Array Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Array Inc.

We have audited the accompanying consolidated balance sheets of Array Inc. (the "Company") and subsidiaries (collectively referred to as the "Group") as of December 31, 2013, December 31, 2012 and January 1, 2012 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

March 26, 2014

<u>*Notice to Readers*</u>

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

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

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of United States Dollars)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	$ 27,075	47	$ 19,995	40	$ 15,184	27
Available-for-sale financial assets - current (Notes 4 and 7)	252	-	4,444	9	9,529	17
Notes receivable	2,674	5	247	-	952	2
Trade receivables (Notes 4, 5 and 8)	13,010	23	12,377	25	16,443	29
Other receivables	184	-	584	1	936	1
Inventories (Notes 4, 5 and 9)	3,262	6	2,532	5	3,237	6
Other current assets (Note 13)	567	1	401	1	528	1
Total current assets	47,024	82	40,580	81	46,809	83
NON-CURRENT ASSETS						
Property, plant and equipment (Notes 4 and 10)	1,399	2	1,804	4	2,095	4
Goodwill (Notes 4, 5 and 11)	5,594	10	5,594	11	5,594	10
Other intangible assets (Notes 4 and 12)	2,575	5	1,743	3	1,362	2
Deferred tax assets (Notes 4 and 17)	49	-	49	-	49	-
Refundable deposits (Notes 4 and 13)	715	1	540	1	388	1
Other financial assets (Notes 13 and 24)	32	-	32	-	32	-
Total non-current assets	10,364	18	9,762	19	9,520	17
TOTAL	$ 57,388	100	$ 50,342	100	$ 56,329	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Trade payables	$ 3,272	6	$ 1,775	4	$ 1,665	3
Other payables (Note 14)	4,683	8	3,659	7	3,775	7
Current tax liabilities (Notes 4 and 17)	117	-	124	-	-	-
Deferred revenue - current (Notes 4, 5 and 14)	5,337	9	4,661	9	4,985	9
Other current liabilities (Note 14)	260	1	259	1	243	-
Total current liabilities	13,669	24	10,478	21	10,668	19
NON-CURRENT LIABILITIES						
Deferred revenue - non-current (Notes 4, 5 and 14)	3,252	6	2,018	4	1,597	3
Other non-current liabilities (Note 14)	40	-	50	-	75	-
Total non-current liabilities	3,292	6	2,068	4	1,672	3
Total liabilities	16,961	30	12,546	25	12,340	22
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4, 15 and 19)						
Share capital - ordinary shares	23,645	41	21,643	43	21,196	37
Capital surplus	11,032	19	12,600	25	12,758	23
Retained earnings	4,352	7	2,847	6	8,480	15
Other equity	2,698	5	2,062	4	1,555	3
Treasury shares	(1,300)	(2)	(1,356)	(3)	-	-
Total equity	40,427	70	37,796	75	43,989	78
TOTAL	$ 57,388	100	$ 50,342	100	$ 56,329	100

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

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of United States Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUES				
Sales	$ 40,103	100	$ 32,083	100
Sales returns and allowances	23	-	132	-
Total operating revenue (Notes 4 and 5)	40,080	100	31,951	100
OPERATING COSTS				
Cost of goods sold (Notes 4, 9 and 16)	8,842	22	6,811	21
GROSS PROFIT	31,238	78	25,140	79
OPERATING EXPENSES (Notes 4 and 16)				
Selling and marketing expenses	16,491	41	15,289	48
General and administrative expenses	5,384	14	6,060	19
Research and development expenses	10,065	25	9,261	29
Total operating expenses	31,940	80	30,610	96
LOSS FROM OPERATIONS	(702)	(2)	(5,470)	(17)
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 4)	3,034	8	1,600	5
Exchange loss, net (Note 4)	(66)	-	(42)	-
Finance costs	(56)	-	(382)	(2)
Others	(352)	(1)	(50)	-
Total nonoperating income and expenses	2,560	7	1,126	3
PROFIT (LOSS) BEFORE INCOME TAX	1,858	5	(4,344)	(14)
INCOME TAX EXPENSE (Notes 4 and 17)	353	1	159	-
NET PROFIT (LOSS) FOR THE YEAR	1,505	4	(4,503)	(14)
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations (Notes 4 and 15)	640	1	41	-
Unrealized (loss) gain on available-for-sale financial assets (Notes 4 and 15)	(4)	-	466	1
Other comprehensive income (loss) for the year	636	1	507	1
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 2,141	5	$ (3,996)	(13)

(Continued)

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of United States Dollars, Except Earnings Per Share)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 1,505	4	$ (4,503)	(14)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO				
Owners of the Company	$ 2,141	5	$ (3,996)	(13)
EARNINGS (LOSS) PER SHARE (Note 18)				
Basic	$0.02		$(0.07)	
Diluted	$0.02		$(0.07)	

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

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of United States Dollars)

	Equity Attributable to Owners of the Company										
		Capital Surplus					Other Equity				
	Share Capital	Additional Paid-in Capital Common Shares	Treasury Share Transaction	Stock Options	Total	Retained Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2012	$ 21,196	$ 12,444	$ -	$ 314	$ 12,758	$ 8,480	$ 2,022	$ (467)	$ 1,555	$ -	$ 43,989
Appropriation of 2011 earning Cash dividends distributed by the Company	-	-	-	-	-	(1,130)	-	-	-	-	(1,130)
Net loss for the year ended December 31, 2012	-	-	-	-	-	(4,503)	-	-	-	-	(4,503)
Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax	-	-	-	-	-	-	41	466	507	-	507
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	-	(4,503)	41	466	507	-	(3,996)
Issue of ordinary shares under stock options	447	(79)	-	(111)	(190)	-	-	-	-	-	257
Recognition of share-based compensation for the year ended December 31, 2012	-	-	-	32	32	-	-	-	-	-	32
Buy-back of treasury shares - 2,000 thousand shares	-	-	-	-	-	-	-	-	-	(1,381)	(1,381)
Reissue of treasury shares to employees - 36 thousand shares	-	-	9	(9)	-	-	-	-	-	25	25
BALANCE AT DECEMBER 31, 2012	21,643	12,365	9	226	12,600	2,847	2,063	(1)	2,062	(1,356)	37,796
Net profit for the year ended December 31, 2013	-	-	-	-	-	1,505	-	-	-	-	1,505
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	-	-	-	640	(4)	636	-	636
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	-	1,505	640	(4)	636	-	2,141
Issue of ordinary shares under stock options	2,002	(1,617)	-	(27)	(1,644)	-	-	-	-	-	358
Recognition of share-based compensation for the year ended December 31, 2013	-	-	-	75	75	-	-	-	-	-	75
Reissue of treasury shares transferred to employees - 81 thousand shares	-	-	9	(8)	1	-	-	-	-	56	57
BALANCE AT DECEMBER 31, 2013	$ 23,645	$ 10,748	$ 18	$ 266	$ 11,032	$ 4,352	$ 2,703	$ (5)	$ 2,698	$ (1,300)	$ 40,427

