

**GEM Terminal Ind. Co., Ltd.**

**Financial Statements for the  
Years Ended December 31, 2012 and 2011 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
GEM Terminal Ind. Co., Ltd.

We have audited the accompanying balance sheets of GEM Terminal Ind. Co., Ltd. (the "Company") as of December 31, 2012 and 2011 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 (ROC). Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the ROC.

As discussed in Note 3 to the financial statements, effective January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 41 - "Operating Segments".

We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the ROC, the consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2012 and 2011, and issued a standard unqualified opinion and an unqualified opinion with an explanatory paragraph relating to the adoption of the newly revised SFAS No. 41 - Operating Segments, respectively .

March 25, 2013

### Notice to Readers

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

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

**GEM TERMINAL IND. CO., LTD.**

**BALANCE SHEETS**

**DECEMBER 31, 2012 AND 2011**

**(In Thousands of New Taiwan Dollars, Except Par Value)**

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash (Note 4)	\$ 862,899	19	\$ 793,499	18	Short-term loans (Note 11)	\$ -	-	\$ 37,031	1
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 18)	110,404	2	36,400	1	Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 18)	-	-	1,499	-
Available-for-sale financial assets - current (Notes 2, 6 and 18)	28,012	1	27,620	1	Notes payable	21,412	1	31,039	1
Notes receivable	54,679	1	54,000	1	Accounts payable	16,695	-	142,266	3
Accounts receivable, net (Notes 2 and 7)	213,781	5	184,614	4	Accounts payable - related parties (Note 19)	135,393	3	75,183	2
Accounts receivable - related parties (Note 19)	8,463	-	25,300	1	Income tax payable (Note 2)	1,887	-	6,029	-
Tax refundable	4,470	-	5,032	-	Accrued expenses (Note 14)	29,273	1	35,938	1
Other receivables	126	-	11,622	-	Long-term debts - current (Notes 12 and 18)	706,490	15	357,500	8
Other receivables - related parties (Note 19)	10,461	-	45,685	1	Other current liabilities (Notes 2 and 19)	19,696	-	17,148	-
Refundable deposits - current (Note 18)	51	-	5,850	-	Total current liabilities	930,846	20	703,633	16
Inventories (Notes 2 and 8)	48,494	1	96,624	2	LONG-TERM DEBTS (Notes 12 and 18)	720,833	16	702,465	16
Deferred income tax assets - current (Notes 2 and 15)	7,748	-	2,665	-	RESERVE FOR LAND VALUE INCREMENT TAX (Note 10)	7,398	-	7,398	-
Other current assets	18,156	-	16,937	-	OTHER LIABILITIES				
Total current assets	1,367,744	29	1,305,848	29	Accrued pension cost (Notes 2 and 13)	69,265	1	74,738	2
INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (Notes 2 and 9)	2,797,480	61	2,736,709	61	Deferred credits - gain on intercompany transactions (Notes 2 and 19)	87,440	2	63,835	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10, 19 and 20)					Total other liabilities	156,705	3	138,573	3
Land	100,932	2	100,932	2	Total liabilities	1,815,782	39	1,552,069	35
Buildings	169,664	4	170,072	4	COMMON STOCK - NT\$10 PAR VALUE				
Machinery and equipment	294,920	7	332,166	7	Authorized: 221,000 thousand shares (including 3,000 thousand shares for employee options and 30,000 thousand shares for convertible bonds); issued and outstanding: 171,598 thousand shares	1,715,980	37	1,715,980	38
Transportation equipment	11,317	-	11,317	-	CAPITAL SURPLUS (Notes 2, and 14)				
Office equipment	4,643	-	4,846	-	Additional paid-in capital - share issuance in excess of par	270,187	6	270,187	6
Leasehold improvements	84	-	84	-	RETAINED EARNINGS (Note 14)	696,673	15	749,007	17
Miscellaneous equipment	8,098	-	23,404	1	OTHER EQUITY ITEMS (Note 14)				
Total cost	589,658	13	642,821	14	Unrealized revaluation increment (Note 10)	25,785	1	25,785	-
Revaluation increment - land	36,456	1	36,456	1	Unrealized gain (loss) on financial instruments (Note 6)	2,321	-	(1,996)	-
Cost and revaluation increment	626,114	14	679,277	15	Cumulative translation adjustments (Notes 2 and 9)	93,997	2	202,948	4
Less: Accumulated depreciation	255,131	6	269,372	6	Net loss not yet recognized as pension costs (Notes 2 and 13)	(10,522)	-	(18,205)	-
	370,983	8	409,905	9	Total other equity items	111,581	3	208,532	4
Prepayments for equipment	41,535	1	14,204	-	Total stockholders' equity	2,794,421	61	2,943,706	65
Total property, plant and equipment - net	412,518	9	424,109	9	TOTAL	\$ 4,610,203	100	\$ 4,495,775	100
OTHER ASSETS									
Refundable deposits - noncurrent (Note 18)	170	-	1,270	-					
Deferred income tax assets - noncurrent (Notes 2 and 15)	29,789	1	23,304	1					
Other assets (Notes 2 and 7)	2,502	-	4,535	-					
Total other assets	32,461	1	29,109	1					
TOTAL	\$ 4,610,203	100	\$ 4,495,775	100					

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

(With Deloitte & Touche audit report dated March 25, 2013)

## GEM TERMINAL IND. CO., LTD.

### STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
GROSS OPERATING REVENUE	\$ 979,399	100	\$ 1,794,065	100
LESS: SALES RETURNS	3,656	-	6,227	-
SALES ALLOWANCES	<u>147</u>	<u>-</u>	<u>144</u>	<u>-</u>
OPERATING REVENUE, NET (Notes 2 and 19)	975,596	100	1,787,694	100
OPERATING COSTS (Notes 8, 16 and 19)	<u>873,510</u>	<u>89</u>	<u>1,630,364</u>	<u>91</u>
GROSS PROFIT	102,086	11	157,330	9
UNREALIZED INTERCOMPANY GAIN (Notes 2 and 19)	(3,993)	-	(2,782)	-
REALIZED INTERCOMPANY GAIN (Notes 2 and 19)	<u>2,782</u>	<u>-</u>	<u>5,672</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>100,875</u>	<u>11</u>	<u>160,220</u>	<u>9</u>
OPERATING EXPENSES (Notes 16 and 19)				
Research and development	42,935	5	15,386	1
Selling	21,761	2	31,972	2
General and administrative	<u>80,410</u>	<u>8</u>	<u>82,502</u>	<u>4</u>
Total operating expenses	<u>145,106</u>	<u>15</u>	<u>129,860</u>	<u>7</u>
OPERATING INCOME (LOSS)	<u>(44,231)</u>	<u>(4)</u>	<u>30,360</u>	<u>2</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 18)	5,457	1	5,282	-
Valuation gain on financial assets, net (Note 5)	-	-	1,424	-
Valuation gain on financial liabilities, net (Note 5)	832	-	-	-
Investment income recognized under the equity method, net (Notes 2 and 9)	143,282	15	180,046	10
Dividend income	198	-	2,515	-
Exchange gain, net (Note 2)	-	-	24,157	1
Gain on disposal of property, plant and equipment (Note 19)	2,852	-	1,693	-
Miscellaneous income (Note 19)	<u>10,538</u>	<u>1</u>	<u>9,898</u>	<u>1</u>
Total nonoperating income and gains	<u>163,159</u>	<u>17</u>	<u>225,015</u>	<u>12</u>

(Continued)

# GEM TERMINAL IND. CO., LTD.

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
<b>NONOPERATING EXPENSES AND LOSSES</b>				
Interest expense (Notes 10 and 18)	\$ 24,953	3	\$ 21,971	1
Valuation loss on financial assets, net (Note 5)	600	-	-	-
Valuation loss on financial liabilities, net (Note 5)	-	-	8,167	1
Exchange loss, net (Note 2)	9,324	1	-	-
Loss on disposal of property, plant and equipment	1,504	-	10,564	1
Loss on sale of investments, net (Note 14)	988	-	24,153	1
Miscellaneous expenses	<u>1</u>	<u>-</u>	<u>633</u>	<u>-</u>
Total nonoperating expenses and losses	<u>37,370</u>	<u>4</u>	<u>65,488</u>	<u>4</u>
INCOME BEFORE INCOME TAX	81,558	9	189,887	10
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 15)	<u>(3,386)</u>	<u>-</u>	<u>4,587</u>	<u>-</u>
NET INCOME	<u>\$ 84,944</u>	<u>9</u>	<u>\$ 185,300</u>	<u>10</u>
	<b>2012</b>		<b>2011</b>	
	<b>Pretax</b>	<b>Post-Tax</b>	<b>Pretax</b>	<b>Post-Tax</b>
<b>EARNINGS PER SHARE (New Taiwan Dollars, Note 17)</b>				
Basic	\$ 0.48	\$ 0.50	\$ 1.11	\$ 1.08
Diluted	0.47	0.49	1.10	1.07

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

(With Deloitte & Touche audit report dated March 25, 2013)

(Concluded)

**GEM TERMINAL IND. CO., LTD.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**  
(In Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus - Share Issuance in Excess of Par	Retained Earnings		Unrealized Revaluation Increment	Other Equity Items			Total Stockholders' Equity
			Legal Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments	Net Loss Not Yet Recognized as Pension Cost	
BALANCE, JANUARY 1, 2011	\$ 1,715,980	\$ 270,187	\$ 269,226	\$ 500,399	\$ 25,785	\$ 14,296	\$ 12,200	\$ (14,848)	\$ 2,793,225
Appropriation of the 2010 earnings (Note 14)									
Legal reserve	-	-	32,156	(32,156)	-	-	-	-	-
Cash dividends - 12%	-	-	-	(205,918)	-	-	-	-	(205,918)
Net income for the year ended December 31, 2011	-	-	-	185,300	-	-	-	-	185,300
Change in unrealized gain (loss) on available-for-sale financial assets (Notes 6 and 14)	-	-	-	-	-	(16,292)	-	-	(16,292)
Change in translation adjustments	-	-	-	-	-	-	190,748	-	190,748
Change in net loss not yet recognized as pension costs (Note 13)	-	-	-	-	-	-	-	(3,357)	(3,357)
BALANCE, DECEMBER 31, 2011	1,715,980	270,187	301,382	447,625	25,785	(1,996)	202,948	(18,205)	2,943,706
Appropriation of the 2011 earnings (Note 14)									
Legal reserve	-	-	18,530	(18,530)	-	-	-	-	-
Cash dividends - 8%	-	-	-	(137,278)	-	-	-	-	(137,278)
Net income for the year ended December 31, 2012	-	-	-	84,944	-	-	-	-	84,944
Change in unrealized gain (loss) on available-for-sale financial assets (Notes 6 and 14)	-	-	-	-	-	4,317	-	-	4,317
Change in translation adjustments	-	-	-	-	-	-	(108,951)	-	(108,951)
Change in net loss not yet recognized as pension costs (Note 13)	-	-	-	-	-	-	-	7,683	7,683
BALANCE, DECEMBER 31, 2012	<u>\$ 1,715,980</u>	<u>\$ 270,187</u>	<u>\$ 319,912</u>	<u>\$ 376,761</u>	<u>\$ 25,785</u>	<u>\$ 2,321</u>	<u>\$ 93,997</u>	<u>\$ (10,522)</u>	<u>\$ 2,794,421</u>

