 15 and 18)	1,279,512	66	1,174,853	66
Gross Profit	657,352	34	598,075	34
Operation Expenses (Notes 15 and 18)				
Sales & Marketing	206,269	11	186,007	11
General & Administrative	102,224	5	96,364	5
Research & Development	117,486	6	109,193	6
Total Operating Expenses	425,979	22	391,564	22
Income from Operations	231,373	12	206,511	12
Non-operating Income				
Exchange gain (Note 2)	7,978	1	25,674	2
Gain on valuation of financial assets (Notes 2 and 5)	9,228	1	6,944	1
Interest income	6,801	-	6,753	-
Reversal of impairment loss on financial assets (Notes 2 and 6)	3,259	-	5,333	-
Gain on disposal of fixed assets	20	-	1,767	-
Gain on disposal of investments	3,647	-	491	-
Gain on valuation of financial liabilities (Note 2 and 5)	1,943	-	-	-
Other Income (Note 18)	21,404	1	16,361	1
Total Non-operating Income	54,280	3	63,323	4
Non-operating Expenses				
Impairment loss on financial assets (Notes 2 and 6)	3,725	1	7,800	1
Loss on valuation of financial liabilities (Notes 2 and 5)	-	-	951	-
Interest expenses (Note 17)	256	-	292	-
Other Losses	2,603	-	21	-
Total Non-operating Expenses	6,584	1	9,064	1
INCOME BEFORE INCOME TAX	279,069	14	260,770	15
INCOME TAX (Notes 2 and 14)	63,685	3	50,715	3
NET CONSOLIDATED INCOME	$ 215,384	11	$ 210,055	12
Income attributed to:				
Stockholders of parent company	215,384	11	$ 210,055	12
Minority interest	-	-	-	-

EARNINGS PER SHARE (Note 15)	Before tax	After tax	Before tax	After tax
Basic	$ 2.28	$ 1.88	$2.14	$1.79
Diluted	$ 2.25	$ 1.85	$2.11	$1.77

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2013)

DFI, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Except Dividends per Share)

	Capital Stock (Note 13)		Capital Surplus (Notes 2 and 11)				
	Thousand Shares	Amount	Issue of Stock in Excess of Par Value	Treasury Stock	Gain on Disposal of Properties	From Long-term Stock Investments	Other
BALANCE, JANUARY 1, 2011	120,276	1,202,759	801,114	-	808	653	23,603
Appropriation of prior year's earnings							
Legal reserve							
Cash Dividend - $1.027 per share	-	-					
Net income, 2011							
Cumulative translation adjustments							
Unrealized gain or loss on financial instruments							
Write-off of treasury stock 5,436,000 shares	(5,436)	(54,360)	(36,207)		-	-	-
BALANCE, DECEMBER 31, 2011	114,840	1,148,399	764,907	-	808	653	23,603
Appropriation of prior year's earnings							
Legal reserve							
Reversal of Special reserve							
Cash Dividend - $1.5 per share							
Net Income, 2012							
Cumulative Translation Adjustments							
Unrealized gain or loss on financial instruments							
BALANCE, DECEMBER 31, 2012	114,840	1,148,399	764,907	-	808	653	23,603

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2013)

(Continued)

DFI, Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Dividends per Share)

	Retained Earnings		
	Legal Reserve	Special Reserve	Unappropriated Earnings
BALANCE, JANUARY 1, 2011			
Appropriation of prior year's earnings			
Legal reserve	14,964	-	(14,964)
Special Reserve		4,818	(4,818)
Cash Dividend - $1.027 per share	-	-	(120,276)
Net income, 2011			210,055
Cumulative translation adjustments			
Unrealized gain or loss on financial instruments			
Write-off of treasury stock 5,436,000 shares			(57,332)
BALANCE, DECEMBER 31, 2011	$ 432,885	$ 4,818	$ 389,496
Appropriation of prior year's earnings			
Legal reserve	21,006	-	(21,006)
Special reserve	-	(4,818)	4,818
Cash Dividend - $1.5 per share	-	-	(172,260)
Net Income, 2012			215,384
Cumulative Translation Adjustments			
Write-off of treasury stock			
BALANCE, DECEMBER 31, 2012	453,891	-	416,432

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2013)

(Continued)

DFI, Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Dividends per Share)

	Adjustments				
	Cumulative Translation Adjustment	**Unrealized Gain or Loss on Financial Instruments**	**Treasury Stock**	**Minority Interest**	**Total Shareholders' Equity**
BALANCE, JANUARY 1, 2011	821	(5,639)	-	2	2,818,873
Appropriation of prior year's earnings					
Legal reserve					
Special Reserve					
Cash Dividend - $1.027 per share					(120,276)
Net income, 2011					210,055
Cumulative translation adjustments	23,828				23,828
Unrealized gain or loss on financial instruments		7,079			7,079
Purchase of treasury stock			(147,899)		(147,899)
Write-off of treasury stock 5,436,000 shares			147,899		-
BALANCE, DECEMBER 31, 2011	24,649	1,440	-	2	2,791,660
Appropriation of prior year's earnings					
Legal reserve					
Special reserve					
Cash Dividend - $1.5 per share					(172,260)
Net Income, 2012					215,384
Cumulative Translation Adjustments	(36,802)				(36,802)
Write-off of treasury stock		(1,440)			(1,440)
BALANCE, DECEMBER 31, 2012	(12,153)	-	-	2	2,796,542

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2013)

DFI, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 215,384	$ 210,055
Depreciation	16,226	19,461
Amortization	11,621	11,317
Loss on inventory write off	6,775	10,035
Loss on inventory devaluation	(3,439)	(13,481)
Gain on disposal of property, plant and equipment	(20)	(1,767)
Gain on reversal of financial asset impairment losses	(3,259)	(5,333)
Gain/Loss on financial liabilities valuation	(1,943)	951
Gain/Loss on financial assets valuation	(9,228)	(6,944)
Impairment loss of financial assets	3,725	7,800
Gain on disposal of investments	(3,647)	(491)
Translation loss on financial assets	-	798
Deferred income taxes	8,972	3,022
Accrued pension liability	1,283	527
Net changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(16,812)	(5,840)
Notes and Accounts receivable	(52,158)	(47,280)
Receivable from affiliates	(53,854)	(23,632)
Inventory	(75,895)	65,233
Other Receivables	1,699	5,390
Other Current Assets	(8,838)	4,548
Notes Payable	25,558	10,588
Accounts Payable	18,596	52,119
Payable to Affiliates	1,011	(19)
Income Tax Payable	8,461	6,457
Accrued Expenses	(9,279)	2,696
Other Current Liabilities	13,881	(8,165)
Other Liabilities	(515)	728
Net cash provided by operating activities	94,305	299,046
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Financial assets at fair value through profit or loss	(13,481)	-
Proceeds from disposal of available-for-sale financial assets	3,259	
Proceeds from maturity of available-for-sale financial assets	60,000	24,554
Decrease of pledged time deposits	3,500	9,400
Refund from financial assets carried at cost	2,729	-
Purchase of property, plant and equipment	(19,042)	(11,105)
Proceeds from disposal of property, plant and equipment	20	2,353
Purchase of intangible assets	(1,933)	-
Increase of guarantee deposits	(141)	(1,539)
Increase of deferred charges	(4,371)	(16,404)
Net cash provided by (used in) investing activities	30,180	7,259

(Continued)

DFI, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury stock	-	(147,899)
Payment of cash dividends	(172,260)	(120,276)
Net cash used in financing activities	(172,260)	(268,175)
EFFECT OF EXCHANGE RATE CHANGES	(35,435)	24,255
Increase (Decrease) of Cash and Cash Equivalents	(83,210)	62,385
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	965,645	903,260
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 882,435	$ 965,645
SUPPLEMENTAL INFORMATION		
Payment of Interest	$ 256	$ 292
Payment of Income Taxes	$ 38,861	$ 35,421
Purchase of fixed assets in cash		
Purchase of fixed assets	$ 19,193	$ 11,105
Net changes in payable for purchase of equipment	(151)	-
Payment in cash	$ 19,042	$ 11,105
Financing activities not affecting cash flow		
Deferred charges transferred to fixed assets	$ 1,943	-
Financial assets held to maturity matured within one year	-	$ 200,000

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2013) (Concluded)

NOTE 1: COMPANY PROFILE

DFI, Inc. (Parent company), a Republic of China (R.O.C.) corporation, was incorporated in July 1981. On January 15, 2000, its shares were listed on the Taiwan Stock Exchange. DFI engaged in the design, manufacturing, and sale of PC motherboards, industrial motherboards and computer components.

