

**Phihong Technology Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2013 and 2012 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
Phihong Technology Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Phihong Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2013 and 2012 (all expressed in thousands of New Taiwan dollars). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As mentioned in Note 12 to the consolidated financial statements, long-term equity investments accounted for under the equity method for the three months ended March 31, 2013 and 2012 were based on unreviewed financial statements. As of March 31, 2013 and 2012, the aggregate balances of the Company's investments in its investees whose financial statements have not been reviewed by independent accountants amounted to \$327,061 thousand and \$347,863 thousand, respectively. For the three months ended March 31, 2013 and 2012, the Company's investment income from such investments amounted to \$1,100 thousand and \$2,351 thousand, respectively.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had the long-term equity investments and investment income of investees mentioned above been recognized based on reviewed financial statements, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the Financial Supervisory Commission of the Republic of China, International Financial Reporting Standard 1 “First-time Adoption of International Financial Reporting Standards” and International Accounting Standard 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

May 10, 2013

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent accountants’ review report and the accompanying consolidated 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 independent accountants’ review report and consolidated financial statements shall prevail.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

ASSETS	March 31, 2013		December 31, 2012		March 31, 2012		January 1, 2012		LIABILITIES AND EQUITY	March 31, 2013		December 31, 2012		March 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS									CURRENT LIABILITIES								
Cash and cash equivalents (Note 6)	\$ 1,217,076	12	\$ 1,543,288	16	\$ 2,206,937	22	\$ 2,119,386	20	Notes payable	\$ 2,099	-	\$ -	-	\$ -	-	\$ -	-
Financial assets at fair value through profit or loss - current (Note 7)	169,120	2	-	-	-	-	-	-	Trade payables	1,901,138	20	2,088,302	22	1,766,301	17	2,028,697	19
Trade receivables (Note 10)	1,809,149	19	1,907,482	20	1,668,370	16	1,936,108	18	Trade payables to related parties (Note 25)	95,388	1	48,320	-	18,382	-	35,939	-
Other receivables	42,506	-	54,641	1	32,620	-	81,406	1	Other payables (Note 17)	969,362	10	1,058,420	11	1,203,238	12	1,259,299	12
Inventories (Note 11)	1,795,621	19	1,680,224	17	1,970,498	19	2,080,000	19	Current tax liabilities	95,517	1	93,017	1	229,771	2	204,632	2
Other current assets	188,914	2	154,722	2	301,397	3	219,118	2	Other current liabilities (Note 18)	103,585	1	94,130	1	95,681	1	115,377	1
Total current assets	5,222,386	54	5,340,357	56	6,179,822	60	6,436,018	60	Total current liabilities	3,167,089	33	3,382,189	35	3,313,373	32	3,643,944	34
NON-CURRENT ASSETS								NON-CURRENT LIABILITIES									
Available-for-sale financial assets - non-current (Note 8)	34,515	-	30,620	-	41,888	-	33,357	-	Long-term borrowings (Note 16)	300,000	3	200,000	2	200,000	2	200,000	2
Financial assets measured at cost - non-current (Note 9)	77,945	1	90,945	1	93,254	1	93,254	1	Deferred tax liabilities	79,832	1	79,832	1	79,832	1	79,832	1
Investments accounted for using equity method (Note 12)	327,061	3	339,761	4	347,863	3	355,603	3	Accrued pension liabilities (Note 19)	66,743	1	66,792	1	73,349	1	73,270	1
Property, plant and equipment (Note 13)	3,694,671	39	3,517,009	37	3,403,248	33	3,472,330	33	Other non-current liabilities	825	-	2,259	-	956	-	1,128	-
Intangible assets (Note 14)	39,746	1	42,760	-	26,116	-	19,729	-	Total non-current liabilities	447,400	5	348,883	4	354,137	4	354,230	4
Deferred tax assets	47,669	1	48,419	1	59,587	1	67,496	1	Total liabilities	3,614,489	38	3,731,072	39	3,667,510	36	3,998,174	38
Long-term prepayments for lease (Note 15)	135,236	1	131,847	1	114,685	1	117,778	1	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)								
Other non-current assets	33,589	-	32,057	-	49,865	1	50,744	1	Share capital								
Total non-current assets	4,390,432	46	4,233,418	44	4,136,506	40	4,210,291	40	Common stock	2,771,639	29	2,771,639	29	2,768,819	27	2,749,329	26
								Advance collections for common stock	-	-	-	-	636	-	16,154	-	
								Total capital	2,771,639	29	2,771,639	29	2,769,455	27	2,765,483	26	
								Capital surplus	949,615	10	949,615	10	946,930	9	926,465	8	
								Retained earnings									
								Legal reserve	1,052,192	11	1,052,192	11	909,627	9	909,627	9	
								Special reserve	230,859	2	-	-	-	-	-	-	
								Unappropriated earnings	1,050,057	11	1,238,611	13	2,108,798	20	2,059,221	19	
								Total retained earnings	2,333,108	24	2,290,803	24	3,018,425	29	2,968,848	28	
								Other equity									
								Exchange differences on translating foreign operations	(22,562)	(1)	(148,361)	(2)	(79,433)	(1)	-	-	
								Unrealized (loss) gain on available-for-sale financial assets	(22,222)	-	(15,603)	-	(10,435)	-	(22,304)	-	
								Total other equity	(44,784)	(1)	(163,964)	(2)	(89,868)	(1)	(22,304)	-	
								Total equity attributable to owners of the Company	6,009,578	62	5,848,093	61	6,644,942	64	6,638,492	62	
								NON-CONTROLLING INTEREST									
								Total equity	(11,249)	-	(5,390)	-	3,876	-	9,643	-	
TOTAL	\$ 9,612,818	100	\$ 9,573,775	100	\$ 10,316,328	100	\$ 10,646,309	100	TOTAL	\$ 9,612,818	100	\$ 9,573,775	100	\$ 10,316,328	100	\$ 10,646,309	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 10, 2013)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2013		2012	
	Amount	%	Amount	%
NET SALES AND REVENUES (Note 34)	\$ 2,608,594	100	\$ 2,650,416	100
COST OF GOODS SOLD	<u>2,163,695</u>	<u>83</u>	<u>2,075,655</u>	<u>78</u>
GROSS PROFIT	<u>444,899</u>	<u>17</u>	<u>574,761</u>	<u>22</u>
OPERATING EXPENSES				
Sales and marketing	186,207	7	198,936	8
General and administration	131,432	5	136,237	5
Research and development	<u>121,844</u>	<u>5</u>	<u>114,925</u>	<u>4</u>
Total operating expenses	<u>439,483</u>	<u>17</u>	<u>450,098</u>	<u>17</u>
INCOME FROM OPERATIONS	<u>5,416</u>	<u>-</u>	<u>124,663</u>	<u>5</u>
NONOPERATING INCOME (EXPENSES)				
Other income	32,571	1	38,512	1
Other gains (losses) (Note 21)	20,778	1	(62,223)	(2)
Finance costs	(1,310)	-	(1,058)	-
Share of the profit (loss) of associates	<u>1,100</u>	<u>-</u>	<u>2,351</u>	<u>-</u>
Total nonoperating income (expenses)	<u>53,139</u>	<u>2</u>	<u>(22,418)</u>	<u>(1)</u>
INCOME BEFORE INCOME TAX	58,555	2	102,245	4
INCOME TAX EXPENSE (Note 22)	<u>(21,370)</u>	<u>(1)</u>	<u>(57,435)</u>	<u>(2)</u>
NET INCOME	<u>37,185</u>	<u>1</u>	<u>44,810</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating foreign operations (Note 20)	125,060	5	(80,433)	(3)
Unrealized gain on available-for-sale financial assets (Note 20)	3,895	-	8,531	-
Share of the other comprehensive income of associates (Note 20)	<u>(10,514)</u>	<u>-</u>	<u>3,338</u>	<u>-</u>
Total other comprehensive income (loss)	<u>118,441</u>	<u>5</u>	<u>(68,564)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ 155,626</u>	<u>6</u>	<u>\$ (23,754)</u>	<u>(1)</u>

(Continued)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	Three Months Ended March 31			
	2013		2012	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 42,305	1	\$ 49,577	2
Non-controlling interests	<u>(5,120)</u>	<u>-</u>	<u>(4,767)</u>	<u>-</u>
	<u>\$ 37,185</u>	<u>1</u>	<u>\$ 44,810</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owner of the Company	\$ 161,485	6	\$ (17,987)	(1)
Non-controlling interests	<u>(5,859)</u>	<u>-</u>	<u>(5,767)</u>	<u>-</u>
	<u>\$ 155,626</u>	<u>6</u>	<u>\$ (23,754)</u>	<u>(1)</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$0.15</u>		<u>\$0.18</u>	
Diluted	<u>\$0.15</u>		<u>\$0.18</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 10, 2013)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company						Other Equity		Total	Non-controlling Interest	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
	Common Stock	Advance Collections for Common Stock		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2012	\$ 2,749,329	\$ 16,154	\$ 926,465	\$ 909,627	\$ -	\$ 2,059,221	\$ -	\$ (22,304)	\$ 6,638,492	\$ 9,643	\$ 6,648,135
Net income (loss) for the three months ended March 31, 2012	-	-	-	-	-	49,577	-	-	49,577	(4,767)	44,810
Other comprehensive income (loss) for the three months ended March 31, 2012, net of income tax	-	-	-	-	-	-	(79,433)	11,869	(67,564)	(1,000)	(68,564)
Total comprehensive income (loss) for the three months ended March 31, 2012	-	-	-	-	-	49,577	(79,433)	11,869	(17,987)	(5,767)	(23,754)
Advance collections for common stock transferred to capital stock	7,880	(16,154)	8,274	-	-	-	-	-	-	-	-
Issue of common stock under employee share options	11,610	636	12,191	-	-	-	-	-	24,437	-	24,437
BALANCE, MARCH 31, 2012	\$ 2,768,819	\$ 636	\$ 946,930	\$ 909,627	\$ -	\$ 2,108,798	\$ (79,433)	\$ (10,435)	\$ 6,644,942	\$ 3,876	\$ 6,648,818
BALANCE, JANUARY 1, 2013	\$ 2,771,639	\$ -	\$ 949,615	\$ 1,052,192	\$ -	\$ 1,238,611	\$ (148,361)	\$ (15,603)	\$ 5,848,093	\$ (5,390)	\$ 5,842,703
Special reserve at first time adoption of IFRSs	-	-	-	-	230,859	(230,859)	-	-	-	-	-
Net income (loss) for the three months ended March 31, 2013	-	-	-	-	-	42,305	-	-	42,305	(5,120)	37,185
Other comprehensive income (loss) for the three months ended March 31, 2013, net of income tax	-	-	-	-	-	-	125,799	(6,619)	119,180	(739)	118,441
Total comprehensive income (loss) for the three months ended March 31, 2013	-	-	-	-	230,859	(188,554)	125,799	(6,619)	161,485	(5,859)	155,626
BALANCE, MARCH 31, 2013	\$ 2,771,639	\$ -	\$ 949,615	\$ 1,052,192	\$ 230,859	\$ 1,050,057	\$ (22,562)	\$ (22,222)	\$ 6,009,578	\$ (11,249)	\$ 5,998,329

