

**MICRO-STAR INTERNATIONAL CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2011 AND 2012**

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

Report of Independent Accountants Translated from Chinese

PWCR12000292

To the Board of Directors and Stockholders of Micro-Star International Co., Ltd.

We have audited the accompanying consolidated balance sheets of Micro-Star International Co., Ltd. and subsidiaries as of December 31, 2011 and 2012, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. As disclosed in Note 2(1), we did not audit the 2011 and 2012 financial statements of certain consolidated subsidiaries. These consolidated subsidiaries' total assets amounted to NT\$5,715,740 thousand and NT\$3,266,073 thousand, constituting 14% and 9% of total consolidated assets as of December 31, 2011 and 2012, respectively, and total net operating revenue amounting to NT\$17,853,288 thousand and NT\$8,820,032 thousand, constituting 23% and 13% of total consolidated net operating revenue for the years then ended. We also did not audit the 2011 and 2012 financial statements of certain long-term investments. These long-term investments amounted to NT\$4,496 thousand and NT\$2,091 (US\$72) thousand as of December 31, 2011 and 2012, respectively, with related investment loss amounting to NT\$999 thousand and NT\$2,405 (US\$83) thousand for the years then ended. Those statements were audited by other auditors whose reports thereon were furnished to us and our opinion, expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and certain information disclosed in Note 11 relative to the consolidated subsidiaries and long-term investments, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards and rules require that we plan and perform the audits 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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Micro-Star International Co., Ltd. and its subsidiaries as of December 31, 2011 and 2012, and the results of their operations and their cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

Micro-Star International Co., Ltd. has adopted International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins (collectively referred herein as “IFRSs”) as recognized by the FSC and the “Rules Governing the Preparation of Financial Statements by Securities Issuers” that are applied in 2013 in the preparation of consolidated financial statement of Micro-Star International Co., Ltd and its subsidiaries starting from January 1, 2013. Information relating to the adoption of IFRSs by Micro-Star International Co., Ltd. is disclosed in Note 13 in accordance with Jin-Guan-Zheng-Shen-Zi Order No. 0990004943 of the FSC, dated February 2, 2010. The IFRSs may be subject to changes during the time of transaction; therefore, the impact of IFRSs on Micro-Star International and its subsidiaries may also change.

The financial statements of Micro-Star International Co., Ltd. and subsidiaries as of and for the year ended December 31, 2012 expressed in US dollars were translated from the New Taiwan dollar financial statements using the exchange rate of US\$1:NT\$29.04 as of December 31, 2012, solely for the convenience of the readers. Such translation amounts are not in accordance with generally accepted accounting principles in the Republic of China and should not be construed as representation that the New Taiwan dollar amounts represent, or have been or could be converted into United States dollars at that or any other rate.

PricewaterhouseCoopers

March 25, 2013

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

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,

(EXPRESSED IN THOUSANDS OF DOLLARS)

