HERMES MICROVISION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT

ACCOUNTANTS

FOR THE NINE-MONTH PERIODS ENDED

SEPTEMBER 30, 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

PWCR13000035

To Hermes Microvision, Inc.

We have reviewed the accompanying consolidated balance sheets of Hermes Microvision, Inc. and its subsidiaries as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012, and the consolidated statements of changes in equity and of cash flows for the nine-month periods ended September 30, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No. 36 "Review of Financial Statements" in the Republic of China. (the "R.O.C.") 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.

Based on our reviews, we are not aware of any material modification 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 Reports by Securities Issuers", IAS 34 "Interim Financial Reporting" and IFRS 1 "First-time Adoption of International Financial Reporting Standards" as endorsed by the Financial Supervisory Commission of R.O.C.

PricewaterhouseCoopers, Taiwan
Hsinchu, Taiwan
Republic of China

November 1, 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.

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2013, DECEMBER 31, 2012, SEPTEMBER 30, 2012 AND JANUARY 1, 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

			September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012	
	Assets	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current assets									
1100	Cash and cash equivalents	6(1)	$ 3,646,964	56	$ 2,776,308	53	$ 2,112,896	47	$ 612,326	22
1170	Accounts receivable, net	6(2)	1,118,496	17	848,427	16	840,869	19	652,622	24
1180	Accounts receivable - related parties	7	11,637	-	303	-	1,598	-	7,135	-
1200	Other receivables		14,101	-	31,892	1	9,848	-	30,565	1
130X	Inventories	6(3)	1,410,445	22	1,278,613	25	1,242,158	28	1,189,641	44
1410	Prepayments		36,905	1	32,862	1	53,813	1	30,840	1
1470	Other current assets		20,469	-	3,154	-	10,828	-	22	-
11XX	**Current Assets**		6,259,017	96	4,971,559	96	4,272,010	95	2,523,151	92
	Non-current assets									
1600	Property, plant and equipment	6(4)	183,997	3	170,246	3	176,533	4	168,142	6
1780	Intangible assets	6(5)	11,565	-	10,717	-	11,560	-	11,045	1
1840	Deferred income tax assets		32,192	1	27,020	1	27,435	1	30,595	1
1900	Other non-current assets		8,204	-	8,117	-	8,106	-	7,553	-
15XX	**Non-current assets**		235,958	4	216,100	4	223,634	5	217,335	8
1XXX	**Total assets**		$ 6,494,975	100	$ 5,187,659	100	$ 4,495,644	100	$ 2,740,486	100
	Liabilities and Equity									
	Current liabilities									
2100	Short - term loans	6(6)	$ -	-	$ -	-	$ -	-	$ 657,000	24
2150	Notes payable		-	-	-	-	-	-	1,080	-
2170	Accounts payable		102,943	1	93,112	2	42,816	1	59,066	2
2200	Other payables	6(7)	498,542	8	378,101	7	352,305	8	168,240	6
2220	Other payables - related parties	7	44,450	1	62,125	1	48,341	1	87,590	3
2230	Current income tax liabilities		125,350	2	85,194	2	63,245	1	100,064	4
2250	Provisions for liabilities - current	6(10)	849,715	13	577,257	11	472,071	10	218,576	8
2300	Other current liabilities		5,204	-	2,873	-	24,467	1	8,712	1
21XX	**Current Liabilities**		1,626,204	25	1,198,662	23	1,003,245	22	1,300,328	48
	Non-current liabilities									
2570	Deferred income tax liabilities		5,186	-	14	-	429	-	3,589	-
2600	Other non-current liabilities	6(8)	85,785	1	88,940	2	61,979	2	61,412	2
25XX	**Non -current liabilities**		90,971	1	88,954	2	62,408	2	65,001	2
2XXX	**Total Liabilities**		1,717,175	26	1,287,616	25	1,065,653	24	1,365,329	50

(Continued)

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2013, DECEMBER 31, 2012, SEPTEMBER 30, 2012 AND JANUARY 1, 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	Liabilities and Equity	Notes	September 30, 2013 AMOUNT	%	December 31, 2012 AMOUNT	%	September 30, 2012 AMOUNT	%	January 1, 2012 AMOUNT	%
	Equity									
	Equity attributable to owners of parent company									
	Share capital	6(11)								
3110	Share capital - common stock		$ 660,000	10	$ 660,000	13	$ 660,000	14	$ 600,000	22
3200	Capital surplus	6(12)	1,237,392	19	1,234,348	24	1,232,899	27	-	-
	Retained earnings	6(13)								
3310	Legal reserve		231,846	4	80,186	1	80,186	2	14,962	-
3320	Special reserve		4,144	-	-	-	-	-	-	-
3350	Unappropriated retained earnings		2,595,140	40	1,900,634	36	1,439,241	32	739,104	27
	Other equity interest									
3400	Other equity	6(14)	12,276	-	(8,136)	-	(14,126)	-	-	-
31XX	**Equity attributable to owners of the parent company**		4,740,798	73	3,867,032	74	3,398,200	75	1,354,066	49
36XX	**Non-controlling interest**		37,002	1	33,011	1	31,791	1	21,091	1
3XXX	**Total equity**		4,777,800	74	3,900,043	75	3,429,991	76	1,375,157	50
	Significant contingent liabilities and unrecognised contract commitments	9								
	Total liabilities and equity		$ 6,494,975	100	$ 5,187,659	100	$ 4,495,644	100	$ 2,740,486	100

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

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)
(UNAUDITED)

			For the three-month period ended September 30				For the nine-month period ended September 30			
			2013		2012		2013		2012	
		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(15) and 7	$ 1,401,908	100	$ 1,037,668	100	$ 3,901,742	100	$ 3,031,686	100
5000	**Operating costs**	6(3) and 7	(416,986)	(30)	(301,082)	(29)	(1,157,349)	(30)	(889,421)	(29)
5900	**Net operating margin**		984,922	70	736,586	71	2,744,393	70	2,142,265	71
	Operating expenses	6(19)(20) and 7								
6100	Selling expenses		(89,811)	(6)	(34,955)	(3)	(253,503)	(6)	(260,368)	(9)
6200	General and administrative expenses		(62,580)	(5)	(57,866)	(6)	(179,281)	(5)	(175,752)	(6)
6300	Research and development expenses		(200,722)	(14)	(245,714)	(24)	(560,164)	(14)	(532,060)	(17)
6000	**Total operating expenses**		(353,113)	(25)	(338,535)	(33)	(992,948)	(25)	(968,180)	(32)
6900	**Operating profit**		631,809	45	398,051	38	1,751,445	45	1,174,085	39
	Non-operating income and expenses									
7010	Other income	6(16)	5,590	1	9,690	1	71,706	2	29,600	1
7020	Other gains and losses	6(17)	(29,831)	(2)	(24,615)	(2)	3,239	-	(47,377)	(2)
7050	Finance costs	6(18)	-	-	(164)	-	-	-	(5,824)	-
7000	**Total non-operating income and expenses**		(24,241)	(1)	(15,089)	(1)	74,945	2	(23,601)	(1)
7900	**Profit before income tax**		607,568	44	382,962	37	1,826,390	47	1,150,484	38
7950	Income tax expense	6(21)	(51,839)	(4)	(31,492)	(3)	(181,505)	(5)	(118,617)	(4)
8200	**Profit for the period**		$ 555,729	40	$ 351,470	34	$ 1,644,885	42	$ 1,031,867	34
	Other comprehensive income for the period									
8310	Cumulative translation differences of foreign operations		($ 11,065)	(1)	($ 14,946)	(1)	$ 25,313	1	($ 18,219)	-
8399	Income tax relating to the components of other comprehensive income		1,881	-	2,541	-	(4,303)	-	3,097	-
8300	**Other comprehensive income for the period**		($ 9,184)	(1)	($ 12,405)	(1)	$ 21,010	1	($ 15,122)	-
8500	**Total comprehensive income for the period**		$ 546,545	39	$ 339,065	33	$ 1,665,895	43	$ 1,016,745	34
	Profit, attributable to:									
8610	Equity holders of the parent company		$ 555,091	40	$ 350,481	34	$ 1,642,310	42	$ 1,029,361	34
8620	Non-controlling interest		638	-	989	-	2,575	-	2,506	-
	Profit for the period		$ 555,729	40	$ 351,470	34	$ 1,644,885	42	$ 1,031,867	34
	Total comprehensive income attributable to:									
8710	Equity holders of the parent company		$ 546,438	39	$ 338,716	33	$ 1,662,722	43	$ 1,015,235	34
8720	Non-controlling interest		107	-	349	-	3,173	-	1,510	-
	Total comprehensive income for the period		$ 546,545	39	$ 339,065	33	$ 1,665,895	43	$ 1,016,745	34
	Basic earnings per share (In dollars)	6(22)								
9750	**Basic earnings per share**		$ 8.41		$ 5.31		$ 24.88		$ 16.35	
	Diluted earnings per share (In dollars)	6(22)								
9850	**Diluted earnings per share**		$ 8.40		$ 5.30		$ 24.84		$ 16.32	