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 10, 2013)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 58,555	\$ 102,245
Adjustments for :		
Impairment loss recognized (reversal of impairment loss) on trade receivables	2,490	(15)
Depreciation expense	105,692	119,244
Amortization expense	3,557	2,386
Finance costs	1,310	1,058
Interest income	(2,142)	(4,481)
Share of profit of associates	(1,100)	(2,351)
Loss on disposal of property, plant and equipment	668	1,516
Loss on disposal of financial assets measured at cost	2,517	-
Write-down of inventories	7,550	4,616
Amortization of prepayments for lease	799	684
Net changes in operating assets and liabilities		
Trade receivable	95,843	267,753
Other receivables	12,131	53,126
Inventories	(122,947)	104,886
Other current assets	(34,192)	(82,279)
Other non-current assets	(1,385)	382
Notes payable	2,099	-
Trade payable	(187,164)	(262,396)
Trade payable to related parties	47,068	(17,557)
Other payables	(83,461)	(56,169)
Other current liabilities	9,455	(19,696)
Reserve for retirement plan	(49)	79
Cash generated from operating activities	<u>(82,706)</u>	<u>213,031</u>
Interest paid	(978)	(1,058)
Interest received	2,144	4,019
Income tax paid	<u>(18,120)</u>	<u>(24,386)</u>
Net cash (used in) provided by operating activities	<u>(99,660)</u>	<u>191,606</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(169,120)	-
Proceeds on sale of financial assets measured at cost	10,483	-
Payments for property, plant and equipment	(200,383)	(121,549)
Proceeds from disposal of property, plant and equipment	5,310	-
Payments for intangible assets	(262)	(4,380)
(Increase) decrease in refundable deposits	(147)	497
Dividend received	<u>3,285</u>	<u>13,429</u>
Net cash used in investing activities	<u>(350,834)</u>	<u>(112,003)</u>

(Continued)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<u>Three Months Ended March 31</u>	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from employee stock options	\$ -	\$ 24,437
Proceeds from long-term borrowings	100,000	-
Decrease in advance deposits received	<u>(160)</u>	<u>(172)</u>
Net cash provided by financing activities	<u>99,840</u>	<u>24,265</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>24,442</u>	<u>(16,317)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(326,212)	87,551
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,543,288</u>	<u>2,119,386</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,217,076</u>	<u>\$ 2,206,937</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated May 10, 2013)

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(In Thousands of New Taiwan Dollars, Except Per Share Data and Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

Phihong Technology Co., Ltd. (“Phihong” or “the Company”), which was formerly known as Phihong Enterprise Co., Ltd. was incorporated on December 12, 1972 under the laws of the Republic of China (“ROC”). Under a resolution approved in the stockholders’ meeting in June 2003, Phihong changed its name to Phihong Technology Co., Ltd. Phihong primarily manufactures and sells AC/DC power adapters, charger bases, power supply modules, UPS (uninterruptible power supply) for computers, ballasts, etc.

In February 2000, Phihong was authorized to have its stocks traded on the over-the-counter (OTC) securities exchange in Taiwan. In September 2001, Phihong’s stocks ceased to be OTC traded and Phihong later obtained authorization to have its stocks listed on the Taiwan Stock Exchange.

The functional currency of Phihong is New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and approved for issue on May 10, 2013.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

The Company and its entire controlled subsidiaries (the “Group”) have not applied the following new and revised standards, amendments and interpretations that have been issued by the International Accounting Standards Board (IASB) because their effective dates were not yet announced by the Financial Supervisory Commission (FSC) of the Republic of China.

<u>New and Revised Standards, Amendments and Interpretations</u>		<u>Effective Date Announced by IASB (Note)</u>
<u>Endorsed by the FSC but the effective date was not yet determined by the FSC</u>		
Amendments to IFRSs	Improvements to IFRSs 2009 - Amendment to IAS 39	January 1, 2009 or January 1, 2010
IFRS 9 (2009)	Financial Instruments	January 1, 2015
Amendments to IAS 39	Embedded Derivatives	Effective for annual periods beginning on or after June 30, 2009
<u>Not yet endorsed by the FSC</u>		
Amendments to IFRSs	Improvements to IFRSs 2010 - Amendment to IAS 39	July 1, 2010 or January 1, 2011
Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013

(Continued)

New and Revised Standards, Amendments and Interpretations		Effective Date Announced by IASB (Note)
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
Amendments to IFRS 1	Government Loans	January 1, 2013
Amendments to IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 1, 2011
Amendments to IFRS 7	Disclosures - offsetting Financial Assets and Financial Liabilities	January 1, 2013
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date and Transition Disclosures	January 1, 2015
Amendments to IFRS 7	Disclosures - Transfers of Financial Assets	July 1, 2011
Amendments to IFRS 9	Financial Instruments	January 1, 2015
Amendments to IFRS 10	Consolidated Financial Statements	January 1, 2013
Amendments to IFRS 11	Joint Arrangements	January 1, 2013
Amendments to IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2013
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities	January 1, 2014
Amendments to IFRS 13	Fair Value Measurement	January 1, 2013
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets	January 1, 2012
Amendments to IAS 19	Employee Benefits	January 1, 2013
Amendments to IAS 27	Separate Financial Statements	January 1, 2013
Amendments to IAS 28	Investments in Associates and Joint Ventures	January 1, 2013
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

(Concluded)

Note: Unless otherwise noted, the above new and revised standards, amendments and interpretations are effective for annual periods beginning on or after the respective effective dates.

Since the FSC has not announced the effective date for the above new and revised standards, amendments and interpretations, it is not practicable to provide a reasonable estimate of the impact of the initial application of the standards, amendments and interpretations on the financial position and results of the Group until a detailed review has been completed.

4. SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the FSC announced the “Framework for the Adoption of IFRSs by Companies in the ROC.” In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations approved by the FSC.

The consolidated financial statements of the Company and its entire controlled subsidiaries are the first IFRS interim financial statements for part of the period covered by its first IFRS financial statements, the consolidated financial statements for 2013. The date of transition to IFRSs was January 1, 2012. Refer to Note 35 for the impact of IFRS conversion on the consolidated financial statements.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, IFRS 1 “First-time Adoption of International Financial Reporting Standards” and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in interim financial reports is less than disclosures required in a full set of annual financial reports.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheet as of the date of transition to IFRSs was prepared in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The applicable IFRSs have been applied retrospectively by the Group except for some aspects where other IFRSs prohibit retrospective application and specified areas where IFRS 1 grants limited exemptions from the requirements of other IFRSs. For the exemptions that the Group elected, refer to Note 35. The significant accounting policies are set out as below.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized within twelve months after the reporting period, unless the asset is to be used for an exchange or to settle a liability or otherwise remains restricted at more than twelve months after the reporting period. Property, plant and equipment and intangible assets, other than assets classified as current are classified as non-current assets. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that do not have an unconditional right to defer settlement for at least twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue. Liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests are presented in the consolidated balance sheets within equity, separately from the equity of the owners of the Company.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The consolidated entities were as follows:

Investor	Investee	Business Nature	Percentage of Ownership			
			March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Phihong	Phihong International Corp.	Makes investments	100.00	100.00	100.00	100.00
	Phitek International Co., Ltd.	Makes investments	100.00	100.00	100.00	100.00
	Ascent Alliance Ltd.	Makes investments	100.00	100.00	100.00	100.00
	Phihong USA Corp. ("PHA")	Sells various power supplies	100.00	100.00	100.00	100.00
	American Ballast Corp.	Sells various ballasts	100.00	100.00	100.00	100.00
	Phihong Technology Japan Co., Ltd.	Sells power components	100.00	100.00	100.00	100.00
	Guang-Lai Investment Co., Ltd.	Makes investments	100.00	100.00	100.00	100.00
Phihong International Corp.	Phihong (Dongguan) Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	100.00
	Phitek (Tianjin) Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	100.00
	Phihong Electronics (Suzhou) Co., Ltd.	Manufactures various power supplies and ballasts	100.00	100.00	100.00	100.00
	Value Dynamic Investment Ltd.	Makes investments	100.00	100.00	100.00	100.00
	N-Lighen Technologies, Inc.	Makes investments	58.45	58.45	58.45	58.45
Value Dynamic Investment Ltd.	Yanghong Lighting Trade Co., Ltd.	Manufactures various lighting supplies	100.00	100.00	100.00	100.00
N-Lighen Technologies, Inc.	N-Lighen (Shanghai) Trading Inc.	Develops, manufactures and sells various equipment and monitors	100.00	100.00	100.00	100.00
Phihong Electronics (Suzhou) Co., Ltd.	Suzhou Xin Phihong Electronics Co., Ltd.	Manufactures and sells lighting supplies	89.88	89.88	89.88	89.88
Phitek International Co., Ltd.	Dongguan Phitek Electronics Co., Ltd.	Manufactures various power supplies	100.00	100.00	100.00	100.00
	Suzhou Xin Phihong Electronics Co., Ltd.	Manufactures and sells lighting supplies	10.12	10.12	10.12	10.12
Ascent Alliance Ltd.	Dongguan Shuang-Ying Electronics Co., Ltd.	Manufactures and sells electronic materials	100.00	100.00	100.00	100.00
	Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Manufactures and sells electronic materials and transformers	100.00	100.00	100.00	100.00
Guang-Lai Investment Co., Ltd.	N-Lighen Technologies Inc.	Makes investments	19.78	19.78	19.78	19.78

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Exchange differences arising on the retranslation of non-monetary assets (such as equity instruments) or liabilities measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences if any, are recognized in other comprehensive income.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one period. Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with IAS 23 "Borrowing Costs". Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period.

Impairment of Tangible and Intangible Assets Other than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1) Measurement category

Financial assets are classified into the following specified categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Available-for-sale financial assets

Listed stocks held by the Group that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss that previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, cash and cash equivalent) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Certain categories of financial assets, such as trade receivables, are assessed for impairment on a collective basis even if they were assessed as not impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience in the collection of payments and the delayed payments in the portfolio past the average credit period.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security is considered to be objective evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

b. Financial liabilities

All the financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. The Group has accrued provisions for product guarantee based on the proper percentage of the current sales.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

a. Sale of goods

Specifically, sales of goods are recognized when goods are delivered and title has passed.

b. Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs other than stated above are recognized in profit or loss in the period in which they are incurred.

Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

Employee Share Options

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

Interim period income taxes are assessed on an annual basis. Interim period income tax expense is calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforward and unused tax credits for research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities including allowance for doubtful accounts, provision for inventory devaluation and obsolescence, depreciation and impairment of property, plant and equipment, taxation and retirement benefit costs that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

6. CASH AND CASH EQUIVALENTS

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Cash on hand	\$ 2,816	\$ 1,727	\$ 2,200	\$ 2,073
Checking accounts and demand deposits	1,077,339	1,420,595	1,302,982	1,614,016
Time deposits	57,000	57,000	103,500	164,060
Repurchase agreements collateralized by bonds	<u>79,921</u>	<u>63,966</u>	<u>798,255</u>	<u>339,237</u>
	<u>\$ 1,217,076</u>	<u>\$ 1,543,288</u>	<u>\$ 2,206,937</u>	<u>\$ 2,119,386</u>

The ranges of market rates of demand deposits, time deposits and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Demand deposits and time deposits	0.01%-2.85%	0.01%-2.85%	0.01%-3.10%	0.01%-3.10%
Repurchase agreements collateralized by bonds	0.68%	0.76%	0.75%	0.75%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Financial assets designated as at FVTPL				
Structured deposit	\$ 169,120	\$ -	\$ -	\$ -
Current	\$ 169,120	\$ -	\$ -	\$ -
Non-current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 169,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Group entered into a 7 to 15 days structured time deposit contract with a bank in 2013. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. The Group designated the entire contract as financial asset at FVTPL on initial recognition.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
<u>Quoted stocks</u>				
Hua Jung Component Co., Ltd.	\$ 34,515	\$ 30,620	\$ 41,888	\$ 33,357
Current	\$ -	\$ -	\$ -	\$ -
Non-current	<u>34,515</u>	<u>30,620</u>	<u>41,888</u>	<u>33,357</u>
	<u>\$ 34,515</u>	<u>\$ 30,620</u>	<u>\$ 41,888</u>	<u>\$ 33,357</u>

9. FINANCIAL ASSETS MEASURED AT COST

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
<u>Unlisted stocks</u>				
Bao-Dian Venture Capital Co., Ltd.	\$ 12,255	\$ 12,255	\$ 12,255	\$ 12,255
Yuan-Jing Venture Capital Co., Ltd.	31,500	31,500	31,500	31,500
Asiatech Taiwan Venture Fund	2,748	2,748	5,057	5,057
Neo Pac Lighting Limited	-	-	-	-
Yong-Li Investment Ltd.	9,442	9,442	9,442	9,442
TC-1 Culture Fund	22,000	22,000	22,000	22,000
Hui-Cheng Electronic Co., Ltd.	<u>-</u>	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>
	<u>\$ 77,945</u>	<u>\$ 90,945</u>	<u>\$ 93,254</u>	<u>\$ 93,254</u>

(Continued)

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Current	\$ -	\$ -	\$ -	\$ -
Non-current	<u>77,945</u>	<u>90,945</u>	<u>93,254</u>	<u>93,254</u>
	<u>\$ 77,945</u>	<u>\$ 90,945</u>	<u>\$ 93,254</u>	<u>\$ 93,254</u>
<u>Classified according to financial asset measurement categories</u>				
Available-for-sale financial assets	\$ 77,945	\$ 90,945	\$ 93,254	\$ 93,254
Financial assets at FVTPL	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 77,945</u>	<u>\$ 90,945</u>	<u>\$ 93,254</u>	<u>\$ 93,254</u>

(Concluded)

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore they were measured at cost less impairment at the end of reporting period.

10. TRADE RECEIVABLE

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
<u>Trade receivable</u>				
Trade receivable	\$ 1,842,084	\$ 1,937,679	\$ 1,719,912	\$ 1,987,812
Less: Allowance for doubtful accounts	<u>(32,940)</u>	<u>(30,197)</u>	<u>(51,542)</u>	<u>(51,704)</u>
	1,809,144	1,907,482	1,668,370	1,936,108
Trade receivable - related parties	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,809,149</u>	<u>\$ 1,907,482</u>	<u>\$ 1,668,370</u>	<u>\$ 1,936,108</u>

The average credit period on sales of goods was 30-70 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful accounts was recognized against trade receivables based on estimated irrecoverable amounts determined by reference to credit risk level of the counterparties and an analysis of their current financial position.

The aging of receivables that were past due but not impaired was as follows:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Not overdue and not impaired	\$ 1,754,123	\$ 1,888,952	\$ 1,646,382	\$ 1,871,321
Overdue under 60 days	56,505	20,827	23,364	64,954
Overdue 60 days and longer	<u>31,461</u>	<u>27,900</u>	<u>50,166</u>	<u>51,537</u>
	<u>\$ 1,842,089</u>	<u>\$ 1,937,679</u>	<u>\$ 1,719,912</u>	<u>\$ 1,987,812</u>

Movements in the allowance for doubtful accounts recognized on trade receivables were as follows:

	Three Months Ended March 31	
	2013	2012
Balance, beginning of period	\$ 30,197	\$ 51,704
Impairment losses recognized (reversed) on receivables	2,490	(15)
Effect of exchange rate changes	<u>253</u>	<u>(147)</u>
	<u>\$ 32,940</u>	<u>\$ 51,542</u>

As of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, accounts receivable of PHA in the amounts of \$664,931 thousand, \$435,683 thousand, \$440,632 thousand and \$522,793 thousand, respectively, had been pledged to secure short-term debts (the amount was not used as of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, respectively). See Note 29 to the consolidated financial statements.

11. INVENTORIES

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Raw materials	\$ 493,133	\$ 527,235	\$ 623,462	\$ 617,296
Work-in-process	212,817	148,214	251,694	181,425
Finished goods	329,035	351,712	303,562	427,637
Merchandise	<u>760,636</u>	<u>653,063</u>	<u>791,780</u>	<u>853,642</u>
	<u>\$ 1,795,621</u>	<u>\$ 1,680,224</u>	<u>\$ 1,970,498</u>	<u>\$ 2,080,000</u>

As of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, allowance of inventory devaluation was \$290,493 thousand, \$291,012 thousand, \$266,594 thousand and \$266,370 thousand, respectively.

For the three months ended March 31, 2013 and 2012, the cost of inventories recognized as cost of goods sold was \$2,163,695 thousand and \$2,075,655 thousand, respectively. Provision for inventory devaluation and obsolescence in the amounts of \$7,550 thousand and \$4,616 thousand were included in the cost of goods sold for the three months ended March 31, 2013 and 2012, respectively.

As of March 31, 2012 and January 1, 2012, inventories of PHA in the amounts of \$403,435 thousand and \$448,725 thousand, respectively, had been pledged to secure long-term debts (the credit was not used as of March 31, 2012 and January 1, 2012, respectively). See Note 29 to the consolidated financial statements.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
<u>Unlisted stocks</u>				
Hao-Xuan Venture Capital Co., Ltd.	\$ 43,258	\$ 55,052	\$ 68,252	\$ 67,350
H&P Venture Capital Co., Ltd.	151,049	152,762	147,356	147,560

(Continued)

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Han-Yu Venture Capital Co., Ltd.	\$ 96,516	\$ 99,243	\$ 97,603	\$ 109,986
Spring City Resort Co., Ltd.	36,238	32,704	34,652	30,707
Phihong PWM Brasil Ltda.	-	-	-	-
First International Computer Do Brasil Ltda	-	-	-	-
	<u>\$ 327,061</u>	<u>\$ 339,761</u>	<u>\$ 347,863</u>	<u>\$ 355,603</u>

(Concluded)

At the end of the reporting period, the percentages of ownership and voting rights in associates held by the Group were as follows:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Hao-Xuan Venture Capital Co., Ltd.	24.67%	24.67%	24.67%	24.67%
H&P Venture Capital Co., Ltd.	32.26%	32.26%	32.26%	32.26%
Han-Yu Venture Capital Co., Ltd.	22.22%	22.22%	22.22%	22.22%
Spring City Resort Co., Ltd.	25.33%	25.33%	25.33%	25.33%
Phihong PWM Brasil Ltda.	60.00%	60.00%	60.00%	60.00%
First International Computer Do Brasil Ltda	33.85%	33.85%	33.85%	33.85%

Phihong's investments in Brazil include 60% ownership interest of Phihong PWM Brasil Ltda. and 33.85% ownership interest of First International Computer Do Brasil Ltda. Additionally, Phihong PWM Brasil Ltda. also holds 21.15% ownership interest of First International Computer Do Brasil Ltda. The other 40% ownership interest of Phihong PWM Brasil Ltda. is held by the local management team. According to cooperation mode between the Company and the local management team and under Brazilian local laws, the Company has no controlling power over Phihong PWM Brasil Ltda. Because the recoverability of the investments in Phihong PWM Brasil Ltda. and First International Computer Do Brasil Ltda. is considered remote, the Company reduced the carrying value of both investments to zero.

The summarized financial information in respect of the Group's associates was set out below:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Total assets	<u>\$ 1,696,771</u>	<u>\$ 1,775,974</u>	<u>\$ 1,785,364</u>	<u>\$ 1,863,220</u>
Total liabilities	<u>\$ 475,780</u>	<u>\$ 503,534</u>	<u>\$ 475,859</u>	<u>\$ 516,588</u>
			Three Months Ended March 31	
			2013	2012
Revenue for the period			<u>\$ 91,682</u>	<u>\$ 160,448</u>
Profit for the period			<u>\$ 5,791</u>	<u>\$ 9,393</u>
Other comprehensive income for the period			<u>\$ 20,979</u>	<u>\$ 24,005</u>

The equity-method investees' financial statements for the three months ended March 31, 2013 and 2012, which had been used to determine the carrying amount of the Group's investments and the share of profit and other comprehensive income of associates, had not been reviewed. The Group believes that, had those investees' financial statements been reviewed, any adjustments would have had no material effect on the Group's financial statements.

13. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Freehold land	\$ 255,723	\$ 254,350	\$ 255,182	\$ 256,353
Buildings	1,630,793	1,609,159	1,707,830	1,765,101
Machinery and equipment	1,202,456	1,179,165	1,127,750	1,158,881
Other equipment	152,990	166,673	178,071	198,681
Advance payments and construction in progress	<u>452,709</u>	<u>307,662</u>	<u>134,415</u>	<u>93,314</u>
	<u>\$ 3,694,671</u>	<u>\$ 3,517,009</u>	<u>\$ 3,403,248</u>	<u>\$ 3,472,330</u>