DFI, Inc. owns 100% interest in Diamond Flower Service (NL) B.V. (DFS). DFS does business of computer repair and maintenance. DFS in turn owns 100% interest in Diamond Flower Information (NL) B.V. (DFI-BV). DFI-BV does business in computer sales. The two companies merged at December 28, 2011 with DFS as the surviving company, and then changed the name to DFI-BV.

DFI, Inc. owns 99.99% interest in Dual-Tech International Co. Ltd. This company subcontracts PC motherboards and industry PC motherboards.

DFI, Inc. owns 100% interest in DFI Co., Ltd. This company runs business in embedded motherboard and computer sales.

DFI, Inc. owns 100% interest in ITOX, LLC. This company runs business in embedded motherboard and computer sales.

DFI, Inc. owns 100% interest in Yan Tong Technology Ltd.(Yan Tong), which is a holding company.

Yan Tong established a 100% owned China subsidiary, Yan Tong Infotech (Dongguan) Co., Ltd. (YTDG), in August, 2011. YTDG conducts business in manufacture and sale of embedded motherboards and computers.

The staffs employed by DFI and its subsidiaries numbering 552 and 419, respectively, as of December 31, 2012 and 2011.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the R.O.C.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

Significant accounting policies are summarized as follows:

1. Principles of Consolidation
The accompanying consolidated financial statements include the accounts of all subsidiaries that DFI has controlling interest.

All significant inter-company balances and transactions are eliminated upon consolidation.

The consolidated entities in 2012 and 2011 include DFI, Inc., Diamond Flower Information (NL) B.V., Dual-Tech International Co., Ltd., DFI-ITOX, LLC., DFI, Co., Ltd., Yan Tong Technology Ltd and Yan Tong Infotech (Dongguan) Co., Ltd..

If the functional currencies of the consolidated entities are not NT dollar, the translation of the currencies into NT dollar is based on year-end exchange rates for assets and liabilities, historical rates for capital stocks, and yearly average rates for income statement accounts.

2. Foreign-currency Transactions and Translation of Foreign-currency Financial Statements

Foreign-currency transactions other than derivative contracts are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings.
The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - spot rates at year-end; shareholders' equity - historical rates; income and expenses - average rates during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

3. Use of Estimates

The preparation of consolidated financial statements in conformity with the aforementioned guidelines and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management's estimates.

4. Classification of Current and Non-current Assets and Liabilities

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are non-current assets and liabilities, respectively.

5. Cash Equivalent

Cash equivalent is Repurchase Agreement whose maturity is shorter than 3 months since investment dates. The book value is near fair value.

6. Financial Assets/Liabilities at Fair Value through Profit or Loss

Derivatives that do not meet the criteria for hedge accounting and financial assets acquired principally for the purpose of selling them in the near term are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives and financial assets are re-measured at fair value subsequently with changes in fair value recognized in earnings. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

Fair value is determined as follows: publicly traded stocks - closing price at the end of the year; open-end beneficiary certificates and credit-linked derivatives – net assets value at end of year; future foreign exchange – fair value evaluated by valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions; close-end beneficiary certificates – closing prices as of balance sheet dates. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

7. Available-for-Sale Financial Assets

Investments designated as available-for-sale financial assets include debt securities and equity securities. Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value from subsequent re-measurement are reported as a separate component of shareholders' equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

Fair value is determined as follows: Structured time deposits - using valuation techniques; open-end mutual funds and money market funds - net asset value at the end of the year; publicly-traded stocks - closing prices at the end of the year; and other debt securities - average of bid and asked prices at the end of the year.

Cash dividends are recognized as investment income upon resolution of shareholders of an investee but are accounted for as reductions to the original cost of investments if such dividends are declared on the earnings of the investees attributable to periods prior to the purchase of the investments. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares. Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity for equity securities. For debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

8. Evaluation of Impairment on Doubtful Receivables
As footnote 3 states, the Company adopted the third revision of Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement (SFAS No. 34)." One of the main revisions is that the impairment of receivables originated by the Company is subject to the provisions of SFAS No. 34. Accordingly, the Company evaluates for indication of impairment of accounts receivable based on an individual and collective basis at the end of each reporting period. When objective evidence indicates that the estimated future cash flow of accounts receivable decreases as a result of one or more events that occurred after the initial recognition of the accounts receivable, such accounts receivable are deemed to be impaired.

The amount of the impairment loss recognized is the difference between the carrying amount of accounts receivable and estimated future cash flows considering the effective discounting effect. Changes in the carrying amount of the allowance account are recognized as bad debt expense which is recorded in the operating expenses - general and administrative. When accounts receivable are considered uncollectable, the amount is written off against the allowance account.

9. Inventories
Inventories including material, finished goods, work in progress and subcontracted goods. Implementation of LCM includes comparison of individual costs and individual net realizable values. Net realizable values mean estimated selling prices minus further input costs till completion and selling expenses. The consolidated entities' inventory is carried over weighted-averaged method.

The inventories are stated at standard costs and adjusted to costs close to weighted-average costs at closing dates.

10.Held-to-Maturity Financial Assets
Debt securities for which the Company has a positive intention and ability to hold to maturity are categorized as held-to-maturity financial assets and are carried at amortized cost under the effective interest method. Those financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Gains or losses are recognized at the time of derecognition, impairment or amortization. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

If there is objective evidence which indicates that a financial asset is impaired, the loss is recognized then. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

11. Financial Assets Carried at Cost
Mutual fund investments whose fair value cannot be reliably measured are carried at their original cost. If there is objective evidence which indicates that the value of a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

12.Property, Plant and Equipment
Property, Plant and Equipment are stated at cost less accumulated depreciation. Major renovation or improvements are capitalized; maintenance is booked as expenses.

When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized.

The depreciation is calculated at straight-line method over following years:

Buildings- 3 to 60 years;
Machinery- 2 to 15 years;
Office Equipment- 2 to 8 years;
Other Equipment- 2 to 8 years.

For assets have expired but are still under use, original depreciation method applied and a new useful life is estimated.

When Property, Plant and Equipment are obsolete or sold, costs and related accumulated depreciation are removed, gain or loss for the disposal are treated as current period non-operating income or loss or extra-ordinary items. Disposal gain, net of income tax, is transferred to capital reserve at end of year.

13. Intangible Assets
Intangible assets are recorded at acquiring costs, amortized at straight-line method over the estimated life. Computer software is amortized at straight-line method over 3 to 5 years.

14. Goodwill
Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Goodwill is no longer amortized and instead is tested for impairment annually or more frequently if events or changes in circumstances suggest that the carrying amount may not be recoverable. If an event occurs or circumstances change which indicates that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed

15. Deferred Charges
Deferred charges mainly are engineering and tooling costs, amortized over 3 to 5 years evenly.

16. Pension
Pension costs are accrued in parent company based on actuarial results for defined contribution pension plan. Pension costs are booked at accrued pension contribution for defined contribution pension plan over periods the employees concerned providing services. All subsidiaries do not establish pension

plans.

17. Income Taxes

Income taxes shall be allocated crossing periods. All tax effects on deductible temporary differences, unused prior-period losses carry-forward and unused investment tax credits are deferred as income tax assets, possibility to realization is assessed and allowance for depreciation accrued. Tax effects on taxable timing differences are accrued as deferred income tax liabilities. Deferred income tax assets and liabilities are classified as current or non-current items according to their related assets or liabilities derived from.

The tax credits arising from purchase of equipment, research and development expenditure, training expenditure and stock investment are recognized in current period.

Prior period adjustments on income taxes are included in current period income tax expenses.