	2011	2012	2012
	New Taiwan Dollars		US Dollars
			(Unaudited-Note 2)
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents (Note 4(1))	\$ 10,269,760	\$ 8,341,153	\$ 287,230
Financial assets at fair value through profit or loss-current (Notes 4(2) and 10)	4,276	23,763	818
Notes receivable, net	183,520	4,341	149
Accounts receivable, net (Note 4(3))	8,824,188	10,196,923	351,134
Other receivables	586,720	489,240	16,847
Inventories, net (Note 4(4))	10,331,658	10,063,615	346,543
Prepaid expenses (Note 4(5))	1,996,531	1,426,378	49,118
Deferred income tax assets-current (Note 4(11))	377,818	481,096	16,567
	<u>32,574,471</u>	<u>31,026,509</u>	<u>1,068,406</u>
<u>FUNDS AND INVESTMENTS</u>			
Financial assets carried at cost-non-current	10,000	10,000	344
Long-term investments accounted for under the equity method	4,496	2,091	72
	<u>14,496</u>	<u>12,091</u>	<u>416</u>
<u>PROPERTY, PLANT AND EQUIPMENT</u> (Note 6)			
Cost			
Land	1,474,069	1,471,092	50,657
Buildings	6,301,267	6,156,771	212,010
Machinery and equipment	4,962,195	4,593,854	158,191
Transportation equipment	32,224	27,187	936
Office equipment	1,677,024	1,624,841	55,952
Leasehold improvements	49,221	46,575	1,604
	<u>14,496,000</u>	<u>13,920,320</u>	<u>479,350</u>
Less: Accumulated depreciation (Note 4(6))	(8,114,002)	(8,130,939)	(279,991)
Prepayments for equipment and construction-in-progress	50	892	31
	<u>6,382,048</u>	<u>5,790,273</u>	<u>199,390</u>
<u>INTANGIBLE ASSETS</u>			
Intangible assets	154,586	140,577	4,841
<u>OTHER ASSETS</u>			
Rental assets	166,124	146,836	5,056
Idle assets	1,317	175	6
Deposits out	25,226	22,255	766
Deferred charges	51,541	50,876	1,752
Deferred income tax assets-noncurrent (Note 4(11))	436,529	37,685	1,298
Restricted assets (Note 6)	7,000	6,748	232
	<u>687,737</u>	<u>264,575</u>	<u>9,110</u>
TOTAL ASSETS	<u>\$ 39,813,338</u>	<u>\$ 37,234,025</u>	<u>\$ 1,282,163</u>

(Continued)

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

	2011	2012	2012
	New Taiwan Dollars		US Dollars
			(Unaudited-Note 2)
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
<u>CURRENT LIABILITIES</u>			
Short-term loans (Note 4(7))	\$ 2,163,763	\$ 1,078,140	\$ 37,126
Financial liabilities at fair value through profit or loss-current (Note 4(8))	680,134	709,160	24,420
Notes payable	276	224	8
Accounts payable	10,786,600	11,260,133	387,746
Income tax payable (Note 4(11))	148,109	42,702	1,470
Accrued expenses (Note 4(9))	1,601,465	1,916,279	65,988
Other payables	276,549	126,998	4,373
Advance collections	718,183	341,683	11,766
Long-term liabilities - current	3,051	3,019	104
	<u>16,378,130</u>	<u>15,478,338</u>	<u>533,001</u>
<u>LONG-TERM INTEREST-BEARING LIABILITIES</u>			
Long-term loans	<u>35,038</u>	<u>21,415</u>	<u>737</u>
<u>OTHER LIABILITIES</u>			
Accrued pension liabilities (Note 4(10))	92,477	88,580	3,050
Guarantee deposit received	20,618	58,457	2,013
	<u>113,095</u>	<u>147,037</u>	<u>5,063</u>
Total Liabilities	<u>16,526,263</u>	<u>15,646,790</u>	<u>538,801</u>
<u>STOCKHOLDERS' EQUITY</u>			
Common stock (Note 4(12))	9,641,572	8,448,562	290,928
Capital reserve (Note 4(13))			
Paid-in capital in excess of par value	4,477,045	3,416,160	117,636
Treasury stock transactions (Note 4(15))	83,699	130,592	4,497
Long-term investments	345	345	12
Employee stock options (Notes 4(12)(16))	44,460	44,460	1,531
Retained earnings (Note 4(14))			
Legal reserve	2,407,478	2,440,124	84,026
Special reserve	140,321	140,321	4,832
Unappropriated earnings (Note 4(11))	6,239,733	6,718,016	231,337
Cumulative translation adjustments	424,963	242,875	8,364
Treasury stock (Note 4(15))	(178,299)	-	-
Total parent stockholders' equity	<u>23,281,317</u>	<u>21,581,455</u>	<u>743,163</u>
Minority interest	5,758	5,780	199
Total Stockholders' Equity	<u>23,287,075</u>	<u>21,587,235</u>	<u>743,362</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u>\$ 39,813,338</u>	 <u>\$ 37,234,025</u>	 <u>\$ 1,282,163</u>

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 25, 2013.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31,

(EXPRESSED IN THOUSANDS OF DOLLARS,
EXCEPT FOR EARNINGS PER SHARE)