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

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

	Equity attributable to owners of the parent								
			Retained Earnings						
	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Total	Non-controlling interest	Total equity
Nine-month periods ended September 30, 2012									
Balance at January 1, 2012	$ 600,000	$ -	$ 14,962	$ -	$ 739,104	$ -	$ 1,354,066	$ 21,091	$ 1,375,157
Issuance of common stock for cash	60,000	1,188,000	-	-	-	-	1,248,000	-	1,248,000
Appropriation of 2011 earnings									
Legal reserve	-	-	65,224	-	(65,224)	-	-	-	-
Cash dividends	-	-	-	-	(264,000)	-	(264,000)	-	(264,000)
Profit for the period	-	-	-	-	1,029,361	-	1,029,361	2,506	1,031,867
Other comprehensive income	-	-	-	-	-	(14,126)	(14,126)	(996)	(15,122)
Adjustments arising from changes in percentages of ownership in subsidiary	-	9,068	-	-	-	-	9,068	9,190	18,258
Compensation cost for newly issued shares reserved for subscription by employees	-	35,831	-	-	-	-	35,831	-	35,831
Balance at September 30, 2012	$ 660,000	$ 1,232,899	$ 80,186	$ -	$ 1,439,241	($ 14,126)	$ 3,398,200	$ 31,791	$ 3,429,991
Nine-month periods ended September 30, 2013									
Balance at January 1, 2013	$ 660,000	$ 1,234,348	$ 80,186	$ -	$ 1,900,634	($ 8,136)	$ 3,867,032	$ 33,011	$ 3,900,043
Appropriation of 2012 earnings									
Legal reserve	-	-	151,660	-	(151,660)	-	-	-	-
Special reserve	-	-	-	4,144	(4,144)	-	-	-	-
Cash dividends	-	-	-	-	(792,000)	-	(792,000)	-	(792,000)
Profit for the period	-	-	-	-	1,642,310	-	1,642,310	2,575	1,644,885
Other comprehensive income	-	-	-	-	-	20,412	20,412	598	21,010
Adjustments arising from changes in percentages of ownership in subsidiary	-	3,044	-	-	-	-	3,044	818	3,862
Balance at September 30, 2013	$ 660,000	$ 1,237,392	$ 231,846	$ 4,144	$ 2,595,140	$ 12,276	$ 4,740,798	$ 37,002	$ 4,777,800

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

HERMES MICROVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax for the period	$ 1,826,390	$ 1,150,484
Adjustments to reconcile profit before tax to net cash provided by operating activities		
Income and expenses having no effect on cash flows		
(Reversal of allowance) provision for doubtful accounts	(67,806)	21,547
Depreciation	40,035	39,619
Amortization	4,774	4,564
Loss on disposal of property, plant, equipment and intangible assets	105	217
Compensation cost for newly issued shares reserved for subscription by employees	-	35,831
Compensation cost of employee stock option	2,123	3,687
Interest expense	-	5,824
Interest income	(15,454)	(1,693)
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Accounts receivable	(202,263)	(189,974)
Accounts receivable - related parties	(11,334)	5,537
Other receivables	17,791	897
Prepayments	(4,043)	(22,973)
Inventories	(113,001)	(82,793)
Other current assets	(17,315)	(10,806)
Net changes in liabilities relating to operating activities		
Notes payable	-	(1,080)
Accounts payable	9,831	(16,250)
Other payables	120,441	184,281
Other payables - related parties	(17,675)	(39,249)
Provisions for liabilities	272,458	253,495
Other current liabilities	2,331	15,755
Other non - current liabilities	(3,155)	567
Cash provided by operations	1,844,233	1,357,487
Interest received	15,454	1,693
Interest paid	-	(6,040)
Income tax paid	(140,973)	(155,436)
Net cash provided by operating activities	1,718,714	1,197,704
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(60,659)	(33,994)
Proceeds from disposal of property, plant, equipment and intangible assets	590	172
Acquisition of intangible assets	(5,563)	(4,828)
Increased in deposits - out	(87)	(553)
Net cash used in investing activities	(65,719)	(39,203)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the exercise of subsidiaries' employees stock option	1,739	14,572
Decrease in short - term loans	-	(657,000)
Proceeds from issuance of common stock	-	1,248,000
Cash dividends paid	(792,000)	(264,000)
Net cash (used in) provided by financing activities	(790,261)	341,572
Effect of exchange rate	7,922	497
Increase in cash and cash equivalents	870,656	1,500,570
Cash and cash equivalents at beginning of period	2,776,308	612,326
Cash and cash equivalents at end of period	$ 3,646,964	$ 2,112,896

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

HERMES MICROVISION, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2012
(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 and its subsidiaries (collectively referred herein as the "Group") are engaged 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 authorized for issuance by the Board of Directors on November 1, 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")

There is no significant change to the adoption and effect in this period.

(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 (the "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, the 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 (the "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.

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

The following are the assessment of new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New standards, interpretations and amendments	Main Amendments	Effective date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparers received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	January 1, 2015
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First-time adopters are allowed to apply the derecognition requirements in IAS 39, ' Financial instruments:Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognise related gains on the date of transition to IFRSs.	July 1, 2011

New standards, interpretations and amendments	Main Amendments	Effective date
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11,'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013
IFRS 12,'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IAS 27,'Separate financial statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated financial statements'.	January 1, 2013
IAS 28,'Investments in associates and joint ventures'(as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11 , 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013

New standards, interpretations and amendments	Main Amendments	Effective date
IAS 19 revised, 'Employee benefits ' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past- service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return on plan assets, excluding net interest expense, is recognised in other comprehensive income.	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	Stripping costs that meet certain criteria should be recognised as the 'stripping activity asset'. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, ' Inventories'.	January 1, 2013
Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendment clarifies criterion that an entity 'currently has a legally enforceable right to set off the recognised amounts' and gross settlement mechanisms with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances.	January 1, 2014
Mandatory effective date and transition disclosures (amendment to IFRS 7 and IFRS 9)	The mandatory effective date has been postponed to January 1, 2015.	January 1, 2015

New standards, interpretations and amendments	Main Amendments	Effective date
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9,'Financial instruments', and IAS 20,'Accounting for government grants and disclosure of government assistance', prospectively to government loans that exist at the date of transition to IFRS.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit of loss instead of consolidating them.	January 1, 2014
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014

The Group is assessing the potential impact of the new standards, intepretations 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.

(4) Statement of compliance

A.These interim consolidated financial statements are the first third-quarter period consolidated financial statements prepared by the Group in accordance with the “Rules Governing the Preparation of Financial Reports 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 as of January 1, 2012 (the Group’s date of transition to IFRSs), 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.

(5) Basis of preparation

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

Defined benefit liabilities recognized based on the net amount of pension fund assets plus unrecognized prior period’s service cost and unrecognized actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.

B.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.

(6) Basis of consolidation

A. The 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 the Group gains control. They are de-consolidated from the date on which the control is lost.

(b)Inter-company transactions, balances and unrealized 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 over 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 recognized directly in equity.

(d) When the Group loses control over a subsidiary, the Group revaluates any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control over a subsidiary, all gains or losses previously recognized 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.

B. The subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership	
			September 30, 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%
HMI Holdings Inc.	Hermes Microvision Korea Inc.	Marketing of e-Beam inspection equipment and its components and related technical support services	100%	100%
HMI Holdings Inc.	Hermes Microvision Japan Inc.	Marketing of e-Beam inspection equipment and its components and related technical support services	100%	100%
HMI Holdings Inc.	Ansing International LLC.	Investment holdings	100%	100%
Ansing International LLC.	Hermes Microvision, Co., Ltd. (Beijing)	Research, development and manufacturing of semiconductor machinery and equipment and related technical support services	100%	100%

Name of Investor	Name of subsidiary	Main Business Activities	Percentage of Ownership	
			September 30, 2012	January 1, 2012
Hermes Microvision Inc.	Hermes Microvision, Inc. (USA)	Research and development center	94%	96%
Hermes Microvision Inc.	HMI Holdings Inc.	Investment holdings	100%	100%
HMI Holdings Inc.	Hermes Microvision Korea Inc.	Marketing of e-Beam inspection equipment and its components and related technical support services	100%	100%
HMI Holdings Inc.	Hermes Microvision Japan Inc.	Marketing of e-Beam inspection equipment and its components and related technical support services	100%	100%
HMI Holdings Inc.	Ansing International LLC.	Investment holdings	100%	100%
Ansing International LLC.	Hermes Microvision, Co., Ltd. (Beijing)	Research, development and manufacturing of semiconductor machinery and equipment and related technical support services	100%	100%

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.

(7) 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 currency 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 recognized 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 recognized 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)All foreign exchange gains and losses are all presented in the statement of comprehensive income within "other gains and losses".

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 periods; and

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

(b)When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation.