Unappropriated retained earnings shall be levied at 10%, income tax expenses accordingly are recorded after decision of annual shareholders' meeting.

18. Treasury Stock

Treasury stock represents the outstanding shares that the Company buys back from market, which is stated at cost and shown as a deduction in shareholders' equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus - additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus - treasury stock transactions and to retained earnings for any remaining amount. When the Company resells the treasury stock, the treasury stock shall be reversed, and if the selling price is greater than the book value, the amount in excess of the book value shall be credited to additional paid-in capital - treasury stock.

19. Revenue Recognition

The Company recognizes revenue when evidence of an arrangement exists, the rewards of ownership and significant risk of the goods has been transferred to the buyer, price is fixed or determinable, and collectability is reasonably assured. Provisions for estimated sales returns and other allowances are recorded in the year the related revenue is recognized, based on historical experience, management's judgment, and any known factors that would significantly affect the allowance.

Sales prices are determined using fair value taking into account related sales discounts agreed to by the Company and its customers. Sales agreements typically provide that payment is due 30 days from invoice date for a majority of the customers and 30 to 45 days after the end of the month in which sales occur for some customers. Since the receivables from sales are collectible within one year and such transactions are frequent, fair value of the receivables is equivalent to the nominal amount of the cash to be received.

NOTE 3: ACCOUNTING CHANGES

On January 1, 2011, the Company prospectively adopted the newly revised SFAS No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Company are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when the debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change did not have a significant effect on the Company's consolidated financial statements as of and for the year ended December 31, 2011.

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires identification and disclosure of operating segments on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. This statement supersedes SFAS No. 20, "Segment Reporting."

NOTE 4: CASH AND CASH EQUIVALENTS

	2012	NT$000 2011
Petty Cash and Cash on Hand	$ 458	$ 546
Checking and Demand Deposit Accounts	357,123	421,663
Time Deposits, interest rates 0.40~3.08% in 2012, and 0.40~1.36% in 2011	455,940	543,436
Repurchase Agreement, discount rates1.50%~1.55%	68,914	-
	$ 882,435	$ 965,645

As of December 31, 2012 and 2011, the time deposits with maturity longer than one year both amount to NT$701 thousand.

NOTE 5: FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	NT$000 2011
Trading financial assets		
Money market & open-end mutual funds	$ 1,002,420	$ 979,952
Valuation adjustments	23,734	14,506
Total	$ 1,026,154	$ 994,458
Trading financial liabilities		
Forward contract	$ 177	$ 111

The Company entered into forward contracts during the years ended December 31, 2012 and 2011 to manage exposures to the fluctuations of foreign exchange rates. The Company's strategy for financial hedging is to avoid risks of market price or cash flow.

Outstanding forward contracts as of December 31, 2012 and 2011 consist of the following:

	Currency	**Maturity Date**	**Contract Amount (in Thousands)**
December 31, 2012			
Sell	US$/NT$	2013.01.23~2013.02.25	USD2,500/NTD72,655
December 31, 2011			
Sell	US$/NT$	2012.01.17~2012.02.22	USD2,000/NTD60,439

Net gains or losses arising from derivative financial instrument assets for the years ended December 31, 2012 and 2011 were NT$12,875 thousands and NT$10,095 thousands, respectively. Net gains or losses arising from derivative financial instrument liabilities for the years ended December 31, 2012 and 2011 were NT$1,943 thousands and NT$(951) thousands, respectively.

The subsidiaries' assigned for financial assets at fair value through profit or loss is structured bank deposit at NT$13,841 thousand as of December 31, 2012.

NOTE 6: AVAILABLE-FOR-SALE FINANCIAL ASSETS

NT$000

	2012	2011
Corporate Bonds	$ 26,630	$34,579
Preferred stocks	-	60,000
	26,630	94,579
Add: unrealized gain (loss)	-	1,440
Less: accumulated impairment loss	(26,630)	(34,579)
	$ -	$ 61,440

1. The parent company acquired overseas corporate bonds with coupon rates 5.75%~7.25%. Accumulated impairment losses of NT$26,630 thousands and NT$34,579 thousands were recognized for some perpetual bonds up to end of 2012 and 2011, respectively. The parent company reversed such impairment loss by NT$3,259 thousands and NT$5,333 thousands in 2012 and 2011.
2. The parent company purchased preferred stocks 2 million shares issued by TaiSin financial holding company with par $10 at $30 per share, totaling NT$60 millions. The terms of the issue: interest rate 3.5% p.a., paid once per year, accumulating but not participating. The stocks were listed for public trading on October 13, 2005. TaiSin financial holding Company reduced their capital in January 2010 and our share holding reduced by 135,000 shares accordingly. The preferred stock has been liquidated by the issuing company on September 28, 2012.

NOTE 7: INVENTORIES

NT$000

	2012	2011
Materials	$ 177,344	$ 95,619
Finished Goods	129,347	110,198
Subcontracted goods	-	42,284
Work in Progress	23,782	21,117
Inventory in transit	30,244	19,200
	$ 360,697	$ 288,418

The allowance for devaluation of inventories amounts to NT$ thousands $31,905 and NT$35,624 thousands, respectively, as of December 31, 2012 and 2011.

Cost of goods sold related to inventories amount to NT$ 1,279,512 thousands and NT$1,174,853 thousands for 2012 and 2011. Cost of goods sold of 2012 includes inventory scrap loss of NT$6,775 thousands, Reversal of inventory devaluation loss of NT$3,439 thousands and physical count loss of NT$10 thousands. Cost of goods sold of 2011 includes inventory scrap loss of NT$10,035 thousands, Reversal of inventory devaluation loss of NT$13,481 thousands and inventory count loss of NT$62 thousands.

NOTE 8: HELD-TO-MATURITY FINANCIAL ASSETS

NT$000

	2012	2011
Preferred stocks	$ 200,000	$ 200,000

The parent company purchased preferred stock of China trust financial holding company on December 28, 2005 by 5 million shares at $40 per share with par $10, totaling NT$200 millions. The terms of issue: interest rate 3.5% p.a. calculated over issuance price; paid once a year; accumulating but not participating. The preferred stocks are not allowed to resell in 3 years, and will be compulsory recalled after 7 years since issuance. The preferred stocks are reclassified as current assets in 2011 since its maturity is shorter than one year.

NOTE 9: FINANCIAL ASSETS CARRIED AT COST- Non-current

NT$000

	2012	2011
Asia Tech Taiwan Venture Fund	$ 7,000	$ 13,454

The fund held by parent company is carried at cost due to no quoted prices at active market and hence the fair value cannot be measured reliably. Partial investment of NT$ 2,729 thousands were refunded in May 2012. The parent company recognized impairment loss of NT$3,725 thousands due to the value of said fund has declined.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT- Accumulated Depreciation

Accumulated depreciation consisted of the following:

NT$000

	2012	2011
Building	$ 69,324	$ 67,266
Machinery	238,516	339,140
Office Equipment	15,562	16,761
Other Equipment	30,190	30,102
	$ 353,592	$ 453,269

The depreciation expenses amount to NT$16,226 thousands and NT$19,461 thousands, respectively, in 2012 and 2011.

NOTE 11: PENSION PLAN

The pension mechanism under the **Labor Pension Act** is deemed a defined contribution plan. Pursuant to the Act, the parent company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts since April 1, 2005. Pursuant to the aforementioned Act and local regulations, the parent company recognized pension costs of NT$9,557 thousands and NT$8,725 thousands for the years ended December 31, 2012 and 2011, respectively.

The pension mechanism under the **Labor Standards Law** is deemed as a defined benefit plan. The pension liability is calculated over service years and average monthly salary six months before employee's retirement. The parent company contributes 5% of employee salaries to their respective pension funds, which are administered by the **Labor Pension Fund Supervisory Committee** and deposited in the Bank of Taiwan.