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2012	\$ 256,353	\$ 2,513,376	\$ 2,164,464	\$ 578,580	\$ 93,314	\$ 5,606,087
Additions	-	6,586	60,680	13,268	41,101	121,635
Disposals	-	(2,000)	(4,178)	(1,133)	-	(7,311)
Effect of foreign currency exchange differences	(1,171)	(46,101)	(40,836)	(14,679)	-	(102,787)
Others	<u>-</u>	<u>-</u>	<u>(70)</u>	<u>-</u>	<u>-</u>	<u>(70)</u>
Balance at March 31, 2012	<u>\$ 255,182</u>	<u>\$ 2,471,861</u>	<u>\$ 2,180,060</u>	<u>\$ 576,036</u>	<u>\$ 134,415</u>	<u>\$ 5,617,554</u>
Balance at January 1, 2013	\$ 254,350	\$ 2,446,205	\$ 2,365,881	\$ 604,405	\$ 307,662	\$ 5,978,503
Additions	-	229	12,985	7,755	172,945	193,914
Disposals	-	-	(12,863)	(9,885)	-	(22,748)
Effect of foreign currency exchange differences	1,373	67,694	71,418	10,813	10,298	161,596
Others	<u>-</u>	<u>-</u>	<u>102,463</u>	<u>(64,267)</u>	<u>(38,196)</u>	<u>-</u>
Balance at March 31, 2013	<u>\$ 255,723</u>	<u>\$ 2,514,128</u>	<u>\$ 2,539,884</u>	<u>\$ 548,821</u>	<u>\$ 452,709</u>	<u>\$ 6,311,265</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2012	\$ -	\$ 748,275	\$ 1,005,583	\$ 379,899	\$ -	\$ 2,133,757
Disposals	-	(1,508)	(3,338)	(949)	-	(5,795)
Depreciation expense	-	30,498	69,409	19,337	-	119,244
Effect of foreign currency exchange differences	-	(13,234)	(19,274)	(322)	-	(32,830)
Others	<u>-</u>	<u>-</u>	<u>(70)</u>	<u>-</u>	<u>-</u>	<u>(70)</u>
Balance at March 31, 2012	<u>\$ -</u>	<u>\$ 764,031</u>	<u>\$ 1,052,310</u>	<u>\$ 397,965</u>	<u>\$ -</u>	<u>\$ 2,214,306</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
Balance at January 1, 2013	\$ -	\$ 837,046	\$ 1,186,716	\$ 437,732	\$ -	\$ 2,461,494
Disposals	-	-	(8,210)	(8,560)	-	(16,770)
Depreciation expense	-	24,805	63,746	17,141	-	105,692
Effect of foreign currency exchange differences	-	21,484	35,532	9,162	-	66,178
Others	-	-	59,644	(59,644)	-	-
Balance at March 31, 2013	<u>\$ -</u>	<u>\$ 883,335</u>	<u>\$ 1,337,428</u>	<u>\$ 395,831</u>	<u>\$ -</u>	<u>\$ 2,616,594</u> (Concluded)

The above items of property, plant and equipment were depreciated on a straight-line basis over the following estimated useful life:

Buildings	5-50 years
Machinery and equipment	3-10 years
Other equipment	3-5 years

Refer to Note 29 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure long-term loans.

14. INTANGIBLE ASSETS

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Computer software	<u>\$ 39,746</u>	<u>\$ 42,760</u>	<u>\$ 26,116</u>	<u>\$ 19,729</u>
			Three Months Ended March 31	
			2013	2012
<u>Cost</u>				
Balance, beginning of period			\$ 77,356	\$ 38,966
Additions			262	4,380
Reclassification			(666)	4,474
Effect of foreign currency exchange differences			<u>555</u>	<u>(139)</u>
Balance, end of period			<u>\$ 77,507</u>	<u>\$ 47,681</u>
<u>Accumulated amortization and impairment</u>				
Balance, beginning of period			\$ 34,596	\$ 19,237
Amortization expense			3,557	2,386
Disposals			(666)	-
Effect of foreign currency exchange differences			<u>274</u>	<u>(58)</u>
Balance, end of period			<u>\$ 37,761</u>	<u>\$ 21,565</u>
Net book value			<u>\$ 39,746</u>	<u>\$ 26,116</u>

The above items of intangible assets were depreciated on a straight-line basis over estimated useful life of 2 to 5 years.

15. PREPAYMENTS FOR LEASE

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Prepayments for lease	<u>\$ 135,236</u>	<u>\$ 131,847</u>	<u>\$ 114,685</u>	<u>\$ 117,778</u>

Prepayments for lease are prepaid land use rights for land located in Mainland China.

16. BORROWINGS

Long-term borrowings:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
<u>Unsecured loan</u>				
Medium-term loan				
Repayable from March 13, 2013 to March 13, 2015; interest rate was 1.42% on March 31, 2013. Interest is paid monthly and principal is due on March 13, 2015.	\$ 100,000	\$ -	\$ -	\$ -
<u>Secured loan</u>				
Medium-term secured loan				
Repayable from September 27, 2012 to September 27, 2014; interest rate was 1.37% on March 31, 2013. Interest is paid monthly and the principal is due on September 27, 2014.	200,000	200,000	-	-
Medium-term secured loan				
Repayable from December 29, 2011 to December 29, 2013; interest rate was 1.37% on December 31, 2011. Interest is paid monthly and principal is due on December 29, 2013. Principal was fully repaid in September 2012.	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
	<u>\$ 300,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>

For pledged properties and endorsements/guarantees, please see Notes 25 and 29 to the consolidated financial statements.

17. OTHER PAYABLES

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Payable for purchase of equipment	\$ 6,690	\$ 13,159	\$ 342	\$ 256
Compensation payable to employees and directors and supervisors	63,334	55,720	264,119	256,618
Payable for salaries and bonus	192,555	284,044	156,452	165,914
Payable for annual leave	39,906	32,076	26,695	34,554
Others	<u>666,877</u>	<u>673,421</u>	<u>755,630</u>	<u>801,957</u>
	<u>\$ 969,362</u>	<u>\$ 1,058,420</u>	<u>\$ 1,203,238</u>	<u>\$ 1,259,299</u>

18. PROVISIONS (RECORDED AS OTHER CURRENT LIABILITIES)

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Warranties	\$ 8,091	\$ 9,271	\$ 8,159	\$ 10,389
Export losses	<u>49,052</u>	<u>49,052</u>	<u>49,052</u>	<u>49,052</u>
	<u>\$ 57,143</u>	<u>\$ 58,323</u>	<u>\$ 57,211</u>	<u>\$ 59,441</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local regulations on sale of goods.

The provision of export loss represents the possible product returns and rebates; the amount was estimated based on historical experience, management's judgments and other known reasons.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Under the LPA, Phihong makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expense recognized in profit or loss for the three months ended March 31, 2013 and 2012, were \$4,036 thousand and \$3,890 thousand, respectively; the amounts represent contributions payable to these plans by Phihong at rates specified in the rules of the plans.

b. Defined benefit plans

Based on the defined benefit plan under the Labor Standard Law, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Phihong contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name.

Employee benefit expenses for the three months ended March 31, 2013 and 2012 were included in the following line items:

	2013	2012
Operating cost	\$ 48	\$ 67
Sales and marketing expenses	75	129
General and administration expenses	72	116
Research and development expenses	<u>342</u>	<u>442</u>
	<u>\$ 537</u>	<u>\$ 754</u>

20. EQUITY

Share Capital

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Number of shares authorized (in thousands)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>277,164</u>	<u>277,164</u>	<u>276,882</u>	<u>274,933</u>
Shares issued	<u>\$ 2,771,639</u>	<u>\$ 2,771,639</u>	<u>\$ 2,768,819</u>	<u>\$ 2,749,329</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

A reconciliation of the number of shares outstanding was as follows:

	Number of Shares (In Thousands of Share)	Share Capital
Balance at January 1, 2012	274,933	\$ 2,749,329
Exercise of share options	1,161	11,610
Advance collections for common stock transferred to share capital	<u>788</u>	<u>7,880</u>
Balance at March 31, 2012	<u>276,882</u>	<u>\$ 2,768,819</u>
Balance at January 1 and March 31, 2013	<u>277,164</u>	<u>\$ 2,771,639</u>

Capital Surplus

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Issuance of common shares	\$ 226,556	\$ 226,556	\$ 223,871	\$ 203,406
Conversion of bonds	661,582	661,582	661,582	661,582
Treasury share transactions	48,234	48,234	48,234	48,234
Interest payable of bond conversion	<u>13,243</u>	<u>13,243</u>	<u>13,243</u>	<u>13,243</u>
	<u>\$ 949,615</u>	<u>\$ 949,615</u>	<u>\$ 946,930</u>	<u>\$ 926,465</u>

The premium from shares issued in excess of par (share premium from issuance of common shares, conversion of bonds and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's capital and once a year).

The capital surplus from long-term investments, employee share options and share warrants may not be used for any purpose.

Retained Earnings and Dividend Policy

Under the Company Law of the ROC and Phihong's Articles of Incorporation, 10% of Phihong's annual earnings, net of tax and any deficit, should first be appropriated as legal reserve until such reserve equals to the amount of the Phihong's capital, and then a special reserve should be appropriated as required by laws or local authorities. Any remaining earnings plus unappropriated earnings accumulated in prior years, unless to be retained partially by Phihong or resolved otherwise by the stockholders, should be appropriated as follows:

- a. Not greater than 2% as remuneration to directors and supervisors;
- b. Not less than 10% as bonuses to employees; and
- c. The remaining as dividends, of which at least 10% should be cash dividends.

For the three months ended March 31, 2013 and 2012, the bonus to employees was \$6,853 thousand and \$6,751 thousand, respectively, and the remuneration to directors and supervisors was \$762 thousand and \$750 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 20% of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a company should appropriate to special reserve the total amount of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. However, at the date of transition to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough, i.e. smaller than the total of the revaluation and translation difference, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The appropriation to special reserve may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficit in subsequent years. However, no appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated, i.e. the special reserve used to offset deficit had been reinstated in subsequent years when the company has earnings and the original need to appropriate for special reserve is not eliminated.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's capital surplus. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed to share a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2012 and 2011 had been approved in the Board of Directors' meeting held on March 22, 2013 and shareholders' meeting held on June 19, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Year 2012	For Year 2011	For Year 2012	For Year 2011
Legal reserve	\$ 30,955	\$ 142,565	\$-	\$-
Cash dividends	277,164	995,969	1.00	3.59

The bonus to employees and the remuneration to directors and supervisors for 2012 and 2011 had been approved in the Board of Directors' meeting held on March 22, 2013 and shareholders' meeting held on June 19, 2012, respectively. Related amounts were as follows:

	For the Year Ended 2012		For the Year Ended 2011	
	Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends
Bonus to employees	\$ 50,148	\$ -	\$ 236,998	\$ -
Remuneration of directors and supervisors	5,572	-	19,620	-

There was no difference between the amounts accrued and the amounts approved in the board of directors and shareholders' meeting with respect to bonus to employees and remuneration to directors and supervisors.

