HERMES MICROVISION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT

ACCOUNTANTS

MARCH 31, 2013 AND 2012

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR13000002

To Hermes Microvision, Inc.

We have reviewed the accompanying consolidated balance sheets of Hermes Microvision, Inc. and its subsidiaries as of March 31, 2012 and 2011, December 31, 2012, January 1, 2012, and the related consolidated statements of income and of cash flows for the three-month periods ended March 31, 2012 and 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a conclusion on these financial statements based on our reviews.

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

As described in Note 4(3), the financial statements of certain subsidiaries were consolidated based on their unreviewed financial statements as of and for the three-month periods ended March 31, 2013 and 2012. Total assets of these subsidiaries amounted to $432,743 and $696,033, representing 7.41% and 19.06% of the consolidated total assets, and total liabilities of these subsidiaries amounted to $26,298 and $78,289, representing 1.9% and 4.1% of the consolidated total liabilities, as of March 31, 2013 and 2012, respectively. Total net operating revenues of these subsidiaries for the three-month periods ended March 31, 2013 and 2012 amounted to $8,984 and $7,170, representing 1.69% and 2.61% of the consolidated net operating revenues, respectively. Additionally, the disclosure in Note 13 was based on the unreviewed financial statements of the investee companies.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain subsidiaries been reviewed by independent accountants as described in the third paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", IAS 34 "Interim Financial Reporting" and IFRS 1 "First-time Adoption of International Financial Reporting Standards" recognized by the Financial Supervisory Commission R.O.C.

PricewaterhouseCoopers, Taiwan
Hsinchu, Taiwan
Republic of China

April 29, 2013

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Assets	Notes	March 31, 2013 AMOUNT	%	December 31, 2012 AMOUNT	%	March 31, 2012 AMOUNT	%	January 1, 2012 AMOUNT	%
	Current assets									
1100	Cash and cash equivalents	6(1)	$ 2,954,252	51	$ 2,776,308	54	$ 1,210,078	33	$ 612,326	22
1170	Accounts receivable, net	6(2)	1,251,459	21	848,427	16	880,546	24	652,622	24
1180	Accounts receivable - related parties	7	1,399	-	303	-	6,010	-	7,135	-
1200	Other receivables		21,132	-	31,892	1	31,718	1	30,565	1
1210	Other receivables - related parties	7	-	-	-	-	2	-	-	-
130X	Inventories	6(3)	1,356,273	23	1,278,613	25	1,255,690	35	1,189,641	43
1410	Prepayments		33,493	1	32,862	1	28,970	1	30,840	1
1470	Other current assets		13,925	-	3,154	-	325	-	22	-
11XX	**Current Assets**		5,631,933	96	4,971,559	96	3,413,339	94	2,523,151	92
	Non-current assets									
1600	Property, plant and equipment	6(4)	158,314	3	170,246	3	173,246	5	168,142	6
1780	Intangible assets	6(5)	10,358	-	10,717	-	13,831	-	11,045	-
1840	Deferred income tax assets	5(2)	32,191	1	27,020	1	27,237	1	30,595	1
1900	Other non-current assets		8,084	-	8,117	-	7,207	-	7,553	-
15XX	**Non-current assets**		208,947	4	216,100	4	221,521	6	217,335	8
1XXX	**Total assets**		$ 5,840,880	100	$ 5,187,659	100	$ 3,634,860	100	$ 2,740,486	100
	Liabilities and Equity									
	Current liabilities									
2100	Short-term borrowings	6(6)	$ -	-	$ -	-	$ 945,000	26	$ 657,000	24
2150	Notes payable		-	-	-	-	-	-	1,080	-
2170	Accounts payable		102,960	2	93,112	2	67,726	2	59,066	2
2200	Other payables		384,640	6	378,101	7	200,816	6	168,240	6
2220	Other payables - related parties	7	34,734	1	62,125	1	73,871	2	87,590	3
2230	Current income tax liabilities		117,163	2	85,194	2	118,088	3	100,064	4
2250	Provisions for liabilities - current	6(9)	648,613	11	577,257	11	334,152	9	218,576	8
2300	Other current liabilities		-	-	2,873	-	143,610	4	8,712	-
21XX	**Current Liabilities**		1,288,110	22	1,198,662	23	1,883,263	52	1,300,328	47
	Non-current liabilities									
2570	Deferred income tax liabilities		5,186	-	14	-	231	-	3,589	-
2600	Other non-current liabilities	6(7)	90,739	2	88,940	2	61,449	2	61,412	2
25XX	**Non-current liabilities**		95,925	2	88,954	2	61,680	2	65,001	2
2XXX	**Total Liabilities**		1,384,035	24	1,287,616	25	1,944,943	54	1,365,329	50

(Continued)

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Liabilities and Equity	Notes	March 31, 2013 AMOUNT	%	December 31, 2012 AMOUNT	%	March 31, 2012 AMOUNT	%	January 1, 2012 AMOUNT	%
	Equity attributable to owners of parent									
	Share capital	6(10)								
3110	Common stock		660,000	11	660,000	13	600,000	17	600,000	22
	Capital reserves	6(11)								
3210	Additional paid-in capital		1,223,831	21	1,223,831	24	35,831	1	-	-
3260	Change in net equity of associates and joint ventures accounted for under the equity method		11,352	-	10,517	-	4,755	-	-	-
	Retained earnings	6(12)								
3310	Legal reserve		80,186	2	80,186	2	14,962	-	14,962	1
3350	Unappropriated retained earnings		2,431,117	42	1,900,634	37	1,014,208	28	739,104	27
	Other equity interest									
3410	Currency translation differences of foreign operations		15,203	-	(8,136)	-	(4,790)	-	-	-
31XX	**Equity attributable to owners of the parent**		4,421,689	76	3,867,032	75	1,664,966	46	1,354,066	49
36XX	Non-controlling interest		35,156	-	33,011	1	24,951	-	21,091	1
3XXX	**Total equity**		4,456,845	76	3,900,043	75	1,689,917	46	1,375,157	50
	Total liabilities and equity		$ 5,840,880	100	$ 5,187,659	100	$ 3,634,860	100	$ 2,740,486	100

The accompanying notes are an integral part of these financial statements.
See review report of independent accountants dated April 29, 2013.

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(UNAUDITED)

			Three months ended March 31			
			2013		2012	
		Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(14)	$ 1,211,870	100	$ 911,934	100
5000	**Operating costs**		(358,497)	(30)	(272,733)	(30)
5900	**Net operating margin**		853,373	70	639,201	70
	Operating expenses	6(18)(19)				
6100	Selling expenses		(90,592)	(7)	(90,605)	(10)
6200	General & administrative expenses		(55,430)	(5)	(62,312)	(7)
6300	Research and development expenses		(175,776)	(14)	(151,747)	(16)
6000	**Total operating expenses**		(321,798)	(26)	(304,664)	(33)
6900	**Operating profit**		531,575	44	334,537	37
	Non-operating income and expenses					
7010	Other income	6(15)	4,611	-	9,405	1
7020	Other gains and losses	6(16)	34,120	3	(42,366)	(5)
7050	Finance costs	6(17)	-	-	(2,900)	-
7000	**Total non-operating income and expenses**		38,731	3	(35,861)	(4)
7900	**Profit before income tax**		570,306	47	298,676	33
7950	Income tax expense	6(20)	(38,767)	(3)	(23,058)	(3)
8200	**Profit for the period**		$ 531,539	44	$ 275,618	30
	Other comprehensive income					
8310	Currency translation differences of foreign operations		$ 29,213	2	($ 6,524)	-
8399	Income tax relating to the components of other comprehensive income		(4,966)	-	1,109	-
8500	**Total comprehensive income for the period**		$ 555,786	46	$ 270,203	30
	Profit, attributable to:					
8610	Owners of parent		$ 530,483	44	$ 275,104	30
8620	Non-controlling interests		1,056	-	514	-
	Profit for the period		$ 531,539	44	$ 275,618	30
	Total comprehensive income attributable to:					
8710	Owners of parent		$ 553,822	46	$ 270,314	30
8720	Non-controlling interests		1,964	-	(111)	-
	Total comprehensive income for the period		$ 555,786	46	$ 270,203	30
9750	**Basic earnings per share**	6(21)	$	8.04	$	4.59
9850	**Diluted earnings per share**	6(21)	$	8.04	$	4.51

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated April 29, 2013.

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Capital Reserves		Retained Earnings				
	Common stock	Additional paid-in capital	Change in net equity of associates and joint ventures accounted for under the equity method	Legal reserve	Unappropriated retained earnings	Currency translation differences of foreign operations	Non-controlling interest	Total
Three-month periods ended March 31, 2012								
Balance at January 1, 2012	$ 600,000	$ -	$ -	$ 14,962	$ 739,104	$ -	$ 21,091	$ 1,375,157
Profit for the period	-	-	-	-	275,104	-	514	275,618
Compensation cost for newly issued shares reserved for subscription by employees	-	35,831	-	-	-	-	-	35,831
Adjustment due to change of investees' equity under the equity method	-	-	4,755	-	-	-	3,971	8,726
Other comprehensive income	-	-	-	-	-	(4,790)	(625)	(5,415)
Balance at March 31, 2012	$ 600,000	$ 35,831	$ 4,755	$ 14,962	$ 1,014,208	($ 4,790)	$ 24,951	$ 1,689,917
Three-month periods ended March 31, 2013								
Balance at January 1, 2013	$ 660,000	$ 1,223,831	$ 10,517	$ 80,186	$ 1,900,634	($ 8,136)	$ 33,011	$ 3,900,043
Profit for the period	-	-	-	-	530,483	-	1,056	531,539
Adjustment due to change of investees' equity under the equity method	-	-	835	-	-	-	181	1,016
Other comprehensive income	-	-	-	-	-	23,339	908	24,247
Balance at March 31, 2013	$ 660,000	$ 1,223,831	$ 11,352	$ 80,186	$ 2,431,117	$ 15,203	$ 35,156	$ 4,456,845

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated April 29, 2013.