Certain information concerning pension plan under **Labor Pension Act** is disclosed as follows:

1) Pension costs consist of:

NT$ 000

	2012	2011
Service cost	$ 1,543	$ 2,155
Interest cost	1,394	1,886
Expected return on pension assets	(644)	(784)
Amortization	-	46
Net pension cost	$ 2,293	$ 3,303

2) Funded pension and pension payable:

	2012	2011
Benefit obligation:		
Vested benefit obligation	$27,563	$ 29,834
Non-vested benefit obligation	43,489	48,726
Accumulated benefit obligation	71,052	78,560
Additional benefits based on future salaries discrepancy	20,199	16,519

Projected benefit obligation	91,251	95,079
Fair value of plan assets	(24,784)	(30,202)
Funded status	66,467	64,877
Unrecognized net Obligation at transition		-
Un-amortized balance	(9,047)	(8,740)
Accrued pension liability	$ 57,420	$ 56,137
3) Vested benefits	$ 33,692	$ 34,211
4) Actuarial assumptions		
Discount rate used to calculate present value	1.875%	1.50%
Future salary increase rate	2.25%	2.00%
Expected rate of return on fund assets	1.875%	2.25%
5) Changes in pension funds		
Contributions	$ 1,010	$ 2,776
Payments	$ 6,686	$ 10,833

The subsidiary not located in Taiwan applies a defined contribution plan and contributes NT$952 thousands of pension cost in 2012.

NOTE 12: SHAREHOLDERS' EQUITY

According to ROC laws, capital surplus cannot be used except to offset accumulated losses. But additional paid-in capital arising from excess injection over par or from treasury stock transactions are allowed to transfer to capital stocks, limited to certain percentage of capital stock each year. However, according to the revised Company Law, effective January 4, 2012, the aforementioned capital surplus generated from donations and the excess of the issuance price over the par value of capital stock can also be used to distribute cash in proportion to original shareholders' holding. Capital surplus arising from equity-method valuation of long-term equity investments is not allowed for any use.

The Article of Incorporation of parent company states the rules of earnings appropriation as follows:
If accounts closed to be profitable, first, 10% of net income is set aside for legal reserve. And a special reserve in accordance with Clause 41-1 of Security Exchange Law may be set aside or added back if reversed from net income;
The remaining earnings, together with unappropriated earnings accumulated from last period, are to be distributed in all or part, following Board of Directors' resolution, in order as below-

(1) Directors' remuneration: no more than 3%
(2) Employee bonus: 5% to 15%
(3) Dividend to shareholders for the remaining.

The employee bonus accrued in 2012 and 2011 amount to NT$20,099 thousands and NT$20,989 thousands, respectively. The directors' remuneration accrued in 2012 and 2011 amount both to NT$1,900 thousands. Accrual of employee bonus and directors' remuneration is based on actual distribution from past experiences.

If later BOD proposes majorly different amounts from that accrued, the differences will be booked as current expenses. If the actual amounts subsequently resolved by the shareholders differ from the proposed by BOD, the differences are booked as change of accounting estimate. If stock bonuses are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of the shares one day before the shareholders' meeting.

According to the revised Company Law, effective January 2012, the appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

A special reserve equivalent to the net debit balance of the other components of shareholders' equity (for example, cumulative translation adjustments and unrealized loss on financial instruments, but excluding treasury stock) shall be made from unappropriated earnings pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent of net debit balance.

If the earnings appropriated come from years 1997 and before, shareholders are not entitled to imputation credit. If appropriated earnings belong to years after 1997, except non-residents, other shareholders are entitled to imputation credit at the rate calculated on dividend distribution date.

The appropriations of earnings for 2011 and 2010 had been approved in the shareholders' meetings held on June 21, 2012 and June 9, 2011, respectively, as follows:

Proposal	**Amount**		**Dividend per share**	
	2011	**2010**	**2011**	**2010**
Legal reserve	$ 21,006	$ 14,964		
Special reserve	(4,818)	4,818		
Cash dividend	172,260	120,276	$1.5	$1.027

Employee bonus and directors' remuneration approved by the aforementioned shareholders' meetings are:

Proposal	**2011**		**2010**	
	Employee Bonus	**Directors' Remuneration**	**Employee Bonus**	**Directors' Remuneration**
Shareholders' meeting	$ 22,000	$ 1,900	$ 14,963	$ 1,880
Financial Statement	20,989	1,900	14,963	1,077
Difference	$ 1,011	$ -	$ -	$ 803

The difference of directors' remuneration between accrued in financial statement and approved by shareholders' meeting is due to change of estimate. The difference is booked as current expense in 2011 and 2010.

The above information about the appropriations of bonus to employees, directors and supervisors is available at the Market Observation Post System website.

NOTE 13: TREASURY STOCK

Thousand shares

Purpose to buy back	Shares, beginning of the year	Increase	Decrease	Shares, End of the year
2011- Maintain credit and shareholders' interest	-	5,436	5,436	-

Pursuant to Security Exchange law, the company may purchase treasury stock up to 10% of outstanding shares. Total purchase cost of treasury stock shall not exceed the sum of retained earnings, additional paid-in capital and realized capital surplus. The treasury stocks cannot be pledged, and are not entitled to shareholders' rights before re-issued.

The parent company purchased back 5,436,000 shares from the market at cost of NT$147,899 thousands pursuant to the resolutions of BOD held on March 21 and August 29, 2011. BOD of parent company later on July 28 and November 17, 2011 resolved to write off treasury stock of 5,436,000 shares in total.

The highest treasury shares held by Parent company are 3,182,000 shares in 2011; the highest costs of treasury stock held are NT$92,661 thousands, which conform to the regulations.

NOTE 14: INCOME TAXES

1) Income tax expense consisted of:

NT$ 000

	2012	2011
Income tax payable	$ 30,761	$ 28,332
Deferred income tax	16,561	3,022
Overseas income tax	8,972	13,921
Prior period adjustments	7,391	5,440
Income tax expenses	$ 63,685	$ 50,715

2) Deferred income taxes consisted of the following:

	2012	2011
Deferred tax assets - current		
Allowance for losses on inventories	$ 3,340	$ 5,011
Impairment loss on financial assets	5,161	5,879
Unrealized gross profit	3,358	4,412
Bad debt reserve over limit	1,673	2,054
Unrealized exchange loss	361	145
Others	4,940	5,035
	18,833	22,536
Deferred liabilities		
Others	(191)	(243)
Net deferred income tax assets	$ 18,642	$ 22,293
Deferred tax assets-Non-current:		
Pension differences between financial accounting and tax accounting	$ 9,022	$ 8,804
Investment loss under equity method	-	908
Others	465	559
	9,487	10,271
Deferred tax liabilities-Non-current:		
Investment income under equity method	(16,313)	(12,082)
Depreciation differences between financial and tax accounting	(1,374)	(1,068)
	(17,687)	(13,150)
Net deferred income tax assets	($ 8,200)	($ 2,879)

3) The profits generated from new investments through July 1, 2008 to December 31, 2009 are exempt from income tax for years 2011 to 2015.

4) The related information under the Integrated Income Tax System is as follows:

	2012	2011
Year-end balances of imputation credit account	$ 28,831	$ 16,034

The imputation creditable ratios of earning distribution for 2012 and 2011 are 17.34% (estimated) and 20.35% (actual), respectively.

The imputation credit allocated to shareholders is based on its balance as of the date of dividend distribution. The estimated creditable ratio may differ from actual when the distribution of imputation credit is made.

As of December 31, 2012 and 2011, the unappropriated earnings generated from years 1997 and before both amount to NT$136,673 thousands.

The ROC tax authorities have examined income tax returns of the parent company through 2010.