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and ROC GAAP, and by reference to the balance sheet as of December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards. Thus, they are still subject to the resolution in the shareholders' meeting to be held on June 24, 2013.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Special Reserves Appropriated Following First-time Adoption of IFRSs

The Company's special reserves appropriated following first-time adoption of IFRSs were as follows:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Special reserve	<u>\$ 230,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Company transferred to retained earnings unrealized revaluation increment and cumulative translation differences in the amount of \$10,968 thousand and \$250,296 thousand, respectively. The increase in retained earnings that resulted from all IFRSs adjustments was smaller than the total revaluation and translation differences, therefore, the Company appropriated to the special reserve an amount of \$230,859 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Other Equity Items

a. Foreign currency translation reserve

	Three Months Ended March 31	
	2013	2012
Balance, beginning of period	\$ (148,361)	\$ -
Exchange differences arising on translating the foreign operations	<u>125,799</u>	<u>(79,433)</u>
Balance, end of period	<u>\$ (22,562)</u>	<u>\$ (79,433)</u>

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) were reclassified to profit or loss on the disposal of the foreign operation.

b. Investments revaluation reserve

	Three Months Ended March 31	
	2013	2012
Balance, beginning of period	\$ (15,603)	\$ (22,304)
Unrealized gain arising on revaluation of available-for-sale financial assets	3,895	8,531
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>(10,514)</u>	<u>3,338</u>
Balance, end of period	<u>\$ (22,222)</u>	<u>\$ (10,435)</u>

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Non-controlling Interest

	Three Months Ended March 31	
	2013	2012
Balance, beginning of period	\$ (5,390)	\$ 9,643
Attributable to non-controlling interests:		
Share of profit for the period	(5,120)	(4,767)
Exchange difference arising on translation of foreign entities	<u>(739)</u>	<u>(1,000)</u>
Balance, end of period	<u>\$ (11,249)</u>	<u>\$ 3,876</u>

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Other gains and losses

	Three Months Ended March 31	
	2013	2012
Loss on disposal of property, plant and equipment	\$ (668)	\$ (1,516)
Exchange gain (loss), net	18,517	(57,538)
Loss on disposal of investment	(2,517)	-
Others	<u>5,446</u>	<u>(3,169)</u>
	<u>\$ 20,778</u>	<u>\$ (62,223)</u>

b. Depreciation and amortization

	Three Months Ended March 31	
	2013	2012
Property, plant and equipment	\$ 105,692	\$ 119,244
Intangible assets	3,557	2,386
Prepayment for lease	<u>799</u>	<u>684</u>
	<u>\$ 110,048</u>	<u>\$ 122,314</u>
An analysis of depreciation by function		
Operating costs	\$ 66,519	\$ 72,379
Operating expenses	<u>39,173</u>	<u>46,865</u>
	<u>\$ 105,692</u>	<u>\$ 119,244</u>
An analysis of amortization by function		
Operating costs	\$ 981	\$ 1,216
Operating expenses	<u>3,375</u>	<u>1,854</u>
	<u>\$ 4,356</u>	<u>\$ 3,070</u>

c. Employee benefits expense

	Three Months Ended March 31	
	2013	2012
Post-employment benefits (see Note 19)		
Defined contribution plans	\$ 4,036	\$ 3,890
Defined benefit plans	<u>537</u>	<u>754</u>
	4,573	4,644
Short-term employee benefits	<u>540,289</u>	<u>457,015</u>
	<u>\$ 544,862</u>	<u>\$ 461,659</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 326,698	\$ 252,868
Operating expenses	<u>218,164</u>	<u>208,791</u>
	<u>\$ 544,862</u>	<u>\$ 461,659</u>

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	From January 1 to March 31	
	2013	2012
Current tax		
In respect of the current period	\$ 20,620	\$ 49,370
In respect of prior periods	<u>-</u>	<u>188</u>
	<u>20,620</u>	<u>49,558</u>
Deferred tax		
In respect of the current period	<u>750</u>	<u>7,877</u>
Total income tax expense recognized in the current period	<u>\$ 21,370</u>	<u>\$ 57,435</u>

b. Information on integrated income tax was as follows:

	March 31, 2013
Unappropriated earnings	
Unappropriated earnings generated before January 1, 1998	\$ -
Unappropriated earnings generated on and after January 1, 1998	<u>1,050,057</u>
	<u>\$ 1,050,057</u>
Balance of imputation credit account (ICA)	<u>\$ 222,802</u>

The creditable ratios for the distribution of the earnings of 2012 and 2011 were 29.27% (estimated) and 23.28% (actual), respectively.

c. Income tax assessments

The latest income tax returns examined and approved by the tax authorities are summarized as follows:

	Year
Phihong	2010
Guang-Lai	2011

23. EARNINGS PER SHARE

	Income After Tax (Attributed to Owner of the Company)	Number of Common Shares Outstanding (In Thousands)	<u>Earnings Per Share (NT\$)</u> Income After Tax (Attributed to Owner of the Company)
<u>Three months ended March 31, 2013</u>			
Basic earnings per share			
Net income attributed to holders of common shares	\$ <u>42,305</u>	277,164	\$ <u>0.15</u>
Effect of dilutive potential common shares			
Employee share option		1,237	
Employee bonus		<u>282</u>	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	\$ <u>42,305</u>	<u>278,683</u>	\$ <u>0.15</u>
<u>Three months ended March 31, 2012</u>			
Basic earnings per share			
Net income attributed to holders of common shares	\$ <u>49,577</u>	276,567	\$ <u>0.18</u>
Effect of dilutive potential common shares			
Employee share option		2,757	
Employee bonus		<u>161</u>	
Diluted earnings per share			
Net income attributed to holders of common shares plus the effect of dilutive potential common shares	\$ <u>49,577</u>	<u>279,485</u>	\$ <u>0.18</u>

If the Group was able to settle the bonuses paid to employees by cash or shares, the Group presumed that the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Company

Qualified employees of the Company were granted 15,000 options in December 2007. Each option entitles the holder to subscribe for one thousand new issued common shares of the Company. The options granted are valid for 6 years and the warrant holders can not exercise the right after 6 years from the granted date. The warrant holders can exercise the right up to half of the granted warrant units no earlier than two years from the granted date. After three years from the granted date, the warrants holders are eligible to exercise the right up to three-fourth of the granted warrant units. After four years from the granted date, the warrants holders are eligible to exercise all the warrants owned. The options were

granted at an exercise price equal to the closing price of the Company's common shares listed on the OTC on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	Three Months Ended March 31			
	2013		2012	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	4,515	\$18.20	6,867	\$20.50
Options exercised	-	-	(1,192)	20.50
Options expired	-	-	-	
Balance at March 31	<u>4,515</u>	18.20	<u>5,675</u>	20.50
Options exercisable, end of period	<u>4,515</u>		<u>5,675</u>	

The weighted-average share price at the date of exercise of share options for the three months ended March 31, 2012 was NT\$20.50.

Information about outstanding options was as follows:

March 31, 2013		March 31, 2012	
Range of Exercise Price (NT\$)	Weighted-average Remaining Life (Years)	Range of Exercise Price (NT\$)	Weighted-average Remaining Life (Years)
\$18.20	0.75	\$20.50	1.75

25. RELATED-PARTY TRANSACTIONS

- a. The Group's related parties and relationship

Related Party	Relationship with the Group
Xu Sheng Technology Co., Ltd.	Other related parties
Red Sun Metal Industry Co., Ltd.	Other related parties
Shine Tech Ltd.	Other related parties
Heng Hui Co., Ltd.	Other related parties
Dongguan Song Xiang Metal Products Co., Ltd.	Other related parties
Dongguan Fenggang Pin Hao Metal Products Co., Ltd.	Other related parties
Peter Lin	Phihong's chairman

Details of transactions between the Group and other related parties were disclosed below.

b. Trading transactions

	Purchase of Goods	
	Three Months Ended March 31	
	2013	2012
Other related parties	<u>\$ 68,212</u>	<u>\$ 18,448</u>

There is no significant difference between purchase price from related parties and purchase price from unrelated parties.

The following balances of trade payables for purchases from related parties were outstanding at the end of the reporting period:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Other related parties	<u>\$ 95,388</u>	<u>\$ 48,320</u>	<u>\$ 18,382</u>	<u>\$ 35,939</u>

c. Compensation of key management personnel

The types and amounts of the remuneration of directors and other members of key management personnel for the three months ended March 31, 2013 and 2012 were as follows:

	Three Months Ended March 31	
	2013	2012
Short-term benefits	\$ 7,648	\$ 11,059
Post-employment benefits	<u>54</u>	<u>81</u>
	<u>\$ 7,702</u>	<u>\$ 11,140</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

d. Other transactions with related parties

The key management personnel of the Group have guaranteed the payments of the loans of the Company as of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012. The amounts of the guarantees were \$300,000 thousand, \$200,000 thousand, \$200,000 thousand and \$200,000 thousand, respectively.

26. NON-CASH TRANSACTIONS

For the three months ended March 31, 2013 and 2012, the Group had the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows:

	March 31	
	2013	2012
Unpaid purchase of property, plant and equipment	<u>\$ 6,690</u>	<u>\$ 342</u>

27. CAPITAL MANAGEMENT

The capital structure of the Group consists of net debt (borrowings minus cash and cash equivalents) and equity attributable to owners of the Company.

Key management personnel of the Group review the capital structure periodically. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

Except for the financial assets carried at cost, of which fair values can not be reliably measured, the management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Available-for-sale financial assets				
Equity securities listed in ROC	<u>\$ 34,515</u>	<u>\$ 30,620</u>	<u>\$ 41,888</u>	<u>\$ 33,357</u>

- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices):

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Financial assets at FVTPL				
Structured deposits	<u>\$ 169,120</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices. Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Group are consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
<u>Financial assets</u>				
Loans and receivables				
Cash and cash equivalents	\$ 1,217,076	\$ 1,543,288	\$ 2,206,937	\$ 2,119,386
Trade receivable	1,809,149	1,907,482	1,668,370	1,936,108
Other receivables	42,506	54,641	32,620	81,406
Refundable deposits	28,280	28,133	31,941	32,438
Financial assets at fair value through profit or loss	169,120	-	-	-
Available-for-sale financial assets	34,515	30,620	41,888	33,357
Financial assets carried at cost	77,945	90,945	93,254	93,254
<u>Financial liabilities</u>				
Measured at amortized cost				
Notes payable	2,099	-	-	-
Trade payable	1,901,138	2,088,302	1,766,301	2,028,697
Trade payable to related parties	95,388	48,320	18,382	35,939
Other payables	969,362	1,058,420	1,203,238	1,259,299
Long-term debts	300,000	200,000	200,000	200,000
Advance deposits received	825	985	956	1,128

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, trade receivable, other receivables, refundable/advance deposit, notes and accounts payable, accounts payable - related parties, other payables, and long-term loans. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are presented in Note 32.

Sensitivity analysis

The Company was mainly exposed to the currency USD.

The following table details the Group's sensitivity to a 10% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity item when New Taiwan dollars strengthen by 10% against the relevant currency. For a 10% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity item and the balances below would be negative.