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 570,306	$ 298,676
Adjustments to reconcile profit before income tax to net cash (used in) provided by operating activities		
Income and expenses having no effect on cash flows		
Provision of doubtful accounts	-	2,602
Depreciation	13,903	12,720
Amortization	1,541	1,345
Gain on disposal of property, plant and equipment	-	(1)
Compensation cost for newly issued shares reserved for subscription by employees	-	35,831
Compensation cost for issuance of common stock	702	2,142
Total income and expenses having no effect on cash flows	16,146	54,639
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Accounts receivable-third parties	(403,032)	(230,526)
Accounts receivable-related parties	(1,096)	1,125
Other receivables-third parties	7,691	(1,153)
Other receivables-related parties	-	(2)
Prepayments	(631)	1,870
Inventories	(77,660)	(77,694)
Other current assets	(10,771)	(303)
Other non-current assets	33	346
Total net changes in assets relating to operating activities	(485,466)	(306,337)
Net changes in liabilities relating to operating activities		
Notes payable	-	(1,080)
Accounts payable	9,848	8,660
Other payables-related parties	(27,391)	(13,719)
Other payables-third parties	6,539	29,852
Provisions	71,356	115,576
Other current liabilities	(2,873)	134,898
Other non-current liabilities	1,799	37
Total net changes in liabilities relating to operating activities	59,278	274,224
Total net changes in assets and liabilities relating to operating activities	(426,188)	(32,113)
Total adjustments to reconcile profit before income tax to net cash (used in) provided by operating activities	(410,042)	22,526
Cash provided by operations	160,264	321,202
Income tax paid	(1,993)	-
Net cash provided by operating activities	158,271	321,202
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(8,021)	(14,744)
Proceeds from disposal of property, plant and equipment	-	4
Increase in deposits received	-	346
Increase in intangible assets	(1,050)	(4,241)
Interest received	3,069	-
Net cash used in investing activities	(6,002)	(18,635)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	313	8,726
Increase in short-term borrowings	-	288,000
Interest paid	-	2,724
Net cash provided by financing activities	313	299,450
Net exchange differences	25,362	(4,265)
Increase in cash and cash equivalents	177,944	597,752
Cash and cash equivalents at beginning of period	2,776,308	612,326
Cash and cash equivalents at end of period	$ 2,954,252	$ 1,210,078

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated April 29, 2013.

HERMES MICROVISION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

Hermes Microvision, Inc. (the "Company") was incorporated on May 19, 2003. The Company engages in the research, development, design, manufacturing and sale of precision instruments and machinery (electronic inspection equipment.) The Company's stock was listed on the GreTai Securities Market, effective from May 21, 2012.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorised for issuance by the Board of Directors on April 29, 2013.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

IFRS 9, 'Financial Instruments': Classification and measurement of financial instruments

A. The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November, 2009, which will take effect on January 1, 2015 with early application permitted. Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), 'Financial Instruments: Recognition and Measurement' reissued in 2009.

B. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.

C. The Group has not evaluated the overall effect of the IFRS 9 adoption. However, based on preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as 'available-for-sale financial assets' held by the Group, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognised in other comprehensive income should not be reclassified to profit or loss when such assets are derecognised.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

A. The following are the new standards and amendments issued by IASB that are effective but not yet endorsed by the FSC and have not been adopted by the Group:

	New Standards or Amendments	Effective Date
IFRS 1	Limited exemption from comparative IFRS 7 disclosures for first-time adopters	July 1, 2010
	2010 improvements to IFRSs	January 1, 2011
IFRS 7	Disclosures - transfers of financial assets	July 1, 2011
IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters	July 1, 2011
IAS 12	Deferred tax: recovery of underlying assets	January 1, 2012
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IAS 27	Separate financial statements	January 1, 2013
IAS 28	Investments in associates and joint ventures	January 1, 2013
IFRS 13	Fair value measurements	January 1, 2013
IAS 19	Employee benefits	January 1, 2013
IAS 1	Presentation of items of other comprehensive income	July 1, 2012
IFRIC 20	Stripping costs in the production phase of a surface mine	January 1, 2013
IFRS 7	Disclosures - offsetting financial assets and financial liabilities	January 1, 2013
IFRS 1	Government loans	January 1, 2013
	2009-2011 improvements to IFRSs	January 1, 2013
IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance	January 1, 2013

B.The following are the new standards and amendments issued by IASB that are not yet effective and not yet endorsed by the FSC and have not been adopted by the Group:

	New Standards or Amendments	Effective Date
IFRS 9	Financial instruments: Classification and measurement of financial instruments	January 1, 2015
IAS 32	Offsetting financial assets and financial liabilities	January 1, 2014
IFRS 7 and IFRS 9	Mandatory effective date and transition disclosures	January 1, 2015
IFRS 10, IFRS 12 and IAS 27	Investment entities	January 1, 2014

C.The Group is assessing the potential impact of the new standards and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A.These consolidated financial statements are the first interim consolidated financial statements prepared by the Group in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", IAS 34, 'Interim Financial Reporting', and IFRS 1, 'First-time Adoption of International Financial Reporting Standards', as endorsed by the FSC.

B.In the preparation of the balance sheet of January 1, 2012, the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to the International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins as endorsed by the FSC (collectively referred herein as the "IFRSs") on the Group's financial position, operating results and cash flows.

(2) Basis of preparation

A.Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a)Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b)Available-for-sale financial assets measured at fair value.

(c)Liabilities on cash-settled share-based payment arrangements measured at fair value.

d)Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised prior period's service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligation.

B.The significant accounting policies as stated below have been consistently applied to all the periods presented in these consolidated financial statements, including the opening IFRS balance sheet on January 1, 2012 (the Group's date of transition to IFRSs) that are prepared in transition to IFRSs.

C.The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) <u>Basis of consolidation</u>

A.Basis for preparation of consolidated financial statements:

(a)All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(b)Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c)Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(d)When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, on the same basis as would be required

if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. Conversely, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be transferred directly to retained earnings, if such gains or losses would be transferred directly to retained earnings when the related assets or liabilities are disposed of.

B.Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiary	Main Business Activities	Ownership		Description
			March 31, 2013	December 31, 2012	
Hermes Microvision Inc.	Hermes Microvision, Inc. (USA)	Research and development center	94%	94%	-
Hermes Microvision Inc.	HMI Holdings Inc.	Investment holdings	100%	100%	Note
HMI Holdings Inc.	Hermes Microvision Korea Inc.	Marketing of e-Beam inspection equipment and its components and related technical support services	100%	100%	Note
HMI Holdings Inc.	Hermes Microvision Japan Inc.	Marketing of e-Beam inspection equipment and its components and related technical support services	100%	100%	Note
HMI Holdings Inc.	Ansing International LLC.	Investment holdings	100%	100%	Note
Ansing International LLC.	Hermes Microvision, Co., Ltd. (Beijing)	Research, development and manufacturing of semiconductor machinery and equipment and related technical support services	100%	100%	Note

Name of Investor	Name of subsidiary	Main Business Activities	Ownership		Description
			March 31, 2012	January 1, 2012	
Hermes Microvision Inc.	Hermes Microvision, Inc. (USA)	Research and development center	95%	96%	Note
Hermes Microvision Inc.	HMI Holdings Inc.	Investment holdings	100%	100%	Note
HMI Holdings Inc.	Hermes Microvision Korea Inc.	Marketing of e-Beam inspection equipment and its components and related technical support services	100%	100%	Note
HMI Holdings Inc.	Hermes Microvision Japan Inc.	Marketing of e-Beam inspection equipment and its components and related technical support services	100%	100%	Note
HMI Holdings Inc.	Ansing International LLC.	Investment holdings	100%	100%	Note
Ansing International LLC.	Hermes Microvision, Co., Ltd. (Beijing)	Research, development and manufacturing of semiconductor machinery and equipment and related technical support services	100%	100%	Note

Note: For the three-month period ended March 31, 2012 and 2011, the subsidiaries' financial statements were not reviewed by auditors.

C.Subsidiaries not included in the consolidated financial statements: None.

D.Adjustments for subsidiaries with different balance sheet dates: None.

E.Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A.Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within interest income or finance costs. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other income and expenses - net.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings for long-term investment purpose and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income.

(b)When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale.

(5) Classification of current and non-current items

A.Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a)Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b)Assets held mainly for trading purposes;

(c)Assets that are expected to be realised within twelve months from the balance sheet date;

(d)Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B.Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a)Liabilities that are expected to be paid off within the normal operating cycle;

(b)Liabilities arising mainly from trading activities;

(c)Liabilities that are to be paid off within twelve months from the balance sheet date;

(d)Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Loans and receivables

Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(7) Impairment of financial assets

A.The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that

can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) The disappearance of an active market for that financial asset because of financial difficulties; or

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as 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, and is recognised in profit or loss. 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b)Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c)Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(8) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A.The contractual rights to receive cash flows from the financial asset expire.

B.The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C.The Group neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

(9) Lease receivables/ leases (lessor)

A.Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a)At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognised as 'unearned finance income of finance lease.

(b)The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

(c)Lease payments (excluding costs for services) relating to the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

B.An operating lease is a lease other than a finance lease. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

A.Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B.Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C.Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are 3 ~ 8 years except for buildings.

(12) Leased assets/ leases (lessee)

A.Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a)A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b)The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c)Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

B.An operating lease is a lease other than a finance lease. Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(13) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(14) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss.

(15) Borrowings

A.Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B.Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(16) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(17) Provisions for other liabilities

Provisions (including warranties, decommissioning, restructuring, onerous contracts, and contingent liabilities from business combinations, etc.) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(18) Employee benefits

A.Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B.Pensions

(a)Defined contribution plans

For defined contribution plans, the Group pays fixed contributions to an independent, publicly or privately administered pension fund. The Group has no further legal or constructive obligations once the contributions have been paid. The contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b)Defined benefit plans

i. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in such corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise.

iii. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

iv. 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-off events. And, the related information is disclosed accordingly.

C.Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Group to encourage voluntary termination of employment, the termination benefits are recognised as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

D.Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(19) Employee share-based payment

A.For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B.For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at the fair value of the liability to pay for those services, and are recognised as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled at the settlement date, with any changes in fair value recognised in profit or loss.

(20) Income tax

A.The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B.The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. Tax preference given for expenditures incurred on acquisitions of equipment or technology, research and development, employees' training and equity investments is recorded using the income tax credits accounting.