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

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of United States Dollars)

	For the Years Ended December 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	$ 1,858	$ (4,344)
Adjustments for:		
Depreciation expenses	1,196	1,188
Impairment loss recognized on trade receivables	1,113	2,487
Net loss on foreign currency exchange	330	39
Amortization expenses	380	129
Interest income	(204)	(157)
Write-down of inventories	184	451
Recognition of share-based compensation	75	32
Finance costs	56	382
Loss on disposal of property, plant and equipment	35	-
Amortization of premium on the bond investment	28	612
Loss on sale of investment	-	1
Net changes in operating assets and liabilities:		
Notes receivable and trade receivable	(4,284)	2,263
Inventories	(1,268)	21
Other current assets	197	453
Trade payables	1,497	110
Other payables	1,197	(257)
Other current liabilities	1	16
Other liabilities	(10)	(25)
Deferred revenue	1,910	97
Cash generated from operations	4,291	3,498
Interest received	280	183
Interest paid	(56)	(382)
Income tax paid	(360)	(35)
Net cash generated from operating activities	4,155	3,264
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	4,160	5,188
Payment for intangible assets	(1,212)	(508)
Payments for property, plant and equipment	(466)	(681)
Increase in refundable deposits	(214)	(152)
Purchase of available-for-sale financial assets	-	(250)
Proceeds from disposal of property, plant and equipment	-	17
Net cash generated from investing activities	2,268	3,614

(Continued)

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of United States Dollars)

	For the Years Ended December 31	
	2013	**2012**
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of stock options	$ 358	$ 257
Dividends paid to owners of the Company	(173)	(989)
Proceeds from reissue of treasury shares	57	25
Payments for buy-back of treasury shares	-	(1,381)
Net cash generated from (used in) financing activities	242	(2,088)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	415	21
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,080	4,811
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	19,995	15,184
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 27,075	$ 19,995

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

(In Thousands of United States Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Array Inc. (the "Company") was incorporated on December 19, 2008 in the Cayman Islands for the purpose of reorganizing Array Networks, Inc. ("Array Cayman") and its subsidiaries. The reorganization was completed on May 1, 2009 pursuant to a share swap agreement. Following the reorganization, Array Cayman became a wholly-owned subsidiary of the Company.

The Company and subsidiaries (hereinafter referred to as the "Group") mainly research, manufacture and sell Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions, Application Acceleration, WAN Optimization Controllers and Public Key Infrastructure (PKI) solutions.

The functional currency of the Company is U.S. dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 26, 2014.

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

a. New, amended and revised standards and interpretations (the "New IFRSs") in issue but not yet effective

The Company and entities controlled by the Company (the "Group") have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (2009) - Amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009

(Continued)

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

The New IFRSs Not Included in the 2013 IFRSs Version	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Note 3
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Note 3
IFRS 14 "Regulators Deferral Accounts"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: IASB tentatively decided that an entity should apply IFRS 9 for annual periods beginning on or after January 1, 2018.

b. Significant impending changes in accounting policy that would result from adoption of New IFRSs in issue but not yet effective

Except for the following, the impending initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies:

<u>IFRS 9 "Financial Instruments"</u>

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

c. The impact of the application of New IFRSs and the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations") in issue but not yet effective on the Group's consolidated financial statements is as follows:

As of the date the consolidated financial statements were authorized for issue, the Group is continuingly assessing the possible impact that the application of the above New IFRSs will have on the Group's financial position and operating result, and will disclose the relevant impact when the assessment is complete.

4. SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the FSC announced the "Framework for the Adoption of IFRSs by the Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (the "IFRSs") endorsed by the FSC.

The Group's consolidated financial statements for the year ended December 31, 2013 are its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 28 for the impact of IFRS conversion on the Group's consolidated financial statements.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or other regulations and IFRSs as endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values (refer to accounting policies illustration below). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheets as of the date of transition to IFRSs were prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 28.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company.

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

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

2) Subsidiary included in consolidated financial statements:

The consolidated entities of the consolidated financial report were as follows:

			Percentage of Ownership			
Investor	Investee	Main Business	December 31, 2013	December 31, 2012	January 1, 2012	Remark
Company	Array Networks, Inc. (Array Cayman)	Investment	100	100	100	
Array Cayman	Array Networks, Inc. (Array US)	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions, WAN Optimization Controllers and Application Acceleration	100	100	100	
	Array Networks (China) Co., Ltd. (Array China)	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100	100	100	
	Infosec Technologies Holdings, Inc. (Infosec Cayman)	Investment	100	100	100	
Array US	Array Networks Japan Kabishiki Kaisha	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100	100	100	
	Array Networks, LLC	Research, manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100	100	100	
Infosec Cayman	Beijing Infosec Information Security WOFE (Infosec WOFE)	Research and sale of full life cycle management of Public Key Infrastructure (PKI) and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100	100	100	
Infosec WOFE	Beijing Infosec Technologies Co., Ltd. (Infosec Technologies)	Research and sale of full life cycle management of Public Key Infrastructure (PKI) and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	-	-	-	Controlled by Infosec WOFE under structure contracts

3) Subsidiaries excluded from consolidated financial statements: None.

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

f. Inventories

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

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

h. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's groups of cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss, on the same basis as intangible assets that are acquired separately.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

k. Financial instruments

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

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

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Available-for-sale financial assets, and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

ii. Loans and receivables

Loans and receivables (including cash and cash equivalent, trade receivables, notes receivables, other receivables, refundable deposits and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 6 months, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

c) De-recognition of financial assets

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

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

2) Equity instruments

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method:

b) De-recognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

l. Revenue recognition

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

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the good, primarily upon shipment, because the earning process has completed and the economic benefits associated with the transaction have been realized or are realizable.

Revenue is measured at the fair value of the consideration received or receivable agreed between the Group and the customers for goods sold, net of sales discounts and volume rebates. For the trade receivables due within one year from the balance sheet date, as the normal value of the consideration to be received approximates fair value and transaction are frequent, consideration fair value of the revenue is not determined by discounting all future receipts using an impute rate of interest.

2) Rendering of services

Service income is recognized when services are provided.

When the selling price of a product includes an identifiable amount for subsequent sales support, that amount is deferred and recognized as revenue over the period during which the service is performed. If the subsequent sales support is included in the selling price of the product, the amount for subsequent sales support that includes the expected cost of the service under the agreement and together with a reasonable profit on the service should be identified, deferred and recognized as revenue over the period during which the service is performed.

3) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

m. Leasing

<u>The Group as lessee</u>

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

o. Retirement benefit costs

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

p. Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

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

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

q. Taxation

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

1) Current tax

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for research and development expenditures, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

a. Revenue recognition

Whenever the subsequent sales support is included in the selling price of the product, the sales amount for subsequent sales support should be identified and deferred. In making the judgment, management had considered the revenue recognition criteria and whether the identification of sales amounts for the product and the subsequent sales support is appropriate. The sales amount for subsequent sales support should include the expected cost of the service under the agreement and a reasonable profit on the service. Management assured that the revenue amounts of the subsequent sales support recognized in the current period and in the deferral were appropriate.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Checking accounts and demand deposits	$ 18,609	$ 16,083	$ 11,211
Time deposits	8,446	3,882	3,970
Cash on hand	20	30	3
	$ 27,075	$ 19,995	$ 15,184
Bank deposits	0.01%-0.385%	0.01%-0.385%	0.01%-0.50%
Time deposits	1.98%-3.30%	1.98%-3.10%	1.98%-3.10%

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Mutual funds	$ 252	$ 253	$ -
Corporate bonds	-	4,191	9,529
	$ 252	$ 4,444	$ 9,529

As of December 31, 2012 and January 1, 2012, the Group invested in corporate bond with par value $4,160 thousand and $9,275 thousand, and coupon interest rates were 5.25%-7.00% and 2.125%-7.00%, respectively. The Group had redeemed all the bonds upon maturity from January 2013 to May 2013.

8. TRADE RECEIVABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable	$ 17,514	$ 16,452	$ 18,012
Less: Allowance for impairment loss	(4,504)	(4,075)	(1,569)
	$ 13,010	$ 12,377	$ 16,443

The average credit period on sales of goods was 90 days. No interest was charged on trade receivables. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all receivables over a year. Allowance for impairment loss were recognized against trade receivables between 6 months and a year based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Less than 6 months	$ 3,530	$ 7,382	$ 3,441
6 months to 1 year	-	424	495
Over 1 year	-	-	-
	$ 3,530	$ 7,806	$ 3,936

The above aging schedule analysis was based on the past due date.

Movement in the allowance for impairment loss recognized on trade receivables were as follow:

	For the Year Ended December 31	
	2013	2012
Balance at January 1	$ 4,075	$ 1,569
Add: Impairment losses recognized on receivables	1,113	2,487
Less: Amounts written off as uncollectable	(795)	(2)
Effect of exchange rate changes	111	21
Balance at December 31	$ 4,504	$ 4,075

Age of individually impaired trade receivables was as follow:

	December 31, 2013	December 31, 2012	January 1, 2012
Less than 6 months	$ -	$ -	$ 2,154
6 months to 1 year	1,351	2,845	1,492
Over 1 year	3,803	2,291	1,212
	$ 5,154	$ 5,136	$ 4,858

The above aging of trade receivables analysis was presented based on past due date.

9. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Finished goods	$ 785	$ 1,010	$ 1,100
Raw materials	2,477	1,522	2,137
	$ 3,262	$ 2,532	$ 3,237

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 were $8,842 thousand and $6,811 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 included inventory write-downs of $184 thousand and $451 thousand, respectively.

10. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Office Equipment	Equipment Held Under Finance Lease	Other Equipment	Total
Cost					
Balance, January 1, 2012	$ 3,083	$ 2,246	$ 630	$ 1,268	$ 7,227
Addition	396	120	10	155	681
Disposals	(113)	(1,497)	-	(227)	(1,837)
Reclassification	(409)	154	2	(71)	(324)
Effect of foreign currency exchange differences	5	-	1	-	6
Balance, December 31, 2012	$ 2,962	$ 1,023	$ 643	$ 1,125	$ 5,753
Accumulated depreciation and impairment					
Balance, January 1, 2012	$ 1,948	$ 1,961	$ 405	$ 818	$ 5,132
Disposals	(95)	(1,497)	-	(228)	(1,820)
Depreciation	569	236	79	304	1,188
Reclassification	(597)	111	-	(69)	(555)
Effect of foreign currency exchange differences	3	1	1	(1)	4
Balance, December 31, 2012	$ 1,828	$ 812	$ 485	$ 824	$ 3,949
Carrying amounts at January 1, 2012	$ 1,135	$ 285	$ 225	$ 450	$ 2,095
Carrying amounts at December 31, 2012	$ 1,134	$ 211	$ 158	$ 301	$ 1,804
Cost					
Balance, January 1, 2013	$ 2,962	$ 1,023	$ 643	$ 1,125	$ 5,753
Addition	79	56	97	234	466
Disposals	(151)	(7)	(295)	(5)	(458)
Reclassification	307	9	4	-	320
Effect of foreign currency exchange differences	83	3	16	7	109
Balance, December 31, 2013	$ 3,280	$ 1,084	$ 465	$ 1,361	$ 6,190
Accumulated depreciation and impairment					
Balance, January 1, 2013	$ 1,828	$ 812	$ 485	$ 824	$ 3,949
Disposals	(118)	(6)	(295)	(4)	(423)
Depreciation	619	137	201	239	1,196
Reclassification	(7)	-	-	-	(7)
Effect of foreign currency exchange differences	58	2	13	3	76
Balance, December 31, 2013	$ 2,380	$ 945	$ 404	$ 1,062	$ 4,791
Carrying amounts at December 31, 2013	$ 900	$ 139	$ 61	$ 299	$ 1,399

The impairment evaluation for the years ended December 31, 2013 and 2012, refer to Note 11.

The above items of property, plant and equipment were depreciated on a straight-line basis at the following rates per annum:

Equipment	3 years
Office equipment	5 years
Equipment held under finance lease	The shorter of the lease term and useful lives
Other equipment	3 years

11. GOODWILL

The goodwill as of December 31, 2013 December 31, 2012 and January 1, 2012 comprised of goodwill $3,521 thousand acquired from Array US and goodwill of $2,073 thousand acquired from Infosec Cayman, respectively. The Group identified the smallest identifiable group of cash-generating units (CGU): The Company, Array US and Array China (Array Group) were identified and viewed as one CGU; Infosec Cayman, Infosec WOFE and Infosec Technologies (Infosec Group) were identified and viewed as another CGU.

On the evaluation of the impairment on goodwill, the recoverable amounts of the CGUs were based on value in use, which was estimated using budgeted cash flows of respective CGU. The critical assumptions to estimate the recoverable amounts were as follows:

a. Operating revenues were estimated on the basis of changes in industry and competitive landscape.

b. The estimates of costs and expenses were based on the proportion of the actual costs and expenses to operating revenues in the 2013 and 2012 financial statements.

c. Assumptions on discount rate:

   The discount rates used to calculate the recoverable amounts for Array Group were 24.0% and 22.0% in 2013 and 2012; the discount rates used for Infosec Group were 24.3% and 23.5% in 2013 and 2012, respectively.