	Currency USD Impact	
	Three Months Ended March 31	
	2013	2012
Profit or loss	\$ 33,818	\$ 61,205

b) Interest rate risk

The Group was exposed to fair value risk and cash flow interest rate risk from long-term loans, time deposit, and Repurchase agreements collateralized bonds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Fair value interest rate risk				
Financial assets	\$ 57,000	\$ 57,000	\$ 103,500	\$ 164,060
Financial liabilities	200,000	200,000	200,000	200,000
Cash flow interest rate risk				
Financial assets	79,921	63,966	798,255	339,237
Financial liabilities	100,000	-	-	-

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for financial instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 1% higher and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2013 would have been lower by \$200 thousand, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk approximates the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of customers in view of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

3) Liquidity risk

a) Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods:

March 31, 2013

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,967,987	\$ -	\$ 825	\$ 2,968,812
Variable interest rate instrument	-	100,000	-	100,000
Fixed interest rate instrument	-	200,000	-	200,000
	<u>\$ 2,967,987</u>	<u>\$ 300,000</u>	<u>\$ 825</u>	<u>\$ 3,268,812</u>

December 31, 2012

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,195,042	\$ -	\$ 985	\$ 3,196,027
Fixed interest rate instrument	-	200,000	-	200,000
	<u>\$ 3,195,042</u>	<u>\$ 200,000</u>	<u>\$ 985</u>	<u>\$ 3,396,027</u>

March 31, 2012

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,987,921	\$ -	\$ 956	\$ 2,988,877
Fixed interest rate instrument	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 2,987,921</u>	<u>\$ 200,000</u>	<u>\$ 956</u>	<u>\$ 3,188,877</u>

January 1, 2012

	On Demand or Less than 1 Year	1 to 3 Years	Over 3 Years	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 3,323,935	\$ -	\$ 1,128	\$ 3,325,063
Fixed interest rate instrument	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
	<u>\$ 3,323,935</u>	<u>\$ 200,000</u>	<u>\$ 1,128</u>	<u>\$ 3,525,063</u>

b) Financing facilities

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Unused bank financing facilities	<u>\$ 1,768,620</u>	<u>\$ 1,761,820</u>	<u>\$ 1,551,163</u>	<u>\$ 1,708,000</u>

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Freehold land	\$ 112,450	\$ 112,450	\$ 112,450	\$ 112,450
Buildings	157,028	159,579	167,232	170,068
Inventories	-	-	403,435	448,725
Trade receivable	<u>664,931</u>	<u>435,683</u>	<u>440,632</u>	<u>522,793</u>
	<u>\$ 934,409</u>	<u>\$ 707,712</u>	<u>\$ 1,123,749</u>	<u>\$ 1,254,036</u>

30. CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Group's unrecognized commitments were as follows:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Acquisition of property, plant and equipment	\$ 572,269	\$ 408,618	\$ _____	\$ _____

31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Phihong Technology Japan Co., Ltd. purchased a building located in Tokyo, Japan at the amount of JPY160,000 thousand in April 2013.

32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	March 31, 2013			December 31, 2012		
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>						
Monetary items						
USD	\$ 135,085	29.8900	\$ 4,037,691	\$ 115,370	29.0400	\$ 3,350,345
JPY	542,864	0.3160	171,545	296,607	0.3354	99,482
HKD	3,957	3.8504	15,236	3,554	3.7462	13,314
RMB	43,110	4.7640	205,376	81,781	4.6172	377,599
<u>Financial liabilities</u>						
Monetary items						
USD	102,591	29.8900	3,066,445	90,092	29.0400	2,616,272
JPY	14,465	0.3160	4,571	7,656	0.3354	2,568
HKD	4,465	3.8504	17,192	3,123	3.7462	11,699
RMB	104,114	4.7640	495,999	128,917	4.6172	595,236
	March 31, 2012			January 1, 2012		
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>						
Monetary items						
USD	\$ 83,091	29.5550	\$ 2,455,755	\$ 107,850	30.2800	\$ 3,265,698
JPY	224,461	0.3573	80,200	286,008	0.3888	111,200
HKD	5,603	3.8068	21,330	13,266	3.8940	51,658
RMB	60,648	4.6963	284,821	77,482	4.7944	371,480
<u>Financial liabilities</u>						
Monetary items						
USD	61,323	29.5550	1,812,401	80,089	30.2800	2,425,095
JPY	45,673	0.3573	16,319	16,754	0.3888	6,514
HKD	5,342	3.8068	20,336	19,548	3.8940	76,120
RMB	63,936	4.6963	300,263	74,877	4.7944	358,990

Note: Exchange rate represents the amount of New Taiwan dollars for which one foreign currency could be exchanged.

33. SEGMENT INFORMATION

The Group's power supply segment is the only one reportable segment. The power supply segment mainly engages in the manufacturing and selling of AC/DC power adapters, charger bases, and power supply modules for computers. The Group's other operating segments did not exceed the quantitative threshold so they are not disclosed as reportable segments. These segments mainly engage in manufacturing and selling of lighting supply and developing, manufacturing and selling monitors.

The Group adopted operating profits as the measurement threshold. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 4.

The Company's operating segment information was as follows:

a. Segment revenues and results

	Segment Revenues		Segment Profit	
	Three Months Ended March 31		Three Months Ended March 31	
	2013	2012	2013	2012
Power supply	\$ 2,452,700	\$ 2,457,852	\$ 51,285	\$ 165,307
Others	<u>155,894</u>	<u>192,564</u>	<u>(45,869)</u>	<u>(40,644)</u>
Income from continuing operations	<u>\$ 2,608,594</u>	<u>\$ 2,650,416</u>	5,416	124,663
Other revenue			32,571	38,512
Other gain and loss			20,778	(62,223)
Financial cost			(1,310)	(1,058)
Investment income recognized under equity method, net			<u>1,100</u>	<u>2,351</u>
Income before income tax			<u>\$ 58,555</u>	<u>\$ 102,245</u>

b. Segment assets and liabilities

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Power supply segment assets	\$ 1,744,915	\$ 1,830,517	\$ 1,561,504	\$ 1,833,709
Other assets	<u>7,867,903</u>	<u>7,743,258</u>	<u>8,754,824</u>	<u>8,812,600</u>
	<u>\$ 9,612,818</u>	<u>\$ 9,573,775</u>	<u>\$ 10,316,328</u>	<u>\$ 10,646,309</u>
Power supply segment liabilities	\$ 1,925,639	\$ 2,050,412	\$ 1,670,367	\$ 1,955,440
Other liabilities	<u>1,688,850</u>	<u>1,680,660</u>	<u>1,997,143</u>	<u>2,042,734</u>
	<u>\$ 3,614,489</u>	<u>\$ 3,731,072</u>	<u>\$ 3,667,510</u>	<u>\$ 3,998,174</u>

34. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation of financial information under IFRSs

The Group's consolidated financial statements for the three months ended March 31, 2013 were the first IFRS interim financial statements. The Group not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Effects of transition to IFRSs

After transition to IFRSs, the effect on the Group's consolidated balance sheets and consolidated statements of comprehensive income is stated as follows:

1) Reconciliation of consolidated balance sheet as of January 1, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	
Assets						
Current assets						
Cash and cash equivalents	\$ 2,119,386	\$ -	\$ -	\$ 2,119,386	Cash and cash equivalents	
Accounts receivable	1,936,108	-	-	1,936,108	Trade receivable	
Other financial assets, current	81,406	-	-	81,406	Other financial assets - current	
Inventories	2,080,000	-	-	2,080,000	Inventories	
Deferred income tax assets, current	55,860	-	(55,860)	-	-	7) a)
Other current assets	219,118	-	-	219,118	Other current assets	
Total current assets	6,491,878	-	(55,860)	6,436,018	Total current assets	
Fund and investments						
Available-for-sale financial assets, noncurrent	33,357	-	-	33,357	Available-for-sale financial assets - non-current	
Financial assets carried at cost, noncurrent	93,254	-	-	93,254	Financial assets carried at cost - non-current	
Long-term equity investments at equity method	355,603	-	-	355,603	Long-term equity investments at equity method	
Total fund and investments	482,214	-	-	-	-	
Property, plant and equipment	3,472,330	-	-	3,472,330	Property, plant and equipment	
Intangible assets						
Computer software cost	19,729	-	-	19,729	Computer software cost	
Land use rights	117,778	-	(117,778)	-	-	7) e)
Total intangible assets	137,507	-	(117,778)	-	-	
Other assets						
Deferred income tax assets, noncurrent	-	1,466	66,030	67,496	Deferred income tax assets - non-current	7) a), 7) c)
Refundable deposits	32,438	-	-	32,438	Refundable deposits	
-	-	-	117,778	117,778	Prepayment for lease	7) e)
Others	18,306	-	-	18,306	Others	
Total other assets	50,744	1,466	183,808	-	-	
-	-	-	-	4,210,291	Total non-current assets	
Total	\$ 10,634,673	\$ 1,466	\$ 10,170	\$ 10,646,309	Total	
Current liabilities						
Accounts payable	\$ 2,028,697	\$ -	\$ -	\$ 2,028,697	Trade payable	
Accounts payable - related party	35,939	-	-	35,939	Trade payable - related party	
Income tax payable	204,632	-	-	204,632	Income tax payable	
Other payables	1,224,745	34,554	-	1,259,299	Other payables	7) b)
Other current liabilities	115,377	-	-	115,377	Other current liabilities	
Total current liabilities	3,609,390	34,554	-	3,643,944	Total current liabilities	
Long-term liabilities						
Long-term debts	200,000	-	-	200,000	Long-term debts	
Other liabilities						
Accrued pension liabilities	64,648	8,622	-	73,270	Accrued pension liabilities	7) c)
Advance deposits received	1,128	-	-	1,128	Advance deposits received	
Deferred income tax liabilities, noncurrent	69,662	-	10,170	79,832	Deferred income tax liabilities - non-current	7) a)
Total other liabilities	135,438	8,622	10,170	-	-	
-	-	-	-	354,230	Total non-current liabilities	
Total liabilities	3,944,828	43,176	10,170	3,998,174	Total liabilities	
Stockholders' equity						
Capital stock						
Common stock	2,749,329	-	-	2,749,329	Common stock	
Advanced collections for capital stock	16,154	-	-	16,154	Advanced collections for capital stock	
Capital surplus						
Additional paid-in capital - common stock	203,406	-	-	203,406	Additional paid-in capital - common stock	
Additional paid-in capital - bond conversion	661,582	-	-	661,582	Additional paid-in capital - bond conversion	
Treasury stock transactions	48,234	-	-	48,234	Treasury stock transactions	
Long-term equity investments	11,305	(11,305)	-	-	Long-term equity investments	7) d)
Interest payable from bond conversion	13,243	-	-	13,243	Interest payable from bond conversion	
Retained earnings						
Legal reserve	909,627	-	-	909,627	Legal reserve	
Unappropriated earnings	1,828,362	230,859	-	2,059,221	Unappropriated earnings	6) b), 6) d), 7) b), 7) c), 7) d)
Other equity						
Cumulative translation adjustments	250,296	(250,296)	-	-	Cumulative translation adjustments	6) d)
Unrealized loss on financial instruments	(22,304)	-	-	(22,304)	Unrealized loss on financial instruments	
Unrealized revaluation increment	10,968	(10,968)	-	-	Unrealized revaluation increment	6) b)
Total stockholders' equity of parent company	6,680,202	(41,710)	-	6,638,492	Total stockholders' equity of parent company	
Minority interest	9,643	-	-	9,643	Non-controlling interest	
Total stockholders' equity	6,689,845	(41,710)	-	6,648,135	Total stockholders' equity	
Total	\$ 10,634,673	\$ 1,466	\$ 10,170	\$ 10,646,309	Total	