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

(With Deloitte & Touche audit report dated March 25, 2013)

## GEM TERMINAL IND. CO., LTD.

### STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 84,944	\$ 185,300
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	38,548	47,487
Amortization	2,257	2,477
Allowance for doubtful accounts	879	550
Loss on sale of investments, net	988	24,153
Loss (Gain) on disposal of property, plant and equipment, net	(1,348)	8,871
Valuation loss (gain) on financial instruments, net	(232)	6,743
Investment income recognized under the equity method	(143,282)	(180,046)
Deferred income tax	(12,217)	(8,092)
Pension cost	2,210	1,693
Unrealized intercompany gain (loss), net	1,211	(2,890)
Others	17,648	24,846
Changes in operating assets and liabilities		
Financial assets held for trading	1,230	(16,032)
Notes receivable	(679)	148,740
Accounts receivable, net	(30,046)	(135,166)
Accounts receivable - related parties	16,837	42,327
Other receivable and tax refundable	12,058	(652)
Inventories	48,130	92,735
Other current assets	(1,219)	1,218
Financial liabilities held for trading	(667)	(6,668)
Notes payable	(9,627)	(17,753)
Accounts payable	(125,571)	(166,097)
Accounts payable - related parties	60,210	35,576
Income tax payable	(4,142)	(13,055)
Accrued expenses	(6,665)	(13,386)
Other current liabilities	<u>1,634</u>	<u>(3,002)</u>
Net cash provided by (used in) operating activities	<u>(46,911)</u>	<u>59,877</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets designated as at fair value through profit or loss	(113,159)	(13,168)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	37,312	3,236
Acquisition of available-for-sale financial assets	(44,910)	(977,068)
Proceeds from disposal of available-for-sale financial assets	48,172	1,055,509
Acquisition of property, plant and equipment	(64,697)	(63,070)
Acquisition of investments accounted for by the equity method	(26,440)	(124,152)
Proceeds from disposal of property, plant and equipment	38,047	26,158
Decrease in restricted assets	-	7,500
Decrease (Increase) in other receivable - related parties	42,107	(23,150)

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# GEM TERMINAL IND. CO., LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
Decrease (Increase) in refundable deposits	\$ 6,912	\$ (3,144)
Increase in other assets	<u>(224)</u>	<u>(4,371)</u>
Net cash used in investing activities	<u>(76,880)</u>	<u>(115,720)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease (Increase) in short-term loans	(37,031)	37,031
Proceeds from long-term debts	725,000	250,000
Repayment of long-term debts	(357,500)	(255,000)
Cash dividends	<u>(137,278)</u>	<u>(205,918)</u>
Net cash provided by (used in) financing activities	<u>193,191</u>	<u>(173,887)</u>
NET INCREASE (DECREASE) IN CASH	69,400	(229,730)
CASH, BEGINNING OF YEAR	<u>793,499</u>	<u>1,023,229</u>
CASH, END OF YEAR	<u>\$ 862,899</u>	<u>\$ 793,499</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 24,802	\$ 21,672
Less: Capitalized interest	<u>519</u>	<u>258</u>
Interest paid (excluding capitalized interest)	<u>\$ 24,283</u>	<u>\$ 21,414</u>
Income tax paid	<u>\$ 15,158</u>	<u>\$ 25,734</u>
<b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 64,400	\$ 33,512
Decrease in payable for equipment purchased (classified under other current liabilities)	<u>297</u>	<u>29,558</u>
Cash paid	<u>\$ 64,697</u>	<u>\$ 63,070</u>
Proceeds from disposal of property, plant and equipment	\$ 44,930	\$ 26,365
Increase in other receivables - related parties	<u>(6,883)</u>	<u>(207)</u>
Cash received	<u>\$ 38,047</u>	<u>\$ 26,158</u>
<b>FINANCING ACTIVITIES AFFECTING NONCASH ITEMS</b>		
Current portion of long-term debt	<u>\$ 706,490</u>	<u>\$ 357,500</u>

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

(With Deloitte & Touche audit report dated March 25, 2013)

(Concluded)

# GEM TERMINAL IND. CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

GEM Terminal Ind. Co., Ltd. (the “Company”) was incorporated in July 1993 under the laws of the Republic of China (ROC). The Company mainly manufactures and sells the following products:

- Series terminals, plug inserts, housing and electronic connectors for AC and DC power cords.
- Electric and motor parts terminal.
- Electric and communication terminal.
- Optical communication passive devices.
- Lead frames.

The Company’s shares have been traded on the Taiwan Stock Exchange since September 2001.

As of December 31, 2012 and 2011, the Company had approximately 170 and 180 employees, respectively.

### 2. SIGNIFICANT ACCOUNTING POLICIES

For readers’ convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

The financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China (ROC). Significant accounting policies are summarized as follows:

#### Foreign Currencies

Nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in stockholders’ equity if the changes in fair value are recognized in stockholders’ equity;
- b. Recognized in profit and loss if the changes in fair value are recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of stockholders' equity.

### **Accounting Estimates**

Under the above guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, income tax, impairment of assets, pension cost, bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

### **Current and Noncurrent Assets and Liabilities**

Current assets include cash and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

### **Financial Assets and Liabilities at Fair Value through Profit or Loss**

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value, and transaction costs directly attributable to the acquisition of financial assets or financial liabilities. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

The initial margins (classified under refundable deposits) paid for futures contracts used to avoid adverse fluctuations of the trade prices of copper raw materials are recorded using memorandum entries only. At each balance sheet date subsequent to initial recognition, futures contracts at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Any gain or loss on the futures contracts is recognized in profit or loss in the year in which it arises.

Financial instruments designated as at FVTPL include hybrid contracts, which contain a host contract and embedded derivatives. If the embedded derivative cannot be measured separately either at acquisition or at the end of a subsequent financial reporting period, the entire hybrid contract is designated as at fair value through profit or loss.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; callable preferred securities - at closing prices or quoted prices from overseas securities firms; financial assets and financial liabilities without quoted prices in an active market - at values estimated using valuation techniques; open interest futures contracts - at prices quoted by overseas futures exchanges; and gold passbook - at prices quoted by domestic banks.

### **Available-for-sale Financial Assets**

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition and fair value bases of available-for-sale financial assets are the same as those of financial assets at FVTPL.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss on an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

### **Impairment of Accounts Receivable**

Accounts receivable are assessed for impairment at the end of each reporting period and 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 accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment includes:

- Significant financial difficulty of the debtor;
- The accounts receivable becoming overdue;
- It is becoming probable that the debtor will enter into bankruptcy or undergo financial reorganization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Company's past experience in the collection of payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

### **Impairment of Assets**

If the recoverable amount of an asset (mainly property, plant and equipment, and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at

a revalued amount, in which case the impairment loss is first treated as a deduction to the unrealized revaluation increment and any remaining loss is charged to earnings.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized on the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is first recognized as gain to the extent that an impairment loss on the same revalued asset was previously charged to earnings. Any excess amount is treated as an increase in the unrealized revaluation increment.

For the purpose of impairment testing, goodwill is allocated to the relevant cash-generating units (CGUs) that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

### **Inventories**

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

### **Investments Accounted for by the Equity Method**

Investments in which the Company has control over the investees' operating and financial policy decisions are accounted for by the equity method.

The acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The fair value of the net identifiable assets acquired in excess of the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method and deferred income tax assets) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain. Effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and the premium is no longer being amortized.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee, if the Company has control over the investee, all the profits are eliminated. Profits from upstream transactions with equity-method investees are eliminated in proportion to the Company's percentage of ownership in the investee. Gains or losses on sales between equity-method investees are deferred until they are realized through transactions with third parties.

### **Property, Plant and Equipment**

Land is stated at cost plus revaluation increment. Property, plant and equipment, except land, are stated at cost less accumulated depreciation. Major additions and improvements to property, plant and equipment are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on a straight-line basis over estimated useful lives as follows: buildings - 5 to 55 years; machinery and equipment - 3 to 15 years; transportation equipment - 3 to 10 years; office equipment - 3 to 10 years; leasehold improvements - 6 years; and miscellaneous equipment - 2 to 15 years. Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives.

The related cost (including revaluation increment), accumulated depreciation, reserve for land value increment tax and unrealized revaluation increment of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

### **Deferred Credits**

Unrealized gains from intercompany transactions are recorded as deferred credits. The unrealized gains on disposal of assets from intercompany transactions are amortized by the straight-line method over 10 years.

### **Pension Cost**

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

If additional accrued pension liability is recognized on the basis of an actuarial pension report and the amount of additional liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net benefit obligation, the deferred pension cost account should be charged. If the amount of additional liability exceeds the sum, the excess should be charged to the net loss not yet recognized as pension cost account. Deferred pension cost is classified as an intangible asset; net loss not yet recognized as pension cost is classified as a reduction of stockholders' equity.

### **Income Tax**

The Company applies the intra-year and inter-year allocation methods to its income tax, whereby (1) a portion of income tax expense is allocated to the effect charged or credited directly to shareholders' equity; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as current or noncurrent based on the expected length of time before it is realized or settled.