   Based on the above key assumptions, the Group's management believes that the carrying amounts of these operating assets and goodwill will not exceed their recoverable amounts even if there are changes in the critical assumptions used to estimate recoverable amounts as long as these changes are within reasonable levels for the years ended December 31, 2013 and 2012.

12. OTHER INTANGIBLE ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Carrying amounts of each class of			
Computer software (a)	$ 867	$ 791	$ 410
Trademarks (b)	952	952	952
Intellectual Property (c)	756	-	-
Other intangible assets	$ 2,575	$ 1,743	$ 1,362

a. Computer software

	2013	2012
Cost		
Balance, January 1	$ 1,063	$ 1,060
Addition	342	508
Disposal	-	(505)
Effect of foreign currency exchange differences	1	-
Balance, December 31	$ 1,406	$ 1,063

(Continued)

	2013	2012
Accumulated amortization and impairment		
Balance, January 1	$ 272	$ 650
Amortization expense	266	129
Disposal	-	(505)
Effect of foreign currency exchange differences	1	(2)
Balance, December 31	$ 539	$ 272

(Concluded)

The computer software is amortized on a straight-line basis over 3 to 10 years.

b. Trademarks

Management believes the Group will renew the trademarks continuously and has the ability to do so. There is no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows. Therefore, the trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

c. Intellectual Property

	2013	2012
Cost		
Balance at January 1	$ -	$ -
Additions	870	-
Balance at December 31	$ 870	$ -
Accumulated depreciation and impairment		
Balance at January 1	$ -	$ -
Amortization expense	114	-
Balance at December 31	$ 114	$ -

The Group entered into an intellectual property purchase agreement with company C; the purchase price was $870 thousand. The transfer of rights and patents of the intellectual property was completed in May 2013. Intellectual property is amortized on a straight-line basis over 5 years.

13. OTHER ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Refundable deposits	$ 757	$ 543	$ 442
Prepayments	525	398	474
Others	32	32	32
	$ 1,314	$ 973	$ 948

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Current - others	$ 567	$ 401	$ 528
Non-current - refundable deposits	$ 715	$ 540	$ 388
Non-current - others	$ 32	$ 32	$ 32

(Concluded)

14. OTHER LIABILITIES

	December 31, 2013	December 31, 2012	January 1, 2012
Other payables			
Accrued salary and bonus	$ 1,636	$ 1,212	$ 1,142
Accrued vacation	621	649	674
Commissions	258	152	176
Remuneration to directors and supervisors and bonus to employees payable	225	-	-
Dividends payable	2	175	-
Others	1,941	1,471	1,783
	$ 4,683	$ 3,659	$ 3,775
Deferred revenue	$ 8,589	$ 6,679	$ 6,582
Other liabilities	$ 300	$ 309	$ 318
Current - other payables	$ 4,683	$ 3,659	$ 3,775
Current - deferred revenue	$ 5,337	$ 4,661	$ 4,985
Current - other liabilities	$ 260	$ 259	$ 243
Non-current - deferred revenue	$ 3,252	$ 2,018	$ 1,597
Non-current - other liabilities	$ 40	$ 50	$ 75

15. EQUITY

a. Ordinary shares

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares authorized (in thousands)	105,000	105,000	105,000
Shares authorized (in thousands N.T. dollars)	NT$1,050,000	NT$1,050,000	NT$1,050,000
Number of shares issued and fully paid (in thousands)	76,745	70,825	69,510
Shares issued	$ 23,645	$ 21,643	$ 21,196

The differences of the shares issued were due to options exercise.

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company's capital surplus and once a year. The capital surplus from stock options may not be used for any purpose.

c. Retained earnings and dividend policy

Under the Company's Articles of Association, when making appropriation of the earnings for each fiscal year, after offsetting losses from previous years and after paying taxes, the Company may set aside any 10% as legal reserve and less special reserve based on relevant laws and regulations. The remaining balance should be distributed as follows:

1) Up to 3%, as bonus to directors;

2) No less than 1%, as bonus to employees of the Company and subsidiaries; and

3) The appropriation of the remaining balance as bonuses or dividends should be resolved by the shareholders' meeting. The appropriation should not be less than 5% of remaining balance of the earnings. The distribution of cash dividends should comprise no less than 10% of the dividends in such year.

For the years ended December 31, 2013 and 2012, the bonus to employees and remuneration to directors and supervisors were $225 thousand and $0 thousand, respectively, and the calculation was based on the policy and past experience. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and share dividends) of the shares on the day immediately preceding the shareholders' meeting.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company had a decrease in retained earnings that resulted from IFRSs adoption; therefore, no special reverse was appropriated.

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

The loss offsetting for 2012 had been approved in the shareholders' meetings on June 14, 2013.

The appropriations of earnings for 2011 had been approved in the shareholders' meetings on June 21, 2012. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Cash dividends	$ 1,130	$0.5

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings in 2013 and 2012 and the amounts recognized in the financial statements for the years ended December 31, 2012 and 2011.

The appropriations of earnings, the bonus to employees and the remuneration to directors and supervisors for 2013 are to be decided by the Board of Directors and subject to the resolution of the shareholders' meeting to be held on June 18, 2014.

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

d. Others equity items

1) Exchange differences on translating foreign operations

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

2) Unrealized gain (loss) on available-for-sale financial assets

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

e. Treasury shares

Purpose of Buy-back	**Number of Shares, Beginning of Year**	**Increase During the Year**	**Decrease During the Year**	**Number of Shares, End of Year**
Year ended December 31, 2013				
Shares transferred to employees (in thousands of shares)	1,964	-	81	1,883
Year ended December 31, 2012				
Shares transferred to employees (in thousands of shares)	-	2,000	36	1,964

In order to motivate employees and enhance employees' retention, on December 23, 2011, the Board of Directors resolved the plan to buy back 2000 thousand shares of the Company's outstanding shares as treasury shares from the securities exchange market. The buyback of treasury shares was executed in the period between January 2, 2012 and February 22, 2012, and the total buyback amount was $1,381 thousand.

The Company transferred 36 thousand shares of treasury shares to employees based on the resolution of the Board of Directors on March 14, 2012. The shares were transferred to employees on April 20, 2012 at the transfer price of NT$20.62 per share.

The Company granted 1,278.5 units of treasury share options to the Group's employees based on the resolution of the Board of Directors on June 21, 2012. Each unit of treasury share option entitles the holder to subscribe for 1,000 shares of the Company's treasury shares. The treasury share options are valid for 29 months and vest 1/29 in equal monthly installments from July 1, 2012 to November 30, 2014. Holders may choose to exercise the vested treasury share options on four designated dates: June 10, 2013, December 10, 2013, June 10, 2014 and December 10, 2014.