2) Reconciliation of consolidated balance sheet as of March 31, 2012

ROC GAAP	Effect of Transition to IFRSs				IFRSs	Note
	Item	Amount	Recognition and Measurement Difference	Presentation Difference		
Assets						
Current assets						
Cash and cash equivalents	\$ 2,206,937	\$ -	\$ -	\$ 2,206,937	Cash and cash equivalents	
Accounts receivable	1,668,370	-	-	1,668,370	Trade receivable	
Other financial assets, current	32,620	-	-	32,620	Other financial assets - current	
Inventories	1,970,498	-	-	1,970,498	Inventories	
Deferred income tax assets, current	47,930	-	(47,930)	-	Other current assets	7) a)
Other current assets	301,397	-	-	301,397	Total current assets	
Total current assets	6,227,752	-	(47,930)	6,179,822		
Fund and investments						
Available-for-sale financial assets, noncurrent	41,888	-	-	41,888	Available-for-sale financial assets - non-current	
Financial assets carried at cost, noncurrent	93,254	-	-	93,254	Financial assets carried at cost - non-current	
Long-term equity investments at equity method	347,863	-	-	347,863	Long-term equity investments at equity method	
Total fund and investments	483,005	-	-	483,005		
Property, plant and equipment	3,403,248	-	-	3,403,248	Property, plant and equipment	
Intangible assets						
Computer software cost	26,116	-	-	26,116	Computer software cost	
Land use rights	114,685	-	(114,685)	-		7) e)
Total intangible assets	140,801	-	(114,685)	-		
Other assets						
Deferred income tax assets, noncurrent	-	1,457	58,130	59,587	Deferred income tax assets - non-current	7) a), 7) c)
Refundable deposits	31,941	-	-	31,941	Refundable deposits	
Others	-	-	114,685	114,685	Long-term prepaid lease payment	7) e)
Others	17,924	-	-	17,924	Others	
Total other assets	49,865	1,457	172,815	-		
Total	\$ 10,304,671	\$ 1,457	\$ 10,200	\$ 10,316,328	Total	
Current liabilities						
Accounts payable	\$ 1,766,301	\$ -	\$ -	\$ 1,766,301	Accounts payable	
Accounts payable - related party	18,382	-	-	18,382	Trade payable - related party	
Income tax payable	229,771	-	-	229,771	Income tax payable	
Other payables	1,176,543	26,695	-	1,203,238	Other payables	7) b)
Other current liabilities	95,681	-	-	95,681	Other current liabilities	
Total current liabilities	3,286,678	26,695	-	3,313,373	Total current liabilities	
Long-term liabilities						
Long-term debts	200,000	-	-	200,000	Long-term debts	
Other liabilities						
Accrued pension liabilities	64,782	8,567	-	73,349	Accrued pension liabilities	7) c)
Advance deposits received	956	-	-	956	Advance deposits received	
Deferred income tax liabilities, noncurrent	69,632	-	10,200	79,832	Deferred income tax liabilities - non-current	7) a)
Others	135,370	8,567	-	-	Others	
Total other liabilities	-	-	-	354,137		
Total liabilities	3,622,048	35,262	10,200	3,667,510	Total liabilities	
Stockholders' equity						
Capital stock						
Common stock	2,768,819	-	-	2,768,819	Common stock	
Capital surplus	636	-	-	636	Capital surplus	
Additional paid-in capital - common stock	-	-	-	-	Additional paid-in capital - common stock	
Additional paid-in capital - bond conversion	223,871	-	-	223,871	Additional paid-in capital - bond conversion	
Treasury stock transactions	661,582	-	-	661,582	Treasury stock transactions	
Long-term equity investments	48,234	-	-	48,234	Long-term equity investments	7) d)
Interest payable from bond conversion	11,305	(11,305)	-	-	Interest payable from bond conversion	
Retained earnings	13,243	-	-	13,243	Retained earnings	
Legal reserve	909,627	-	-	909,627	Legal reserve	6)
Unappropriated earnings	1,870,034	238,764	-	2,108,798	Unappropriated earnings	6) b), 6) d), 7) b), 7) c), 7) d)
Other equity						
Cumulative translation adjustments	170,863	(250,296)	-	(79,433)	Cumulative translation adjustments	6) d)
Unrealized loss on financial instruments	(10,435)	-	-	(10,435)	Unrealized loss on financial instruments	
Unrealized revaluation increment	10,968	(10,968)	-	-	Unrealized revaluation increment	6) b)
Total stockholders' equity of parent company	6,678,747	(33,805)	-	6,644,942	Total stockholders' equity of parent company	
Minority interest	3,876	-	-	3,876	Non-controlling interest	
Total stockholders' equity	6,682,623	(33,805)	-	6,648,818	Total stockholders' equity	
Total	\$ 10,304,671	\$ 1,457	\$ 10,200	\$ 10,316,328	Total	

3) Reconciliation of consolidated balance sheet as of December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Recognition and Measurement Difference	Presentation Difference			
Item	Amount			Amount		
Assets						
Current assets						
Cash and cash equivalents	\$ 1,543,288	\$ -	\$ -	\$ 1,543,288	Cash and cash equivalents	
Accounts receivable	1,907,482	-	-	1,907,482	Trade receivable	
Other financial assets, current	54,641	-	-	54,641	Other financial assets - current	
Inventories	1,680,224	-	-	1,680,224	Inventories	
Deferred income tax assets, current	37,880	-	(37,880)	-	-	7) a)
Other current assets	154,722	-	-	154,722	Other current assets	
Total current assets	5,378,237	-	(37,880)	5,340,357	Total current assets	
Fund and investments						
Available-for-sale financial assets, noncurrent	30,620	-	-	30,620	Available-for-sale financial assets - non-current	
Financial assets carried at cost, noncurrent	90,945	-	-	90,945	Financial assets carried at cost - non-current	
Long-term equity investments at equity method	339,761	-	-	339,761	Long-term equity investments at equity method	
Total fund and investments	461,326	-	-	-	Total fund and investments	
Property, plant and equipment	3,517,009	-	-	3,517,009	Property, plant and equipment	
Intangible assets						
Computer software cost	42,760	-	-	42,760	Computer software cost	
Land use rights	131,847	-	(131,847)	-	-	7) e)
Total intangible assets	174,607	-	(131,847)	-	Total intangible assets	
Other assets						
Deferred income tax assets, noncurrent	-	259	48,160	48,419	Deferred income tax assets - non-current	7) a), 7) c)
Refundable deposits	28,133	-	-	28,133	Refundable deposits	
-	-	-	131,847	131,847	Long-term prepaid lease payment	7) e)
Others	3,924	-	-	3,924	Others	
Total other assets	-	259	180,007	-	Total other assets	
-	32,057	-	-	4,233,418	Total non-current assets	
Total	\$ 9,563,236	\$ 259	\$ 10,280	\$ 9,573,775	Total	
Current liabilities						
Accounts payable	\$ 2,088,302	\$ -	\$ -	\$ 2,088,302	Accounts payable	
Accounts payable - related party	48,320	-	-	48,320	Trade payable - related party	
Income tax payable	93,017	-	-	93,017	Income tax payable	
Other payables	1,026,344	32,076	-	1,058,420	Other payables	7) b)
Other current liabilities	94,130	-	-	94,130	Other current liabilities	
Total current liabilities	3,350,113	32,076	-	3,382,189	Total current liabilities	
Long-term liabilities						
Long-term debts	200,000	-	-	200,000	Long-term debts	
Other liabilities						
Accrued pension liabilities	65,270	1,522	-	66,792	Accrued pension liabilities	7) c)
Advance deposits received	985	-	-	985	Advance deposits received	
Deferred income tax liabilities, noncurrent	69,552	-	10,280	79,832	Deferred income tax liabilities - non-current	7) a)
Others	1,274	-	-	1,274	Others	
Total other liabilities	137,081	1,522	10,280	-	Total other liabilities	
-	-	-	-	348,883	Total non-current liabilities	
Total liabilities	3,687,194	33,598	10,280	3,731,072	Total liabilities	
Stockholders' equity						
Capital stock						
Common stock	2,771,639	-	-	2,771,639	Common stock	
Capital surplus						
Additional paid-in capital - common stock	226,556	-	-	226,556	Additional paid-in capital - common stock	
Additional paid-in capital - bond conversion	661,582	-	-	661,582	Additional paid-in capital - bond conversion	
Treasury stock transactions	48,234	-	-	48,234	Treasury stock transactions	
Long-term equity investments	11,305	(11,305)	-	-	Long-term equity investments	7) d)
Interest payable from bond conversion	13,243	-	-	13,243	Interest payable from bond conversion	
Retained earnings						
Legal reserve	1,052,192	-	-	1,052,192	Legal reserve	
Unappropriated earnings	999,381	239,230	-	1,238,611	Unappropriated earnings	6) b), 6) d), 7) b), 7) c), 7) d)
Other equity						
Cumulative translation adjustments	101,935	(250,296)	-	(148,361)	Cumulative translation adjustments	6) d)
Unrealized loss on financial instruments	(15,603)	-	-	(15,603)	Unrealized loss on financial instruments	
Unrealized revaluation increment	10,968	(10,968)	-	-	Unrealized revaluation increment	6) b)
Total stockholders' equity of parent company	5,881,432	(33,339)	-	5,848,093	Total stockholders' equity of parent company	
Minority interest	(5,390)	-	-	(5,390)	Non-controlling interest	
Total stockholders' equity	5,876,042	(33,339)	-	5,842,703	Total stockholders' equity	
Total	\$ 9,563,236	\$ 259	\$ 10,280	\$ 9,573,775	Total	

4) Reconciliation of consolidated statement of comprehensive income for the three months ended March 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Recognition and Measurement Difference	Presentation Difference			
Item	Amount			Amount		
Net sales	\$ 2,649,573	\$ -	\$ 843	\$ 2,650,416	Net sales	
Cost of goods sold	2,079,743	(4,931)	843	2,075,655	Cost of goods sold	7) b), 7) c), 7) f)
Gross profit	<u>569,830</u>	<u>4,931</u>	<u>-</u>	<u>574,761</u>	Gross profit	
Operating expenses					Operating expenses	
Sales and marketing	199,558	(622)	-	198,936	Sales and marketing	7) b), 7) c)
General and administration	137,011	(774)	-	136,237	General and administration	7) b), 7) c), 7) g)
Research and development	<u>116,512</u>	<u>(1,587)</u>	<u>-</u>	<u>114,925</u>	Research and development	7) b), 7) c)
Total	<u>453,081</u>	<u>(2,983)</u>	<u>-</u>	<u>450,098</u>	Total	
Income from operations	<u>116,749</u>	<u>7,914</u>	<u>-</u>	<u>124,663</u>	Income from operations	
Nonoperating income and gains					Nonoperating income and gains	
Interest income	4,481	-	-	4,481	Interest income	
Investment income recognized under equity method, net	2,351	-	-	2,351	Investment income recognized under equity method, net	
Others	<u>34,031</u>	<u>-</u>	<u>-</u>	<u>34,031</u>	Others	
Total	<u>40,863</u>	<u>-</u>	<u>-</u>	<u>40,863</u>	Total	
Nonoperating expenses and losses					Nonoperating expenses and losses	
Interest expense	1,058	-	-	1,058	Interest expense	
Loss on disposal of property, plant and equipment	1,516	-	-	1,516	Loss on disposal of property, plant and equipment	
Foreign exchange loss, net	57,538	-	-	57,538	Foreign exchange loss, net	
Others	<u>3,169</u>	<u>-</u>	<u>-</u>	<u>3,169</u>	Others	
Total	<u>63,281</u>	<u>-</u>	<u>-</u>	<u>63,281</u>	Total	
Income before income tax	94,331	7,914	-	102,245	Income before income tax	
Income tax expense	<u>(57,426)</u>	<u>(9)</u>	<u>-</u>	<u>(57,435)</u>	Income tax expense	7) c)
Consolidated net income	<u>\$ 36,905</u>	<u>\$ 7,905</u>	<u>\$ -</u>	<u>44,810</u>	Consolidated net income	
				(80,433)	Exchange differences on translating foreign operations	
				8,531	Unrealized gains on available-for-sale financial assets	
				3,338	Other comprehensive income recognized under equity method, net	
				<u>\$ (23,754)</u>	Total comprehensive income for the period	

5) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Recognition and Measurement Difference	Presentation Difference			
Item	Amount			Amount		
Net sales	\$ 11,882,539	\$ -	\$ 8,850	\$ 11,891,389	Net sales	
Cost of goods sold	9,580,840	(1,162)	8,850	9,588,528	Cost of goods sold	7) b), 7) c), 7) f)
Gross profit	<u>2,301,699</u>	<u>1,162</u>	<u>-</u>	<u>2,302,861</u>	Gross profit	
Operating expenses					Operating expenses	
Sales and marketing	776,550	20	-	776,570	Sales and marketing	7) b), 7) c)
General and administration	576,018	98	(15,954)	560,162	General and administration	7) b), 7) c), 7) g)
Research and development	<u>477,023</u>	<u>(1,654)</u>	<u>-</u>	<u>475,369</u>	Research and development	7) b), 7) c)
Total	<u>1,829,591</u>	<u>(1,536)</u>	<u>(15,954)</u>	<u>1,812,101</u>	Total	
Income from operations	<u>472,108</u>	<u>2,698</u>	<u>15,954</u>	<u>490,760</u>	Income from operations	
Nonoperating income and gains					Nonoperating income and gains	
Interest income	15,965	-	-	15,965	Interest income	
Investment income recognized under equity method, net	11,156	-	-	11,156	Investment income recognized under equity method, net	
Dividend income	4,927	-	-	4,927	Dividend income	
Gain on disposal of investment	15,954	-	(15,954)	-	Gain on disposal of investment	7) g)
Others	<u>96,505</u>	<u>-</u>	<u>-</u>	<u>96,505</u>	Others	
Total	<u>144,507</u>	<u>-</u>	<u>(15,954)</u>	<u>128,553</u>	Total	
Nonoperating expenses and losses					Nonoperating expenses and losses	
Interest expense	4,532	-	-	4,532	Interest expense	
Loss on disposal of property, plant and equipment	18,591	-	-	18,591	Loss on disposal of property, plant and equipment	
Foreign exchange loss, net	92,840	-	-	92,840	Foreign exchange loss, net	
Others	<u>19,790</u>	<u>-</u>	<u>-</u>	<u>19,790</u>	Others	
Total	<u>135,753</u>	<u>-</u>	<u>-</u>	<u>135,753</u>	Total	
Income before income tax	480,862	2,698	-	483,560	Income before income tax	
Income tax expense	<u>(186,117)</u>	<u>(37)</u>	<u>-</u>	<u>(186,154)</u>	Income tax expense	7) c)
Consolidated net income	<u>\$ 294,745</u>	<u>\$ 2,661</u>	<u>\$ -</u>	<u>297,406</u>	Consolidated net income	
				(148,361)	Exchange differences on translating foreign operations	
				6,458	Unrealized gains on available-for-sale financial assets	
				243	Other comprehensive income recognized under equity method, net	
				6,880	Defined benefit obligations' actuarial gain and losses	
				(1,170)	Income tax relating to components of other comprehensive income	
				(135,950)	Other comprehensive income for the period, net of tax	
				<u>\$ 161,456</u>	Total comprehensive income for the period	

6) Exemptions from IFRS 1

IFRS 1 “First-time Adoption of International Financial Reporting Standards” establishes the procedures for the preparation of the Group’s first consolidated financial statements prepared in accordance with IFRSs. Under IFRS 1, the Group is required to determine which IFRS accounting policies to use and retrospectively apply those accounting policies to its opening balance sheet at the date of transition to IFRSs (January 1, 2012), except for optional exemptions to such retrospective application. The main optional exemptions the Group adopted are summarized as follows:

a) Business combinations

The Group elected not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred before the date of transition to IFRSs. Thus, in the opening balance sheet, the amounts of goodwill generated from past business combinations, related assets and liabilities acquired, and noncontrolling interests remain the same as those amounts shown in the ROC GAAP balance sheet as of December 31, 2011.

b) Deemed cost

For certain freehold lands, the Group elected to use the ROC GAAP revalued amount at the date of transition to IFRSs as their deemed cost under IFRSs. For certain investment properties with sufficient evidence that those properties are continuously being rented out and can generate a stable cash flow in the medium or long-term, the Group elected to use their fair value at the date of transition as their deemed cost. For other certain investment properties, the ROC GAAP revalued amount at the date of the transition was used as their deemed cost under IFRSs. All other property, plant and equipment, investment properties and intangible assets applied IFRSs retrospectively.

c) Employee benefits

The Group elected to recognize all cumulative actuarial gains and losses in retained earnings as of the date of transition. In addition, the Group elected to apply the exemption disclosure requirement provided by IFRS 1, in which the experience adjustments are determined for each accounting period prospectively from the transition date.

d) Cumulative translation difference

The Group elected to reset to zero the cumulative translation differences at the date of transition to IFRSs by transferring to retained earnings the amount of the cumulative translation difference that existed prior to the reset. Gains or losses on subsequent disposal of any foreign operations will exclude the translation differences recognized before the date of transition to IFRSs.

7) Explanations of significant reconciling items in the transition to IFRSs

Material differences between the accounting policies under ROC GAAP and the accounting policies adopted under IFRSs were as follows:

a) Deferred income tax asset/liability

Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under International Accounting Standards (IAS) 12 “Income Taxes,” deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits; thus, valuation allowance account is not needed.

In addition, under ROC GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of the related asset or liability for financial reporting. 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 current or noncurrent on the basis of the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent.

Under ROC GAAP, the current and noncurrent deferred tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount. However, under IAS 12, an entity offset current tax assets and current tax liabilities against each other only if the entity has a legally enforceable right to make this offset and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

As of December 31, 2012, March 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were \$37,880 thousand, \$47,930 thousand and \$55,860 thousand, respectively. Under ROC GAAP, the Company also revised the deferred tax liabilities and assets that had been offset against each other and increased the deferred tax liabilities - noncurrent and deferred tax assets - noncurrent simultaneously by \$10,280 thousand, \$10,200 thousand and \$10,170 thousand as of December 31, 2012, March 31, 2012 and January 1, 2012, respectively.

b) Short-term employee benefits

Under ROC GAAP, there is no specific policy on short-term employee benefits, specifically paid vacation leaves, and the expenses for these leaves are recognized when employees actually go on leave. On transition to IFRSs, an entity should recognize the expected cost of paid vacation leaves as employees render services that increase their entitlement to these leaves.

As of December 31, 2012, March 31, 2012 and January 1, 2012, the Company increased other payable by \$32,076 thousand, \$26,695 thousand and \$34,554 thousand, respectively, for short-term employee benefits. In addition, for the year ended December 31, 2012 and three months ended March 31, 2012, the Company decreased “salary expenses” by \$2,478 thousand and \$7,859 thousand.

c) Employee benefits - gain or loss on actuarial valuation on defined benefit plan

Under SFAS No. 18 - “Accounting for Pensions,” unrecognized net transition obligation should be amortized over the expected average remaining working lives of employees. On the date of transition to IFRSs, the retained earnings should be adjusted for unrecognized transition obligation.

Under ROC GAAP, when using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees. Under IAS No. 19 “Employee Benefits,” the Company elected to recognize immediately all actuarial gains and losses as other comprehensive income in the period in which they occur. The subsequent reclassification to earnings is not permitted.

As of December 31, 2012, March 31, 2012 and January 1, 2012, the Company performed the actuarial valuation under IAS No. 19 and recognized the valuation difference directly in retained earnings in accordance with IFRS 1; accrued pension liabilities were adjusted for increases of \$1,522 thousand, \$8,567 thousand and \$8,622 thousand, respectively; deferred income tax assets were adjusted for increases of \$259 thousand, \$1,457 thousand and \$1,466 thousand, respectively. In addition, for the year ended December 31, 2012, pension cost was adjusted for a decrease of \$220 thousand, and income tax expense was adjusted for an increase of \$37 thousand, and also recognized “employee benefits - gain or loss on actuarial valuation on defined benefit plan” (as other comprehensive income) and its income tax expense of \$6,880 thousand and \$1,170 thousand, respectively. For the three months ended March 31, 2012, pension cost was adjusted for a decrease of \$55 thousand, and income tax expense was adjusted for an increase of \$9 thousand.

- d) Investments and capital surplus - long-term equity investments when associates/subsidiaries issue new shares and the parent does not subscribe for these shares at its percentage of shares of the investee.

Under ROC GAAP, if an entity’s investment percentage increases or decreases as a result of not subscribing for new shares issued by an investee at its current percentage of ownership of the investee, the increase or decrease in the investor company’s equity is used to adjust “capital surplus - long-term equity investments” and “long-term equity investment.”

Under IFRSs, changes in equity in associates in which significant influence on the associates is retained are regarded as acquisition or disposal of shares in associates; however, changes in equity in subsidiaries in which control over the subsidiaries is retained are regarded as equity transactions. In addition, based on the “Q&A for adopting IFRSs” issued by the Taiwan Stock Exchange, accounts that do not conform to IFRSs or not covered under the Company Law as well as capital surplus items required by the Ministry of Economics Affairs should be adjusted to retained earnings at the date of transition to IFRSs.

As of December 31, 2012, March 31, 2012 and January 1, 2012, the capital surplus - long-term equity investments of the Company reclassified to retained earnings was \$11,305 thousand on all the dates.

- e) Land use right

Under ROC GAAP, land use rights are recognized as intangible assets. Under IAS 17 “Leases,” land use rights should be classified under lease prepayments.

As of December 31, 2012, March 31, 2012 and January 1, 2012, the amounts of land use rights reclassified to lease prepayments were \$131,847 thousand, \$114,685 thousand and \$117,778 thousand, respectively.

- f) Allowance for sales returns and others

Under IFRSs, provisions for estimated sales returns and others should be recognized as cost of goods sold instead of a reduction in revenue in the period.

For the year ended December 31, 2012 and three months ended March 31, 2012, the amounts of sales returns reclassified to cost of goods sold were \$8,850 thousand and 843 thousand, respectively.

g) Recovery from provisions for loss on doubtful accounts

Under ROC GAAP, recovery from provisions for loss on doubtful accounts was recognized as nonoperating income and gains; under IFRSs, the amount is reclassified to operating expense - general and administration under IFRSs.

For the year ended December 31, 2012, the amount of recovery of provision for doubtful accounts reclassified to operating expense - general and administration was \$15,954 thousand.

8) Explanation for the adjustments to the statement of cash flows under IFRSs

After the changes mentioned above, there are no other significant differences between the statement of cash flows of the Company under ROC GAAP and IFRSs.