NOTE 15: PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

NT$ 000

	2012		
	Costs of Sales	Operating Expenses	Total
Personnel-			
Payroll	$ 98,423	$232,217	$330,640
Insurance	7,106	22,497	29,603
Pension	4,638	8,164	12,802
Others	4,749	5,974	10,723
Subtotal	$ 114,916	$ 268,852	$ 383,768
Depreciation	$ 11,677	$ 4,549	$ 16,226
Amortization	$ 2,368	$ 9,253	$ 11,621

	2011		
	Costs of Sales	Operating Expenses	Total
Personnel-			
Payroll	$ 97,868	$ 210,455	$ 308,323
Insurance	7,616	19,507	27,123
Pension	4,955	7,073	12,028
Others	4,162	5,298	9,460
Subtotal	$ 114,601	$ 242,333	$ 356,934
Depreciation	$ 14,813	$ 4,648	$ 19,461
Amortization	$ 1,809	$ 9,508	$ 11,317

NOTE 16: EARNINGS PER SHARE

The numerator and denominator to calculate EPS are summarized as below:

	Numerator		Denominator	EPS (NT$)	
	Earnings Before Tax	Earnings After Tax	Thousand shares	Before Tax	After Tax
2012 Basic EPS					
Net Income belong to Parent company shareholders	$261,934	$215,384	114,840	$2.28	$1.88
Effect of dilutive potential common shares- Employee Bonus	-	-	1,358		
Diluted EPS					
Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares)	$261,934	$215,384	116,198	$2.25	$1.85

2011 Basic EPS					
Net Income belong to Parent company shareholders	$251,009	$210,055	117,240	$2.14	$1.79
Effect of dilutive potential common shares- Employee Bonus	-	-	1,499		
Diluted EPS					
Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares)	$251,009	$210,055	118,739	$2.11	$1.77

Effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record bonuses paid to employees as an expense rather than an appropriation of earnings. If the Company has the right to choose to settle the obligation either by cash or by issuing shares, potential shares from bonus to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employees by the closing price (after consideration of the dilutive effect of dividends) of the common shares on the balance sheet date. Such potential shares have to be included in the calculation of diluted EPS until the shares of employee bonus are resolved by the shareholders' meeting in the following year.

NOTE 17: DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss	1,026,154	1,026,154	994,458	994,458
Available-for-sale financial assets(current)	-	-	61,440	61,440
Held-to-maturity (current)	200,000	200,000	200,000	200,000
Financial assets carried at cost	7,000	-	13,454	-

b. Methods and assumptions used in the determination of fair values of financial instruments

1. Short-term financial assets are valuated at their book values since their maturities are very close to balance sheet dates. This applied to cash and cash equivalents, notes and accounts receivable, receivables from affiliates, notes and accounts payables, payables to affiliates and accrued expenses. The carrying amounts of these financial instruments approximate their fair values.

2. Fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets other than derivatives and structured time deposits were based on their quoted market prices. If no referable market prices, a valuation method is applied.

   Fair values of derivatives were based on their quoted market prices. If no referable market prices, a valuation method is applied. The valuation techniques incorporate estimates and assumptions that were consistent with prevailing market conditions.

   Fair values of forward contracts were valued at the swap exchange rates, calculated at the forward rates as of the expiry dates provided by banks for each single contract.

3. Financial asset carried at cost is a private venture fund with no active market price. The fair value may need cost exceed reasonable expectation, so the fair value was not acquired.

4. Future collectible value of pledged time deposits is close to book value, we used carrying amount as the fair value then.

5. Warranty deposits were estimated to have future cash flows close to carrying amounts, so the book values are determined to be fair values.

c. Gains or losses recognized due to the changes in fair value of derivatives estimated using valuation techniques were NT$66 thousands and NT$210 thousands for the years 2012 and 2011, respectively.

d. In 2012 and 2011, the parent company and its subsidiaries' financial instruments not valuated by fair market values and gains/losses not recognized through market value changes generate interest incomes amounting to NT$6,801 thousand and NT$6,753 thousands, and bear interest expenses of NT$256 thousands and NT$292 thousands, respectively. The parent company and its subsidiaries recognized unrealized losses for available-for-sale financial assets amounting to NT$(1,440) thousands and NT$7,079 thousands, respectively, for 2012 and 2011, under shareholder's equity. The amounts removed from shareholders' equity to loss accounts are NT$0 thousands and NT$10,460 thousands, respectively, for 2012 and 2011.

e. Information about financial risk

1. Market risk. The public-traded stocks categorized as "financial assets at fair value through profit or loss" are exposed to market risk. The derivative financial instruments categorized as "financial assets/liabilities at fair value through profit or loss" are mainly used to hedge the exchange rate fluctuations of foreign-currency-denominated assets and liabilities. Therefore, the market risk of derivatives will be offset by the foreign exchange risk of these assets and liabilities.

   Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities. Therefore, the fluctuations in market interest rates would result in changes in fair values of these debt securities.

2. Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter parties or third parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter parties or third parties to the foregoing financial instruments are reputable financial institutions, business organizations, and government agencies. Management believes that the Company's exposure to default by those parties is low.

3. Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments. The financial assets held by the parent company and its subsidiaries, except for those whose impairment losses being accrued, have slim risks not able to sell in the markets, therefore the liquidity risk is low.

   The forward contracts engaged by the parent company and its subsidiaries are expected to incur cash outflow of USD2.5 million and cash inflow of NT$72,655 thousands during January 23 to February 25, 2013. Since the contract strike rates were fixed, there expected to be no major cash flow risks.

NOTE 18: RELATED PARTY TRANSACTIONS

1. Names and Relationship between Related Parties

Related Parties	**Relationship with DFI**
DFI Technologies, LLC. (DFI-TECH)	The general manager is brother of DFI's chairman.

2. Major Transactions with DFI-TECH:

NT$000

	2012		2011	
	Amount	%	Amount	%
Sales	338,660	17	$ 158,429	9
Purchases	2,578	-	3,220	-
Manufacturing Overhead	66	-	-	-
Operating Expenses	256	-	325	-
Non-operating Income	367	2	509	3
Receivable from affiliate-				
Trade Debtor	86,155	100	$31,834	98
Other Receivable	64	-	531	2
	86,219	100	$ 32,365	100
Payable to affiliate-				
Accounts Payable	1,010	100	-	-
Accrued expenses	1	-		

The prices of related party sales are not significantly different from sales to third parties except custom-design motherboards, which need to conform to customers' specifications. Parent company's terms of sales to affiliates are open account 60-90 days, compared to that of non-affiliates which are 30-60 days. Subsidiaries' terms of sales to affiliates are 30 days after receipt of goods, compared to that of third parties, which are 45 days after invoice dates. Purchase payment terms from affiliates are 60 days after receipt of goods while 45 days after invoice dates for third parties.

3. Remuneration of Directors, Supervisors and Executives

	2012	2011
Salary	$12,457	$ 10,357
Year-end bonus	3,259	3,255
Employee bonus	3,329	2,099
	$19,045	$ 15,711

The employee bonus is accrued pursuant to Article of Incorporation and the percentage therein. The actual distribution may be different from the accrual.

NOTE 19: MORTGAGED or PLEDGED ASSETS

The following assets have been mortgaged or pledged to banks as guarantee deposits for employment of foreign labors, lawsuit and financing facilities:

	2012	2011
Pledged time deposits	$2,000	$ 5,500
Confined assets	2,965	2,965
	$4,965	$ 8,465

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NOTE 20: EXCHANGE RATES FOR FOREIGN CURRENCY FINANCIAL ASSETS AND LIABILITIES

Major financial assets or liabilities in foreign currencies:

Foreign currency/NT dollar: Thousand

	December 31, 2012			December 31, 2011		
	Foreign Currency	Exchange Rate	NT$	Foreign Currency	Exchange Rate	NT$
Financial Assets						
Monetary items						
USD	$28,878	29.0000	$837,451	$ 23,862	30.21	$ 720,882
EURO	706	38.2860	27,042	1,297	39	50,595
JP Yen	453,212	0.3338	151,282	485,016	0.3875	187,943
HK$	4,206	3.7190	15,643	5,868	3.865	22,679
RMB	5,200	4.5350	23,584	289	4.69	1,354
Non-Monetary Item						
USD	202	34.6000	7,000	$ 389	34.6	$ 13,454
Financial Liabilities						
Monetary items						
USD	8,283	29.0000	240,203	$ 3,415	30.21	$ 103,166
EURO	59	38.2860	2,259	99	39	3,864
JP Yen	28,146	0.3338	9,395	38,161	0.3875	14,787
HK$	2,651	3.7190	9,858	2,651	3.865	10,245

NOTE 21: ADDITIONAL DISCLOSURES

1. Major transactions and investments:
   a. Loan to others: none
   b. Guarantee for others: none
   c. Negotiable securities at end of year: see appendix 1
   d. Buying or selling same negotiable security accumulated to NT$100m or 20% of capital: see appendix 2
   e. Acquiring fixed assets amounted to NT$100m or 20% of capital: none
   f. Disposing fixed assets amounted to NT$100m or 20% of capital: none
   g. Purchases from or sales to related-parties amounted to NT$100m or 20% of capital: see appendix 3
   h. Receivables from related-parties amounted to NT$100m or 20% of capital: none
   i. Information of investment: Name of companies, location…etc.: see appendix 4
   j. Derivatives transaction: see footnotes 5 and 17.