(8) <u>Classification of current and non-current items</u>

A.Assets that meets 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 realized, 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 realized 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 meets 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.

(9) Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of generated meeting short-term cash commitments in operations are classified as cash equivalents.

(10) Loans and receivables

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 recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, since short-term accounts receivable bear no interest, and considering that the effects of discounting would not be significant, the Group subsequently measures those receivables at the invoice amount.

(11) 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 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 reorganization;

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

(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; or

(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:

Financial assets measured at amortized 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 recognized in profit or loss. If, in a subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(12) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to receive cash flows expire.

(13) Lease receivables/ leases (lessor)

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

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). The item by item approach is used in applying the lower of cost and

net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Property, plant and equipment

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

B. Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are charged to profit or loss during the financial periods in which they are incurred.

C. Property, plant and equipment cost are measured at cost, and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Significant components are depreciated separately.

D. 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 in accordance with 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 follows:

Machinery and equipment	3 ~ 8 years
Computer and communication equipment	5 years
Transportation equipment	5 ~ 10 years
Furniture and fixtures	3~ 7 years
Leasehold improvements	3~ 7 years
Other equipment	3~ 6 years

(16) Leased assets/ leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(17) Intangible assets

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

(18) 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 recognized 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 and 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 recognized in profit or loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

(19) Borrowings

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

(20) 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 recognized initially at fair value and subsequently measured amortised cost using the effective interest method. However, since short-term accounts payable bear no interest, and considering that the effects of discounting would not be significant, the Group subsequently measures those payables at the invoice amount.

(21) Provisions for other liabilities

Provisions (including warranties, etc.) are recognized 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. Provisions are not recognized for future operating losses.

(22) 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 recognized as expenses in that period when the employees render service.

B.Pensions

(a)Defined contribution plans

For defined contribution plans, 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. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. 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 net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by 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 high-quality 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 recognized in other comprehensive income in the periods in which they arise.

iii. Pension cost for an interim periods 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.Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognized 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 recognized 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.

(23) Employee share-based payment

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 recognized as compensation cost over the vesting periods, 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 recognized is based on the number of equity instruments that eventually vest.

(24) Income tax

A.The tax expense for the periods comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 recognized, 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 balance sheet. 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 realized or the deferred income tax liability is settled.

D.Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized 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 recognized amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.

F.The interim period income tax expense is recognized 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.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Dividends

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

(27) Revenue recognition

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 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 recognized 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.

(28) 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 critical assumptions and estimates concerning future events. Judgements and estimates 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 periods. 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.Valuation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable 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 consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such a valuation of inventories is principally based on the demand for the products within the specified periods in the future. Therefore, there might be material changes to the valuation.

As of September 30, 2013, the carrying amount of inventories was $1,410,445.

B.Realisability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. 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 September 30, 2013, the Group recognized deferred income tax assets amounting to $32,192.

C.Provision for warranty liability

Warranty liabilities are primarily arising from sales of equipment. The amount of the obligation is estimated based on the sufficient objective evidences, including the historical warranty records. Most of the warranty liabilities are expected to be settled within one year.

As of September 30, 2013, the carrying amount of accrued warranty liabilities was $849,715.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2013	December 31, 2012
Cash on hand	$ 409	$ 689
Checking accounts and demand deposits	1,613,925	1,418,499
Time deposits	2,032,630	1,357,120
	$ 3,646,964	$ 2,776,308

	September 30, 2012	January 1, 2012
Cash on hand	$ 1,148	$ 529
Checking accounts and demand deposits	1,065,970	611,797
Time deposits	1,045,778	-
	$ 2,112,896	$ 612,326

A.The Group transacts 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

	September 30, 2013	December 31, 2012
Accounts receivable	$ 1,118,496	$ 998,329
Less: allowance for bad debts	-	(149,902)
	$ 1,118,496	$ 848,427

	September 30, 2012	January 1, 2012
Accounts receivable	$ 1,009,175	$ 824,877
Less: allowance for bad debts	(168,306)	(172,255)
	$ 840,869	$ 652,622

A. Analysis of movement of impaired accounts receivable:

(a)As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the Group provisions for impairment of accounts receivable were $0, $149,902, $168,306 and $172,255, respectively.

(b)Movements on the Group's provision for impairment of accounts receivable are as follows:

	For the nine- month period ended September 30, 2013		
	Individual provision	Group provision	Total
Balance, beginning of the period	$ 149,902	$ -	$ 149,902
Reversal of impairment	(67,806)	-	(67,806)
Write off during the period	(70,790)	-	(70,790)
Effect of exchange rate changes	(11,306)	-	(11,306)
Balance, end of the period	$ -	$ -	$ -

	For the nine-month period ended September 30, 2012		
	Individual provision	Group provision	Total
Balance, beginning of the period	$ 172,255	$ -	172,255
Provision for impairment	1,729	-	1,729
Effect of exchange rate changes	(5,678)	-	(5,678)
Balance, end of the period	$ 168,306	$ -	$ 168,306

B.The credit rating of accounts receivable that were neither past due nor impaired, belong to Group A, based on the Group's Credit Quality Control Policy.

	September 30, 2013	December 31, 2012
Group A	$ 1,118,496	$ 848,427
Group B	-	-
	$ 1,118,496	$ 848,427

	September 30, 2012	January 1, 2012
Group A	$ 840,869	$ 652,622
Group B	-	-
	$ 840,869	$ 652,622

Note:

Group A: The credit quality is rated as excellent.

Group B: Others.

C.As of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012, the maximum exposure to credit risk was the carrying amount of each class of accounts receivable.

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

E.On April 1, 2013 the Company's subsidiary – Hermes Microvision Japan Inc. entered an agreement with Merrill Lynch Japan Finance Co., Ltd. to sell its accounts receivable of Elpida Memory Inc. ("Elpida") at JPY 218,007 thousand. Under the agreement, Hermes Microvision Japan Inc. is not required to bear the uncollectibility risk of underlying accounts receivable. The original accounts receivable amounted to JPY 445,607 thousand, but it had been provided with 100% allowance for bad debt. Therefore, Hermes Microvision Japan Inc. had reversed the

allowance for bad debt previously provided, and had written off the balance of outstanding accounts receivable.

(3) Inventories

	September 30, 2013		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 735,721	($ 234,129)	$ 501,592
Work in process	880,219	(115,534)	764,685
Finished goods	195,847	(51,679)	144,168
Total	$ 1,811,787	($ 401,342)	$ 1,410,445

	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

	September 30, 2012		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 687,206	($ 129,844)	$ 557,362
Work in process	517,284	(19,741)	497,543
Finished goods	288,693	(101,440)	187,253
Total	$ 1,493,183	($ 251,025)	$ 1,242,158

	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

For the three-month and nine-month periods ended September 30, 2013 and 2012, the cost of inventories recognized as expense were $416,986, $301,082, $1,157,349 and $889,421, respectively, including the amounts of $54,581, $22,768, $151,259 and $48,834, respectively, that the Group wrote down from cost to net realizable value accounted for as ‘cost of goods sold’.

(4) Property, plant and equipment

	Machinery	Computer and communication equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Prepayments for equipment and construction in progress	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
Nine-month period ended September 30, 2013								
Opening net book amount	$ 108,266	$ 4,071	$ 2,995	$ 11,108	$ 23,904	$ 10,808	$ 9,094	$ 170,246
Additions	19,372	1,469	745	3,076	9,623	2,544	23,830	60,659
Disposals	(649)	-	-	-	-	-	-	(649)
Reclassifications	-	-	-	-	-	(7,773)	-	(7,773)
Depreciation charge	(26,283)	(961)	(623)	(3,705)	(6,707)	(1,756)	-	(40,035)
Net exchange differences	1,028	72	17	84	453	-	(105)	1,549
Closing net book amount	$ 101,734	$ 4,651	$ 3,134	$ 10,563	$ 27,273	$ 3,823	$ 32,819	$ 183,997
At September 30, 2013								
Cost	$ 246,070	$ 7,167	$ 5,517	$ 25,209	$ 54,064	$ 4,088	$ 32,819	$ 374,934
Accumulated depreciation and impairment	(144,336)	(2,516)	(2,383)	(14,646)	(26,791)	(265)	-	(190,937)
	$ 101,734	$ 4,651	$ 3,134	$ 10,563	$ 27,273	$ 3,823	$ 32,819	$ 183,997