G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(21) <u>Share capital</u>

Ordinary shares are classified as equity. The classification of preferred shares is determined according to the special rights entitled to preferred shares based on the substance of the contract and the definition of financial liabilities and equity instruments.

(22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(23) Revenue recognition

A.Sales of goods

(a)The Group manufactures and sells precision instruments and machinery. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b)The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised. The volume discounts are estimated based on the anticipated annual sales quantities.

B.A sale agreement comprising of multiple components

A sale agreement offered by the Group might comprise of multiple components, including sale of goods and subsequent repair services, etc. If a sale agreement comprises of multiple identifiable components, the fair value of the consideration received or receivable in respect of the sale agreement shall be allocated between those components based on the relative fair value of each component. The amount of proceeds allocated to each component is recognised as revenue in profit or loss following the revenue recognition criteria applied to each component. The fair value of each component is determined by its market value when it is sold separately.

(24) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make **c**ritical assumptions and **e**stimates concerning future events. Judgements and **e**stimates are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A.Revenue recognition

In principle, sales revenues are recognised when the earning process is completed. The Group estimates discounts and returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognised. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

B.Impairment assessment of tangible and intangible assets (excluding goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

C.Realisability of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

As of March 31, 2013, Group recognized referred income tax assets amounting to $32,191.

F.Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory comsumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of March 31, 2013, the carrying amount of inventories was $1,356,273.

G.Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group must apply judgments and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

As of March 31, 2013, the carrying amount of accrued pension obligations was $74,555. Were the discount rate used differ by 0.25% from management’s estimates, the carrying amount of accrued pension obligations would increase by $3,646 and decrease by $3,842, respectively.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2013	December 31, 2012
Cash on hand	$ 833	$ 689
Checking accounts and demand deposits	905,137	1,418,499
Time deposits	2,048,282	1,357,120
	$ 2,954,252	$ 2,776,308

	March 31, 2012	January 1, 2012
Cash on hand and	$ 711	$ 529
Checking accounts and demand deposits	1,209,367	611,797
	$ 1,210,078	$ 612,326

A.The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group’s maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B.The Group has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	March 31, 2013	December 31, 2012
Accounts receivable	$ 1,392,805	$ 998,329
Less: allowance for bad debts	(141,346)	(149,902)
	$ 1,251,459	$ 848,427

	March 31, 2012	January 1, 2012
Accounts receivable	$ 1,041,440	$ 824,877
Less: allowance for bad debts	(160,894)	(172,255)
	$ 880,546	$ 652,622

A.Movements on the Group provision for impairment of accounts receivable are as follows:

	2013		
	Individual provision	Group provision	Total
At January 1	$ 149,902	-	$ 149,902
Effect of exchange rate	(8,556)	-	(8,556)
At March 31	$ 141,346	-	$ 141,346

	2012		
	Individual provision	Group provision	Total
At January 1	$ 172,255	-	172,255
Effect of exchange rate	(11,361)	-	(11,361)
At March 31	$ 160,894	$ -	$ 160,894

B.The credit quality of accounts receivable that were neither past due nor impaired was all A class, based on the Group's Credit Quality Control Policy.

	March 31, 2013	December 31, 2012
Group A	$ 1,251,459	$ 848,427
Group B	-	-
	$ 1,251,459	$ 848,427

	March 31, 2012	January 1, 2012
Group A	$ 880,546	$ 652,622
Group B	-	-
	$ 880,546	$ 652,622

Note:

Group A: The credit quality is rated quantified as excellent.

Group B: Others.

B.The maximum exposure to credit risk at March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012 was the carrying amount of each class of accounts receivable.

C.The Group does not hold any collateral as security.

(3) Inventories

	March 31, 2013		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 612,535	($ 202,541)	$ 409,994
Work in process	739,223	(39,709)	699,514
Finished goods	291,966	(45,201)	246,765
Total	$ 1,643,724	($ 287,451)	$ 1,356,273

	December 31, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 468,937	($ 138,843)	$ 330,094
Work in process	730,134	(22,043)	708,091
Finished goods	337,496	(97,068)	240,428
Total	$ 1,536,567	($ 257,954)	$ 1,278,613

	March 31, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 490,303	($ 122,211)	$ 368,092
Work in process	687,763	(35,896)	651,867
Finished goods	266,394	(30,663)	235,731
Total	$ 1,444,460	($ 188,770)	$ 1,255,690

	January 1, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 494,590	($ 121,996)	$ 372,594
Work in process	591,957	(39,866)	552,091
Finished goods	307,836	(42,880)	264,956
Total	$ 1,394,383	($ 204,742)	$ 1,189,641

The cost of inventories recognized as expense for the three-month periods ended March 31, 2013 and 2012 was $358,497 and $272,733, respectively, including the amount of $29,497 that the Group wrote down from cost to net realisable value accounted for as ‘cost of goods sold’, and the amount of $13,206 that the Group sold the inventory which had been reserved as reduction of ‘cost of goods sold’ for the three-month periods ended March 31, 2013 and 2012, respectively.

(4) Property, plant and equipment

	Machinery	Computer and communication equipment	Transportation	Fumiture and fixtures	Leasehold improvement	Other equipment	Prepayments for equipment	Total
At January 1, 2013								
Cost	$ 228,967	$ 5,794	$ 4,728	$ 24,305	$ 44,307	$ 43,094	$ 9,094	$ 360,289
Accumulated depreciation and impairment	(120,701)	(1,723)	(1,733)	(13,197)	(20,403)	(32,286)	-	(190,043)
	$ 108,266	$ 4,071	$ 2,995	$ 11,108	$ 23,904	$ 10,808	$ 9,094	$ 170,246
Three-month period ended March 31, 2013								
Opening net book amount	$ 108,266	$ 4,071	$ 2,995	$ 11,108	$ 23,904	$ 10,808	$ 9,094	$ 170,246
Additions	3,940	396	371	633	680	-	2,001	8,021
Reclassifications	1,545	-	-	-	-	(9,318)	-	(7,773)
Depreciation charge	(8,709)	(304)	(195)	(1,186)	(2,019)	(1,490)	-	(13,903)
Net exchange differences	(473)	111	26	75	439	1,545	-	1,723
Closing net book amount	$ 104,569	$ 4,274	$ 3,197	$ 10,630	$ 23,004	$ 1,545	$ 11,095	$ 158,314
At March 31, 2013								
Cost	$ 234,087	$ 6,328	$ 5,147	$ 22,795	$ 45,694	$ 1,545	$ 11,095	$ 326,691
Accumulated depreciation and impairment	(129,518)	(2,054)	(1,950)	(12,165)	(22,690)	-	-	(168,377)
	$ 104,569	$ 4,274	$ 3,197	$ 10,630	$ 23,004	$ 1,545	$ 11,095	$ 158,314

	Machinery	Computer and communication equipment	Transportation	Fumiture and fixtures	Leasehold improvement	Other equipment	Prepayments for equipment	Lease assets	Total
At January 1, 2012									
Cost	$ 168,052	$ 5,803	$ 5,280	$ 20,740	$ 37,405	$ 41,549	$ 3,596	$ 23,448	$ 305,873
Accumulated depreciation and impairment	(80,068)	(2,259)	(1,783)	(9,005)	(12,985)	(26,327)	-	(5,304)	(137,731)
	$ 87,984	$ 3,544	$ 3,497	$ 11,735	$ 24,420	$ 15,222	$ 3,596	$ 18,144	$ 168,142
Three-month period ended March 31, 2012									
Opening net book amount	$ 87,984	$ 3,544	$ 3,497	$ 11,735	$ 24,420	$ 15,222	$ 3,596	$ 18,144	$ 168,142
Additions	14,425	756	-	-	-	-	319	-	15,500
Disposals	-	(3)	(21)	-	-	-	-	-	(24)
Reclassifications	4,836	-	-	1,224	393		(3,149)	-	3,304
Depreciation charge	(6,813)	(253)	(165)	(1,106)	(2,056)	(1,489)	-	(838)	(12,720)
Net exchange differences	(629)	(89)	(14)	(96)	(128)	-	-	-	(956)
Closing net book amount	$ 99,803	$ 3,955	$ 3,297	$ 11,757	$ 22,629	$ 13,733	$ 766	$ 17,306	$ 173,246
At March 31, 2013									
Cost	$ 185,774	$ 5,682	$ 4,479	$ 21,739	$ 37,191	$ 41,549	$ 766	$ 23,448	$ 320,628
Accumulated depreciation and impairment	(85,971)	(1,727)	(1,182)	(9,982)	(14,562)	(27,816)	-	(6,142)	(147,382)
	$ 99,803	$ 3,955	$ 3,297	$ 11,757	$ 22,629	$ 13,733	$ 766	$ 17,306	$ 173,246

(5) Intangible assets

	Computer Software	Total
At January 1, 2013		
Cost	$ 23,394	$ 23,394
Accumulated amortisation and impairment	(12,677)	(12,677)
	$ 10,717	$ 10,717
Three-month period ended March 31, 2013		
Opening net book amount	$ 10,717	$ 10,717
Additions－acquired separately	1,050	1,050
Net exchange differences	132	132
Amortisation charge	(1,541)	(1,541)
Closing net book amount	$ 10,358	$ 10,358
At March 31, 2013		
Cost	$ 22,965	$ 22,965
Accumulated amortisation and impairment	(12,607)	(12,607)
	$ 10,358	$ 10,358

	Computer Software	Total
At January 1, 2012		
Cost	$ 19,971	$ 19,971
Accumulated amortisation and impairment	(8,926)	(8,926)
	$ 11,045	$ 11,045
Three-month period ended March 31, 2012		
Opening net book amount	$ 11,045	$ 11,045
Additions－acquired separately	4,241	4,241
Net exchange differences	(110)	(110)
Amortisation charge	(1,345)	(1,345)
Closing net book amount	$ 13,831	$ 13,831
At March 31, 2012		
Cost	$ 22,492	$ 22,492
Accumulated amortisation and impairment	(8,661)	(8,661)
	$ 13,831	$ 13,831

(6) Short-term borrowings

March 31, 2013：None.

December 31, 2012：None.