If the Company's management resolves to use the unappropriated retained earnings of overseas subsidiaries as permanent investment to supplement subsidiaries' operating funds, deferred income tax liabilities on the investment income will not be provided for.

Tax credits for purchases of machinery, equipment and technology, and research and development expenditures are recognized using the flow-through method.

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

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

## Revenue Recognition

Revenues are recognized when titles to products and risks of ownership are transferred to customers as follows: Domestic sales - when products are brought out of the Company's premises for delivery to customers; export sales - when products are loaded onto vessels.

Sales are measured at fair value, the price (net of trade discounts and sales discounts) agreed to by the Company and customers. If the related receivable is due within one year, the difference between its present value and receivable amount is immaterial, and sales transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash to be received.

### 3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

#### Financial Instruments

Effective January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34- "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Company are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change had no significant impact on the Company's net income and basic earnings per share for the year ended December 31, 2011.

#### Operating Segments

Effective January 1, 2011, the Company adopted the newly issued SFAS No. 41 - "Operating Segments." The statement requires that segment information be disclosed on the basis of information about the components of the Company that management uses to make decisions about operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting." For this accounting change, the Company restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

### 4. CASH

	December 31	
	2012	2011
Cash on hand	\$ 507	\$ 391
Demand deposits	496,721	530,004
Time deposits	365,470	262,903
Checking accounts	<u>201</u>	<u>201</u>
	<u>\$ 862,899</u>	<u>\$ 793,499</u>

## 5. FINANCIAL INSTRUMENTS AT FVTPL – CURRENT

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
Financial assets held for trading	\$ 106,467	\$ 23,545
Financial assets designated as at FVTPL	<u>3,937</u>	<u>12,855</u>
	<u>\$ 110,404</u>	<u>\$ 36,400</u>
Financial liabilities held for trading	<u>\$ -</u>	<u>\$ 1,499</u>

a. Financial instruments designated as at FVTPL were as follows:

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
<u>Financial assets designated as at FVTPL</u>		
Callable preferred stock with interest	<u>\$ 3,937</u>	<u>\$ 12,855</u>

Net gain on financial assets designated as at FVTPL was \$2,957 thousand in 2012 (classified under nonoperating expenses and losses - valuation loss on financial assets, net); net loss on financial assets designated as at FVTPL was \$1,760 thousand in 2011 (classified under nonoperating income and gains - valuation gain on financial assets, net).

b. Financial instruments classified as held for trading were as follows:

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
<u>Financial assets held for trading</u>		
Gold passbook	<u>\$ 106,467</u>	<u>\$ 23,545</u>
<u>Financial liabilities held for trading</u>		
Forward exchange contracts	<u>\$ -</u>	<u>\$ 1,499</u>

The Company used forward exchange contracts and copper futures contracts to manage exposures to adverse exchange rate and copper price fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows of the hedge items. These contracts did not meet the criteria for hedge accounting.

As of December 31, 2012 and 2011, there were no outstanding copper futures contracts.

As of December 31, 2012, there was no outstanding forward exchange contract. Outstanding forward exchange contracts as of December 31, 2011 were as follows:

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
Sell	USD/NTD	2012.01.17	USD500/NTD14,707
Sell	USD/NTD	2012.01.17	USD500/NTD14,768
Sell	HKD/NTD	2012.01.17	HKD3,000/NTD11,340

(Continued)

	Currency	Maturity Date	Contract Amount (In Thousands)
Sell	USD/NTD	2012.02.17	USD500/NTD15,077
Sell	HKD/NTD	2012.02.17	HKD3,000/NTD11,641
Sell	USD/NTD	2012.03.19	USD500/NTD14,997
Sell	HKD/NTD	2012.03.19	HKD3,000/NTD11,581
			(Concluded)

Net loss on financial assets held for trading was \$3,557 thousand in 2012 (classified under nonoperating expenses and losses – valuation loss on financial assets, net); net gain on financial assets held for trading was \$3,184 thousand in 2011 (classified under nonoperating income and gains - valuation gain on financial assets, net). Net gain on financial liabilities held for trading was \$832 thousand in 2012 (classified under nonoperating income and gains - valuation gain on financial liabilities, net); net loss on financial liabilities held for trading was \$8,167 thousand in 2011(classified under nonoperating expenses and losses - valuation loss on financial liabilities, net).

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
Overseas quoted stocks	\$ 17,800	\$ 8,588
Overseas mutual funds	5,967	1,336
Domestic quoted stocks	<u>1,455</u>	<u>19,872</u>
	25,222	29,796
Valuation adjustment (Note 14)	<u>2,790</u>	<u>(2,176)</u>
	<u>\$ 28,012</u>	<u>\$ 27,620</u>

## 7. ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<b>2012</b>	<b>2011</b>
Accounts receivable	\$ 215,563	\$ 185,517
Less: Allowance for doubtful accounts (Note 2)	<u>1,782</u>	<u>903</u>
	<u>\$ 213,781</u>	<u>\$ 184,614</u>

Movements of the allowance for doubtful accounts were as follows:

	<u>Years Ended December 31</u>			
	<b>2012</b>		<b>2011</b>	
	<b>Accounts Receivable</b>	<b>Overdue Receivables</b>	<b>Accounts Receivable</b>	<b>Overdue Receivables</b>
Balance, beginning of year	\$ 903	\$ -	\$ 360	\$ 2,838
Allowance for doubtful accounts	879	-	550	-
Reclassified	-	-	(7)	7
Written-off	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,845)</u>
Balance, end of year	<u>\$ 1,782</u>	<u>\$ -</u>	<u>\$ 903</u>	<u>\$ -</u>

Overdue receivables that were classified under other assets and fully covered by an allowance for doubtful accounts were written off in 2011.

## 8. INVENTORIES

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Merchandise	\$ 23,928	\$ -
Raw materials	8,548	46,150
Finished goods	8,428	40,833
Supplies	3,831	2,528
Work in process	<u>3,759</u>	<u>7,113</u>
	<u>\$ 48,494</u>	<u>\$ 96,624</u>

As of December 31, 2012 and 2011, the allowances for inventory devaluation were \$4,893 thousand and \$4,970 thousand, respectively, which were recorded as reduction of inventories.

The costs of inventories recognized as costs of goods sold were \$873,510 thousand in 2012 and \$1,630,364 thousand in 2011, which included the following items:

	<b>Years Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Unallocated fixed manufacturing costs	\$ 13,380	\$ 39,977
Write-downs of inventories	-	2,747
Others	<u>19</u>	<u>(5)</u>
	<u>\$ 13,399</u>	<u>\$ 42,719</u>

## 9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	<b>December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Amount</b>	<b>% of Owner- ship</b>	<b>Amount</b>	<b>% of Owner- ship</b>
Global Electronics Terminal (Cayman) Co., Ltd. (Global (Cayman))	\$ 2,679,559	100	\$ 2,614,083	100
Genius Terminal Co., Ltd. (Genius)	91,295	100	94,199	100
GEM Terminal (Cayman) Co., (GEM (Cayman))	<u>26,626</u>	100	<u>28,427</u>	100
	<u>\$ 2,797,480</u>		<u>\$ 2,736,709</u>	

In December 2004, the Company invested in Global (Cayman), which was incorporated in the Cayman Islands and mainly engages in global investments. The Company increased its investment in Global (Cayman) for a total of \$26,440 thousand (US\$900 thousand) in 2012 and \$106,330 thousand (US\$3,500 thousand) in 2011, respectively. As of December 31, 2012, the Company's total investment in Global (Cayman) amounted to \$1,142,950 thousand (US\$35,037 thousand).

In August 2010, the Company invested in GEM (Cayman), which was incorporated in the Cayman Islands and mainly engages in global investments. The Company increased the investment in GEM (Cayman) for a total of \$17,822 thousand (US\$600 thousand) in 2011. As of December 31, 2012, the Company's total investment in GEM (Cayman) amounted to \$30,254 thousand (US\$1,000 thousand).

The investees' other information is shown in Tables 6 and 7.

Movements of investments accounted for by the equity method were as follows:

	<b>Years Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Balance, beginning of year	\$ 2,736,709	\$ 2,241,763
Addition	26,440	124,152
Investment income under the equity method	143,282	180,046
Translation adjustments	<u>(108,951)</u>	<u>190,748</u>
Balance, end of year	<u>\$ 2,797,480</u>	<u>\$ 2,736,709</u>

Investment income (loss) under the equity method was as follows:

	<b>Years Ended December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Investee's Net Income (Loss)</b>	<b>Recognized Investment Income (Loss)</b>	<b>Investee's Net Income (Loss)</b>	<b>Recognized Investment Income (Loss)</b>
Global (Cayman)	\$ 143,337	\$ 143,337	\$ 171,963	\$ 171,963
Genius	675	675	9,161	9,161
GEM (Cayman)	(730)	<u>(730)</u>	(1,078)	<u>(1,078)</u>
		<u>\$ 143,282</u>		<u>\$ 180,046</u>

The Company had prepared consolidated financial statements including all its subsidiaries in accordance with the related regulations.

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Accumulated depreciation		
Buildings	\$ 108,371	\$ 100,691
Machinery and equipment	134,684	147,224
Transportation equipment	9,456	8,658
Office equipment	879	558
Leasehold improvements	33	18
Miscellaneous equipment	<u>1,708</u>	<u>12,223</u>
	<u>\$ 255,131</u>	<u>\$ 269,372</u>

In the second quarter of 2011, the Company purchased land for \$6,271 thousand. On this land, a resort will be constructed for the employees. However, a part of the land is agricultural land that cannot be transferred to the Company because of statutory limitations; thus, the Company registered the property

rights in the name of an individual temporarily. The land has already set-up as mortgage to the Company and state the clause of unconditional conveyance under the agreement that register the land by other's name.