	Machinery	Computer and communication equipment	Transportation equipment	Furniture and fixtures	Leasehold improvements	Other equipment	Prepayments for equipment	Leased 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
Nine-month period ended September 30, 2012									
Opening net book amount	$ 87,984	$ 3,544	$ 3,497	$ 11,735	$ 24,420	$ 15,222	$ 3,596	$ 18,144	$ 168,142
Additions	15,326	1,417	258	4,009	6,664	-	6,320	-	33,994
Disposals	(357)	(3)	-	(29)	-	-	-	-	(389)
Reclassifications	10,298	-	5	(540)	296	-	(3,596)	-	6,463
Depreciation charge	(21,903)	(821)	(556)	(3,406)	(5,951)	(4,470)	-	(2,512)	(39,619)
Net exchange differences	7,843	(103)	(18)	(73)	292	1	-	-	7,942
Closing net book amount	$ 99,191	$ 4,034	$ 3,186	$ 11,696	$ 25,721	$ 10,753	$ 6,320	$ 15,632	$ 176,533
At September 30, 2012									
Cost	$ 198,159	$ 6,276	$ 4,730	$ 23,797	$ 44,116	$ 41,549	$ 6,320	$ 23,448	$ 348,395
Accumulated depreciation and impairment	(98,968)	(2,242)	(1,544)	(12,101)	(18,395)	(30,796)	-	(7,816)	(171,862)
	$ 99,191	$ 4,034	$ 3,186	$ 11,696	$ 25,721	$ 10,753	$ 6,320	$ 15,632	$ 176,533

(5) Intangible assets

	Computer Software
At January 1, 2013	
Cost	$ 23,394
Accumulated amortization and impairment	(12,677)
	$ 10,717
Nine-month period ended September 30, 2013	
Opening net book amount	$ 10,717
Additions－acquired separately	5,563
Amortization charge	(4,774)
Disposals	(46)
Net exchange differences	105
Closing net book amount	$ 11,565
At September 30, 2013	
Cost	$ 26,871
Accumulated amortization and impairment	(15,306)
	$ 11,565

	Computer Software
At January 1, 2012	
Cost	$ 19,971
Accumulated amortization and impairment	(8,926)
	$ 11,045
Nine-month period ended September 30, 2012	
Opening net book amount	$ 11,045
Additions－acquired separately	4,828
Reclassifications	372
Amortization charge	(4,564)
Net exchange differences	(121)
Closing net book amount	$ 11,560
At September 30, 2012	
Cost	$ 23,495
Accumulated amortization and impairment	(11,935)
	$ 11,560

The amortization expense relating to intangible assets for the three-month and nine-month periods ended September 30, 2013 and 2012, is allocated to the following accounts:

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Operating costs	$ -	$ 1,180
Operating expenses	1,744	476
	$ 1,744	$ 1,656

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Operating costs	$ 4	$ 1,202
Operating expenses	4,770	3,362
	$ 4,774	$ 4,564

(6) Short-term loans

September 30, 2013：None.

December 31, 2012：None.

September 30, 2012：None.

Type of loans	January 1, 2012	Interest rate range	Collateral
Bank loans			
Unsecured loans	$ 657,000	1.2%~1.26%	None

(7) Other payables

	September 30, 2013	December 31, 2012
Accrued salaries and bonuses	$ 271,942	$ 200,997
Accrued employees' bonuses and director's and supervisors' remuneration	103,521	77,982
Accrued commission	16,056	15,573
Others	107,023	83,549
	$ 498,542	$ 378,101

	September 30, 2012	January 1, 2012
Accrued salaries and bonuses	$ 180,058	$ 103,194
Accrued employees' bonuses and director's and supervisors' remuneration	57,483	12,231
Accrued commission	36,881	3,179
Others	77,883	49,636
	$ 352,305	$ 168,240

(8) Pension

A. a) The Company has 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 a retirement fund monitoring committee.

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

	December 31, 2012	January 1, 2012
Present value of funded obligations	($ 85,065)	($ 57,429)
Fair value of plan assets	11,188	10,001
Net liability in the balance sheet	($ 73,877)	($ 47,428)

c) For the three-month and nine -month periods ended September 30, 2013 and 2012, the Group recognized pension expenses of $163, $125, $1,288 and $334 in the statement of comprehensive income, respectively.

d) As of December 31, 2012 and January 1, 2012, cumulative actuarial losses recognized 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 defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization 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 September 30, 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 obligation 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 Taiwan local banks.

f) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	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:

	December 31, 2012
Present value of defined benefit obligation	($ 85,065)
Fair value of plan assets	11,188
Deficit in the plan	($ 73,877)
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 September 30, 2013 amount to $1,173.

B. a) Effective July 1, 2005, the Company has 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 contributes 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.

b) The Company's indirect Chinese 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 (the "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.

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 the 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.

d) For the three-month and nine-month periods ended September 30, 2013 and 2012, the Group recognized pension expenses based on the above pension plan amounting to $5,394, $5,132, $17,850 and $14,527, respectively.

(9) Share-based payment

The Company:

A. For the nine-month period ended September 30, 2013 and 2012, 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 15, 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 term	Expected dividends yield rate	Risk - free interest rate	Fair value per unit (in NT dollars)
Cash capital increase reserved for employee preemption	March 15, 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 September 30, 2013	For the three-month period ended September 30, 2012
Equity settled-cash capital increase reserved for employee preemption	$ -	$ -

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Equity settled-cash capital increase reserved for employee preemption	$ -	$ 35,831

Subsidiary-Hermes Microvision, Inc. (U.S.A) :

A. As of September 30, 2013, the Company's subsidiary-Hermes Microvision, Inc. (U.S.A) share-based payment arrangements were as follows:

Type of arrangement	Grant date	Outstanding quantity granted	Contract period	Vesting conditions
Employee stock options	January 1, 2006 ~ November 1, 2011	424,903	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 nine-month period ended September 30, 2013		For the nine-month period ended September 30, 2012	
	No. of options	Weighted-average exercise price (in US dollars)	No. of options	Weighted-average exercise price (in US dollars)
Options outstanding at beginning of the period	672,044	$ 0.9126	1,855,826	$ 0.5984
Options granted	-	-	-	-
Options forfeited	-	-	-	-
Options exercised	(72,974)	0.8015	(1,096,531)	0.4472
Options expired	(174,167)	-	(3,000)	-
Options outstanding at end of the period	424,903	0.8398	756,295	0.8235
Options exercisable at end of the period	155,361	0.8448	153,961	0.7635

C. The weighted-average stock price of stock options at exercise dates for the nine-month periods ended September 30, 2013 and 2012 was $0.8015 (in US dollars) and $0.4472 (in US dollars), respectively.

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

		September 30, 2013		December 31, 2012	
Date of the plan	Expiry date	No. of shares (in thousands)	Exercise price (in US dollars)	No. of shares (in thousands)	Exercise price (in US dollars)
April 1, 2010 ~ November 1, 2011	March 31, 2020~ October 31, 2021	425	$ 0.56~0.87	672	$ 0.49~0.87

		September 30, 2012		January 1, 2012	
Date of the plan	Expiry date	No. of shares (in thousands)	Exercise price (in US dollars)	No. of shares (in thousands)	Exercise price (in US dollars)
March 25, 2005 ~ November 1, 2011	March 24, 2015 ~ October 31, 2021	756	$ 0.4~0.87	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 (in US dollars)	Expected Price volatility	Expected term	Expected dividends yield rate	Risk-free interest rate	Fair value per unit (in US dollars)
Employee stock options	March 25, 2005 ~ November 1, 2011	$0.49~0.87	29.85%~ 40.21%	1~8.59 years	-	2.22%~ 5.2%	$0.1043~ 0.4954

Note: Expected price volatility rate was estimated by using the peer companies' stock prices of the most recent period with length similar to 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 September 30, 2013	For the three-month period ended September 30, 2012
Equity-settled	$ 711	$ 715

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Equity-settled	$ 2,123	$ 3,687

(10) Provisions for other liabilities

	Warranty
At January 1, 2013	$ 577,257
Additional provisions	272,458
Balance, end of the period	$ 849,715

(11) Share capital

A.As of September 30, 2013, the Company's authorized capital was $1,200,000, consisting of 120,000 thousand shares of ordinary stock, and the paid-in capital was $660,000 with a par value of $10 (in NT 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 nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
At January 1	66,000,000	60,000,000
Issuance of common stock for cash	-	6,000,000
Balance, end of the period	66,000,000	66,000,000

B.On June 4, 2013, the shareholders at the shareholders' meeting resolved to increase the capital by cash through no more than 5,000,000 shares. It is also resolved to increase the capital either by cash through the domestic capital market, or by issuing Global Depositary Receipts (the "GDRs") in global capital market, or by partial capital increase for cash in domestic capital market together with partial issuing of GDRs in global capital market. The capital increase proposal had been approved at the shareholders' meeting on June 4, 2013 and resolved to authorize the Board of Directors for further arrangements. The capital increase proposal had been registered with the Financial Supervisory Commission R.O.C. on September 3, 2013, but there was no capital raised.