	Number of Exercisable Options (In Thousands)	
	2013	2012
Treasury share options		
Balance, beginning of year	1,279	1,279
Options exercised	(81)	-
Options expired	(241)	-
Balance, end of year	957	1,279

Treasury share options granted during the year ended December 31, 2013 were priced using the Black-Scholes pricing model. The share-based compensation costs recognized for the years ended December 31, 2013 and 2012 were $63 thousand and $25 thousand, respectively.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

16. NET PROFIT (LOSS)

a. Depreciation and amortization

	For the Year Ended December 31	
	2013	2012
An analysis of deprecation by function		
Operating costs	$ 349	$ 286
Operating expenses	847	902
	$ 1,196	$ 1,188
An analysis of amortization by function		
Operating costs	$ 129	$ 13
Operating expenses	251	116
	$ 380	$ 129

b. Employee benefits expense

	For the Year Ended December 31	
	2013	2012
Post-employment benefits	$ 687	$ 602
Share-based payments	75	32
Other employee benefits	18,372	16,257
	$ 19,134	$ 16,891

(Continued)

	For the Year Ended December 31	
	2013	2012
An analysis of employee benefits expense by function		
Operating costs	$ 927	$ 821
Operating expenses	18,207	16,070
	$ 19,134	$ 16,891

(Concluded)

17. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current year	$ 353	$ 159
Deferred tax		
In respect of the current year	-	-
Income tax expense recognized in profit or loss	$ 353	$ 159

A reconciliation of accounting profit and income tax expenses and the applicable tax rate is as follows:

	For the Year Ended December 31	
	2013	2012
Profit (loss) before tax	$ 1,858	$ (4,344)
Income tax expense calculated at the statutory rate	$ 724	$ (1,513)
Nondeductible expenses in determining taxable income	2,026	3,120
Unrecognized deductible temporary differences	(2,397)	(1,448)
Income tax expense recognized in profit or loss	$ 353	$ 159

The applicable tax rate used above is the Federal tax rate of 34% payable and the state tax rate of 8.84% payable by the Group in the U.S., while the applicable tax rate used by subsidiaries in China is 25%.

b. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax liabilities			
Income tax payable	$ 117	$ 124	$ -

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
For the year ended December 31, 2013				
Others	$ 49	$ -	$ -	$ 49
For the year ended December 31, 2012				
Others	$ 49	$ -	$ -	$ 49

d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31, 2013	December 31, 2012	January 1, 2012
Loss carryforwards	$ 17,985	$ 18,646	$ 20,867
Investment credits			
Research and development	$ 1,782	$ 1,611	$ 1,588
Deductible temporary differences	$ 1,681	$ 2,187	$ 1,598

e. Information about unused investment credits, unused loss carry-forward and tax-exemption

As of December 31, 2013, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Federal tax	Research and development expenditures	$ 144	2020
		342	2021
		213	2026
		188	2027
		92	2028
		54	2029
		46	2030
		53	2031
		70	2032
		83	2033
		$ 1,285	

Loss carryforwards by federal tax as of December 31, 2013 comprised of:

Unused Amount	Expiry Year
$ 10,653	2021
20,167	2022
5,665	2023
5,383	2024
929	2025
4,529	2026
309	2027
400	2028
394	2031
3,107	2032
$ 51,536	

Loss carryforwards by state tax as of December 31, 2013 comprised of:

Unused Amount	Expiry Year
$ 4,449	2014
832	2015
2,182	2016
461	2032
$ 7,924	

18. EARNINGS (LOSS) PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings (loss) per share were as follows:

Net Profit (Loss) for the Period

	For the Year Ended December 31	
	2013	**2012**
Profit (loss) for the period attributable to owners of the Company	$ 1,505	$ (4,503)
Earnings (loss) used in the computation of basic and diluted earnings per share	$ 1,505	$ (4,503)

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2013	**2012**
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	70,185	68,188
Effect of dilutive potential ordinary shares:		
Employee share option	5,872	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	76,057	68,188

19. SHARE-BASED PAYMENT ARRANGEMENTS

Array Cayman adopted the stock option plan resolved by the Board of Directors in December 2003. Due to the reorganization on May 1, 2009, pursuant to the merger agreement, the Company modified each outstanding stock option to be exercisable to subscribe for one ordinary shares of the Company. The options were granted to qualified employees, directors and consultants of the Group. The options granted are valid for 10 years and vest 25% one year after the date of grant and the remaining balance vests 1/48 in equal monthly installments over the following 36 months.

On August 5, 2011, 300 options were granted to qualified employees of the Group. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company when exercisable. The options granted are valid for 10 years and vest 50% two years after the date of grant and the remaining balance vest 1/48 in equal monthly installments over the following 24 months.

The options were granted at an exercise price equal to the fair value of the Company's ordinary shares on the grant date. For any subsequent changes in the Company's ordinary shares, the exercise price will be adjusted accordingly.

Information about stock options was as follows:

	For the Year Ended December 31			
	2013		2012	
	Number of Exercisable Options (In Thousands)	Weighted-average Exercise Price (US$)	Number of Exercisable Options (In Thousands)	Weighted-average Exercise Price (US$)
Balance, beginning of year	8,630	$ 0.13	10,117	$ 0.13
Options exercised	(5,920)	0.06	(1,315)	0.19
Options expired	(154)	0.27	(172)	0.18
Balance, end of year	2,556	0.43	8,630	0.13
Options exercisable, end of year	2,356	0.29	8,395	0.13

The weighted-average stock price at the date of exercise for stock options exercised during the years ended December 31, 2013 and 2012 was US$0.77 and US$0.76, respectively.

Information about outstanding options as of December 31, 2013, December 31, 2012 and January 1, 2012 was as follows:

December 31, 2013		December 31, 2012		January 1, 2012	
Range of Exercise Price (US$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (US$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (US$)	Weighted-average Remaining Contractual Life (Years)
$0.10	1.96	$0.05	0.99	$0.05	1.99
0.34-0.36	3.61	0.10	2.96	0.10	3.96
0.73	7.60	0.34-0.36	4.61	0.34-0.36	5.61
		0.73	8.60	0.73	9.60

The share-based compensation cost recognized for the years ended December 31, 2013 and 2012 were $12 thousand and $7 thousand, respectively.

20. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of office with lease terms between 1 and 6 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Group does not have a bargain purchase option to acquire the leased office at the expiry of the lease periods.