Interest was capitalized as follows:

	<b>Years Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Amounts of capitalized interest (classified under machinery and equipment and prepayments for equipment )	<u>\$ 519</u>	<u>\$ 258</u>
Interest rates for capitalized interest p.a.	1.85%-2.10%	1.83%-2.18%

The Company revalued its land in 1997 and 1996. In 2005, the ROC government revised the Land Law and reduced the rate of the land value increment tax; thus, the reserve for land value increment tax decreased. The decrease in the land value increment tax of \$7,291 thousand was included in unrealized revaluation increment under stockholders' equity. Information about unrealized revaluation increment was as follows:

	<b>Amount</b>
Revaluation amount	\$ 93,021
Less: Book value before revaluation value increments	<u>56,565</u>
Revaluation increment	36,456
Less: Reserve for land value increment tax	<u>7,398</u>
Revaluation increment, net amount	29,058
Less: Capitalization	<u>3,273</u>
Unrealized revaluation increment as of December 31, 2012 and 2011 (Note 14)	<u>\$ 25,785</u>

#### **11. SHORT-TERM LOANS - ONLY DECEMBER 31, 2011**

	<b>Amount</b>
Purchase loans	
1.74% p.a. as of December 31, 2011	<u>\$ 37,031</u>
	(HK\$ 9,500 thousand)

#### **12. LONG-TERM DEBTS**

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Unsecured loans	<u>\$ 1,277,500</u>	<u>\$ 910,000</u>
Commercial paper payable	150,000	150,000
Less: Unamortized discount total	<u>177</u>	<u>35</u>
	<u>149,823</u>	<u>149,965</u>
	1,427,323	1,059,965
Less: Current portion	<u>706,490</u>	<u>357,500</u>
	<u>\$ 720,833</u>	<u>\$ 702,465</u>

a. Unsecured loan

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
China Development Industrial Bank: Repayable in three semiannual installments from August 2014 to August 2015; interest rate at 1.72% p.a. as of December 31, 2012	\$ 150,000	\$ -
China Development Industrial Bank: Repaid in October 2012; interest rate at 1.63% p.a.	-	100,000
E. Sun Bank: Repayable in four semiannual installments from November 2013 to May 2015; interest rate at 1.78% p.a. as of December 31, 2012	100,000	-
E. Sun Bank: Repayable in four semiannual installments from January 2012 to July 2013; interest rate at 1.87% p.a. as of December 31, 2012 and 2011	50,000	100,000
Bangkok Bank: Repayable on maturity in November 2013; interest rate at 1.94% p.a. as of December 31, 2012 and 2011	100,000	100,000
Taishin International Bank: Repayable in two semiannual installments from June 2013 to December 2013; interest rate at 1.91% p.a. as of December 31, 2012 and 2011	100,000	100,000
Taipei Fubon Bank: Repayable in four semiannual installments from September 2013 to March 2015; interest rate at 1.79% p.a. as of December 31, 2012	200,000	-
Taipei Fubon Bank: Repayable in four semiannual installments from June 2012 to December 2013; interest rate at 1.97% p.a. as of December 31, 2012 and 2011	50,000	100,000
Changhua Bank: Repayable in three semiannual installments from February 2013 to February 2014; interest rate at 2.00% p.a. as of December 31, 2012 and 2011	100,000	100,000
Industrial Bank of Taiwan: Repayable in four semiannual installments from September 2012 to March 2014; interest rate at 2.09% p.a. as of December 31, 2012 and 2011	75,000	100,000
Industrial Bank of Taiwan: Repayable in four semiannual installments from January 2014 to July 2015; interest rate at 1.73% p.a. as of December 31, 2012	75,000	-
Industrial Bank of Taiwan: Repayable in four semiannual installments from September 2012 to March 2014; interest rate at 1.78% p.a. as of December 31, 2012 and 2011	37,500	50,000
Taiwan bank: Repayable in four semiannual installments from January 2014 to July 2015; interest rate at 1.66% as of December 31, 2012	100,000	-
Yuanta Bank: Repayable in two semiannual installments from November 2014 to May 2015; interest rate at 1.82% p.a. as of December 31, 2012	100,000	-
Kaohsiung Bank: Repayable in two annual installments from May 2011 to October 2012, and two semiannual installments from November 2012 to May 2013; interest rate at 2.20% p.a. as of December 31, 2012 and 2011	20,000	100,000
Mega International Commercial Bank: Repayable in five semiannual installments from March 2011 to March 2013; interest rate at 1.87% p.a. as of December 31, 2012 and 2011	<u>20,000</u>	<u>60,000</u>
	1,277,500	910,000
Less: Current portion	<u>556,667</u>	<u>357,500</u>
	<u>\$ 720,833</u>	<u>\$ 552,500</u>

Under the loan agreements with China Development Industrial Bank, Taishin International Bank and Bangkok Bank, the Company should maintain certain financial ratios. These financial ratios are calculated on the basis of audited semiannual and annual stand-alone financial statements (FS), reviewed semiannual consolidated FS and audited annual consolidated FS. As of December 31, 2012, the Company was in compliance with the financial ratio requirements of China Development Industrial Bank and Bangkok Bank. In March 2013 Taishin International Bank agreed to exempt the Company from maintaining debt ratio and interest coverage ratio calculated on the basis of audited annual consolidated financial statements and the loans from Taishin International Bank had been included in the Company's long-term debts - current portion at the end of December 2012.

b. Commercial paper payable

Acceptance Bank	Interest Rate P.A. (%)	Credit Line	Maturity	December 31	
				2012	2011
International Bills Finance Corporation/ Ta Chong Bank Ltd. (TC Bank)	1.55	\$ 150,000	January 2013	\$ 150,000	\$ 150,000
Less: Unamortized discounts				<u>177</u>	<u>35</u>
				149,823	149,965
Less: Current portion				<u>149,823</u>	<u>-</u>
				<u>\$ -</u>	<u>\$ 149,965</u>

Under the loan agreements with TC Bank, the Company should maintain certain financial ratios based on reviewed semiannual and audited annual consolidated financial statements. As of December 31, 2012, the Company was not in compliance with TC Bank's debts ratio requirement; however, the loan was repaid on January 21, 2013.

The Company committed to International Bills Finance Corporation to use from January 2010 to January 2013 the full amount of the credit lines granted by the bank; otherwise, the Company will be charged commitment fees at 1.55%, of the credit amounts. The financial ratio of the Company as of December 31, 2012 was in compliance with the requirements stated in the loan agreements with the bank.

### 13. PENSION PLANS

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the rate of the Company's monthly contributions to employees' individual pension accounts is at 6% of monthly salaries and wages. Such pension costs were \$3,339 thousand and \$3,450 thousand for the years ended December 31, 2012 and 2011, respectively.

Based on the defined benefit plan under the Labor Standards Law (LSL), pension benefits are calculated on the basis of the length of service and average monthly salaries and wages of the six months before retirement. The Company contributes amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name.

In November 2005, the Company set up an officers' pension fund committee, which is in charge of reviewing, monitoring, and auditing the withdrawal, maintenance, and distribution of the pension fund set

up for management level officers. As of December 31, 2012 and 2011, the balances of this fund were \$1,581 thousand (consisting of demand deposits of \$81 thousand and time deposits of \$1,500 thousand) and \$1,107 thousand (consisting of demand deposits of \$7 thousand and time deposits of \$1,100 thousand), respectively.

Other information about the defined benefit plan is as follows:

a. Components of net periodic pension cost

	<b>Years Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Service cost	\$ 1,270	\$ 1,363
Interest cost	2,161	2,372
Projected return on plan assets	(522)	(640)
Amortization of pension loss	<u>1,827</u>	<u>1,289</u>
	<u>\$ 4,736</u>	<u>\$ 4,384</u>

b. Reconciliation of funded status of the plan and accrued pension cost

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Benefit obligation		
Vested benefit obligation	\$ 41,849	\$ 37,150
Non-vested benefit obligation	<u>56,307</u>	<u>63,683</u>
Accumulated benefit obligation	98,156	100,833
Additional benefits based on future salaries	<u>6,242</u>	<u>7,215</u>
Projected benefit obligation	104,398	108,048
Fair value of plan assets	<u>(28,891)</u>	<u>(26,095)</u>
Funded status	75,507	81,953
Unrecognized net loss	(16,764)	(25,420)
Additional pension liabilities		
Unrecognized pension loss	<u>10,522</u>	<u>18,205</u>
Accrued pension cost	<u>\$ 69,265</u>	<u>\$ 74,738</u>
Vested benefit	<u>\$ 42,574</u>	<u>\$ 38,082</u>

c. Actuarial assumptions

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Discount rate used in determining present values	2.00%	2.25%
Future salary increase rate	1.20%	1.20%
Expected rate of return on plan assets	2.00%	2.25%

	<b>Years Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
d. Contributions to the fund	<u>\$ 2,527</u>	<u>\$ 2,691</u>
e. Payments from the fund	<u>\$ -</u>	<u>\$ 5,378</u>

## 14. STOCKHOLDERS' EQUITY

### Capital Surplus

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

### Appropriation of Earnings and Dividend Policy

Under the Company's Articles of Incorporation, the Company should make appropriations from its net income (less any deficit) in the following order:

- a. 10% as legal reserve, until its balance equals the Company's paid-in capital;
- b. Special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
- c. Dividends, bonus to employees, and remuneration to directors and supervisors (bonus to employees should be at least 3%, and any remaining balance should be allocated or retained by Board of Directors in accordance with the Company's operation; all of these appropriations should be submitted to the stockholders' meeting for approval);
- d. If bonus to employees is in form of stock, affiliates' employees who meet certain requirements may also receive the stock bonus. The stock bonus distribution plan should be approved in a board of directors' meeting.

The Company's dividend policy is in line with the Company's operating scale and research and development needs as well as the status of the economy and industry in order to maintain sound management and promote stockholders' long-term interests. Company's profits may be distributed in the form of cash and/or stock. However, distribution of profits should preferably be in the form of cash dividend. The dividends should be at least 50% of total unappropriated earnings. Cash dividends should be at least 10% of total dividends. But if a cash dividend is less than NT\$0.2, the Company may choose to appropriate stock dividends instead.

For 2012 and 2011, the bonuses to employees were estimated at \$4,000 thousand and \$8,000 thousand, respectively, and the remunerations to directors and supervisors were both \$2,100 thousand. The bonus to employees and remuneration to directors and supervisors were (a) for 2012, 5.23% and 2.75%, respectively, of net income (net of the bonus and remuneration) after legal reserve and (b) for 2011, 4.80% and 1.26%, respectively, of net income (net of the bonus and remuneration) after legal reserve. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (including unrealized revaluation, unrealized gain or loss on financial instruments, unrecognized pension costs and cumulative translation adjustments) should be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve may be used to offset deficit. If the Company has not incurred loss and when the legal

reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriation of earnings should be approved in a stockholders' meeting and presented in the financial statements of the year following the year of the stockholders' meeting.