(12) 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 capitalized mentioned above 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		Adjustments arising percentage of ownership in subsidiary
At January 1, 2013	$	1,223,831	$	10,517
Adjustments arising from changes in percentages of ownership in subsidiary		-		3,044
Balance, end of the period	$	1,223,831	$	13,561

		Share premium		Adjustments arising percentage of ownership in subsidiary
At January 1, 2012	$	-	$	-
Issuance of common stock for cash		1,188,000		-
Adjustments arising from changes in percentages of ownership in subsidiary		-		9,068
Compensation cost for newly issued shares reserved for subscription by employees		35,831		-
Balance, end of the period	$	1,223,831	$	9,068

(13) Retained earnings

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 year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Bonus distributed to the employees and remuneration paid to the directors and supervisors should account for higher than 1% and less than 1%, respectively, of the total remaining distributable earnings. The individuals who are entitled to employee stock dividends may include the employees of the Company’s affiliates who meet certain criteria. Such criteria are determined by the Board of Directors. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.

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 in the form of stock or 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. 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 the debit balance on other equity items is reversed subsequently, the amount of the associated special reserve could be released and included in the distributable earnings.

E. For the three-month and nine-month periods ended September 30, 2013 and 2012, employees' bonus was accrued at $17,917, $16,136, $64,520 and $41,138, respectively; directors' and supervisors' remuneration were accrued at $1,792, $3,891, $6,452 and $6,391, respectively. The difference of $2,777 between the amount resolved by the stockholders and the amount recognized in the 2012 financial statements regarding employees' bonus and directors' and supervisors' remuneration was adjusted in the current statement of comprehensive income.

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

F. Dividends distributed to owners amounted to $792,000 ($12 (in dollars) per share) and $264,000 ($4 (in dollars) per share) for the years ended December 31, 2013 and 2012, respectively.

(14) Other equity

	Currency translation
At January 1, 2013	($ 8,136)
Cumulative translation difference of foreign operations	20,412
Balance, end of the period	$ 12,276

	Currency translation
At January 1, 2012	$ -
Cumulative translation difference of foreign operations	(14,126)
Balance, end of the period	($ 14,126)

(15) Operating revenue

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Operating revenue	$ 1,401,908	$ 1,037,668

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Operating revenue	$ 3,901,742	$ 3,031,686

(16) Other income

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Interest income from bank deposits	$ 5,542	$ 646
Rental revenue	-	8,343
Others	48	701
Total	$ 5,590	$ 9,690

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Interest income from bank deposits	$ 15,454	$ 1,693
Rental revenue	-	27,074
Income from sale of accounts receivable	54,965	-
Others	1,287	833
Total	$ 71,706	$ 29,600

(17) Other gains and losses

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Losses on disposal of property, plant, equipment and intangible assets	($ 46)	($ 146)
Net currency exchange losses	(29,785)	(23,483)
Other losses	-	(986)
Total	($ 29,831)	($ 24,615)

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Losses on disposal of property, plant, equipment and intangible assets	($ 105)	($ 217)
Net currency exchange gains (losses)	3,344	(41,958)
Other losses	-	(5,202)
Total	$ 3,239	($ 47,377)

(18) Finance costs

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Interest expense:		
Bank loans	$ -	$ 164
Finance costs	$ -	$ 164

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Interest expense:		
Bank loans	$ -	$ 5,824
Finance costs	$ -	$ 5,824

(19) Expenses by nature

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Employee benefit expense	$ 311,225	$ 219,364
Depreciation charges on property, plant and equipment	13,351	13,556
Amortisation charges on intangible assets	1,744	1,656

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Employee benefit expense	$ 883,940	$ 720,646
Depreciation charges on property, plant and equipment	40,035	39,619
Amortisation charges on intangible assets	4,774	4,564

(20) Employee benefit expense

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Wages and salaries	$ 269,181	$ 186,353
Compensation cost of employee stock options	711	715
Labor and health insurance fees	18,732	18,851
Pension costs	5,557	5,257
Other personnel expenses	17,044	8,188
	$ 311,225	$ 219,364

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Wages and salaries	$ 777,518	$ 597,281
Compensation cost of employee stock options	2,123	39,518
Labor and health insurance fees	50,891	49,544
Pension costs	19,138	14,861
Other personnel expenses	34,270	19,442
	$ 883,940	$ 720,646

(21) Income tax

A. Income tax expense

a) Components of income tax expense:

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Current tax:		
Current tax on profits for the period	$ 51,839	$ 31,492
Adjustments in respect of prior years	-	-
Total current tax	51,839	31,492
Deferred tax:		
Origination and reversal of temporary differences	-	-
Impact of change in tax rate	-	-
Total deferred tax	-	-
Income tax expense	$ 51,839	$ 31,492

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Current tax:		
Current tax on profits for the period	$ 188,896	$ 119,030
Adjustments in respect of prior years	(7,391)	(413)
Total current tax	181,505	118,617
Deferred tax:		
Origination and reversal of temporary differences	-	-
Impact of change in tax rate	-	-
Total deferred tax	-	-
Income tax expense	$ 181,505	$ 118,617

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

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Cumulative translation differences of foreign operations	$ 1,881	$ 2,541

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Cumulative translation differences of foreign operations	($ 4,303)	$ 3,097

B. As of September 30, 2013, the Company's income tax returns have been assessed and approved by the Tax Authority through 2010.

C. The relationship between income tax expense and accounting profit is as follows：

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Tax on pretax income at statutory tax rate	$ 136,037	$ 68,525
Estimated 10% corporate income tax on unappropriated earnings	-	472
Adjustment of prior years' income tax	-	-
Tax effect of income tax exemption	(84,198)	(59,093)
Tax effect of deferred tax assets	-	21,588
Income tax expense	$ 51,839	$ 31,492

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Tax on pretax income at statutory tax rate	$ 361,145	$ 204,875
Estimated 10% corporate income tax on unappropriated earnings	56,880	32,302
Adjustment of prior years' income tax	(7,391)	(413)
Tax effect of income tax exemption	(229,129)	(173,768)
Tax effect of deferred tax assets	-	55,621
Income tax expense	$ 181,505	$ 118,617

D. The Company’s products are qualified to a five-year exemption on income tax under the “ Incentives for Emerging Important Strategic Industries in Manufacturing and Technology Services ”. The income tax exemption is valid from January 1, 2012 to December 31, 2016.

E. Unappropriated retained earnings:

	September 30, 2013	December 31, 2012
Earnings generated in and before 1997	$ -	$ -
Earnings generated in and after 1998	2,595,140	1,900,634
	$ 2,595,140	$ 1,900,634

	September 30, 2012	January 1, 2012
Earnings generated in and before 1997	$ -	$ -
Earnings generated in and after 1998	1,439,241	739,104
	$ 1,439,241	$ 739,104

F. As of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012 , the balance of the imputation tax credit account were $90,104, $102,306, $58,005 and $1,893, respectively. The creditable tax rate was 9.46% for 2012 and was estimated to be 3.47 % for the nine-month period ended September 30, 2013.

(22) Earnings per share

	For the three-month period ended September 30, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands of shares)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to equity holders of the parent company	$ 555,091	66,000	$ 8.41
Diluted earnings per share			
Profit attributable to equity holders of the company	$ 555,091	66,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	76	
Profit attributable to equity holders of the parent company plus assumed conversion of all dilutive potential ordinary shares	$ 555,091	$ 66,076	$ 8.40

	For the three-month period ended September 30, 2012		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands of shares)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to equity holders of the parent company	$ 350,481	66,000	$ 5.31
Diluted earnings per share			
Profit attributable to equity holders of the parent company	$ 350,481	66,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	124	
Profit attributable to equity holders of the parent company plus assumed conversion of all dilutive potential ordinary shares	$ 350,481	66,124	$ 5.30

	For the nine-month period ended September 30, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands of shares)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to equity holders of the company	$ 1,642,310	66,000	$ 24.88
Diluted earnings per share			
Profit attributable to equity holders of the company	$ 1,642,310	66,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	111	
Profit attributable to equity holders of the company plus assumed conversion of all dilutive potential ordinary shares	$ 1,642,310	$ 66,111	$ 24.84

	For the nine-month period ended September 30, 2012		
	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands of shares)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to equity holders of the company	$ 1,029,361	62,967	$ 16.35
Diluted earnings per share			
Profit attributable to equity holders of the company	$ 1,029,361	62,967	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	124	
Profit attributable to equity holders of the company plus assumed conversion of all dilutive potential ordinary shares	$ 1,029,361	63,091	$ 16.32

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

A.Operating revenue:

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Sales of goods:		
The entity with significant influence over the Group	$ 11,785	$ 1,631

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Sales of goods:		
The entity with significant influence over the Group	$ 13,301	$ 8,805

There are no significant differences in sale prices and collection terms between related parties and third parties.

B.Purchases of services:

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Technology service charge- The entity with significant influence over the Group	$ 395	($ 7,505)
Commission expense- The entity with significant influence over the Group	$ 13,363	$ 2,079
Other expense- The entity with significant influence over the Group	$ 6	$ 747

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Technology service charge- The entity with significant influence over the Group	$ 2,563	($ 2,143)
Commission expense- The entity with significant influence over the Group	$ 13,363	$ 55,323
Other expense- The entity with significant influence over the Group	$ 12	$ 2,271

The above transactions are under normal commercial terms and conditions.