2. Information concerning investment in China:
   1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see appendix 5.

   2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see appendix 6-1.

3. Parent-subsidiaries business relationship and major transactions: see appendix 6

NOTE 22: DEPARTMENTAL INFORMATION

a. The Company's only reportable segment is the industry PC segment. The industry PC segment engages mainly in the design, development, manufacturing and selling of industry PC.

The Company uses the operating profit as the measurement for segment profit and the basis of performance assessment. There was no inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 2

b. Industry financial information

	Department Revenue		Department Profit/Loss	
	2012	2011	2012	2011
Major Department	$1,936,864	$1,772,928	$231,373	$206,511
Other Department	10,512	11,149	22,520	13,068
Department total	$1,947,376	$1,784,077	253,893	219,579
Interest Income			4,844	4,705
Other Income			12,849	7,261
Gain on disposal of fixed assets			20	1,767
Exchange gain(loss)			10,322	27,771
Interest expenses			(256)	(292)
Other losses			(2,603)	(21)
Net income before tax			$279,069	$260,770

Reported revenue and income above include only transactions to external customers. There is no inter-department transaction.

Department profit (loss) subtotal excludes investment income recognized through equity method, interest income, other income, gain on disposal of fixed assets, exchange gain (loss) and income taxes. These measurements will be used by decision maker to allocate resources and performance evaluation.

c. Department Assets:

	2012	2011
Major Department	$2,004,664	$1,912,891
Other Department	1,246,995	1,269,352
Total Assets	$3,251,659	$3,182,243

d. Net Sales from Major Products:

	2012	2011
Industrial Motherboard and System	$1,838,516	$1,658,591
Others	98,348	125,486
	$1,936,864	$1,784,077

e. Geographic Information:
The major regions the Company engage in their business are America, Europe and Asia.

The revenue and non-current assets employed in each region are:

	Revenue from external customer		Non-current Assets	
	2012	2011	2012	2011
Asia	$983,150	$930,673	$169,054	$179,365
America	592,797	467,906	185,006	178,252
Europe	371,429	385,498	319	199
	$1,947,376	$1,784,077	$354,379	$357,816

Non-current assets exclude held for sale assets, financial instruments, deferred income tax assets, pension assets and assets arising from insurance contracts.

f. Major Customers:
The largest customer of the consolidated entity contributes revenue of NT$338,660 thousands and NT$158,429 thousands out of the total direct sales revenue of NT$1,838,516 thousands and NT$1,658,591 thousands, respectively, for 2012 and 2011. There is no other single customer represents over 10% of total revenue.

NOTE 23: PRE-DISCLOSURE OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

According to the Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company is required to provide pre-disclosure regarding the adoption of the International Financial Reporting Standards (IFRSs) in the consolidated financial statements as follows.

a. On May 14, 2009, the FSC announced the roadmap of IFRSs adoption for R.O.C. companies. Starting from 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare for the consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, International Accounting Standards (IASs), interpretations and related guidance translated by Accounting Research and Development Foundation (ARDF) and issued by the FSC. Due to aforementioned amendments, the Company established a taskforce to monitor and execute the IFRSs adoption plan. The important plan items, responsible divisions and plan progress are listed as follows.

Plan Item	**Responsible Division**	**Progress**
1. Establish the IFRSs taskforce	Accounting Division	Completed
2. Establish IFRSs adoption plan	Accounting Division	Completed
3. Complete the identification of differences between current GAAP and IFRSs	Accounting Division	Completed
4. Complete the identification of consolidated entities under IFRSs	Accounting Division	Completed
5. Evaluate potential impact from adoption of IFRSs no.1 with the exemption for first adoption.	Accounting Division	Completed
6. Complete evaluation, configuration and testing of the IT systems	Accounting division and IT Division	Completed
7. Complete modification to the relevant internal controls	Accounting Division, IT and Internal Audit Division	Completed
8. Choose IFRSs accounting policy	Accounting Division, IT and related divisions.	Completed
9. Decide the exemptions allowed in IFRSs no.1	Accounting Division	Completed
10. Prepare Statement of Financial Position as of opening date under IFRSs.	Accounting Division	Completed
11. Prepare comparative financial information under IFRSs for 2012	Accounting Division	In progress
12. Complete the adjustments to internal control	IT, Accounting and Internal Audit Divisions.	Completed

b. As of December 31, 2012, from the Company’s assessment, the significant differences between the Company’s current accounting policies under R.O.C. GAAP and the ones under IFRSs are stated as follows:

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1. Reconciliation to Consolidated Balance Sheet as of January 1, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
Item	Amount	Presentation Difference	Recognition & Measurement Difference	Amount	Item	
Current Assets						
Cash & Cash Equivalents	$ 965,645	($ 167,022)	$ -	$ 798,623	Cash & Cash Equivalents	6.1
Financial assets at fair value through profit or loss	994,458	-	-	994,458	Financial assets at fair value through profit or loss	
Available-for-sale financial assets	61,440	-	-	61,440	Available-for-sale financial assets	
Held-to-maturity financial assets	200,000	-	-	200,000	Held-to-maturity financial assets	
-	-	171,821	-	171,821	Bonds without Active Market	6.1/9
Notes and accounts receivable	209,519	-	-	209,519	Notes and accounts receivable	
Receivables from related parties	32,365	-	-	32,365	Receivables from related parties	
Other Receivable	15,983	(172)	-	15,811	Other Receivable	6.10
-	-	172	-	172	Current Income Tax Assets	6.10
Inventory	288,418	-	-	288,418	Inventory	
Pledged time deposit	5,500	(5,500)	-	-	-	
Deferred Income Taxes	22,293	(22,293)	-	-	-	
Prepaid Expenses and Other Current Assets	10,950	1,421	-	12,371	Other Current Assets	6.8
Subtotal Current Assets	2,806,571	(21,573)	-	2,784,998	Subtotal Current Assets	
Long-Term Investments						
Financial Assets Carried at Cost	13,454	-	-	13,454	Financial Assets Carried at Cost	
Net Property, Plant & Equipment	151,158	-	-	151,158	Net Property, Plant & Equipment	
Intangible Assets	187,512	10,933	-	198,445	Intangible Assets	6.8
Other Assets						
-	-	701	-	701	Bonds without Active Market	6.1
Refundable Deposits	4,402	2,965	-	7,367	Refundable Deposits	6.9
Deferred Charges	16,181	(16,181)	-	-	-	6.8
Deferred Income Tax	-	32,807	-	32,807	Deferred Income Tax	6.2
Confined Assets	2,965	(2,965)	-	-	-	6.9
Other Assets-Other	-	3,827	-	3,827	Other Assets-Other	6.8
Subtotal	23,548	21,154	-	44,702	Subtotal	
Total Assets	$3,182,243	10,514	-	$3,192,757	Total Assets	
Current Liabilities						
Notes Payable	51,910	-	-	51,910	Notes Payable	
Accounts Payable	141,015	-	-	141,015	Accounts Payable	
Income Tax Payable	15,225	-	-	15,225	Current Income Tax Liabilities	
Accrued Expenses	113,518	-	2,842	116,360	Other Payable	6.3
Financial liabilities at fair value through profit or loss	111	-	-	111	Financial liabilities at fair value through profit or loss	
Other Current Liabilities	7,339	-	-	7,339	Other Current Liabilities	
Subtotal	329,118	-	2,842	331,960		
Other Liabilities						
Accrued Pension Liabilities	56,137	-	8,740	64,877	Accrued Pension Liabilities	6.4
Deferred Income Tax	2,879	10,514	-	13,393	Deferred Income Tax	6.2
Others	2,449	-	-	2,449	Other Noncurrent Liabilities	
Subtotal	61,465	10,514	8,740	80,719		
Total Liabilities	390,583	10,514	11,582	412,679		
Common Stocks	1,148,399	-	-	1,148,399	Common Stocks	
Capital Surplus	789,971	-	(653)	789,318	Capital Surplus	6.5
Retained Earnings						
Legal Reserve	432,885	-	-	432,885	Legal Reserve	
Special Reserve	4,818	-	13,720	18,538	Special Reserve	4
Unappropriated Earnings	389,496	-	-	389,496	Unappropriated Earnings	4;6.3/4/5/6
Subtotal	827,199	-	13,720	840,919		
Other Equity						
Cumulative Translation Adjustment	24,649	-	(24,649)	-	Foreign Currency Translation Reserve	6.6
Unrealized Gain/Loss on Financial Instruments	1,440	-	-	1,440	Unrealized Gain/Loss from Available-for-sale Financial Assets	
Subtotal	26,089	-	(24,649)	1,440		
Parent Company Equity	2,791,858	-	(24,649)	1,440	Parent Company Equity	
Minority Interest	2	-	-	2	Noncontrolling Interest	
Subtotal Equity	2,791,660	-	(11,582)	2,780,078		
Total of Liabilities & Equity	$3,182,243	$10,514	$-	$3,192,757		