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

The appropriations from the earnings of 2011 and 2010 had been proposed by the board of directors and approved in the stockholders' meetings in June 2012 and 2011, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends per Share (NT\$)</u>	
	<u>For Fiscal Year 2011</u>	<u>For Fiscal Year 2010</u>	<u>For Fiscal Year 2011</u>	<u>For Fiscal Year 2010</u>
Legal reserve	\$ 18,530	\$ 32,156		
Cash dividends to stockholders	<u>137,278</u>	<u>205,918</u>	\$0.80	\$1.20
	<u>\$ 155,808</u>	<u>\$ 238,074</u>		

The bonus to employees and the remuneration to directors and supervisors for 2011 and 2010 approved in the stockholders' meetings in June 2012 and 2011, respectively, were as follows:

	<u>Cash</u>	
	<u>Year Ended December 31, 2011</u>	<u>Year Ended December 31, 2010</u>
Bonus to employees	\$ 8,000	\$ 10,000
Remuneration to directors and supervisors	2,100	2,400

The bonus to employees and the remuneration to directors and supervisors which were estimated in 2011 and 2010 were resolved to be distributed in cash. The bonus to employees and the remuneration to directors and supervisors for 2011 and 2010 approved in the stockholders' meetings in 2012 and 2011, respectively, were not different from amounts recognized in the financial statements.

The appropriations of the 2012 earnings were proposed in the board of directors' meeting on March 25, 2013. The appropriation and dividends per share were as follows:

	<u>Year Ended December 31, 2012</u>
Legal reserve	\$ 8,494
Dividends to stockholders	
Cash - NT\$0.23 per share	<u>39,468</u>
	<u>\$ 47,962</u>

The bonus to employees and the remuneration to directors and supervisors for 2012 approved in the board of directors' meeting were not different from amounts of which recognized in the financial statement.

The appropriation of the 2012 earnings including the bonus to employees and remuneration to directors, and supervisors, is scheduled for approval in the stockholder's meeting on June 14, 2013.

Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

### Other Equity Items

#### a. Unrealized Revaluation Increment

The year-end balance was \$25,785 thousand as of December 31, 2012 and 2011. Unrealized revaluation increment cannot be used for any purpose.

#### b. Unrealized Gain (Loss) on Financial Instruments

Movements of unrealized gain (loss) on available-for-sale financial instruments were as follows:

	<u>Years Ended December 31</u>	
	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ (1,996)	\$ 14,296
Recognized in stockholders' equity	3,329	(40,445)
Transferred to loss	<u>988</u>	<u>24,153</u>
Balance, end of year	<u>\$ 2,321</u>	<u>\$ (1,996)</u>

## 15. INCOME TAX

#### a. A reconciliation of income tax expense based on income before income tax at the statutory rate of 17% and income tax expense (benefit) was as follows:

	<u>Years Ended December 31</u>	
	<u>2012</u>	<u>2011</u>
Income tax expense at the statutory rate	\$ 13,865	\$ 32,281
Tax effect of adjusting items:		
Permanent differences		
Tax-exempt income	-	(3,292)
Others	147	3,088
Temporary differences		
Investment income recognized on overseas equity-method investments	(24,358)	(30,608)
Unrealized gross profit	4,204	3,710
Others	1,036	1,092
Loss carryforwards used	5,106	-
Investment tax credits used	-	(352)
Additional 10% income tax on unappropriated earnings	<u>2,949</u>	<u>8,349</u>
Current income tax expense	2,949	14,268
Deferred income tax expense		
Temporary differences	(7,111)	(8,092)
Loss carryforwards	(5,106)	-
Withholding tax on overseas investment income	-	25
Adjustment for prior years' tax	<u>5,882</u>	<u>(1,614)</u>
Income tax expense (benefit)	<u>\$ (3,386)</u>	<u>\$ 4,587</u>

b. Deferred income tax assets (liabilities) were as follows:

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Current</b>		
Loss carryforwards	\$ 5,106	\$ -
Unrealized gross profit	931	962
Unrealized allowance for loss on inventories	832	845
Others	<u>879</u>	<u>858</u>
	<u>7,748</u>	<u>2,665</u>
<b>Noncurrent</b>		
Unrealized intercompany gain	14,865	10,852
Accrued pension cost	9,992	9,613
Investment loss recognized on overseas equity-method investments	4,413	2,320
Financial and taxation differences on property, plant and equipment	<u>519</u>	<u>519</u>
	<u>29,789</u>	<u>23,304</u>
<b>Deferred income tax assets, net</b>	<u>\$ 37,537</u>	<u>\$ 25,969</u>

Certain incomes from manufacturing electric terminals are exempt from income tax for five years from February 12, 2008, January 1, 2008, and January 1, 2011.

c. The tax returns through 2008 have been assessed by the tax authorities.

d. Information about retained earnings subject to integrated income tax is as follows:

	<b>December 31</b>	
	<b>2012</b>	<b>2011</b>
Unappropriated earnings generated before January 1, 1998	\$ 6,684	\$ 6,684
Unappropriated earnings generated on and after January 1, 1998	<u>370,077</u>	<u>440,941</u>
	<u>\$ 376,761</u>	<u>\$ 447,625</u>

As of December 31, 2012 and 2011, the balances of the imputation credits allocable to the stockholders amounted to \$25,262 thousand and \$20,911 thousand, respectively.

The creditable ratio for the distribution of the earnings of 2012 and 2011 were 7.54% (estimate) and 7.25% (actual), respectively.

For the distribution of earnings generated from January 1, 1998, the ratio for the imputation credits allocable to stockholders of the Company is based on the balance of the imputation credit account (ICA) as of the date of dividend distribution. The expected creditable ratio for the 2012 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

## 16. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Years Ended December 31					
	2012			2011		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Personnel						
Salary	\$ 30,072	\$ 67,550	\$ 97,622	\$ 49,518	\$ 58,202	\$ 107,720
Health and labor insurance	2,855	6,068	8,923	4,501	4,491	8,992
Pension	2,520	5,555	8,075	3,659	4,175	7,834
Others	<u>2,055</u>	<u>3,332</u>	<u>5,387</u>	<u>3,426</u>	<u>2,536</u>	<u>5,962</u>
	<u>\$ 37,502</u>	<u>\$ 82,505</u>	<u>\$ 120,007</u>	<u>\$ 61,104</u>	<u>\$ 69,404</u>	<u>\$ 130,508</u>
Depreciation	\$ 20,615	\$ 17,933	\$ 38,548	\$ 44,769	\$ 2,718	\$ 47,487
Amortization	8	2,249	2,257	485	1,992	2,477

## 17. EARNINGS PER SHARE (EPS)

The numerators and denominators used in calculating basic and diluted EPS were as follows:

	Amount (Numerator)		Shares (Denominator) (Thousands)	EPS (NTD)	
	Pretax	Post-tax		Pretax	Post-tax
<u>Year ended December 31, 2012</u>					
Basic EPS					
Net income	\$ 81,558	\$ 84,944	171,598	\$ 0.48	\$ 0.50
Effect of dilutive potential common stock					
Employee stock bonus	<u>-</u>	<u>-</u>	<u>647</u>		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of dilutive common stock	<u>\$ 81,558</u>	<u>\$ 84,944</u>	<u>172,245</u>	0.47	0.49
<u>Year ended December 31, 2011</u>					
Basic EPS					
Net income	\$ 189,887	\$ 185,300	171,598	1.11	1.08
Effect of dilutive potential common stock					
Employee stock bonus	<u>-</u>	<u>-</u>	<u>828</u>		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of dilutive common stock	<u>\$ 189,887</u>	<u>\$ 185,300</u>	<u>172,426</u>	1.10	1.07

The ARDF issued Interpretation 2007-052 that requires corporations to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 18. FINANCIAL INSTRUMENTS

### a. Fair values of financial instruments

	December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss - current	\$ 110,404	\$ 110,404	\$ 36,400	\$ 36,400
Available-for-sale financial assets - current	28,012	28,012	27,620	27,620
Refundable deposits (current/noncurrent)	221	221	7,120	7,120
Liabilities				
Long-term debts (including current portion)	1,427,323	1,398,135	1,059,965	1,047,741
<u>Domestic derivative financial instruments</u>				
Financial liabilities at fair value through profit or loss - current				
Forward exchange contracts	-	-	1,499	1,499

### b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

- 1) The carrying amounts of cash, notes and accounts receivable (including those from related parties), other receivables (including those from related parties), short-term loans, notes and accounts payable (including those to related parties) and accrued expenses, approximate fair value because of the short maturities of these instruments.
  - 2) The fair values of available-for-sale financial assets are determined at their market value.
  - 3) The fair values of refundable deposits are determined at their carrying values.
  - 4) The fair values of long-term debts are determined at the present values of future cash flows, with the values discounted at the interest rates for similar long-term debts.
  - 5) The fair values of financial assets at fair value through profit or loss are determined at their market value.
- c. As of December 31, 2012 and 2011, on financial instruments exposed to fair value interest rate risk, financial assets amounted to \$365,470 thousand and \$262,903 thousand, respectively, and financial liabilities amounted to \$1,427,323 thousand and \$959,965 thousand, respectively. As of December 31, 2012 and 2011, on financial instruments exposed to cash flow interest rate risk, financial assets amounted to \$496,721 thousand and \$530,004 thousand, respectively, and financial liabilities amounted to \$0 thousand and \$137,031 thousand, respectively.
- d. For 2012 and 2011, interest incomes of \$5,457 thousand and \$5,282 thousand, respectively, and interest expenses (including capitalized interest) of \$25,472 thousand and \$22,229 thousand, respectively, were associated with financial assets or liabilities other than those at fair value through profit or loss.

e. Financial risks

1) Market risk

Callable preferred stocks with interest, a gold passbook, mutual funds and quoted stocks held by the Company are subject to market price risk. The fair value of these investments will increase (decrease) by \$1,384 thousand if their market price increases (decreases) by 1%.