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

	September 30, 2013	December 31, 2012
Receivables from the entity with significant influence over the Group	$ 11,637	$ 303

	September 30, 2012	January 1, 2012
Receivables from the entity with significant influence over the Group	$ 1,598	$ 7,135

The receivables from the entity with significant influence over the Group arise mainly from sale transactions. The receivables are due from one to two months after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions accrued against receivables from related parties.

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

	September 30, 2013	December 31, 2012
Other payables to the entity with significant influence over the Group	$ 44,450	$ 62,125

	September 30, 2012	January 1, 2012
Other payables to the entity with significant influence over the Group	$ 48,341	$ 87,590

E.Leases

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Rental expense- The entity has significant influence over the Group	$ 5,571	$ 3,883

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Rental expense- The entity has significant influence over the Group	$ 16,605	$ 11,209

(2) Key management compensation

	For the three-month period ended September 30, 2013	For the three-month period ended September 30, 2012
Salaries and other short-term employee benefits	$ 11,921	$ 12,580

	For the nine-month period ended September 30, 2013	For the nine-month period ended September 30, 2012
Salaries and other short-term employee benefits	$ 32,431	$ 30,008

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A.Operating leases commitments

The Group leases offices and plant assets under non-cancellable operating lease agreements. Rental expense of $21,699, $17,906, $61,624 and $54,085 were recognized for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively.

The majority of lease agreements are renewable at the end of the lease periods at market rates.

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

	September 30, 2013	December 31, 2012
Not later than one year	$ 57,669	$ 62,790
Later than one year but not later than five years	150,670	65,558
Later than five years	107,176	2,460
Total	$ 315,515	$ 130,808

	September 30, 2012	January 1, 2012
Not later than one year	$ 58,750	$ 55,773
Later than one year but not later than five years	72,958	81,896
Later than five years	63,758	7,154
Total	$ 195,466	$ 144,823

B. Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	September 30, 2013	December 31, 2012
Future payments for plant and equipment	$ 819,000	$ -

	September 30, 2012	January 1, 2012
Future payments for plant and equipment	$ -	$ -

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

In order to safeguard the Group’s ability to adapt to the changes in the industry and to accelerate the new product development, the Group’s objectives when managing capital are to maintain the sufficient financial resources to support the operating capital, capital expenditures, research and development activities and dividends paid to shareholders.

The Group monitors capital through the ratio of total liabilities divided by total assets. The Group's strategy is to maintain the ratio within 50%. As of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012, the Group's ratios of total liabilities divided by total assets were as follows:

	September 30, 2013	December 31, 2012
Total liabilities	$ 1,717,175	$ 1,287,616
Total assets	$ 6,494,975	$ 5,187,659
Total liabilities/total assets ratio	26%	25%

	September 30, 2012	January 1, 2012
Total liabilities	$ 1,065,653	$ 1,365,329
Total assets	$ 4,495,644	$ 2,740,486
Total liabilities/total assets ratio	24%	50%

(2) Financial instruments

A. The carrying amounts of the Group’s financial instruments measured at amortized cost approximate their fair values. These include cash and cash equivalents, notes payable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable and other payables.

B. Financial risk management policies

a) The Group’s activities are exposed 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial position and financial performance.

b) Risk management is carried out by the finance department (the “Group finance”) under policies approved by the Board of Directors. Group finance 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, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

Except for the following, there is no significant change in this period.

a) Market risk

Foreign exchange risk

- The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, RMB and JPY. Foreign exchange risk arises from future commercial transactions, recognized 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. Foreign exchange risk arises when future commercial transactions or recognized 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, RMB and JPY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2013		
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 87,135	29.57	$ 2,576,574
JPY:NTD	400,676	0.308	123,408
Financial liabilities			
Monetary items			
USD:NTD	$ 7,284	29.57	$ 215,402
USD:JPY	5,361	97.75	158,536

	December 31, 2012				
	Foreign Currency Amount (In Thousands)		Exchange Rate	Book Value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	58,829	29.04	$	1,708,394
JPY:NTD		12,367	0.34		4,155
Financial liabilities					
Monetary items					
USD:NTD	$	1,553	29.04	$	45,099

	September 30, 2012				
	Foreign Currency Amount (In Thousands)		Exchange Rate	Book Value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	46,548	29.30	$	1,363,856
Financial liabilities					
Monetary items					
USD:NTD	$	8,198	29.30	$	240,201

	January 1, 2012				
	Foreign Currency Amount (In Thousands)		Exchange Rate	Book Value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	33,887	30.275	$	1,025,929
JPY:NTD		812,330	0.391		317,296
Financial liabilities					
Monetary items					
USD:NTD	$	12,081	30.275	$	365,752

Analysis of foreign currency market risk arising from significant foreign exchange variation.

	September 30, 2013		
	Sensitivity Analysis		
	Extent of Variation	Effect on Profit or Loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 25,766	$ -
JPY:NTD	1%	1,234	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 2,154)	$ -
USD:JPY	1%	(1,585)	-

	September 30, 2012		
	Sensitivity Analysis		
	Extent of Variation	Effect on Profit or Loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 13,639	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 2,402)	$ -

Price risk

The Group does not hold any equity securities, so no equity price risk is expected. The Group is not exposed to commodity price risk either.

b) Interest rate risk

At September 30, 2013 and 2012, if interest rates on NTD-denominated time deposits had been 0.25% higher/lower with all other variables held constant, post-tax profit for the nine-month period ended September 30, 2013 and 2012 would have been $5,082 and $2,614 lower/higher, respectively, mainly as a result of higher/lower interest revenue on floating rate time deposits.

c) 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 analyzing 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 utilization of credit limits is regularly monitored. Credit risk arises from 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 individual analysis of financial assets that had been impaired is provided in the statement for each type financial assets in Note 6.

d) 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 at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

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 that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

September 30, 2013	Less than 1 year
Accounts payable	$ 102,943
Other payables	498,542
Other payables - related parties	44,450

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:

September 30, 2012	Less than 1 year
Accounts payable	$ 42,816
Other payables	352,305
Other payables - related parties	48,341

Non-derivative financial liabilities:

January 1, 2012	Less than 1 year
Short-term loans	$ 662,824
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

(Information on investee companies is disclosed based on investee companies' financial statements, which were reviewed by independent auditors. The following transactions had been eliminated in the consolidated financial statements; they are disclosed for reference purpose only.)

(a) Loans granted: None.

(b) Endorsements and guarantees provided by the Company to others: None.

(c) Holding of securities as of September 30, 2013:

					September 30, 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)	Subsidiary	Investee accounted for using the equity method	61,785,000	$ 581,507	94%	$ 581,507	Subsidiary
〃	Common stock	HMI Holdings Inc.	〃	〃	5,955,088	211,588	100%	211,588	Subsidiary
HMI Holdings Inc.	〃	Hermes Microvision Korea Inc.	〃	〃	500	11,593	100%	11,593	Subsidiary
〃	〃	Hermes Microvision Japan Inc.	〃	〃	2,980	58,417	100%	58,417	Subsidiary
〃	〃	Ansing International LLC.	〃	〃	-	141,578	100%	141,578	Subsidiary
Ansing International LLC.	〃	Hermes Microvision, Co., Ltd. (Beijing)	〃	〃	-	141,578	100%	141,578	Subsidiary

Note: Derived from net equity value.

(d) Aggregate purchase or sales of the same securities reaching $100,000 or 20% of paid-in capital or more for the nine-month period ended September 30, 2013: None.

(e) Acquisition of real estate reaching $100,000 or 20% of paid-in capital or more for the nine-month period ended September 30, 2013: None.

(f) Disposal of real estate reaching $100,000 or 20% of paid-in capital or more for the nine-month period ended September 30, 2013: None.

(g) Purchases or sales of goods from or to related parties reaching $100,000 or 20% of paid-in capital or more for the nine-month period ended September 30, 2013:

			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, Inc. (USA)	Subsidiary	Sales	($ 266,636)	7%	30 days after delivery	Approximately the same with third party transactions	Approximately the same with third party transactions	$ 214,942	28%
Hermes Microvision, Inc.	Hermes Microvision Japan Inc.	Subsidiary	〃	(450,268)	11%	〃	〃	〃	158,252	13%
Hermes Microvision, Inc. (USA)	Hermes Microvision, Inc.	Parent company	〃	(363,815)	30%	〃	〃	〃	40,763	15%
Hermes Microvision, Inc.	Hermes Microvision, Inc. (USA)	Subsidiary	Purchases	363,815	54%	30 days after acceptance	〃	〃	(40,763)	13%
Hermes Microvision, Japan Inc.	Hermes Microvision, Inc.	Ultimate parent company	〃	450,268	100%	〃	〃	〃	(158,252)	100%
Hermes Microvision, Inc. (USA)	Hermes Microvision, Inc.	Parent company	〃	266,636	27%	〃	〃	〃	(214,942)	84%

(h) Receivables from related parties reaching $100,000 or 20% of paid-in capital or more as of September 30, 2013:

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30,2013	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for bad debts
Hermes Microvision, Inc.	Hermes Microvision Japan Inc.	Subsidiary	$ 158,252	2.75	$ -	-	$ -	$ -
〃	Hermes Microvision, Inc (USA).	〃	214,942	2.05	-	-	-	-

(i) Derivative financial instruments undertaken during the nine-month period ended September 30, 2013: None.