2. Reconciliation to Consolidated Balance Sheet as of December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
Item	Amount	Presentation Difference	Recognition & Measurement Difference	Amount	Item	
Current Assets						
Cash & Cash Equivalents	882,435	(176,283)	-	706,152	Cash & Cash Equivalents	6.1
Financial assets at fair value through profit or loss	1,039,995	-	-	1,039,995	Financial assets at fair value through profit or loss	
Held-to-Maturity financial assets	200,000	-	-	200,000		
-	-	177,582	-	177,582	Bonds without Active Market	6.1
Notes and accounts receivable	261,677	-	-	261,677	Notes and accounts receivable	
Receivables from related parties	86,219	-	-	86,219	Receivables from related parties	
Other Receivable	14,284	-	-	14,284	Other Receivable	
Inventory	360,697	-	-	360,697	Inventory	
Pledged time deposit	2,000	(2,000)	-	-	-	6.9
Deferred Income Taxes	18,642	(18,642)	-	-	-	6.2
Prepaid Expenses and Other Current Assets	19,788	1,051	-	20,839	Other Current Assets	6.8
Subtotal Current Assets	2,885,737	(18,292)	-	2,867,445	Subtotal Current Assets	
Long-Term Investments						
Financial Assets Carried at Cost	7,000	-	-	7,000	Financial Assets Carried at Cost	
Net Property, Plant & Equipment	153,048	-	-	153,048	Net Property, Plant & Equipment	
Intangible Assets	189,123	6,438	-	195,561	Intangible Assets	6.8
Other Assets						
-	-	701	-	701	Bonds without Active Market	6.1
Refundable Deposits	4,543	2,965	-	7,508	Refundable Deposits	6.9
Deferred Charges	9,243	(9,243)	-	-	-	6.8
Deferred Income Tax	-	28,320	1,000	29,320	Deferred Income Tax	6.2/4
Confined Assets	2,965	(2,965)	-	-	-	6.9
Other Assets-Other	-	1,754	-	1,754	Other Assets-Other	6.8
Subtotal	16,751	21,532	1,000	39,283	Subtotal	
Total Assets	3,251,659	9,678	1,000	3,262,337	Total Assets	
Current Liabilities						
Notes Payable	77,468	-	-	77,468	Notes Payable	
Accounts Payable	159,611	-	-	159,611	Accounts Payable	
Payable to Related parties	1,011	-	-	1,011		
Income Tax Payable	23,686	-	-	23,686	Current Income Tax Liabilities	
Accrued Expenses	104,239	-	2,842	107,081	Other Payable	6.3
Financial liabilities at fair value through profit or loss	177	-	-	177	Financial liabilities at fair value through profit or loss	
Other Current Liabilities	21,371	-	-	21,371	Other Current Liabilities	
Subtotal	387,563	-	2,842	390,405		
Other Liabilities						
Accrued Pension Liabilities	57,420	-	14,624	72,044	Accrued Pension Liabilities	6.4
Deferred Income Tax	8,200	9,678	-	17,878	Deferred Income Tax	6.2
Others	1,934	-	-	1,934	Other Noncurrent Liabilities	
Subtotal	67,554	9,678	14,624	91,856		
Total Liabilities	455,117	9,678	17,466	482,261		
Common Stocks	1,148,399	-	-	1,148,399	Common Stocks	
Capital Surplus	789,971	-	(653)	789,318	Capital Surplus	6.5
Retained Earnings						
Legal Reserve	453,891	-	-	453,891	Legal Reserve	
Special Reserve	-	-	13,720	13,720	Special Reserve	4
Unappropriated Earnings	416,432	-	(11,760)	404,672	Unappropriated Earnings	4;6.3/4/5/6
Subtotal	870,323	-	1,960	872,283		
Other Equity						
Cumulative Translation Adjustment	(12,153)	-	(17,773)	(29,926)	Foreign Currency Translation Reserve	6.6/7
Parent Company Equity	2,796,540	-	(16,466)	2,780,074	Parent Company Equity	
Minority Interest	2	-	-	2	Noncontrolling Interest	
Subtotal Equity	2,796,542	-	(16,466)	2,780,076		
Total of Liabilities & Equity	3,251,659	9,678	1,000	3,262,337		

3. Reconciliation to Consolidated Income Statement for 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
ITEM	AMOUNT	Presentation Difference	Recognition & Measurement Difference	AMOUNT	ITEM	Note
Net Sales	$ 1,936,864	$ -	$ -	$ 1,936,864	Net Sales	
Cost of Goods Sold	1,279,512	-	-	1,279,512	Cost of Goods Sold	
Gross Profit	657,352	-	-	657,352	Gross Profit	
Operating Expenses	425,979	-	-	425,979	Operating Expenses	
Income from Operation	231,373	-	-	231,373	Income from Operation	
Non-operating Income & Gain						
Gain on Valuation of Financial Assets	9,228	-	-	9,228	Gain on Valuation of Financial Assets	
Exchange Gain	7,978	-	(6,876)	1,102	Exchange Gain	6.(7)
Interest Income	6,801	-	-	6,801	Interest Income	
Gain on Disposal of Financial Assets	3,647	-	-	3,647	Gain on Disposal of Financial Assets	
Reversal of Impairment Loss on Financial Assets	3,259	-	-	3,259	Reversal of Impairment Loss on Financial Assets	
Gain on Disposal of Fixed Assets	20	-	-	20	Gain on Disposal of Fixed Assets	
Gain on Valuation of Financial Liabilities	1,943	-	-	1,943	Gain on Valuation of Financial Liabilities	
Other Income	21,404	-	-	21,404	Other Gains & Losses	
Subtotal	54,280	-	(6,876)	47,404		
Non-operating Expense & Loss						
Impairment Loss on Financial Assets	3,725	-	-	3,725	Impairment Loss on Financial Assets	
Interest Expenses	256	-	-	256	Finance Cost	
Others	2,603	-	-	2,603	Other Gains & Losses	
Subtotal	6,584	-	-	6,584		
Income before Income Tax	279,069	-	(6,876)	272,193	Income before Income Tax	
Income Tax Expense	63,685	-	-	63,685	Income Tax Expense	
Net Income	$ 215,384	$ -	($ 6,876)	$ 208,508	Net Income	
				($29,926)	Exchange differences on translating foreign operations	
				(1,440)	Net valuation loss on available-for-sale financial assets	
				(5,884)	Actuarial loss from defined benefit pension	6.(4)
				1,000	Income tax expense relating to components of other comprehensive income	6.(4)
				(36,250)	Other comprehensive income for the year, net of tax effect	
				$ 172,258	Total Comprehensive Income	

4. Special Reserve Accrued on Conversion Date

According to the Rule no.1010012865 issued by FSC on April 6, 2012, upon first adoption to IFRS, the Company should accrue special reserve equals to sum of retained earnings increased due to optional exemptions from unrealized fixed assets revaluation and cumulative translation adjustment, provided under IFRS 1. The special reserve accrued is limited to the smaller of net increase of retained earnings due to first adoption of IFRS or the aforementioned sum. The special reserve may be reversed in proportion if assets concerned being used, disposed or reclassified.