As of December 31, 2013, December 31, 2012 and January 1, 2012, refundable deposits paid under operating lease amounted to $519 thousand, $447 thousand and $335 thousand, respectively.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	For the Year Ended December 31	
	2013	**2012**
Not later than 1 year	$ 507	$ 1,917
Later than 1 year and not later than 5 years	791	895
	$ 1,298	$ 2,812

21. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

The management consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

2) Fair value measurements recognized in the condensed balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

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

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2013

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	$ 252	$ -	$ -	$ 252

December 31, 2012

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Corporate bond	$ 4,191	$ -	$ -	$ 4,191
Mutual funds	253	-	-	253
	$ 4,444	$ -	$ -	$ 4,444

January 1, 2012

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Corporate bond	$ 9,529	$ -	$ -	$ 9,529

There were no transfers between Level 1 and 2 in the current and prior periods.

b. Categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Loans and receivables (1)	$ 43,690	$ 33,775	$ 33,935
Available-for-sale financial assets (2)	252	4,444	9,529
Financial liabilities			
Amortized cost (3)	7,955	5,434	5,440

1) The balances included cash and cash equivalents, note receivables, trade and other receivables, refundable deposit and other financial assets.

2) The balances included the carrying amount of available-for-sale financial assets.

3) The balances included financial liabilities measured at amortized cost, which comprise trade and other payables.

c. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, and trade receivables and trade payables. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 25.

Sensitivity analysis

The Group's exchange rate exposure was in the exchange rate of Renminbi (RMB), the functional currency of several subsidiaries, against the U.S. dollars.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies.

The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis included borrowings to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in pre-tax profit and other equity associated with RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	U.S. Dollars	
	For the Year Ended December 31	
	2013	**2012**
Profit or loss	$ 229*	$ 138*

* RMB was the functional currency of several subsidiaries. This was mainly attributable to the exposure to outstanding bank deposit, receivables and payables in U.S. dollars, which were not hedged, at the end of the reporting period.

The Group's sensitivity to foreign currency during the current period was driven by the sensitivity of RMB, the functional currency of several subsidiaries, to the large amount of trade receivables in U.S. dollars.

b) Interest rate risk

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

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value interest rate risk			
Financial assets	$ 8,478	$ 8,869	$ 14,167
Cash flow interest rate risk			
Financial assets	18,609	16,114	7,942

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2013 and 2012 would decrease/increase by $47 thousand and $40 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the condensed balance sheets.

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

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Group's concentration of credit risk by geographical locations was mainly in A, which accounted for 73%, 73% and 69% of the total trade receivable as of December 31, 2013 December 31, 2012 and January 1, 2012, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Non-derivative financial liabilities which the Group holds were all non-interest, and the maturities of repayments were within one year.

The contractual amount at maturity was same as the carrying amount.

23. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note.

Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2013 and 2012 were as follows:

	For the Year Ended December 31	
	2013	2012
Short-term benefits	$ 1,594	$ 1,588
Share-based payments	17	12
	$ 1,611	$ 1,600

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

24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, the tariff of imported raw materials guarantees or the deposit for hiring foreign workers:

	December 31, 2013	December 31, 2012	January 1, 2012
Pledge deposits (classified as other financial assets)	$ 32	$ 32	$ 32

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

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

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 8,807	6.0969 (USD:RMB)	$ 8,807
NTD	2,147	0.0336 (NTD:USD)	72
Financial liabilities			
Monetary items			
USD	4,225	6.0969 (USD:RMB)	4,225

December 31, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 7,187	6.2855 (USD:RMB)	$ 7,187
NTD	2,227	0.0336 (NTD:USD)	75
Financial liabilities			
Monetary items			
USD	4,435	6.2855 (USD:RMB)	4,435

January 1, 2012

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 3,470	6.3009 (USD:RMB)	$ 3,470
NTD	46,525	0.0330 (NTD:USD)	1,535
Financial liabilities			
Monetary items			
USD	3,656	6.3009 (USD:RMB)	3,656

26. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (Table1)

2) Endorsements/guarantees provided. (None)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 2)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT $300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

9) (None) Information on investees. (Table 3)

10) Trading in derivative instruments. (None)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 4)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Table 5)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

c. Intercompany relationships and significant intercompany transactions. (Table 5)

27. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Network application - (US and China) and Public Key Infrastructure (PKI).

a. Segment revenues and results

	Segment Revenue		Segment Profit (Loss)	
	Year Ended December 31		Year Ended December 31	
	2013	2012	2013	2012
Network application				
US	$ 16,288	$ 16,040	$ 2,006	$ 419
China	11,091	6,419	(2,896)	(5,030)
PKI	12,701	9,492	1,021	22
Others	-	-	(833)	(881)
Total from continuing operations	$ 40,080	$ 31,951	(702)	(5,470)
Other income			3,034	1,600
Exchange loss, net			(66)	(42)
Finance cost			(56)	(382)
Others			(352)	(50)
Income before income tax			$ 1,858	$ (4,344)

Segment revenue reported above represents revenue generated from external customers. There were adjusted and reversed for the years ended December 31, 2013 and 2012.

Segment profit (loss) represented the profit before tax earned by each segment. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Network application			
US	$ 14,572	$ 13,893	$ 17,270
China	12,108	6,989	7,940
PKI	19,311	17,168	17,581
Others	11,397	12,292	13,538
Consolidated total assets	$ 57,388	$ 50,342	$ 56,329
Network application			
US	$ 8,027	$ 6,909	$ 6,139
China	3,808	2,085	2,315
PKI	4,820	3,300	3,713
Others	306	252	173
Consolidated total liabilities	$ 16,961	$ 12,546	$ 12,340

c. Other segment information

	Depreciation and Amortization		Additions to Noncurrent Assets	
	2013	2012	2013	2012
Network application				
US	$ 782	$ 705	$ 1,604	$ 913
China	520	511	296	530
PKI	259	101	344	199
Others	15	-	-	-
	$ 1,576	$ 1,317	$ 2,244	$ 1,642

d. Revenue from major products and services

The Group's revenue from continuing operations categorized by major products and services was as follows:

	For the Year Ended December 31	
	2013	2012
ADC	$ 22,184	$ 16,015
Service revenue	9,277	7,902
PKI	4,470	4,728
SSL VPN	3,025	3,306
WOC	1,124	-
	$ 40,080	$ 31,951

e. Geographical information

The Group operates in two principal geographical areas - US and China. The Group's revenue from continuing operations from external customers and information about its noncurrent assets by geographical location were as follows:

	Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2013	2012	2013	2012
US	$ 16,288	$ 16,040	$ 5,711	$ 4,908
China	23,792	15,911	4,604	4,805
	$ 40,080	$ 31,951	$ 10,315	$ 9,713

Noncurrent assets excluded deferred tax assets.

f. Information about major customers

	For the Year Ended December 31	
	2013	2012
Customer A	$ 3,626	$ 4,032

No other single customers contributed 10% or more to the Group's revenue for both years ended December 31, 2013 and 2012.

28. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

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

b. Impact on the transition to IFRSs

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

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

(In Thousands of New Taiwan Dollars)

	ROC GAAP	Adjustment	IFRSs	Description
Assets				
Deferred income tax assets - current (classified under other receivables and other current assets)	$ 45,796	$ (1,454)	$ 44,342	5) a)
Deferred income tax assets - noncurrent	26	1,454	1,480	5) a)
Liabilities				
Deferred revenues	155,967	43,284	199,251	5) b)
Shareholders' equity				
Capital surplus	386,235	26,105	412,340	5) c), d)
Retained earnings	300,003	(43,335)	256,668	5) b), c), d)
Cumulative translation adjustments	7,859	(26,054)	(18,195)	5) c)

2) Reconciliation of the consolidated balance sheet as of December 31, 2012

(In Thousands of New Taiwan Dollars)

	ROC GAAP	Adjustment	IFRSs	Description
Assets				
Deferred income tax assets - current (classified under other receivables and other current assets)	$ 29,997	$ (1,426)	$ 28,571	5) a)
Deferred income tax assets - noncurrent	-	1,426	1,426	5) a)

(Continued)

	ROC GAAP	Adjustment	IFRSs	Description
Liabilities				
Deferred revenues	$ 168,961	$ 24,992	$ 193,953	5) b)
Shareholders' equity				
Capital surplus	363,867	43,789	407,656	5) c), d)
Retained earnings	110,843	(22,146)	88,697	5) b), c), d)
Cumulative translation adjustments	(20,923)	(44,865)	(65,788)	5) c)
Treasury share	(39,386)	(1,770)	(41,156)	5) c)

(Concluded)

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

(In Thousands of New Taiwan Dollars)

	ROC GAAP	Adjustment	IFRSs	Description
Operating revenue	$ 911,318	$ 33,556	$ 944,874	5) b), c)
Operating costs	197,422	4,010	201,432	5) c), d)
Operating expenses	886,109	20,169	906,278	5) c), d)
Non-operating income, gains, expenses and losses	32,714	598	33,312	5) c)
Income tax expense	4,607	85	4,692	5) c)
Other comprehensive income				
Translation adjustments resulted from the translation of financial statements of foreign operations			(47,593)	
Unrealized gain (loss) on available-for-sale financial assets			14,087	

4) Exemptions from IFRS 1

IFRS 1 establishes the procedures for the Group's first condensed consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs, January 1, 2012; except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The major optional exemptions the Group adopted are summarized as follows:

Business combinations

The Group elected not to apply IFRS 3, "Business Combinations," retrospectively to business combinations that occurred before the date of transition. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations remains the same compared with the one under ROC GAAP as of December 31, 2011.

Share-based payment transactions

The Group elected to take the optional exemption from applying IFRS 2 "Share-based Payment" retrospectively for the shared-based payment transactions granted and vested before the date of transition.

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

The Group had assessed the material differences, shown blow, between the current accounting policies and the accounting policies to be adopted under IFRSs.

a) Deferred income tax assets/liabilities

Under ROC GAAP, valuation allowances is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized.

Under IFRSs, a deferred income tax asset is recognized only when it is more than likely to be realized, and therefore, valuation allowance is no longer required.

Moreover, under ROC GAAP, a deferred tax liability or asset should, according to the classification of its related liability or asset, be classified as current or noncurrent. However, a deferred tax liability or asset that is not related to a liability or asset for financial reporting should be classified as current or noncurrent according to the expected reversal date of the temporary difference.

Under IFRSs, a deferred income tax liability or asset should all be classified as noncurrent.

As of December 31, 2012 and January 1, 2012, the Group reclassified NT$1,426 thousand and NT$1,454 thousand of deferred income tax assets to noncurrent assets, respectively.

b) Service revenue

Under current accounting practice, if the product sales contract includes subsequent service and specifies the service amount, and the amount for the subsequent service is identifiable, the amount should be deferred initially and recognized as revenue over the period during which the service is performed.

Under IFRSs, if the product sales contract includes subsequent service but does not specify the service amount, the subsequent service should be independently identified, deferred initially and recognized as revenue over the period during which the service is performed. The amount deferred is that which will cover the expected costs of the services under the agreement, together with a reasonable profit on those services.

As of December 31, 2012 and January 1, 2012, the Group increased NT$24,992 thousand and NT$43,284 thousand of deferred revenues, respectively. Further, operating revenues are increased by NT$16,829 thousand for the year ended December 31, 2012.

c) Translation into presentation currency in NTD

When the consolidated financial statements are translated from functional currency - U.S. dollars to presentation currency - N.T. dollars, except for the share capital that is translated to $10 per share at the historical exchange rate, the other items of financial statements are translated at the exchange rates on the balance sheet date. Exchange differences resulting from translation to presentation currency are recognized in the cumulative translation adjustments.

Under IFRSs, exchange rates used for the translation to presentation currency are the same as those used in the translation of different foreign functional currency. Assets and liabilities are translated at the exchange rate on the balance sheet date. Equity items are translated at historical exchange rates, and income and expense items are translated at the average exchange rate for the period. The exchange differences resulting from translation of financial statements are recognized in the cumulative translation adjustments.

As of December 31, 2012 and January 1, 2012, the Group increased NT$43,251 thousand and NT$26,054 thousand of capital surplus, and decreased NT$44,865 thousand and NT$26,054 thousand of cumulative translation adjustments, respectively.

d) Share-based compensation

Under ROC GAAP, employee stock options granted between January 1, 2004 and December 31, 2007 should be accounted for under the fair value method or the intrinsic value method. Compensation cost was recognized on a straight-line basis over the vesting period. Employee stock options granted between January 1, 2008 and December 31, 2009 were initially measured at their intrinsic value and then adjusted at each reporting date for any change in intrinsic value until the date of final settlement.

Under IFRSs, unless the Group could not have reliable estimate of the fair value of equity-based compensation in rare situation, share-based compensation cost should be recognized at the fair value method from applying IFRS 2 - “Share-based Payment’.

As of December 31, 2012 and January 1, 2012, the Group increased NT$538 thousand and decreased NT$51 thousand, respectively. Further, share-based compensation cost increased NT$2,609 thousand for the years ended December 31, 2013 and 2012.

6) Significant reconciliation of Statement of Cash Flow

Under ROC GAAP, statement of cash flow is prepared using indirect method and requires supplemental disclosure for interest payments. Interest receipts and payments are generally classified as operating activities and dividend payment is classified as financing activities under ROC GAAP.

IAS 7 - “Statement of Cash Flows” requires that receipts/payments of interest and dividend should be separately disclosed and classified as operating, investing or financing activities using consistent method. Receipt of interest of $183 thousand is separately disclosed for the year ended 2012 in accordance with IFRSs.

Except as noted above, there is no significant difference with regard to the preparation of statement of cash flow under ROC GAAP and IFRSs.