(j) Significant inter-company transactions during the nine-month period ended September 30, 2013:

Number (Note 1)	Company	Counterparty	Relationship (Note 2)	Transactions: General ledger account	Amount (Note 4)	Terms	Percentage of consolidated revenues or total assets (Note 3)
0	Hermes Microvision, Inc.	Hermes Microvision, Inc. (USA)	(1)	Sales	$ 266,636	The price and terms were based on the ordinary course of business.	6.83%
0	"	"	(1)	Purchases	363,815	The price and terms were based on the ordinary course of business.	9.31%
0	"	"	(1)	Contracted research expense	471,961	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms	12.08%
0	"	"	(1)	Contracted service expenses	52,754	"	1.35%
0	"	"	(1)	Cost of goods sold	114,898	"	2.94%
0	"	"	(1)	Accounts receivable	214,942	Net 30 days, after delivery	3.31%
0	"	"	(1)	Accounts payable	40,763	Net 30 days, after acceptance	0.63%
0	"	"	(1)	Other payables	63,842	"	0.98%
0	"	Hermes Microvision Japan Inc.	(1)	Sales	450,268	The price and terms were based on the ordinary course of business.	11.53%
0	"	"	(1)	Contracted service expenses	12,500	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms	0.32%
0	"	"	(1)	Accounts receivable	158,252	"	2.44%
0	"	Hermes Microvision Korea Inc.	(1)	Sales	24,945	The price and terms were based on the ordinary course of business.	0.64%
0	"	"	(1)	Contracted service expenses	16,398	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms	0.52%
0	"	"	(1)	Cost of goods sold	25,100	"	0.64%
0	"	"	(1)	Accounts receivable	33,735	Net 30 days, after delivery	0.52%
0	"	"	(1)	Accounts payable	10,169	Net 30 days, after acceptance	0.16%
0	"	"	(1)	Other payables	11,902	"	0.18%
0	"	Hermes Microvision Co., Ltd. (Beijing)	(1)	Purchases	93,800	The price and terms were based on the ordinary course of business.	2.40%

				Transactions			
Number (Note 1)	Company	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 4)	Terms	Percentage of consolidated revenues or total assets (Note 3)
0	Hermes Microvision, Inc.	Hermes Microvision Co., Ltd. (Beijing)	(1)	Accounts payable	$ 14,054	Net 30 days, after acceptance	0.22%
1	Hermes Microvision, Inc. (USA)	"	(3)	Sales	20,035	The price and terms were based on the ordinary course of business.	0.51%
1	"	"	(3)	Purchases	52,632	The price and terms were based on the ordinary course of business.	1.35%
1	"	"	(3)	Contracted research expense	69,578	No similar types of transactions for comparison as these transactions were based on mutually agreed price and terms	1.78%
1	"	"	(3)	Accounts payable	11,983	Net 30 days, after acceptance	0.18%

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 periods-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the periods to consolidated total operating revenues for income statement accounts.

Note 4: Only transactions with amount equal to or higher than NT$10,000 thousand are disclosed.

Note 5: Transactions between these related parties are not disclosed separately.

(2) Information of investees as of September 30, 2013:

				Initial investment amount as at		Shares held				
Investor	Investee	Location	Main business activities	September 30, 2013	December 31, 2012	In Shares	Percentage	Book value	Net income (loss) of the investee Company	Income (loss) recognised by the Company
Hermes Microvision, Inc.	Hermes Microvision, Inc. (USA)	USA	Research and development	$ 665,970	$ 665,970	61,785,000	94%	$ 581,507	$ 43,047	$ 40,472
〃	HMI Holdings Inc.	Samoa	Investment holdings	188,452	188,452	5,955,088	100%	211,588	144,830	144,830
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%	11,593	2,375	2,375
〃	Hermes Microvision Japan Inc.	Japan	〃	52,574	52,574	2,980	100%	58,417	136,576	136,576
〃	Ansing International LLC.	USA	Investment holdings	133,738	133,738	-	100%	141,578	5,879	5,879
Ansing International LLC.	Hermes Microvision Co., Ltd. (Beijing)	Mainland China	Research, development and manufacturing of semiconductor machinery and equipment and related technical support services	133,738	133,738	-	100%	141,578	5,879	5,879

(3) Information on investment in Mainland China:

(a) Basic information

Name of investee in Mainland China	Main business activities	Paid-in capital	Method of investment	Beginning Balance of remittance in 2013	Amount of remittance for the nine-month period ended September 30, 2013		Ending balance of remittance as of September 30, 2013	Ownerships held by the Company (direct and indirect)	Profit / (loss) recognised during the period (Note 2)	Ending balance of book value on September 30, 2013	Ending balance of profit remittance into Taiwan
					Remittance out	Remittance in					
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%	$ 5,879	$ 141,578	-

Company name	Investment ending balance of remittance as of September 30, 2013	Approved investment amount by Ministry of Economic Affairs (MOEA).	Celling on investments in Mainland china imposed by the Investment commission of MOEA
Hermes Microvision Co., Ltd. (Beijing)	$ 133,738	$ 133,738	$ 2,866,680

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

Note 2: Investment income were recognized based on the investee’s financial statement reviewed by the Company’s auditors.

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

(1) Sales of goods:

For the nine-month periods ended September 30, 2013 and 2012, the Company's direct sales and indirect sales to investee in Mainland China were $1,994 and $3,898, respectively, which were less than 10% of the total amount of net sales.

(2) Purchases of goods :

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

	For the nine-month period ended September 30, 2013		For the nine-month period ended September 30, 2012	
	Amount	Percentage of net purchases	Amount	Percentage of net purchases
Hermes Microvision Co., Ltd. (Beijing)	$ 93,800	14%	$ 58,062	10%

Note : The purchase price and terms from investee in Mainland China were based on the ordinary course of business. The payment term was 30 days after acceptance.

(3) Accounts receivable:

As of September 30, 2013 and 2012, the Company's accounts receivable from investee in Mainland China were $371 and $1,749, respectively, which were less than 10% of the total amount of accounts receivable.

(4) Accounts payable:

As of September 30, 2013 and 2012, the Company's accounts payable to investee in Mainland China were $ 14,054 and $5,391, respectively, which were less than 10% of the total amount of accounts payable.

(5)There were no direct or indirect loans, property transactions, endorsement guarantees or collaterals provided between the Company and the investee in Mainland China as of September 30, 2013 and 2012, and for the nine-month periods then ended.

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 nine-month period ended September 30, 2013

	Amount
Revenue from external customers	$ 3,901,742
Inter-segment revenue	$ -
Segment income	$ 1,826,390
Total segment assets	$ 6,494,975

For the nine-month period ended September 30, 2012

	Amount
Revenue from external customers	$ 3,031,686
Inter-segment revenue	$ -
Segment income	$ 1,150,484
Total segment assets	$ 4,495,644

(3) Reconciliation for segment income (loss)

None.

15. INITIAL APPLICATION OF IFRSs

These interim consolidated financial statements are the Group first third-quarter period financial statements prepared by the Group in accordance with 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 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 recognize 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 hedge accounting and non-controlling interest, 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 prepare reconciliations 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. Reconciliations 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	
Current liabilities				
Short-term loans	$ 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 company				
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				
-cumulative translation adjustment	9,690	(9,690)	-	(4)
Equity attributable to owners of the parent company	1,406,827	(52,761)	1,354,066	
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 periods 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 periods) 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 periods of employees still in service and expected to receive benefits. However, the transition guidance in IAS 19 “Employee Benefits” is not applicable because it is the first-time adoption of IFRSs for the Group. 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 Group decreased the deferred pension costs by $16,035, increased the accrued pension liabilities by $24,289, and simultaneously decreased retained earnings by $40,324 on the transition date.

(2) Employee benefits

The current accounting standards in R.O.C. do not specify the rules on recognition of the cost of accumulated unused compensated absences. The Group 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 periods. Therefore, the Group increased accrued expenses by $12,437 and decreased retained earnings by $12,437 on the transition 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 periods 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 Group decreased deferred tax liability-current by $3,589 and increased deferred tax liability non current by $3,589 on the transition date.

(4) Cumulative translation adjustments

The Group 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 Group decreased the cumulative translation differences and increased retained earnings by $9,690, respectively, on the transition date.