Type of borrowings	March 31, 2012	Interest rate range	Collateral
Bank borrowings			
HSBC Taipei bank unsecured borrowings	$ 945,000	1.18%～1.64%	None

Type of borrowings	January 1, 2012	Interest rate range	Collateral
Bank borrowings			
HSBC Taipei bank unsecured borrowings	$ 657,000	1.20%	None

(7) Pension

A.

a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

b) The amounts recognised in the balance sheet are determined as follows:

	December 31, 2012	January 1, 2012
Present value of funded obligations	($ 85,064)	($ 57,429)
Fair value of plan assets	11,188	10,001
Net liability in the balance sheet	($ 73,876)	($ 47,428)

c) The Group recognised pension expenses of $1,062 and $705 in the statement of comprehensive income for the three-month periods ended March 31, 2013 and 2012, respectively.

d) As of December 31, 2012 and January 1, 2012, cumulative actuarial losses/(gains) recognised in other comprehensive income were $26,412 and $0, respectively.

e) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of March 31, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

f) The principal actuarial assumptions used were as follows:

	2012	2011
Discount rate	1.50%	1.75%
Future salary increases	4.00%	3.00%
Expected return on plan assets	1.75%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

g) Historical information of experience adjustments was as follows:

	2012
Present value of defined benefit obligation	($ 85,064)
Fair value of plan assets	11,188
Deficit in the plan	($ 73,876)
Experience adjustments on plan liabilities	-
Experience adjustments on plan assets	-

h) Expected contributions to the defined benefit pension plans of the Group within one year from March 31, 2013 amounts to $1,173.

B.

a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Group for the three-month periods ended March 31, 2013 and 2012 were $2,816 and $2,203, respectively.

b) The Company's indirect mainland subsidiary – Hermes Microvision Co., Ltd. (Beijing) has a funded defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of the employees' monthly salaries and wages. Except for the monthly contributions, Hermes Microvision Co., Ltd. (Beijing) has no further obligations under the plan. The pension costs of the Company's indirect mainland subsidiaries under the defined contribution pension plan for the three-month periods ended March 31, 2013 and 2012 were $1,469 and $1,967, respectively.

c) The subsidiary – Hermes Microvision, Inc. (USA) has established a 401(k) plan in accordance with Article 401(k) of the Internal Revenue Code of U.S.A. Under the 401(k) plan, Hermes Microvision, Inc. (USA) may contribute monthly a certain amount of the employees' monthly salaries, not exceeding the maximum limit, to the employees' pension accounts based on its employee reward and retirement policy. The pension costs of Hermes Microvision, Inc. (USA) under the defined contribution pension plan for the three-month periods ended March 31, 2013 and 2012 were $2,926 and $0 respectively.

(8) Share-based payment

Parent Company:

A. As of March 31, 2013, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	March 31, 2012	900,000	NA	Vested immediately

B. The fair value of stock options granted is measured by using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Share price (in NT dollars)	Exercise price (in NT dollars)	Expected price volatility	Expected option life	Expected dividends	Risk - free interest rate	Fair value per unit (in NT dollars)
Cash capital increase reserved for employee preemption	March 31, 2012	$ 238.30	$ 200	26.23%	2 months	-	0.7274%	$ 39,812

C. Expenses incurred on share-based payment transactions are shown below:

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Equity settled-cash capital increase reserved for employee preemption	$ -	$ 35,831

Subsidiary:

A. As of March 31, 2013 and 2012, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Outstanding quantity granted	Contract period	Vesting conditions
Employee stock options	March 25, 1995 ~ November 1, 2011	657,046	10 years	4 years' service

The above share-based payment arrangements are settled by equity.

B. Details of the share-based payment arrangements of Hermes Microvision Inc. (U.S.A) are as follows:

	For the three-month period ended March 31, 2013		For the three-month period ended March 31, 2012	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	672,044	$ 0.91262	1,845,826	$ 0.59839
Options granted	-	-	-	-
Options forfeited	-	-	-	-
Options exercised	(14,998)	0.70947	(473,413)	0.47311
Options expired	-	-	-	-
Options outstanding at end of the period	657,046	0.84826	1,372,413	0.64160
Options exercisable at end of the period	200,005	0.86080	658,850	0.43667

C. The weighted-average stock price of stock options at exercise dates for the three-month periods ended March 31, 2013 and 2012 was $0.70947 and $0.47311 (in dollars), respectively.

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		March 31, 2013		December 31, 2012	
Date of the plan	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
March 25, 2005	March 24, 2015	657	$ 0.56~1.03	672	$ 0.49~0.87

		March 31, 2012		January 1, 2012	
Date of the plan	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
March 25, 2005	March 24, 2015	1,372	$ 0.2~0.87	1,845	$ 0.2~0.87

E. The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Exercise price	Expected Price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	April 1, 2009 ~ November 1, 2012	0.49~0.87	29.85%~ 40.21%	1~8.59 year	-	2.22%~ 5.2%	$0.1043~ 0.4954

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

F. Expenses incurred on share-based payment transactions are shown below:

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Equity-settled	$ 702	$ 2,142

(9) Provisions for other liabilities

	Warranty	Total
At January 1, 2013	$ 577,257	$ 577,257
Additional provisions	71,356	71,356
At March 31, 2013	$ 648,613	$ 648,613

Analysis of total provisions:

	March 31, 2013	December 31, 2012
Current	$ 648,613	$ 577,257
Non-current	$ -	$ -

	March 31, 2012	January 1, 2012
Current	$ 334,152	$ 218,576
Non-current	$ -	$ -

The Group provides warranties on electronic inspection equipment products sold. Provision for warranty is estimated based on historical warranty data of the products. It is expected that $486,460 and $162,153 of provisions for warranty will be used in years 2013 and 2014, respectively.

(10) Share capital

As of March 31, 2013, the Company's authorized capital was $1,200,000, consisting of 1,200 thousand shares of ordinary stock, and the paid-in capital was $660,000 with a par value of $10 (in New Taiwan dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
At January 1 and March 31	$ 66,000	$ 60,000

(11) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	Share premium	Adjustment due to change of investees' equity under the equity method	Employee stock options
At January 1, 2013	$ 1,223,831	$ 10,517	$ -
Adjustment due to change of investees' under the equity method	-	835	-
At March 31, 2013	$ 1,223,831	$ 11,352	$ -

	Share premium	Adjustment due to change of investees' equity under the equity method	Employee stock options
At January 1, 2013	$ -	$ -	$ -
Cash capital increase	35,831	-	-
Adjustment due to change of investees' under the equity method	-	4,755	-
At March 31, 2013	$ 35,831	$ 4,755	$ -

(12) Retained earnings

	2013	2012
At January 1	$ 1,980,820	$ 754,066
Profit for the period	530,483	275,104
At March 31	$ 2,511,303	$ 1,029,170

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Stock dividends should be appropriated at a rate of 10% per annum. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.

B. As the Company's industry is in the growth stage, in order to be in line with the industry's overall environment and its characteristics and pursue the goals of the Company's sustainable operations and shareholders' long-term interests, the dividend policy is adopted taking into consideration the Company's actual operating results of the dividend distribution year and the capital budget planning of the following year. Dividends are distributed by stock and by cash. According to the Company's dividend policy, cash dividends shall account for at least 10% of the total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D.

a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. For the three-month periods ended March 31, 2013 and 2012, employees' bonus was accrued at $21,834 and $17,706, respectively; directors' and supervisors' remuneration was accrued at $2,183 and $1,771, respectively. Employees' bonus and directors' and supervisors' remuneration of 2012 as resolved by the stockholders were in agreement with those amounts recognised in the 2012 financial statements.

Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. The Company recognised dividends distributed to owners amounting to $264,000 ($4 (in dollars) per share) for the year ended December 31, 2012. On February 26, 2013, the Board of Directors proposed that total dividends for 2013 would be $792,000 at $12 (in dollars) per share. Such dividends payable were not included in these consolidated financial statements.

(13) Other equity items

	Currency translation
At January 1, 2013	($ 8,136)
Currency translation differences:	
–Group	23,339
At March 31, 2013	$ 15,203

	Currency translation
At January 1, 2012	$ -
Currency translation differences:	
–Group	(4,790)
At March 31, 2012	($ 4,790)

(14) Operating revenue

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Sales revenue	$ 1,211,870	$ 911,934

(15) Other income

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Interest income from bank deposits	$ 4,572	$ 54
Rental revenue	-	9,343
Other interest income	39	8
Total	$ 4,611	$ 9,405

(16) Other gains and losses

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Gains (losses) on disposal of property, plant and equipment	$ -	$ 1
Net currency exchange gains (losses)	34,120	(39,351)
Other losses	-	(3,016)
Total	$ 34,120	($ 42,366)

(17) Finance costs

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Interest expense:		
Bank borrowings	$ -	$ 2,900
Finance costs	$ -	$ 2,900

(18) Expenses by nature

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Employee benefit expense	$ 286,972	$ 268,800
Depreciation charges on property, plant and equipment	13,903	12,720
Amortisation charges on intangible assets	1,541	1,345
	$ 302,416	$ 282,865

(19) Employee benefit expense

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Wages and salaries	$ 251,201	$ 207,003
Employee stock options	702	2,142
Cash capital increase reserved for employee preemption	-	35,831
Labor and health insurance fees	15,895	14,547
Pension costs	8,273	4,875
Other personnel expenses	10,901	4,402
	$ 286,972	$ 268,800

(20) Income tax

A. Income tax expense

a) Components of income tax expense:

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Current tax:		
Current tax on profits for the period	$ 37,142	$ 23,058
Adjustments in respect of prior	1,625	-
Total current tax	38,767	23,058
Deferred tax:		
Origination and reversal of temporary differences	-	-
Impact of change in tax rate	-	-
Total deferred tax	-	-
Income tax expense	$ 38,767	$ 23,058

b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Currency translation differences	$ 4,966	($ 1,109)

B. The Company's income tax returns through 2010 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	March 31, 2013	December 31, 2012
Earnings generated in and before 1997	$ -	$ -
Earnings generated in and after 1998	2,431,117	1,900,634
	$ 2,431,117	$ 1,900,634

	March 31, 2012	January 1, 2012
Earnings generated in and before 1997	$ -	$ -
Earnings generated in and after 1998	1,014,280	739,104
	$ 1,014,280	$ 739,104

D. As of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, the balance of the imputation tax credit account was $101,701, $101,701, $1,919 and $1,919, respectively. The creditable tax rate was 5.16% for 2012 and is estimated to be 4.19% for the three-month period ended March 31, 2013.