The Company has established a risk control mechanism and taken stop-loss measures to monitor the interests and the price risk on the copper futures contracts held. For the effective management of market price risk, early closing out at stated prices and margin calls are made when there is drastic volatility in prices.

The Company had evaluated its financial instruments and it believed the exposure to market risk as of December 31, 2012 was not significant.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Company if the counter-parties breach financial instruments contracts. The Company's financial instruments are affected by credit risk concentration, components, contract amounts and other receivables. The amounts of maximum credit exposures and carrying amounts of the Company's financial instruments (excluding fair value of the collateral) are the same:

	<b>December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Carrying Amount</b>	<b>The Maximum Credit Exposure</b>	<b>Carrying Amount</b>	<b>The Maximum Credit Exposure</b>
Guarantees (Note 19, b. 5)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,568</u>

Financial instruments with positive fair values and off-balance sheet guarantees are evaluated for credit risk at the balance sheet date.

As of December 31, 2012 and 2011, the balances of the customers' notes and accounts receivable with carrying amounts that were 10% or more of their respective totals are shown below:

	<b>December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Carrying</b>	<b>% to Receivable</b>	<b>Carrying</b>	<b>% to Receivable</b>
Customer A	<u>\$111,666</u>	<u>40</u>	<u>\$61,251</u>	<u>23</u>

The Company's receivables are significantly concentrated in certain individuals, most of which have similar business operations and economic features. Credit risk concentration occurs when the counter - parties to financial instrument transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

3) Liquidity risk

The Company has sufficient operating capital to meet future cash needs. Therefore, the cash flow risk is expected to be insignificant.

The Company's investments in callable preferred stocks with interest, a gold passbook, mutual funds and quoted stocks are traded in active markets and can be disposed of quickly at close to their fair values; therefore, liquidity risk is expected to be insignificant.

4) Cash flow interest rate risk

Effective interest rates for floating - rate financial instruments will vary as market rates change. If the market interest rate had decreased by 1%, the Company's annual cash inflows will have had decreased by \$4,967 thousand in 2012 and \$3,930 thousand in 2011.

## 19. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Company

Related Parties	Relationship with the Company
Genius Terminal Co., Ltd. (Genius)	Subsidiary
Global Electronics Terminal (Cayman) Co., Ltd. (Global (Cayman))	Subsidiary
GEM Terminal ((Cayman) Co., Ltd. (GEM (Cayman))	Subsidiary
Genius Terminal (HK) Ltd (Genius (HK))	Subsidiary
Dongguan Gem Electronic & Metal Co., Ltd. (GEM (Dongguan))	Subsidiary
Suzhou Gem Opto-Electronics Terminal Co., Ltd (GEM (Suzhou))	Subsidiary
Global Electronics Terminal (HK) Co., Ltd. (Global (HK))	Subsidiary
Vibo Gem International Co., Ltd (Vibo)	Subsidiary
Zong Fu Investment Co.	Director
Cheng Feng Investment Co.	Supervisor
Yo Feng Investment Co.	Director
Su, Chung-Hong	Chairman
Su, Tun-Li	Supervisor
Su, Tun-Jen	General manager
Su, Tun-I	Immediate relative of the Company's chairman

b. Significant transactions with related parties

1) Purchase

	Years Ended December 31			
	2012		2011	
	Amount	% to Purchase	Amount	% to Purchase
Genius (HK)	\$ 589,911	75	\$ 556,075	36
Global (HK)	37,087	5	17,824	1
GEM (Suzhou)	<u>13,070</u>	<u>2</u>	<u>2,806</u>	<u>-</u>
	<u>\$ 640,068</u>	<u>82</u>	<u>\$ 576,705</u>	<u>37</u>

The goods purchased were mainly scraps, finished goods and merchandise which were different from those sold to the related parties by the Company. The terms of the purchases from related parties were not comparable with those for third parties. The payment period was about four

months or earlier depending on the related parties' working capital.

2) Sales

	<b>Years Ended December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Amount</b>	<b>% to Sales</b>	<b>Amount</b>	<b>% to Sales</b>
Genius (HK)	\$ 64,697	7	\$ 1,120,170	63
Global (HK)	52,024	5	132,207	7
GEM (Suzhou)	<u>12,387</u>	<u>1</u>	<u>593</u>	<u>-</u>
	<u>\$ 129,108</u>	<u>13</u>	<u>\$ 1,252,970</u>	<u>70</u>

Unrealized gross profits were \$3,993 thousand in 2012 and \$2,782 thousand in 2011, and included in other current liabilities.

The goods sold to related parties listed above were mainly raw materials, supplies, and semi-finished goods. The terms for the sales to related parties were not comparable with those for third parties. The payment collection term period was about four months.

3) Property transactions

The machinery sold to related parties was as follows:

<b>Related Parties</b>	<b>Years Ended December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Selling Price</b>	<b>Gain on Transaction</b>	<b>Selling Price</b>	<b>Gain on Transaction</b>
GEM (Suzhou)	\$ 54,368	\$ 11,552	\$ 62,968	\$ 11,254
GEM (Dongguan)	52,343	12,830	26,785	9,279
Genius (HK)	30,475	8,839	24,309	12,441
Global (HK)	<u>12,324</u>	<u>2,095</u>	<u>9,482</u>	<u>1,837</u>
	<u>\$ 149,510</u>	<u>\$ 35,316</u>	<u>\$ 123,544</u>	<u>\$ 34,811</u>

As of December 31, 2012 and 2011, the accumulated unrealized gains on the intercompany property transactions involving the selling to and purchasing on behalf of GEM (Suzhou), GEM(Dongguan), Genius (HK) and Global (HK) amounted to \$86,512 thousand and \$61,895 thousand, respectively, which were included in deferred credits. The unrealized gains on disposal of assets are amortized by the straight-line method over 10 years and recognized under gain on disposal of property, plant and equipment and miscellaneous income.

As of December 31, 2012 and 2011, the Company had sold patents and franchise to GEM (Suzhou), and the related accumulated unrealized gains amounted to \$928 thousand and \$1,940 thousand, respectively, which were included in deferred credits. The unrealized gains are amortizable by the straight-line method over one to three years and recognized under miscellaneous income.

There was no similar machinery sold to third parties. The collection term was about 4 months.

The machinery purchased from related parties was as follows:

<b>Related Parties</b>	<b>Years Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
GEM (Suzhou)	\$ 4,639	\$ 3,596
Global (HK)	<u>-</u>	<u>894</u>
	<u>\$ 4,639</u>	<u>\$ 4,490</u>

There was no similar machinery purchased from related parties. The payment term was about four months.

4) Property lease

The Company leased its Taipei office, factories and storehouse from Su, Tun-Jen and Su, Tun-Li under one-year operating lease contracts. The annual rentals for 2012 and 2011 were each \$1,826 thousand and were recorded as operating expenses and manufacturing cost on the basis of the size of the areas actually used.

The rental terms were determined by negotiation. The rental rates were similar to the local market rates and the payment terms were at arm's length.

5) Guarantees

	<b>December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Credit Line</b>	<b>Used</b>	<b>Credit Line</b>	<b>Used</b>
GEM (Suzhou)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>90,810</u> (US\$ 3,000 thousand)	\$ <u>7,568</u> (US\$ 250 thousand)

Su, Chung-Hong and Su, Tun-Li jointly provided the guarantee for the Company's loans.

c. Compensation of directors, supervisors and management personnel

	<b>Years Ended December 31</b>	
	<b>2012</b>	<b>2011</b>
Salary	\$ 6,234	\$ 6,308
Incentives	<u>663</u>	<u>709</u>
	<u>\$ 6,897</u>	<u>\$ 7,017</u>

d. Balance at year-end

	<b>December 31</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Accounts receivable - related parties				
Global (HK)	\$ 5,102	3	\$ 24,806	12
Genius (HK)	2,424	1	260	-
GEM (Suzhou)	<u>937</u>	<u>-</u>	<u>234</u>	<u>-</u>
	<u>\$ 8,463</u>	<u>4</u>	<u>\$ 25,300</u>	<u>12</u>

(Continued)

	December 31			
	2012		2011	
	Amount	%	Amount	%
Other receivables - related parties				
GEM (Suzhou)	\$ 8,851	84	\$ 8,541	15
Genius (HK)	1,610	15	23,588	41
GEM (Dongguan)	<u>-</u>	<u>-</u>	<u>13,556</u>	<u>24</u>
	<u>\$ 10,461</u>	<u>99</u>	<u>\$ 45,685</u>	<u>80</u>
Accounts payable - related parties				
Genius (HK)	\$ 129,428	85	\$ 73,943	34
Global (HK)	3,921	3	1,240	1
GEM (Suzhou)	<u>2,044</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>\$ 135,393</u>	<u>89</u>	<u>\$ 75,183</u>	<u>35</u>

(Concluded)

The other receivable from GEM (Dongguan), GEM (Suzhou), and Genius (HK) were due to property and patent transactions.

## 20. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

In addition to those disclosed in Note 12, significant commitments and contingencies of the Company as of December 31, 2012 were as follows:

- a. Under unused letters of credit for purchasing materials and equipment amounted to \$47 thousand.
- b. The amounts of contracts for purchases of properties and materials were \$55,044 thousand, of which \$36,109 thousand had not been paid.