B.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	
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	(3)
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 company				
Common stocks	$ 660,000	$ -	$ 660,000	
Capital reserve	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	(1)(2)(4)
Other equity				
-cumulative translation adjustment	1,554	(9,690)	(8,136)	(4)
-Unrecognized pension cost	(5,698)	5,698	-	(1)
Equity attributable to owners of the parent company	3,939,941	(72,909)	3,867,032	
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 periods 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 periods) 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 periods of employees still in service and expected to receive benefits. However, the transition guidance in IAS 19 “Employee Benefits” is not applicable because it is the first-time adoption of IFRSs for the Group. 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.

(d) In accordance with current accounting standards in R.O.C., actuarial pension gain or loss of the Group is recognized in net pension cost of current periods using the ‘corridor’ method. However, in accordance with IAS 19, “Employee Benefits”, the Group selects to recognize actuarial pension gain or loss immediately in other comprehensive income.

Therefore, the Group decreased the deferred pension costs by $16,209, increased the accrued pension liabilities by $43,106, and simultaneously reduced retained earnings and unrecognized pension cost by $40,324 and $5,698, respectively, on December 31, 2012. The Group also decreased the operating expenses by $1,723 and decreased the other comprehensive income by $26,412 for 2012.

(2) Employee benefits

The current accounting standards in R.O.C. do not specify the rules on recognition of the cost of accumulated unused compensated absences. The Group 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 periods. Therefore, the Group increased accrued expenses and decreased retained earnings by $13,594 and $12,437, respectively, on December 31, 2012. The Group 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 periods 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

on December 31, 2012.

Therefore, the Group decreased deferred tax liabilities-current by $14 and increased deferred tax liability-non current by $14 on the transition date.

(4) Cumulative translation adjustments

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

C.Reconciliation for equity on September 30, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	$ 2,112,896	$ -	$ 2,112,896	
Accounts receivable	840,869	-	840,869	
Accounts receivable - related parties	1,598	-	1,598	
Other receivables	9,848	-	9,848	
Inventories	1,242,158	-	1,242,158	
Prepayments	53,813	-	53,813	
Other current assets	10,828	-	10,828	
Total current assets	4,272,010	-	4,272,010	
Non - current assets				
Property, plant and equipment	176,533	-	176,533	
Intangible assets	27,595	(16,035)	11,560	(1)
Deferred income tax assets	27,435	-	27,435	
Other non - current assets	8,106	-	8,106	
Total non - current assets	239,669	(16,035)	223,634	
Total assets	$ 4,511,679	($ 16,035)	$ 4,495,644	
Current liabilities				
Accounts payable	$ 42,816	$ -	$ 42,816	
Other payables	339,381	12,924	352,305	(2)
Other payables - related parties	48,341	-	48,341	
Current income tax liabilities	63,245	-	63,245	
Provisions for liabilities - current	472,071	-	472,071	
Deferred income tax liabilities	429	(429)	-	(3)
Other current liabilities	24,467	-	24,467	
Total current liabilities	990,750	12,495	1,003,245	
Non-current liabilities				
Deferred income tax liabilities	-	429	429	(3)
Other non - current liabilities	39,523	22,456	61,979	(1)
Total non - current liabilities	39,523	22,885	62,408	
Total Liabilities	1,030,273	35,380	1,065,653	
Equity attributable to owners of the parent company				
Common stocks	$ 660,000	$ -	$ 660,000	
Capital reserve	1,232,899	-	1,232,899	
Retained earnings				
Legal reserve	80,186	-	80,186	
Unappropriated retained earnings	1,480,966	(41,725)	1,439,241	(1)(2)(4)
Other equity				
- cumulative translation adjustment	(4,436)	(9,690)	(14,126)	(4)
Equity attributable to owners of the parent company	3,449,615	(51,415)	3,398,200	
Non - controlling interest	31,791	-	31,791	
Total equity	3,481,406	(51,415)	3,429,991	
Total liabilities and equity	$ 4,511,679	($ 16,035)	$ 4,495,644	

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 periods 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 periods) 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 periods of employees still in service and expected to receive benefits. However, the transition guidance in IAS 19 "Employee Benefits", is not applicable because it is the first-time adoption of IFRSs for the Group. 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.

(d) In accordance with current accounting standards in R.O.C., actuarial pension gain or loss of the Group is recognized in net pension cost of current periods using the 'corridor' method. However, in accordance with IAS 19, "Employee Benefits", the Group selects to recignize actuarial pension gain or loss immediately in other comprehensive income.

Therefore, the Group decreased the deferred pension costs by $16,035, increased the accrued pension liabilities by $22,456, and simultaneously reduced retained earnings by $38,491 on September 30, 2012. The Group also decreased the operating expenses by $611 and $1,833 for the three-month and nine-month periods ended September 30, 2012, respectively.

(2) Employee benefits

The current accounting standards in R.O.C. do not specify the rules on recognition of the cost of accumulated unused compensated absences. The Group 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 periods. Therefore, the Group increased accrued expenses and decreased retained earnings by $12,924 and $12,924, respectively, on September 30, 2012. The Group also decreased and increased the operating expenses by $2,379 and $487 for the three-month and nine-month periods ended September 30, 2012, respectively.

(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 periods 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 Group decreased deferred tax liability-current by $429 and increased deferred tax liability – non current by $429 on September 30, 2012.

(4) Cumulative translation adjustments

The Group 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 Group decreased the cumulative translation differences and increased retained earnings by $9,690 , respectively, on September 30, 2012.

D.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 and administrative expenses	(234,650)	566	(234,084)	(1)(2)
Research and development expenses	(718,261)	-	(718,261)	
Other income and expenses - net	(1,274,099)	566	(1,273,533)	
Operating profit	1,706,749	566	1,707,315	
Non - operating revenue and expenses				
Other income	27,062	-	27,062	
Other gains and losses	(68,125)	-	(68,125)	
Finance costs	817	-	817	
Total non-operating revenue and expenses	(40,246)	-	(40,246)	
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 plan	$ -	($ 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	

Reasons for differences are outlined below:

Please refer to Note 15(3)B.

E.Reconciliation for comprehensive income for the three-month period ended September 30, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating revenue	$ 1,037,668	$ -	$ 1,037,668	
Operating costs	(301,082)	-	(301,082)	
Gross profit	736,586	-	736,586	
Operating expenses				
Selling expenses	(34,955)	-	(34,955)	
General and administrative expenses	(60,856)	2,990	(57,866)	(1)(2)
Research and development expenses	(245,714)	-	(245,714)	
Total operating expenses	(341,525)	2,990	(338,535)	
Operating profit	395,061	2,990	398,051	
Non-operating revenue and expenses				
Other income	9,690	-	9,690	
Other gains and losses	(24,615)	-	(24,615)	
Finance costs	(164)	-	(164)	
Total non-operating revenue and expenses	(15,089)	-	(15,089)	
Profit before income tax	379,972	2,990	382,962	
Income tax expense	(31,492)	-	(31,492)	
Profit for the period	$ 348,480	$ 2,990	$ 351,470	
Other comprehensive income				
Cumulative translation differences of foreign operations	$ -	$ -	($ 14,946)	
Income tax relating to the components of other comprehensive income	-	-	2,541	
Other comprehensive income for the period, net of tax	-	-	(12,405)	
Total comprehensive income for the period	$ -	$ -	$ 339,065	

Reasons for differences are outlined below:

Please refer to Note 15(3)C.

F.Reconciliation for comprehensive income for the nine-month period ended September 30, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating revenue	$ 3,031,686	$ -	$ 3,031,686	
Operating costs	(889,421)	-	(889,421)	
Gross profit	2,142,265	-	2,142,265	
Operating expenses				
Selling expenses	(260,368)		(260,368)	
General and administrative expenses	(177,098)	1,346	(175,752)	(1)(2)
Research and development expenses	(532,060)	-	(532,060)	
Total operating expenses	(969,526)	1,346	(968,180)	
Operating profit	1,172,739	1,346	1,174,085	
Non-operating revenue and expenses				
Other income	29,600	-	29,600	
Other gains and losses	(47,377)	-	(47,377)	
Finance costs	(5,824)	-	(5,824)	
Total non-operating revenue and expenses	(23,601)	-	(23,601)	
Profit before income tax	1,149,138	1,346	1,150,484	
Income tax expense	(118,617)	-	(118,617)	
Profit for the period	$ 1,030,521	$ 1,346	$ 1,031,867	
Other comprehensive income				
Cumulative translation differences of foreign operations	$ -	$ -	($ 18,219)	
Income tax relating to the components of other comprehensive income	-	-	3,097	
Other comprehensive income for the period, net of tax	-	-	(15,122)	
Total comprehensive income for the period	$ -	$ -	$ 1,016,745	

Reasons for differences are outlined below:

Please refer to Note 15(3)C.

G.Major adjustments for the consolidated statement of cash flows for the nine-month period ended September 30, 2012:

a) The transition from R.O.C. GAAP to IFRSs had no significant effect on the Group's cash flows reported.

b) The reconciliation between R.O.C. GAAP and IFRSs had no significant effect on the Group's cash flows reported.

H.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.