(21) Earnings per share

A. Basic

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period.

B. Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to ordinary shareholders of the parent and the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

	For the three-month period ended March 31, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 530,483	66,000	$ 8.04
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	530,483	66,000	
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	13	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 530,483	66,013	$ 8.04

	For the three-month period ended March 31, 2012		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 275,104	60,000	$ 4.59
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 275,104	60,000	
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	-	1,046	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 275,104	61,046	$ 4.51

(22) Operating leases

A. The Group leases offices and plant asset to others under non-cancellable operating lease agreements. These leases have terms expiring between 2013 and 2014. Rents of $21,046 and $17,681 were recognised for these leases in profit or loss for the three-month periods ended March 31, 2013 and 2012, respectively.

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

A. Sales of goods and services:

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Sales of goods:		
related parties	$ 10	$ 7,011

There were no significant difference in the sales prices and receiving terms between related parties and third parties.

B. Purchases of goods and services:

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Technology service charge-related parties	$ 1,891	($ 22,455)
Commission expense-related parties	$ -	$ 33,055
Rent expense-related parties	$ 3,893	$ 3,484
Business promotion expense-related parties	$ 3	$ 872

The above transactions are under normal commercial terms and conditions.

C. Period-end balances arising from sales of goods/services:

	March 31, 2013	December 31, 2012
Receivables from related parties:	$ 1,399	$ 303

	March 31, 2012	January 1, 2012
Receivables from related parties:	$ 6,010	$ 7,135

	March 31, 2013	December 31, 2012
Other receivables from related parties:	$ -	$ -

	March 31, 2012	January 1, 2012
Other receivables from related parties:	$ 2	$ -

The receivables from related parties arise mainly from sale transactions and sales of property, plant and equipment. The receivables are collected from one to two months after the date of sales. There are no provisions held against receivables from related parties.

D. Period-end balances arising from purchases of goods/services:

	March 31, 2013	December 31, 2012
Payables to related parties:	$ 34,734	$ 62,125

	March 31, 2012	January 1, 2012
Payables to related parties:	$ 73,871	$ 87,590

(2) Key management compensation

	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
Salaries and other short-term employee benefits	$ 12,343	$ 7,850

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows: None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital commitments:

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows: None.

B. Operating lease commitments

See Note 6(22)

The Company leases offices and plant assets under non-cancellable operating lease agreements. The lease terms are between 1 and 2 years, and the majority of lease agreements are renewable at the end of the lease period at market rates.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	March 31, 2013	December 31, 2012
Not later than one year	$ 50,856	$ 54,307
Later than one year but not later than five years	30,910	41,270
Later than five years	-	-
Total	$ 81,766	$ 95,577

	March 31, 2013	December 31, 2012
Not later than one year	$ 14,011	$ 437
Later than one year but not later than five years	82,149	95,273
Later than five years	-	-
Total	$ 96,160	$ 95,710

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

1. On April 1, 2013 the Company's subsidiary – Hermes Microvision Japan Inc. entered into a contract to sell its accounts receivable of Elpida Memory Inc. ("Elpida") at JPY 218,007 thousand. The original accounts receivable amounted to JPY 445.607 thousand but had been provided with 100% allowance for bad debt. Therefore, Microvision Japan Inc. will reverse the allowance for bad debts accordingly in the second quarter of 2013.
2. On April 10, 2013, the Board of Directors' meeting resolved to increase the capital by cash through no more than 5,000,000 common shares. It is also resolved to either by increasing the capital by cash in domestic capital market, or by issuing Global Depositary Receipts (GDRs) in global capital market, or by partial cash in domestic capital market together with by partial issuing GDRs in global capital market. The capital increase proposal will be submitted to the Shareholders' meeting for approval to authorize the Board of Directors for further arrangements. Currently, the proposal has not been passed at the Shareholders' meeting.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated

balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated balance sheet plus net debt.

During 2013, the Group’s strategy, which was unchanged from 2012, was to maintain the gearing ratio within reasonable level. The gearing ratios at March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012 were as follows:

	March 31, 2013	December 31, 2012
Total borrowings	$ -	$ -
Less: cash and cash equivalents	(2,954,252)	(2,776,308)
Net debt	($ 2,954,252)	($ 2,776,308)
Total equity	$ 4,456,845	$ 3,900,043
Total capital	$ 660,000	$ 660,000
Gearing ratio	-447.61%	-420.65%

	March 31, 2012	January 1, 2012
Total borrowings	$ 945,000	$ 657,000
Less: cash and cash equivalents	(1,210,078)	(612,326)
Net debt	($ 265,078)	$ 44,674
Total equity	$ 1,689,917	$ 1,375,157
Total capital	$ 600,000	$ 600,000
Gearing ratio	-44.18%	7.45%

(2) Financial instruments

A. Fair value information of financial instruments

	March 31, 2013	
	Book Value	Fair value
Financial assets:		
Cash and cash equivalents	$ 2,954,252	$ 2,776,308
Financial assets measured at cost		
Accounts receivable	1,251,459	1,251,459
Accounts receivable - related parties	1,399	1,399
Other receivables	21,132	21,132
Other receivables - related parties	-	-
Total	$ 1,273,990	$ 1,273,990

	December 31, 2012	
	Book Value	Fair value
Financial assets:		
Cash and cash equivalents	$ 2,776,308	$ 2,773,308
Financial assets measured at cost		
Accounts receivable	$ 848,427	$ 848,427
Accounts receivable - related parties	303	303
Other receivables	31,892	31,892
Other receivables - related parties	-	-
Total	$ 880,622	$ 880,622

	March 31, 2012	
	Book Value	Fair value
Financial assets:		
Cash and cash equivalents	$ 1,210,078	$ 1,210,078
Financial assets measured at cost		
Accounts receivable	$ 880,546	$ 880,546
Accounts receivable - related parties	6,010	6,010
Other receivables	31,718	31,718
Other receiables - related parties	2	2
Total	$ 918,276	$ 918,276

	January 1, 2012	
	Book Value	Fair value
Financial assets:		
Cash and cash equivalents	$ 612,326	$ 612,326
Financial assets measured at cost		
Accounts receivable	$ 652,622	$ 652,622
Accounts receivable - related parties	7,135	7,135
Other receivables	30,565	30,565
Total	$ 690,322	$ 690,322

	March 31, 2013	
	Book value	Fair value
Financial liabilities measured at cost		
Accounts payable	$ 102,960	$ 102,960
Other payables	384,640	384,640
Other payables - related parties	34,734	34,734
Total	$ 522,334	$ 522,334

	December 31, 2012	
	Book value	Fair value
Financial liabilities measured at cost		
Accounts payable	$ 93,112	$ 93,112
Other payables	378,101	378,101
Other payables - related parties	62,125	62,125
Total	$ 533,338	$ 533,338

	March 31, 2012	
	Book value	Fair value
Financial liabilities:		
Short-term borrowings	$ 945,000	$ 945,000
Financial liabilities measured at cost		
Accounts payable	67,726	67,726
Other payables	200,816	200,816
Other payables - related parties	73,871	73,871
Total	$ 1,287,413	$ 1,287,413

	January 1, 2012	
	Book value	Fair value
Financial liabilities		
Short-term borrowings	$ 657,000	$ 657,000
Financial liabilities measured at cost		
Notes payable	1,080	1,080
Accounts payable	59,066	59,066
Other payables	168,240	168,240
Other payables - related parties	87,590	87,590
Total	$ 972,976	$ 972,976

B. Financial risk management policies

a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2), 6(7) and 6(21)).

b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit

risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

a) Market risk

<u>Foreign exchange risk</u>

- The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2013					
				Sensitivity Analysis		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)	Extent of Variation	Effect on Profit or Loss	Effect on Equity
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 33,737	29.83	$1,006,206	1%	$ 10,062	$ -
JPY:NTD	12,137	0.32	3,847	1%	38	-
RMB:NTD	18	4.806	87	1%	1	-
EUR:NTD	3	28.23	115	1%	1	-
Financial liabilities						
Monetary items						
USD:NTD	$ 2,322	29.83	$ 69,254	1%	($ 693)	-
RMB:NTD	1	4.806	5	1%	-	-
EUR:NTD	23	38.23	4,226	1%	(42)	-

	December 31, 2012		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 45,417	29.04	$1,318,910
JPY:NTD	273	0.3360	92
Financial liabilities			
Monetary items			
USD:NTD	$ 1,553	29.04	$ 45,099

	March 31, 2012								
					Sensitivity Analysis				
	Foreign Currency Amount (In Thousands)		Exchange Rate	Book Value (NTD)	Extent of Variation	Effect on Profit or Loss		Effect on Equity	
(Foreign currency: functional currency)									
Financial assets									
Monetary items									
USD:NTD	$	43,984	29.51	$1,297,968	1%	$	12,980	$	-
RMB:NTD		731	0.36	263	1%		3		-
Financial liabilities									
Monetary items									
USD:NTD	$	6,912	29.51	$ 203,973	1%	($	2,040)	$	-

	January 1, 2012			
	Foreign Currency Amount (In Thousands)		Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$	30,399	30.275	$ 920,330
JPY:NTD		1,518	0.3906	593
Financial liabilities				
Monetary items				
USD:NTD	$	667	30.275	$ 20,193

b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The credit quality information of financial assets that are neither past due nor impaired is as follows:

	March 31, 2013	
	Group A	Group B
Accounts receivable	$ 1,251,459	$ -

	December 31, 2012	
	Group A	Group B
Accounts receivable	$ 848,427	$ -

	March 31, 2012	
	Group A	Group B
Accounts receivable	$ 880,546	$ -

	January 1, 2012	
	Group A	Group B
Accounts receivable	$ 652,622	$ -

Group A: The credit ranking is quantified as excellent.