## 21. EXCHANGE RATE INFORMATION OF FOREIGN CURRENCY FINANCIAL ASSETS AND LIABILITIES

Information on the Company's significant financial assets, investments accounted for by the equity method, financial liabilities and derivative contracts is as follows (in thousands of foreign currency, except exchange rate):

	December 31					
	2012			2011		
	Original Currencies	Exchange Rate	New Taiwan Dollars	Original Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 5,280	29.032	\$ 153,295	\$ 4,291	30.270	\$ 129,878
GBP	2,847	46.802	133,227	1,234	46.711	57,626
CAD	2,576	29.194	75,197	1,006	29.661	29,839
HKD	15,116	3.7470	56,639	15,653	3.8980	61,017
JPY	26,334	0.3363	8,856	78,135	0.3905	30,512
Non-monetary items						
USD	701	29.032	20,359	551	30.270	16,676
HKD	2,697	3.7470	10,106	1,295	3.8980	5,048

(Continued)

	December 31					
	2012			2011		
	Original Currencies	Exchange Rate	New Taiwan Dollars	Original Currencies	Exchange Rate	New Taiwan Dollars
Investments accounted for <u>by the equity method</u>						
USD	\$ 96,359	29.032	\$ 2,797,480	\$ 90,410	30.270	\$ 2,736,709
<u>Financial liabilities</u>						
Monetary items						
HKD	34,567	3.7470	129,523	9,500	3.8980	37,031
USD	205	29.032	5,965	6	30.270	177
<u>Derivative contracts</u>						
Forward exchange contract						
USD	-	-	-	2,000	29.41-30.15	59,549
HKD	-	-	-	9,000	3.780-3.880	34,562
						(Concluded)

## 22. ADDITIONAL DISCLOSURES

- a. The following are additional disclosures for the Company and its investees as required by the ROC Securities and Futures Bureau as of and for the year ended December 31, 2012:
- 1) Financings provided: Table 1 (attached).
  - 2) Endorsement/guarantee provided: Table 2 (attached).
  - 3) Marketable securities held: Table 3 (attached).
  - 4) Individual securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: None.
  - 5) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None.
  - 6) Disposal of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: None.
  - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached).
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached).
  - 9) Names, locations and related information of investees over which the Company exercises significant influence: Table 6 (attached).
  - 10) Derivative transactions of investees over which the Company has controlling interests: None.
- b. Investments in Mainland China
- 1) Investees' names, main businesses and products, paid-in capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), ending balance of investments, dividends remitted by the investee, and limits on

investment in Mainland China: Table 7 (attached).

- 2) Significant direct and indirect transactions with the investees, prices and terms of payment, unrealized gain or loss, and other events with significant effects on the operating results and financial condition:
  - a) Amounts and percentages of purchases for the year ended December 31, 2012 and related accounts payable as of December 31, 2012: Note 19.
  - b) Amounts and percentages of sales for the year ended December 31, 2012 and related accounts receivable as of December 31, 2012: Note 19.
  - c) Selling prices and gains (losses) on property transactions: Note 19.
  - d) Endorsement, guarantee or collaterals directly or indirectly provided to the investees: Table 2 (attached).
  - e) Financings directly or indirectly provided to the investees: Table 1 (attached).
  - f) Other transactions that significantly impacted the current year's profit or loss or financial status: Note 19.

### **23. OPERATING SEGMENT FINANCIAL INFORMATION**

Disclosure of segment information is not required for stand-alone financial statements, but the Company has disclosed the segment information in the consolidated financial statements in accordance with Statement of Financial Information No. 41 - "Operation Segments".

### **24. PLAN FOR REQUIRED ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company has disclosed in its consolidated financial statements as of and for the years ended December 31, 2012 and 2011 the plan on the adoption of the International Financial Reporting Standards.

TABLE 1

## GEM TERMINAL IND. CO., LTD. AND INVESTEES

## FINANCING PROVIDED

YEAR ENDED DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Borrowing Company	Financial Statement Account	Maximum Balance for the period	Ending Balance (Note2)	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		
0	GEM Terminal Inc. Co., Ltd. (the "Company")	Global (Cayman)	Other receivables - related parties	\$ 149,875 (US\$ 5,000 thousand)	\$ 145,160 (US\$ 5,000 thousand) (Note 3)	2.80	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 558,884 (Note 1)	\$ 1,117,768 (Note 1)
		Genius (HK)	Other receivables - related parties	116,040 (HK\$ 30,000 thousand)	112,410 (HK\$ 30,000 thousand) (Note 3)	2.00	Short-term financing	-	Operating capital	-	-	-	558,884 (Note 1)	1,117,768 (Note 1)
1	Vibo	GEM (Suzhou)	Other receivables - related parties	29,975 (US\$ 1,000 thousand)	29,032 (US\$ 1,000 thousand) (Note 3)	2.80	Short-term financing	-	Operating capital	-	-	-	531,507 (Note 1)	1,063,015 (Note 1)
2	Global (Cayman)	Global (HK)	Other receivables - related parties	11,990 (US\$ 400 thousand)	11,613 (US\$ 400 thousand) (Note 4)	2.00	Short-term financing	-	Operating capital	-	-	-	535,912 (Note 1)	1,071,823 (Note 1)
		GEM (Suzhou)	Other receivables - related parties	104,913 (US\$ 3,500 thousand)	-	2.00	Short-term financing	-	Operating capital	-	-	-	535,912 (Note 1)	1,071,823 (Note 1)
		GEM (Dongguan)	Other receivables - related parties	94,748 (RMB 20,000 thousand)	92,422 (RMB 20,000 thousand) (Note 3)	4.50	Short-term financing	-	Operating capital	-	-	-	535,912 (Note 1)	1,071,823 (Note 1)
		GEM Terminal	Other receivables - related parties	74,813 (US\$ 2,500 thousand)	72,580 (US\$ 2,500 thousand) (Note 3)	2.80	Short-term financing	-	Operating capital	-	-	-	535,912 (Note 1)	1,071,823 (Note 1)

Note 1: Under the Company's and the subsidiaries' "Operational Procedures for Loaning Funds to Others," if short-term financing is needed, total amounts of these financings should not exceed 40 percent of the Company's and the subsidiaries' stockholders' equity, and individual financing should not exceed 20 percent of the Company's and the subsidiaries' stockholders' equity.

Note 2: The conversion rates on December 31, 2012 were HK\$1:NT\$3.747 and US\$1:NT\$29.032.

Note 3: The amount had been unused as of December 31, 2012.

Note 4: The amount that had been used as of December 31, 2012 was \$11,613 thousand (US\$400 thousand).

## GEM TERMINAL IND. CO., LTD. AND INVESTEEES

## ENDORSEMENTS/GUARANTEES PROVIDED

YEAR ENDED DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/Guarantee Provider	Guaranteed Party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Year	Ending Balance	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity Per Latest Financial Statements	Maximum Endorsement/Guarantee Amount Allowable (Note 2)
		Name	Nature of Relationship						
0	GEM Terminal Inc. Co., Ltd. (the "Company")	GEM (Suzhou)	Subsidiary	\$ 838,326	\$ 89,520 (US\$ 3,000 thousand)	\$ -	\$ -	-	\$ 1,397,211

Note 1: Under the Company's "Operational Procedures for Endorsement/Guarantee", the amount of the endorsement/guarantee provided by the Company to individual subsidiary should not exceed 30% of the Company's stockholders' equity.

Note 2: Under the Company's "Operational Procedures for Endorsement/Guarantee", the total amount of the endorsement/guarantee provided by the Company should not exceed 50% of the Company's stockholders' equity.

## GEM TERMINAL IND. CO., LTD. AND INVESTEEES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2012

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note	
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value		
GEM Terminal Ind. Co., Ltd. (the "Company")	<u>Callable preferred stock with interest</u>								
	USD Standard Chart Reg S 9.5% Perpetual		Financial assets designated as at fair value through profit or loss - current	1,000	\$ 3,201	-	\$ 3,201		
	HSBC Holdings Plc Sub Cap Secs 8.125% Pfd		Financial assets designated as at fair value through profit or loss - current	1,000	736		736		
	<u>Stock</u>				\$ 3,937		\$ 3,937		
	Nokia Corp. Spon ADR		Available-for-sale financial assets - current	55,000	\$ 6,307	-	\$ 6,307		
	Hewlett Packard Co. Del.		Available-for-sale financial assets - current	12,000	4,965	-	4,965		
	Facebook Inc.		Available-for-sale financial assets - current	4,000	3,091	-	3,091		
	Foxconn Intl Hldgs		Available-for-sale financial assets - current	208,000	2,931	-	2,931		
	Li - Fung		Available-for-sale financial assets - current	32,000	1,640	-	1,640		
	Acer Inc.		Available-for-sale financial assets - current	35,000	882	-	882		
	Micron Technology Inc.		Available-for-sale financial assets - current	3,600	663	-	663		
	Uni-President China		Available-for-sale financial assets - current	20,000	615	-	615		
	Wistron Corp.		Available-for-sale financial assets - current	20,000	602	-	602		
					21,696		21,696		
		<u>Beneficial certificate</u>							
		IShares FTSE/Xinhua A50		Available-for-sale financial assets - current	60,000	2,505	-	2,505	
		Boci Prudential AM WISE – CSI 300 China		Available-for-sale financial assets - current	22,000	2,415	-	2,415	
		Morgan Stanley China A Sh Fd Inc.		Available-for-sale financial assets - current	2,000	1,396	-	1,396	
						6,316		6,316	
						\$ 28,012		\$ 28,012	
	<u>Rights certificate</u>								
	Global Electronics Terminal (Cayman) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	35,037,184	\$ 2,679,559	100	\$ 2,679,559		
	Genius Terminal Co., Ltd.	Subsidiary	Investments accounted for using the equity method	750,000	91,295	100	91,295		
	GEM Terminal (Cayman) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	1,000,000	26,626	100	26,626		
					\$ 2,797,480		\$ 2,797,480		
Genius Terminal Co., Ltd.	<u>Certificate of incorporation</u> Genius (HK)	Subsidiary	Investments accounted for using the equity method	21,999,998	\$ 79,143	100	\$ 79,143		

(Continued)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	
Global Electronics Terminal (Cayman) Co., Ltd.	<u>Certificate of incorporation</u> Vibo	Subsidiary	Investments accounted for using the equity method	320,426,766	\$ 2,657,525	100	\$ 2,657,525	
	Global (HK)	Subsidiary	Investments accounted for using the equity method	1,000,000	7,792	100	7,792	
					<u>\$ 2,665,317</u>		<u>\$ 2,665,317</u>	
GEM Terminal (Cayman) Co., Ltd.	<u>Rights certificate</u> Rui Zhan hardware Vn	Subsidiary	Investments accounted for using the equity method	-	<u>\$ 26,300</u>	100	<u>\$ 26,300</u>	
Vibo	<u>Rights certificate</u> GEM (Suzhou)	Subsidiary	Investments accounted for using the equity method		\$ 1,839,069	100	\$ 1,839,069	
	GEM (Dongguan)	Subsidiary	Investments accounted for using the equity method		844,924	100	844,924	
	You Mao	Subsidiary	Investments accounted for using the equity method		-	100	-	Note
					<u>\$ 2,683,993</u>		<u>\$ 2,683,993</u>	

Note: The Company hasn't remitted the investment to You Mao.