Cumulative translation adjustment that transferred into retained earnings amount to NT$24,649 thousands. But the net increase NT$13,720 thousands of retained earnings due to first adoption of IFRS is smaller than the said amount, so the special reserve is accrued as NT$13,720 thousands.

5. Exemptions from IFRS 1

IFRS 1, "First-time Adoption of International Financial Reporting Standards," establishes the procedures for the Company's first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Company is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs (January 1, 2012; the transition date); except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The main optional exemptions the Company adopted are summarized as follows:

1) Business combinations
The Company elected not to apply IFRS 3, “Business Combinations,” retrospectively to business combinations occurred before January 1, 2012. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations remains the same compared with the one under R.O.C. GAAP as of December 31, 2011.

2) Employee benefits
The Company elected to recognize all cumulative actuarial gains and losses in retained earnings as of January 1, 2012.

3) Share-based payment
The Company elected to take the optional exemption from applying IFRS 2, “Share-based Payment,” retrospectively for the shared-based payment transactions granted and vested before January 1, 2012.

4) Cumulative Translation Adjustments
The Company chooses to set all translation adjustments of foreign operating entities to zero at the adoption date and books in retained earnings.

The impact to the Company of the aforementioned exemptions has been addressed in the next section: 6. Notes to the reconciliation of the significant differences.

6. Notes to the reconciliation of the significant differences

1) Time Deposits with Maturity over Three Months
The ROC GAAP defines cash and cash equivalents as cash on hand, saving accounts, checking accounts, time deposits that can be settled on command without undermining the principle and negotiable time deposits that can be settled on command without undermining the principle.

While under IFRSs, to match the definition of cash equivalents, the investments must be transferable to cash on command with slim risk of value deterioration. Usually, only investments with maturity in short term (e.g., three months since acquirement) will be classified as cash equivalents. Those time deposits with maturity longer than three months will be reclassified as “Bonds without active market” after adopting IFRS.

The reclassification from “Cash and Cash Equivalents” to “Bonds without active market-Current” amounts to NT$175,582 thousands and NT$166,321 thousands, respectively, as of December 31, 2012 and January 1, 2012. The reclassification to “Bonds without active market-Non Current” amounts to NT$701 thousands for both periods.

2) Deferred income tax asset/liability
Under R.O.C. GAAP, a deferred tax asset or liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or non-current based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as non-current asset or liability.

In addition, under R.O.C. GAAP, valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to non-current assets were NT$18,642 thousand and NT$22,293 thousand, respectively. And offset between deferred income tax liabilities and assets was reversed and each account was increased by NT$9,678 thousand and NT$10,514 thousand, respectively.

3) Employee benefits- Unused leave with reimbursement
Under ROC GAAP, no specific rule for unused annual leave with reimbursement, generally it is booked when paid. While under IFRSs, such cost of annual leave should be accrued when employees provide service and the leave increased.

As of December 31, 2012 and January 1, 2012, the Consolidated Entity accrued additional NT$2,842 thousand in Other Payable (increase) and retained earnings (decrease).

4) Employee benefits
The Company had previously applied an actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation in conformity with R.O.C. GAAP. Under IFRSs, the Company should carry out actuarial valuation on defined benefit obligation in accordance with IAS No. 19, “Employee Benefits.”

Under R.O.C. GAAP, it is not allowed to recognize actuarial gains and losses from defined benefit plans directly to equity; instead, actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees.

At the transition date, the Company performed the actuarial valuation under IAS No. 19, “Employee Benefits,” and recognized the valuation difference directly to retained earnings under the requirement of IFRS 1.

In addition, under R.O.C. GAAP, the minimum pension liability should be recognized in the balance sheet. If the accrued pension cost is less than the minimum amount, the insufficiency should be recognized as an additional liability. Under IFRSs, there is no aforementioned requirement to keep minimum pension liability.

As of December 31, 2012 and January 1, 2012, accrued pension cost of the Company was adjusted from the aforementioned differences for an increase of NT$14,624 thousand and NT$8,740 thousand, respectively; for 2012, actuarial loss recognized in comprehensive income amount to NT$5,884 thousand. Income tax expense associated with comprehensive income is adjusted to decrease by NT$1,000 thousand, and therefore deferred income tax assets were adjusted for an increase of NT$1,000 thousand.

5) Capital Surplus arising from Long-term Equity Investment
According to ROC GAAP, when the Company subscribes for additional investee’s shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee differs from the amount of the Company’s share of the investee’s equity. The Company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus.

Under IFRSs, increase or decrease of ownership in related parties without losing significant influence on the investees is deemed a disposal or an acquirement. Whereas increase or decrease of ownership in subsidiaries without losing significant influence is deemed as transaction of equity. Additionally, according to Q&A from Taiwan Stock Exchange, capital surplus not conform to IFRSs or not the scope of capital surplus stipulated by Company Law or Department of Economic Affairs should be adjusted in the IFRS conversion date.

As of December 31, 2012 and January 1, 2012, “capital surplus- long-term equity investment” has been reduced by NT$653 thousand due to aforementioned reconciliation; and retained earnings increased by NT$653 thousand accordingly.

6) Cumulative Translation Adjustments
The Company chooses to set all translation adjustments of foreign operating entities to zero as of January 1, 2012. Same amount of adjustment booked to retained earnings of the same date. The gain or loss on subsequent disposition of the foreign operating entities should include translation adjustments after the IFRSs adoption. Those translation adjustments exist before adoption date should be excluded. The translation adjustments set to zero is NT$24,649 thousand, the same amount is adjusted to increase retained earnings.

7) Functional Currency of Foreign Operating Entity
Under current GAAP, the judgment of functional currency of foreign operating entity mainly relies on that if the currency is main currency used to make business decisions and payment/receipt.

Under IFRSs, more consideration taken including that if the foreign operating entity is the extension of reporting entity.

In 2012, exchange gain is adjusted to decrease by NT$6,876 thousand, and transferred to “Foreign operation entity translation differences” (other adjustment to shareholders’ equity) by the same amount.

8) Classification of Deferred Charges
ROC GAAP classifies deferred charges as Other Assets. While under IFRSs, deferred charges are reclassified into prepaid expenses, intangible assets and other non-current assets according to their each nature.

As of December 31, 2012 and January 1, 2012, the consolidated entity reclassified deferred charges to prepaid expenses by NT$1,051 thousand and NT$1,421 thousand, respectively; to intangible assets by NT$6,438 thousand and NT$10,933 thousand, respectively; to other non-current assets by NT$1,754 thousand and NT$3,827 thousand.

9) Classification of Pledged Assets
According to ROC GAAP, pledged assets and confined assets are classified as current assets or other assets based on their nature of pledge. Under IFRSs, both are reclassified to “Bonds without active market” and “Refundable deposit”.

As of December 31, 2012 and January 1, 2012, the consolidated entity reclassified pledged time deposits to “Bonds without active market” by NT$2,000 thousand and NT$5,500 thousand; and reclassified confined assets to refundable deposits by NT$2,965 thousand for both dates.

10) Presentation of Current Income Tax Assets
According to ROC GAAP, tax payments exceed tax payable are booked as other receivable. Under IFRSs, such overpayments will be presented alone in balance sheet.

As of December 31, 2012 and January 1, 2012, the consolidated entity reclassified other receivable to current income tax assets by NT$0 and NT$172 thousand, respectively.

c. The Company’s aforementioned assessment is based on the 2010 version of IFRSs translated by ARDF and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by FSC on December 22, 2011. However, the assessment result may be impacted as FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.