Group B: Others.

c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(6)) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based

on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

March 31, 2013	Less than 1 year
Accounts payable	$ 102,960
Other payables	384,640
Other payables - related parties	34,734

Non-derivative financial liabilities:

December 31, 2012	Less than 1 year
Accounts payable	$ 93,112
Other payables	378,101
Other payables - related parties	62,125

Non-derivative financial liabilities:

March 31, 2012	Less than 1 year
Short-term borrowings	$ 945,000
Accounts payable	67,726
Other payables	200,816
Other payables - related parties	73,871

Non-derivative financial liabilities:

January 1, 2012	Less than 1year
Short-term borrowings	$ 657,000
Notes payable	1,080
Accounts payable	59,066
Other payables	168,240
Other payables - related parties	87,590

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others:

(a) Loans granted during the three-month period ended March 31, 2013:

None.

(b) Endorsements and guarantees provided by the Company to others:

None.

(c) Holding of securities as of March 31, 2013:

					March 31, 2013				
Investor	Types of marketable securities	Name of marketable securities	Relationship of the issuer with the Company	General ledger account	Number of shares /unit	Book value	Percentage	Market value (Note)	Footnote
Hermes Microvision, Inc.	Common stock and preferred stock	Hermes Microvision, Inc. (USA)	Investee company accounted for under the equity method	Long-term equity investments accounted for under equity method	61,785,000	$ 560,765	94%	$ 560,765	Note
〃	Common stock	HMI Holdings Inc.	〃	〃	5,955,088	73,570	100%	73,570	Note
HMI Holdings Inc.	〃	Hermes Microvision Korea Inc.	〃	〃	500	8,858	100%	8,858	Note
〃	〃	Hermes Microvision Japan Inc.	〃	〃	2,980	(75,570)	100%	(75,570)	Note
〃	〃	Ansing International LLC.	〃	〃	-	140,282	100%	140,282	Note
Ansing International LLC.	〃	Hermes Microvision, Co., Ltd. (Beijing)	〃	〃	-	140,282	100%	140,282	Note

Note: Ownership value of equity book value..

(d) Aggregate purchase or sales of the same securities reaching $100,000 or 20% of paid-in capital or more:

None.

(e) Acquisition of real estate reaching $100,000 or 20% of paid-in capital or more:

None.

(f) Disposal of real estate reaching $100,000 or 20% of paid-in capital or more:

None.

(g) Purchases or sales of goods from or to related parties reaching $100,000 or 20% of paid-in capital or more:

			Transactions				Difference in transaction terms compared to third party transactions		Accounts receivable / (payable)	
Purchaser / Seller	Counterparty	Relationship with the counterparty	Purchases / (sales)	Amount	Percentage of purchases/(sales)	Credit term	Unit price	Term	Amount	Percentage of accounts (payable)/ receivable
Hermes Microvision, Inc.	Hermes Microvision Japan Inc.	The investee company of the investee company accounted for under the equity method by the Company	Sales	($ 172,128)	14%	30 days after delivery	Approximately the same with third party transactions	Approximately the same with third party transactions	$ 334,228	27%
Hermes Microvision, Inc. (USA)	Hermes Microvision, Inc.	Parent company	〃	(198,171)	18%	〃	〃	〃	82,609	63%
Hermes Microvision, Inc.	Hermes Microvision, Inc. (USA)	Investee company accounted for under the equity method	Purchases	198,171	55%	30 days after receipt	〃	〃	(82,609)	30%
Hermes Microvision, Japan Inc.	Hermes Microvision, Inc.	Ultimate parent company	〃	172,128	100%	〃	〃	〃	(334,228)	100%

(h) Receivables from related parties reaching $100,000 or 20% of paid-in capital or more:

					Overdue receivables			
Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31,2013	Turnover rate	Amount	Action taken	Amount collected subsequent to the balance sheet date	Allowance for bad debts
Hermes Microvision, Inc.	Hermes Microvision Japan Inc.	Subsidiary of investee of the Company accounted for under the equity method	$ 334,228	0.53	$ -	-	$ 69,152	$ -
Hermes Microvision, Inc. (USA)	Hermes Microvision, Inc.	Parent compayny	185,776	1.60	-	-	104,246	

(i) Derivative financial instruments undertaken:

None.

(j) Significant inter-company transactions:

For the three-month period ended March 31, 2013

				Transactions			
Number (Note 1)	Company	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 4)	Terms	Percentage of revenues or total assets (Note 3)
0	Hermes Microvision, Inc.	Hermes Microvision, Inc. (USA)	(1)	Sales	$ 34,229	The price and terms were based on the ordinary course of business.	2.82%
0	"	"	(1)	Purchases	198,171	"	16.35%
0	"	"	(1)	Contracted research expense	137,782	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms with relevant amount collected monthly.	11.37%
0	"	"	(1)	Business promotion expense	18,740	"	1.55%
0	"	"	(1)	Accounts receivable	43,403	Net 30 days.	3.46%
0	"	"	(1)	Accounts payable	82,609	"	1.41%
0	"	"	(1)	Other payables	103,167	"	1.77%
0	"	Hermes Microvision Japan Inc.	(1)	Sales	172,128	The price and terms were based on the ordinary course of business.	14.20%
0	"	"	(1)	Accounts receivable	334,228	Net 30 days.	26.68%
0	"	Hermes Microvision Korea Inc.	(1)	Sales	11,193	The price and terms were based on the ordinary course of business.	0.92%
0	"	"	(1)	Accounts receivable	21,678	Net 30 days.	1.73%
0	"	Hermes Microvision Co., Ltd. (Beijing)	(1)	Purchases	40,886	The price and terms were based on the ordinary course of business.	3.37%
1	Hermes Microvision, Inc. (USA)	"	(3)	Purchases	13,941	"	1.15%
1	"	"	(3)	Contracted research expense	22,996	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms with relevant amount collected monthly.	1.90%

For the three-month period ended March 31, 2012

Number (Note 1)	Company	Counterparty	Relationship (Note 2)	Transactions: General ledger account	Amount (Note 4)	Terms	Percentage of revenues or total assets (Note 3)
0	Hermes Microvision, Inc.	Hermes Microvision, Inc. (USA)	(1)	Purchases	$ 77,517	The price and terms were based on the ordinary course of business.	8.50%
0	"	"	(1)	Contracted research expense	118,215	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms with relevant amount collected monthly.	12.96%
0	"	"	(1)	Business promotion expense	30,974	"	3.40%
0	"	"	(1)	Accounts receivable	29,826	Net 30 days.	0.82%
0	"	"	(1)	Accounts payable	213,074	"	5.82%
0	"	"	(1)	Other payables	38,521	"	1.06%
0	"	Hermes Microvision Japan Inc.	(1)	Sales	28,281	The price and terms were based on the ordinary course of business.	3.10%
0	"	"	(1)	Accounts receivable	308,633	Net 30 days.	8.45%
0	"	Hermes Microvision Co., Ltd. (Beijing)	(1)	Other payables	16,378	"	0.45%
0	"	"	(1)	Purchases	18,398	The price and terms were based on the ordinary course of business.	2.02%
1	Hermes Microvision, Inc. (USA)	"	(3)	Contracted research expense	16,483	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms with relevant amount collected monthly.	1.81%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

B. Information of investees as of March 31, 2013:

				Initial investment amount as at		Shares held				
Investor	Investee	Location	Main business activities	March 31, 2013	January 1, 2013	Shares	Percentage	Book value	Net income (loss) of the investee Company	Income (loss) recognised by the Company
Hermes Microvision, Inc.	Hermes Microvision, Inc.	U.S.A	Research and development	$ 665,970	$ 665,970	61,785,000	94%	$ 560,765	$ 17,895	$ 16,839
〃	HMI Holdings Inc.	Samoa	Investment holdings	188,452	188,452	5,955,088	100%	73,570	8,942	8,942
HMI Holdings Inc.	Hermes Microvision Korea Inc.	Korea	Marketing of e-Bean inspection equipment and its components and related technical support services	2,140	2,140	500	100%	8,858	(97)	(97)
〃	Hermes Microvision Japan Inc.	Japan	〃	52,574	52,574	2,980	100%	(75,570)	3,761	3,761
〃	Ansing International LLC.	U.S.A	Investment holdings	133,739	133,739	-	100%	140,282	5,278	5,278
Ansing International LLC.	Hermes Microvision Co., Ltd. (Beijing)	Mainland China	Research, development and manufacturing of semiconductor machinery and equipment and related technical support services	133,739	133,739	-	100%	140,282	5,278	5,278

C. Information on investment in Mainland China:

(a)

Name of investee in Mainland China	Main business activities	Paid-in capital	Method of investment	Beginning Balance of remittance in 2013	Amount of remittance: Remittance out	Amount of remittance: Remittance in	Ending balance of remittance on March 31, 2013	Shares held by the Company (Direct and indirect)	Profit / (loss) recognised during the period (Note 3)	Ending balance of book value on March 31, 2013	Ending balance of profit remittance into Taiwan
Hermes Microvision Co., Ltd. (Beijing)	Research, development and manufacturing of semiconductor machinery and equipment and related technical support services	$ 116,520	Note 1	$ 133,738	None	None	$ 133,738	100%	$ 5,278	$ 140,282	-

Name	Ending balance of investment on March 31, 2013	Approved investment amount by Ministry of Economic Affairs R.O.C.	Ceiling amount of the Company for investment in Mainland China (Note 4)
Hermes Microvision Co., Ltd. (Beijing)	$ 133,738	$ 133,738	$ 2,653,013

Note 1: Reinvesting in China companies through investing in existing companies in third countries.

Note 2: Recognized based on the financial statements of investee for the corresponding period, which were audited by independent accountants.

Note 3: Pursuant to the amended “Review Rules Governing Investment and Technology Cooperation in Mainland China”, as prescribed by the Gin-Shen-Zi Letter No. 09704604680 of Ministry of Economic Affairs, dated August 29, 2008, effective August 1, 2008, the accumulated amount of investments in Mainland China shall not exceed 60% of net assets value of each company.

(b)Significant transactions with the direct and indirect investments in Mainland China

(1)Sales:

For the three-month periods ended March 31, 2013 and 2012, the Company's direct sales and indirect sales to investee in Mainland China were $38 and $791, respectively, which were less than 10% of the total amount of net sales.