(Concluded)

## GEM TERMINAL IND. CO., LTD. AND INVESTEES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31, 2012  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
Genius (HK)	GEM Terminal Ind. Co., Ltd. (the "company")	Parent	Sales	\$ 585,014 (HK\$ 153,424 thousand) (Note 1)	36	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	\$ 129,428 (HK\$ 34,542 thousand) (Note 2)	31	
GEM Terminal Ind. Co., Ltd. (the "company")	Genius (HK)	Subsidiary	Purchases	( 585,014) (HK\$ 153,424 thousand) (Note 1)	(75)	120 days after monthly closing	Note 19	Note 19	(129,428) (HK\$ 34,542 thousand) (Note 2)	(75)	
GEM (Dongguan)	Genius (HK)	Affiliate	Sales	1,530,432 (HK\$ 401,259 thousand) (Note 1)	94	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	85,969 (HK\$ 22,943 thousand) (Note 2)	63	
Genius (HK)	GEM (Dongguan)	Affiliate	Purchases	(1,530,432) (HK\$ 401,259 thousand) (Note 1)	(96)	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	(85,969) (HK\$ 22,943 thousand) (Note 2)	(96)	
GEM (Suzhou)	Global (HK)	Affiliate	Sales	416,310 (US\$ 12,079 thousand and HK\$ 15,419 thousand) (Note 1)	19	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	99,125 (US\$ 2,997 thousand and HK\$ 3,220 thousand) (Note 2)	17	
Global (HK)	GEM (Suzhou)	Affiliate	Purchases	(416,310) (US\$ 12,079 thousand and HK\$ 15,419 thousand) (Note 1)	(88)	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	(99,125) (US\$ 2,997 thousand and HK\$ 3,220 thousand) (Note 2)	(94)	
Genius (HK)	GEM (Dongguan)	Affiliate	Sales	111,565 (HK\$ 29,203 thousand) (Note 1)	7	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	3,817 (HK\$ 1,019 thousand) (Note 2)	1	
GEM (Dongguan)	Genius (HK)	Affiliate	Purchases	(111,565) (HK\$ 29,203 thousand) (Note 1)	(10)	120 days after monthly closing	No comparable transactions with those in the market	No comparable transactions with those in the market	(3,817) (HK\$ 1,019 thousand) (Note 2)	(1)	

Note 1: The average conversion rates for 2012 were HK\$1.0000:NT\$3.8127 and US\$1.0000:NT\$29.5689.

Note 2: The conversion rates on December 31, 2012 were HK\$1.0000:NT\$3.747; and US\$1.0000:NT\$29.032.

**GEM TERMINAL IND. CO., LTD. AND INVESTEES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2012**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Year	Allowance for Bad Debt
					Amount	Action Taken		
Genius (HK)	GEM Terminal	Subsidiary	\$ 129,428 (under accounts receivable - related parties)	5.80	\$ -	-	\$ 72,419	\$ -

## GEM TERMINAL IND. CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 YEAR ENDED DECEMBER 31, 2012  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2012			Ownership % × Net Worth of Investees	Net Income (Loss) of the Investee	Investment Income (Loss) Recognized	Earning Appropriation		Note
				December 31, 2012 (Foreign Currencies in Thousands)	December 31, 2011 (Foreign Currencies in Thousands)	Shares/Units	Percentage of Ownership	Carrying Amount				Stock	Cash	
GEM Terminal Ind. Co., Ltd. (the "company")	Global (Cayman)	Grand Cayman, Cayman Islands	International investment	US\$ 35,037	US\$ 34,137	35,037,184	100	\$ 2,679,559	\$ 2,679,559	\$ 143,337	\$ 143,337	\$ -	\$ -	
	Genius Terminal	British Virgin Islands	International investment and trading, etc.	US\$ 750	US\$ 750	750,000	100	91,295	91,295	675	675	-	-	
	GEM Terminal (Cayman)	Grand Cayman, Cayman Islands	International investment	US\$ 1,000	US\$ 1,000	1,000,000	100	26,626	26,626	(730)	(730)	-	-	
								<u>\$ 2,797,480</u>	<u>\$ 2,797,480</u>	<u>\$ 143,282</u>	<u>\$ 143,282</u>			
Genius Terminal	Genius (HK)	Hong Kong	International trading	HK\$ 22,000	HK\$ 22,000	21,999,998	100	\$ 79,143	\$ 79,143	\$ 694	\$ 694	-	-	
Global (Cayman)	Vibo	Hong Kong	Investment and trading	HK\$ 320,427	HK\$ 294,079	320,426,766	100	\$ 2,657,525	\$ 2,657,525	\$ 142,983	\$ 142,983	-	-	
	Global (HK)	Hong Kong	International trading	HK\$ 1,000	HK\$ 1,000	1,000,000	100	7,792	7,792	(387)	(387)	-	-	
								<u>\$ 2,665,317</u>	<u>\$ 2,665,317</u>	<u>\$ 142,596</u>	<u>\$ 142,596</u>			
GEM Terminal (Cayman)	Rui Zhan hardware VN	Vietnam	Production of hardware; machine processing; electroplating for metal processing; production and processing of molds and related accessories; plastic products and related plastic accessory production	US\$ 910	US\$ 910	-	100	\$ 26,300	\$ 26,300	\$ (588)	\$ (588)	-	-	
Vibo	GEM (Suzhou)	Mainland China	Manufacture of new electronic components and devices (e.g., Opto-Electronic devices and new mechanical/electric components); design and manufacture of stamping molds with the precision that is equal to or greater than 0.02 mm, plastic molds with the precision that is equal to or greater than 0.05 mm, and standard molds; development and production of construction hardware, water heater parts, and general hardware; manufacture of heat-resistant thermal insulation (insulation class: F or H) and insulation molding parts; production of inorganic nonmetal materials and products (special ceramics); development and production of materials for the specific use in semiconductor components and devices; components, devices, and materials for new instrumentation plug-ins (inserts and functional parts of instrument); terminal crimping machines; and equipment for the specific use in electronics and electric appliances and electroplating of hardware accessories; and sale of the Company's own products (under business permits for certain operations.)	US\$ 21,500	US\$ 19,000	-	100	\$ 1,839,069	\$ 1,839,069	\$ 102,317	\$ 102,317	-	-	
	GEM (Dongguan)	Mainland China	Production and sale of terminals, electric appliance plugs and plastic hardware, terminal crimping machines, molds, computer inserts, electroplating for hardware accessories, ceramic ferrules for optical fiber connection, and machine for hardware, electronics, plastics products manufacturing.	US\$ 10,559	US\$ 9,659	-	100	844,924	844,924	52,590	52,590	-	-	
	You Mao	Hong Kong	International trading	Note	Note	-	100	-	-	-	-	-	-	
								<u>\$ 2,683,993</u>	<u>\$ 2,683,993</u>	<u>\$ 154,907</u>	<u>\$ 154,907</u>			

Note: The Company hasn't remitted the investment to You Mao.

## GEM TERMINAL IND. CO., LTD. AND INVESTEEES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
YEAR ENDED DECEMBER 31, 2012  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousands) (Note 1)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2012	Percentage of Ownership	Investment Income (Loss) Recognized (Note 2)	Carrying Amount as of December 31, 2012 (Notes 1 and 2)	Accumulated Inward Remittance of Earnings as of December 31, 2012	
					Outflow	Inflow						
GEM (Dongguan)	Production and sale of terminals, electric appliance plugs and plastic hardware, terminal crimping machines, molds, computer inserts, electroplating for hardware accessories, ceramic ferrules for optical fiber connection, and machine for hardware, electronics, plastics products manufacturing.	\$ 678,761 (RMB 146,883)	Note 3	\$ 317,892 (US\$ 9,659 thousand)	\$ 26,440 (US\$ 900 thousand)	\$ -	\$ 344,332 (US\$ 10,559 thousand)	100	\$ 52,590 (US\$ 1,771 thousand)	\$ 844,924 (US\$ 29,103 thousand)	\$ -	
GEM (Suzhou)	Manufacture of new electronic components and devices (e.g., Opto-Electronic devices and new mechanical/electric components); design and manufacture of stamping molds with the precision that is equal to or greater than 0.02 mm, plastic molds with the precision that is equal to or greater than 0.05 mm, and standard molds; development and production of construction hardware, water heater parts, and general hardware; manufacture of heat-resistant thermal insulation (insulation class: F or H) and insulation molding parts; production of inorganic nonmetal materials and products (special ceramics); development and production of materials for the specific use in semiconductor components and devices; components, devices, and materials for new instrumentation plug-ins (inserts and functional parts of instrument); terminal crimping machines; and equipment for the specific use in electronics and electric appliances and electroplating of hardware accessories; and sale of the Company's own products (under business permits for certain operations.)	1,115,423 (RMB 241,376)	Note 3	620,650 (US\$ 19,000 thousand)	76,210 (US\$ 2,500 thousand)	-	696,860 (US\$ 21,500 thousand)	100	102,317 (US\$ 3,461 thousand)	1,839,069 (US\$ 63,346 thousand)	-	
							\$ 1,041,192 (US\$ 32,059 thousand)					

Accumulated Investment in Mainland China as of December 31, 2012	Investment Amount Authorized by the Investment Commission, MOEA (Note 1)	Upper Limit on Investment (Note 4)
\$1,041,192 (US\$32,059 thousand)	\$1,733,210 (US\$59,700 thousand)	\$1,676,653

Note 1: The conversion rates on December 31, 2012 were RMB1.0000:NT\$4.6211 and US\$1.0000:NT\$29.032.

Note 2: Amount was from financial reports issued by Taiwan independent certified public accountants.

Note 3: The investment was made through a corporation established in a third country to invest in companies located in Mainland China.

Note 4: Under the "Principles Governing the Review of Investments or Technical Cooperation in Mainland China" issued by the Investment Commission on August 29, 2008, that maximum amount the can be invested in companies located in Mainland China is 60% of the Company's net value.