TABLE 1

ARRAY INC. AND SUBSIDIARIES

FINANCINGS PROVIDED TO OTHERS
YEAR ENDED DECEMBER 31, 2013
(In Thousands of United States Dollars, Unless Specified Otherwise)

Financing Company	Borrower	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Balance Used	Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
											Item	Value		
Array Inc.	Array Cayman	Other receivables	US$ 618	US$ -	US$ -	-	Short-term financing	$ -	Operational revolving fund	$ -	-	-	Net worth of the Corporation US$40,427	Net worth of the Corporation US$40,427
	Array Networks, Inc.	Other receivables	US$ 3,000	US$ 2,766	US$ 2,766	-	Short-term financing		Operational revolving fund	-	-	-	Net worth of the Corporation US$40,427	Net worth of the Corporation US$40,427
Array Cayman	Array Networks, Inc.	Other receivables	US$ 12,262	-	-	-	Short-term financing	-	Operational revolving fund	-	-	-	Net worth of the Corporation US$40,427	Net worth of the Corporation US$40,427
	Array Networks (China), Co., Ltd.	Other receivables	US$ 254	-	-	-	Short-term financing	-	Operational revolving fund	-	-	-	Net worth of the Corporation US$40,427	Net worth of the Corporation US$40,427
Beijing InfoSec Technologies Co., Ltd. (InfoSec Technologies)	Array Networks (China), Co., Ltd.	Other receivables	RMB 3,595	-	-	-	Short-term financing	-	Operational revolving fund	-	-	-	Net worth of the Corporation US$9,284	Net worth of the Corporation US$9,284
Array Networks (China), Co., Ltd.	Array Networks, Inc.	Other receivables	RMB 18,000	RMB 14,003	RMB 14,003	-	Short-term financing	-	Operational revolving fund	-	-	-	Net worth of the Corporation US$16,474	Net worth of the Corporation US$16,474

ARRAY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2013
(In Thousands of United States Dollars, Unless Specified Otherwise)

Holding Company	Marketable Securities Type and Issuer's Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2013				Note
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Array Networks, Inc. (Cayman)	Mutual fund Fidelity Advisor Short Inter Muni Inc. mutual fund	None	Available-for-sale financial assets - current	-	$ 252	-	$ 252	-

TABLE 3

ARRAY INC. AND SUBSIDIARIES

INFORMATION ON INVESTEE
YEAR ENDED DECEMBER 31, 2013
(In Thousands of United States Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2013			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Note
				Ending Balance	Beginning Balance	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Array Inc.	Array Networks, Inc. (Cayman)	British Cayman Islands	Investment	NT$ 525,925	NT$ 525,925	52,592	100.00	US$ 40,427	US$ 1,505	US$ 1,505	
Array Networks, Inc. (Cayman)	Array Networks, Inc.	U.S.A.	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	US$ 6,019	US$ 6,019	-	100.00	9,017	11,435	11,435	
	InfoSec Technologies Holdings, Inc.	British Cayman Islands	Investment	US$ 5,115	US$ 5,115	6,000	100.00	8,823	(3,574)	(3,574)	
Array Networks, Inc.	Array Networks Japan Kabishiki Kaisha	Japan	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	JPY 10,000	JPY 10,000	200	100.00	295	11	11	
	Array Networks, LLC	United Kingdom	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	-	-	-	100.00	(2)	15	15	

TABLE 4

ARRAY INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2013
(In Thousands of United States Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2013	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Value as of December 31, 2013	Accumulated Inward Remittance of Earnings as of December 31, 2013
					Outflow	Inflow					
Array Networks (China), Co., Ltd.	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	$ 6,000	Through a third-region company invested by the Corporation.	$ -	$ -	$ -	$ -	100.00	$ 6,586	$ 16,474	$ -
Beijing InfoSec Information Security WOFE	Research and sale of full life cycle management of Public Key Infrastructure (PKI) and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	2,000	Through a third-region company invested by the Corporation.	-	-	-	-	100.00	(798)	(461)	-
Beijing InfoSec Technologies Co., Ltd.	Research and sale of full life cycle management of Public Key Infrastructure (PKI) and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	RMB 28,000	Note	-	-	-	-	100.00	(2,776)	9,284	-

Accumulated Investment in Mainland China as of December 31, 2013	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
$ -	NA	NA

Note: InfoSec WOFE arranged structure contracts with InfoSec Technologies to have the power to govern its financial and operating policies. The structure contracts were designed to provide InfoSec WOFE with effective control over and the right to acquire the equity interests in the assets of InfoSec Technologies.

TABLE 5

ARRAY INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2013
(In Thousands of United States Dollars, Unless Specified Otherwise)

Number	Company Name	Counterparty	Nature of Relationship (Note 1)	Transaction Details			
				Account	Amount	Transaction Item	Percentage of Consolidated Total Operating Revenues or Total Assets
0	Array Inc.	Array US	1	Other receivables	$ 2,766	Based on regular terms	5.00
		Array China	1	Other payables	2,297	Based on regular terms	4.00
1	Array Cayman	Array US	1	Trade receivable	885	Based on regular terms	2.00
			1	Non-operating expenses	12,043	Based on regular terms	30.00
2	Array US	Array Cayman	2	Other payables	885	Based on regular terms	2.00
			2	Non-operating income	12,043	Based on regular terms	30.00
		Array Inc.	2	Other payables	2,766	Based on regular terms	5.00
		Array China	3	Trade receivable	2,545	Note 3	4.00
			3	Trade payable	6,976	Note 3	12.00
			3	Operating revenue	6,126	Note 2	15.00
			3	Selling and marketing expense	614	Note 2	2.00
		InfoSec	3	Research and development expense	6,219	Note 2	16.00
			3	Trade receivable	4,225	Note 3	7.00
			3	Operating revenue	2,624	Note 2	7.00
3	Array China	Array Inc.	3	Other receivables	2,297	Based on regular terms	4.00
		Array US	3	Purchase	2,960	Note 2	7.00
			3	Trade payable	2,065	Based on regular terms	4.00
			3	Trade receivable	6,496	Note 3	11.00
			3	Operating revenue	6,833	Note 2	17.00
			3	Operating costs	3,166	Note 2	8.00
		InfoSec	3	Trade receivable	1,442	Note 3	3.00
			3	Operating revenue	4,708	Based on regular terms	12.00
4	InfoSec	Array US	3	Trade payable	4,225	Note 3	7.00
			3	Purchase	1,279	Note 2	3.00
			3	Operating costs	1,345	Note 2	3.00
		Array China	3	Other payables	1,442	Based on regular terms	3.00
			3	Non-operating expenses	4,708	Based on regular terms	12.00

Note 1:
1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

Note 2: The prices were determined after taking the selling and warranty expenses into consideration.

Note 3: The period of receipt and payment was longer than those for third parties in accordance with the financial position of the Group.