(2)Purchases:

The Company's direct purchases from investee in Mainland China.

	For the three-month period ended March 31, 2013		For the three-month period ended March 31, 2012	
	Amount	Percentage of net purchases	Amount	Percentage of net purchases
Hermes Microvision Co., Ltd. (Beijing)	$ 40,886	13%	$ 18,398	8%

Note :The purchase price and terms from investee in Mainland China were the same with third parties. The payment term was 30 days after acceptance.

(3)Accounts receivable:

As of March 31, 2013 and 2012, the Company's accounts receivable from investee in Mainland China were $38 and $722, respectively, which were less than 10% of the total amount of accounts receivable.

(4)Accounts payable:

As of March 31, 2013 and 2012, the Company's accounts payable to investee in Mainland China were $17,840 and $6,644, respectively, which were less than 10% of the total amount of accounts payable.

(5)The Company had no property transactions with or finance or endorsement guarantees or collaterals provided to the investee in Mainland China directly or indirectly as of March 31, 2013 and 2012.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

For the three-month period ended March 31, 2013

	Total
Revenue from external customers	$ 1,211,870
Inter-segment revenue	$ -
Segment income (loss)	$ 570,306
Total assets	$ 5,840,880

For the three-month period ended March 31, 2012

	Total
Revenue from external customers	$ 911,934
Inter-segment revenue	$ -
Segment income (loss)	$ 298,676
Total assets	$ 3,634,860

(3) Reconciliation for segment income (loss)

None:

15. **INITIAL APPLICATION OF IFRSs**

These consolidated financial statements are the first interim consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) Exemptions elected by the Group

A. Business combinations

The Group has elected not to apply the requirements in IFRS 3, 'Business Combinations', retrospectively to business combinations that occurred prior to the date of transition to IFRSs ("the transition date"). This exemption also applies to the Group's previous acquisitions of

investments in associates.

B. Share-based payment transactions

The Group has elected not to apply the requirements in IFRS 2, ‘Share-based Payment’, retrospectively to equity instruments that were vested arising from share-based payment transactions prior to the transition date.

C. Employee benefits

The Group has elected to recognise all cumulative actuarial gains and losses relating to all employee benefit plans in ‘retained earnings’ at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, ‘Employee Benefits’, based on their prospective amounts for financial periods from the transition date.

D. Cumulative translation differences

The Group has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, ‘The Effects of Changes in Foreign Exchange Rates’.

(2) Except for accounting estimates, derecognition of financial assets and financial liabilities, to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Group, other exceptions to the retrospective application are set out below:

A. Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that day.

B. Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, ‘Financial Instruments: Recognition and Measurement’ shall be applied prospectively to transactions occurring on or after January 1, 2004.

(3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that an entity should make a reconciliation for equity, comprehensive income and cash flows for the comparative periods. The Group’s initial application of IFRSs has no significant effect on cash flows from operating activities, investing activities and financing activities. Reconciliation for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A. Reconciliation for equity on January 1, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 612,326	$ -	$ 612,326	
Accounts receivable	652,622	-	652,622	
Accounts receivable - related parties	7,135	-	7,135	
Other receivables	30,565	-	30,565	
Inventories	1,189,641	-	1,189,641	
Prepayments	30,840	-	30,840	
Other current assets	22	-	22	
Total current assets	2,523,151	-	2,523,151	
Non-current assets				
Property, plant and equipment	168,142	-	168,142	
Intangible assets	27,080	(16,035)	11,045	(1)
Deferred income tax assets	30,595	-	30,595	
Other non-current assets	7,553	-	7,553	
Total non-current assets	233,370	(16,035)	217,335	
Total assets	$ 2,756,521	($ 16,035)	$ 2,740,486	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Short-term borrowings	$ 657,000	$ -	$ 657,000	
Notes payable	1,080	-	1,080	
Accounts payable	59,066	-	59,066	
Other payables	155,803	12,437	168,240	(2)
Other payables - related parties	87,590	-	87,590	
Current income tax liabilities	100,064	-	100,064	
Provisions for liabilities - current	218,576	-	218,576	
Deferred income tax liabilities	3,589	(3,589)		(3)
Other current liabilities	8,712	-	8,712	
Total current liabilities	1,291,480	8,848	1,300,328	
Non-current liabilities				
Deferred income tax liabilities	-	3,589	3,589	(3)
Other non-current liabilities	37,123	24,289	61,412	(1)
Total non-current liabilities	37,123	27,878	65,001	
Total Liabilities	1,328,603	36,726	1,365,329	
Equity attributable to owners of the parent				
Share capital				
Common stocks	600,000	-	600,000	
Retained earnings				
Legal reserve	14,962	-	14,962	
Unappropriated retained earnings	782,175	(43,071)	739,104	(1)(2)(4)
Other equity	9,690	(9,690)	-	(4)
Non-controlling interest	21,091	-	21,091	
Total equity	1,427,918	(52,761)	1,375,157	
Total liabilities and equity	$ 2,756,521	($ 16,035)	$ 2,740,486	

Reasons for differences are outlined below:

(1) Pensions

(a) The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, “Employee Benefits”, requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead.

(b) In accordance with current accounting standards in R.O.C., the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, IAS 19 “Employee Benefits”, is not applicable because it is the first-time adoption of IFRSs for the Company. As a result, no transition net benefit obligations were recognized.

(c) In accordance with current accounting standards in R.O.C., the excess of the accumulated benefit obligation over the fair value of the pension fund assets at the balance sheet date is the minimum amount of pension liability that is required to be recognized on the balance sheet. However, IAS 19, “Employee Benefits”, has no regulation regarding the minimum pension liability.

Therefore, The Company decreased the deferred pension costs by $16,035 and increased the accrued pension liabilities by $24,289, and simultaneously decreased retained earnings by $40,324 on transition date.

(2) The current accounting standards in R.O.C. do not specify the rules on recognition of the cost of accumulated unused compensated absences. The Company recognized such cost as expense upon actual payment. However, IAS 19, “Employee Benefits”, requires that cost of accumulated unused compensated absences should be accrued as expense at the end of the reporting period. Therefore, the Company increased accrued expenses by $12,437 and decreased retained earnings by $12,437 at the opening IFRS balance sheet date.

(3) Income tax

In accordance with current accounting standards in the R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, “Presentation of Financial Statements”, an entity should not classify a deferred tax asset or liability as current.

(4) Cumulative translation adjustments

The Company elected to use the exemption of the cumulative translation differences relating to the investment in a foreign operation. The subsequent changes in foreign exchange rate are treated in accordance with IAS 21, “Effect of Changes in Foreign Exchange Rates”. Therefore, the Company decreased the cumulative translation differences and increased retained earnings by $9,690, respectively, on transition date.

Reconciliation for equity on December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 2,776,308	$ -	$ 2,776,308	
Accounts receivable	848,427	-	848,427	
Accounts receivable - related parties	303	-	303	
Other receivables	31,892	-	31,892	
Inventories	1,278,613	-	1,278,613	
Prepayments	32,862	-	32,862	
Other current assets	3,154	-	3,154	
Total current assets	4,971,559	-	4,971,559	
Non-current assets				
Property, plant and equipment	170,246	-	170,246	
Intangible assets	26,926	(16,209)	10,717	(1)
Deferred income tax assets	27,020	-	27,020	
Other non-current assets	8,117	-	8,117	
Total non-current assets	232,309	(16,209)	216,100	
Total assets	$ 5,203,868	($ 16,209)	$ 5,187,659	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Accounts payable	$ 93,112	$ -	$ 93,112	
Other payables	364,507	13,594	378,101	(2)
Other payables - related parties	62,125	-	62,125	
Current income tax liabilities	85,194	-	85,194	
Provisions for liabilities - current	577,257	-	577,257	
Other current liabilities	2,887	(14)	2,873	
Total current liabilities	1,185,082	13,580	1,198,662	
Non-current liabilities				
Deferred income tax liabilities	-	14	14	(3)
Other non-current liabilities	45,834	43,106	88,940	(1)
Total non-current liabilities	45,834	43,120	88,954	
Total Liabilities	1,230,916	56,700	1,287,616	
Equity attributable to owners of the parent				
Share capital				
Common stocks	660,000	-	660,000	
Capital reserves	1,234,348	-	1,234,348	
Retained earnings				
Legal reserve	80,186	-	80,186	
Unappropriated retained earnings	1,969,551	(68,917)	1,900,634	
Cumulative translation adjustments	1,554	(9,690)	(8,136)	(1)(2)(4)
Unrecognized pension cost	(5,698)	5,698	-	(1)
Non-controlling interest	33,011	-	33,011	
Total equity	3,972,952	(72,909)	3,900,043	
Total liabilities and equity	$ 5,203,868	($ 16,209)	$ 5,187,659	

Reasons for differences are outlined below:

(1) Pensions

(a) The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, “Employee Benefits”, requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead.

(b) In accordance with current accounting standards in R.O.C., the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, IAS 19 “Employee Benefits”, is not applicable because it is the first-time adoption of IFRSs for the Company. As a result, no transition net benefit obligations were recognized.

(c) In accordance with current accounting standards in R.O.C., the excess of the accumulated benefit obligation over the fair value of the pension fund assets at the balance sheet date is the minimum amount of pension liability that is required to be recognized on the balance sheet. However, IAS 19, “Employee Benefits”, has no regulation regarding the minimum pension liability.

In accordance with current accounting standards in R.O.C., actuarial pension gain or loss of the Company is recognized in net pension cost of current period using the ‘corridor’ method. However, IAS 19, “Employee Benefits”, requires that actuarial pension gain or loss should be recognized immediately in other comprehensive income. Therefore, the Company decreased the deferred pension costs by $16,209, increased the accrued pension liabilities by $16,694, and simultaneously reduced retained earnings and unrecognized pension cost by $40,324 and $5,698, respectively, on December 31, 2012. The Company also decreased the operating expenses by $1,723 and decreased the other comprehensive income by $26,412, respectively, for 2012

(2) The current accounting standards in R.O.C. do not specify the rules on recognition of the cost of accumulated unused compensated absences. The Company recognized such cost as expense upon actual payment. However, IAS 19, “Employee Benefits”, requires that cost of accumulated unused compensated absences should be accrued as expense at the end of the reporting period. Therefore, the Company increased accrued expenses and decreased retained earnings by $13,594 and $12,437, respectively, on December 31, 2012. The Company also increased the operating expenses by $1,157 for 2012.

(3) Income tax

In accordance with current accounting standards in the R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, “Presentation of Financial Statements”, an entity should not classify a deferred tax asset or liability as current.

(4) Cumulative translation adjustments

The Company elected to use the exemption of the cumulative translation differences relating to the investment in a foreign operation. The subsequent changes in foreign exchange rate are treated in accordance with IAS 21, “Effect of Changes in Foreign Rates”. Therefore, the

Company decreased the cumulative translation differences and increased retained earnings by $9,690, respectively, on December 31, 2012.

Reconciliation for equity on March 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 1,210,078	$ -	$ 1,210,078	
Accounts receivable	880,546	-	880,546	
Accounts receivable	6,010	-	6,010	
- related parties	31,718	-	31,718	
Other receivables				
Other receivable - related parties	2	-	2	
Inventories	1,255,690	-	1,255,690	
Prepayments	28,970	-	28,970	
Other current assets	325	-	325	
Total current assets	3,413,339	-	3,413,339	
Non-current assets				
Property, plant and equipment	173,246	-	173,246	
Intangible assets	29,866	(16,035)	13,831	(1)
Deferred income tax assets	27,237	-	27,237	
Other non-current assets	7,207	-	7,207	
Total non-current assets	237,556	(16,035)	221,521	
Total assets	$ 3,650,895	($ 16,035)	$ 3,634,860	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Short-term borrowings	$ 945,000	$ -	$ 945,000	
Accounts payable	67,726	-	67,726	
Other payables	188,554	12,262	200,816	(2)
Other payables - realted parties	73,871	-	73,871	
Current income tax liabilities	118,088	-	118,088	
Provisions for liabilities - current	334,152	-	334,152	
Liabilities directly related to non-current assets held for sale	231	(231)	-	(3)
Other current liabilities	143,610	-	143,610	
Total current liabilities	1,871,232	12,031	1,883,263	
Non-current liabilities				
Deferred income tax liabilities	-	231	231	(3)
Other non-current liabilities	37,771	23,678	61,449	
Total non-current liabilities	37,771	23,909	61,680	
Total Liabilities	1,909,003	35,940	1,944,943	
Equity attributable to owners of the parent				
Share capital				
Common stocks	600,000	-	600,000	
Capital reserves	40,586	-	40,586	
Retained earnings				
Legal reserve	14,962	-	14,962	
Unappropriated retained earnings	1,056,493	(42,285)	1,014,208	(1),(2),(4)
Other equity	4,900	(9,690)	(4,790)	
Non-controlling interest	24,951	-	24,951	
Total equity	1,741,892	(51,975)	1,689,917	
Total liabilities and equity	$ 3,650,895	($ 16,035)	$ 3,634,860	

Reasons for differences are outlined below:

(1) Pensions

(a) The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, “Employee Benefits”, requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead.

(b) In accordance with current accounting standards in R.O.C., the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, IAS 19 “Employee Benefits”, is not applicable because it is the first-time adoption of IFRSs for the Company. As a result, no transition net benefit obligations were recognized.

(c) In accordance with current accounting standards in R.O.C., the excess of the accumulated benefit obligation over the fair value of the pension fund assets at the balance sheet date is

the minimum amount of pension liability that is required to be recognized on the balance sheet. However, IAS 19, “Employee Benefits”, has no regulation regarding the minimum pension liability.

In accordance with current accounting standards in R.O.C., actuarial pension gain or loss of the Company is recognized in net pension cost of current period using the ‘corridor’ method. However, IAS 19, “Employee Benefits”, requires that actuarial pension gain or loss should be recognized immediately in other comprehensive income. Therefore, the Company decreased the deferred pension costs by $16,035, increased the accrued pension liabilities by $39,713, and simultaneously reduced retained earnings by $40,324 on March 31, 2012. The Company also decreased the operating expenses by $611 for 2012.

(2) The current accounting standards in R.O.C. do not specify the rules on recognition of the cost of accumulated unused compensated absences. The Company recognized such cost as expense upon actual payment. However, IAS 19, “Employee Benefits”, requires that cost of accumulated unused compensated absences should be accrued as expense at the end of the reporting period. Therefore, the Company increased accrued expenses and decreased retained earnings by $12,262 and $12,437, respectively, on December 31, 2012. The Company also increased the operating expenses by $175 for 2012.

(3) Income tax

In accordance with current accounting standards in the R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, “Presentation of Financial Statements”, an entity should not classify a deferred tax asset or liability as current.

Therefore, the Company reclassified deferred tax liability-current amounting to $231 to deferred tax liability – non current.

(4) Cumulative translation adjustments

The Company elected to use the exemption of the cumulative translation differences relating to the investment in a foreign operation. The subsequent changes in foreign exchange rate are treated in accordance with IAS 21, “Effect of Changes in Foreign Rates”. Therefore, the Company decreased the cumulative translation differences and increased retained earnings by $9,690, respectively, on March 31, 2012.

Reconciliation for comprehensive income for the year ended December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating revenue	$ 4,179,904	$ -	$ 4,179,904	
Operating costs	(1,199,056)	-	(1,199,056)	
Gross profit	2,980,848	-	2,980,848	
Operating expenses	-	-	-	
Selling expenses	(321,188)	-	(321,188)	
General & administrative expenses	(234,650)	566	(234,084)	(1)(2)
Research and development expenses	(718,261)	-	(718,261)	
Other income and expenses - net	(1,274,098)	-	(1,274,098)	
Operating profit	1,706,750	566	1,707,316	
Non-operating revenue and expenses				
Other income	27,062	-	27,062	
Other gains and losses	(68,125)	-	(68,125)	
Finance costs	817	-	817	
Profit before income tax	1,666,503	566	1,667,069	
Income tax expense	(146,640)	-	(146,640)	
Profit for the period	1,519,863	566	1,520,429	
Other comprehensive income				
Actuarial gain (loss) on defined benefit	-	(26,412)	(26,412)	(1)
Other comprehensive income for the period, net of tax	-	(26,412)	(26,412)	
Total comprehensive income for the period	$ 1,519,863	($ 25,846)	$ 1,494,017	
Profit attributable to:				
Owners of the parent	$ 1,516,600	$ 566	$ 1,517,166	
Non-controlling interest	3,263	-	3,263	
	$ 1,519,863	$ 566	$ 1,520,429	
Total comprehensive income attributable to:				
Owners of the parent	$ 1,516,600	($ 25,846)	$ 1,490,754	
Non-controlling interest	3,263	-	3,263	
	$ 1,519,863	($ 25,846)	$ 1,494,017	

Reasons for differences are outlined below:

Please refer to Note 15(3)2.

Reconciliation for comprehensive income for the three-month period ended March 31, 2012:

	R.O.C. GAAP	transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating revenue	$ 911,934	$ -	$ 911,934	
Operating costs	(272,733)	-	(272,733)	
Gross profit	639,201	-	639,201	
Operating expenses				
Selling expenses	(90,605)		(90,605)	
General & administrative expenses	(63,098)	786	(62,312)	(1)(2)
Research and development expenses	(151,747)	-	(151,747)	
Operating profit	333,751	786	334,537	
Non-operating revenue and expenses				
Other income	9,405	-	9,405	
Other gains and losses	(42,366)	-	(42,366)	
Finance costs	(2,900)	-	(2,900)	
Profit before income tax	297,890	786	298,676	
Income tax expense	(23,058)	-	(23,058)	
Profit for the period	274,832	786	275,618	
Total comprehensive income for the period	$ 274,832	$ 786	$ 275,618	
Profit attributable to:				
Owners of the parent	$ 274,318	$ 786	$ 275,104	
Non-controlling interest	514	-	514	
	$ 274,832	$ 786	$ 275,618	
Total comprehensive income attributable to:				
Owners of the parent	$ 274,318	$ 786	$ 275,104	
Non-controlling interest	514	-	514	
	$ 274,832	$ 786	$ 275,618	

Reasons for difference are outlined below:

Please refer to Note 15(3)4.

A. Major adjustments for the consolidated statement of cash flows for the year ended December 31, 2012:

a) Under R.O.C. GAAP, payment of interest and receipt of interest and dividend are both included in cash flows from operating activities. However, under IFRSs, payment of interest and receipt of interest and dividend are classified as cash flows from financing activities and from investing activities, respectively, when they are the cost for acquisitions of financial resources or the return on investments.

b) Under R.O.C. GAAP, payment of dividend is included in cash flows from financing activities. However, under IFRSs, when payment of dividend is to help users of financial statements to assess the ability of an entity to pay dividend by using operating cash flows, it is classified as cash flows from operating activities.

c) The transition of R.O.C. GAAP to IFRSs had no effect on the Group’s cash flows reported.

d) The reconciliation between R.O.C. GAAP and IFRSs had no net effect on the Group’s cash flows reported.

B. Major adjustments for the consolidated statement of cash flows for the three-month period ended March 31, 2012:

a) Under R.O.C. GAAP, payment of interest and receipt of interest and dividend are both included in cash flows from operating activities. However, under IFRSs, payment of interest and receipt of interest and dividend are classified as cash flows from financing activities and from investing activities, respectively, when they are the cost for acquisitions of financial resources or the return on investments.

b) Under R.O.C. GAAP, payment of dividend is included in cash flows from financing activities. However, under IFRSs, when payment of dividend is to help users of financial statements to assess the ability of an entity to pay dividend by using operating cash flows, it is classified as cash flows from operating activities.

c) The transition of R.O.C. GAAP to IFRSs had no effect on the Group’s cash flows reported.

d) The reconciliation between R.O.C. GAAP and IFRSs had no net effect on the Group’s cash flows reported.

C. The accounting policies and selection of exemptions applied in these interim consolidated financial statements may be different from those applied in the first year-end IFRSs consolidated financial statements due to the issuance of related regulations by regulatory authorities, changes in economic environment, or changes in the evaluation of the impact of application of accounting policies and exemptions by the Group.