	2011	2012	2012			
	New Taiwan Dollars		US Dollars			
			(Unaudited-Note 2)			
Operating revenues (Note 12)						
Sales	\$ 81,828,576	\$ 68,692,078	\$ 2,365,430			
Sales returns	(1,956,670)	(633,644)	(21,820)			
Sales allowances	(1,205,387)	(1,001,263)	(34,479)			
Net sales	78,666,519	67,057,171	2,309,131			
Operating costs (Notes 4(4)(18))						
Cost of goods sold	(70,740,821)	(59,547,081)	(2,050,519)			
Gross profit	7,925,698	7,510,090	258,612			
Operating expenses (Note 4(18))						
Selling expenses	(4,141,166)	(3,242,344)	(111,651)			
General and administrative expenses	(1,629,717)	(1,018,085)	(35,058)			
Research and development expenses	(2,065,082)	(2,373,673)	(81,738)			
Total operating expenses	(7,835,965)	(6,634,102)	(228,447)			
Operating income	89,733	875,988	30,165			
Non-operating income						
Interest income	77,894	100,102	3,447			
Foreign exchange gain, net	101,797	-	-			
Rental income	30,269	37,638	1,296			
Gain on valuation of financial liabilities (Note 4(8))	55,902	-	-			
Others	330,276	415,733	14,316			
Total non-operating income	596,138	553,473	19,059			
Non-operating expenses						
Interest expense	(51,976)	(51,757)	(1,782)			
Investment expense	(999)	(2,405)	(83)			
Loss on disposal of property, plant and equipment	(8,397)	(3,611)	(124)			
Foreign exchange loss, net	-	(3,845)	(133)			
Loss on valuation of financial assets (Notes 4(2) and 10)	(75,421)	(693)	(24)			
Loss on valuation of financial liabilities (Note 4(8))	-	(20,503)	(706)			
Others	(173,163)	(146,515)	(5,045)			
Total non-operating expenses	(309,956)	(229,329)	(7,897)			
Income before income tax	375,915	1,200,132	41,327			
Income tax expense (Note 4(11))	(49,757)	(335,238)	(11,544)			
Net income	\$ 326,158	\$ 864,894	\$ 29,783			
Attributable to :						
Equity holders of the Company	\$ 326,466	\$ 864,872	\$ 29,782			
Minority interest	(308)	22	1			
	\$ 326,158	\$ 864,894	\$ 29,783			
Basic earnings per share (Note 4(17)) (in dollars)	Before tax	After tax	Before tax	After tax	Before tax	After tax
Income from continuing operations	\$ 0.36	\$ 0.32	\$ 1.38	\$ 1.00	\$ 0.05	\$ 0.03
Basic earnings per share of minority interest	0.01	-	-	-	-	-
Net income	\$ 0.37	\$ 0.32	\$ 1.38	\$ 1.00	\$ 0.05	\$ 0.03
Diluted earnings per share (Note 4(17)) (in dollars)						
Net income	\$ 0.29	\$ 0.25	\$ 1.34	\$ 0.97	\$ 0.05	\$ 0.03

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

See report of independent accountants dated March 25, 2013.

MICRO - STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2012

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Capital Reserve					Retained Earnings			Cumulative Translation Adjustments	Treasury stock	Minority interest	Total
	Common Stock	Paid-in Capital in Excess of Par Value	Treasury stock Transactions	Long-term Investments	Employee Stock Options	Legal Reserve	Special Reserve	Unappropriated Earnings				
2011												
Balance at January 1, 2011	\$ 10,702,252	\$ 4,974,204	\$ -	\$ 345	\$ 42,864	\$ 2,355,477	\$ 108,846	\$ 6,532,354	\$ 140,321	\$ -	\$ 6,066	\$ 24,582,087
Appropriation of 2010 earnings (Note 1):												
Legal reserve	-	-	-	-	-	52,001	-	(52,001)	-	-	-	-
Special reserve	-	-	-	-	-	-	31,475	(31,475)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(535,611)	-	-	-	(535,611)
Exercise of employees stock options	9,980	-	-	-	1,596	-	-	-	-	-	-	11,576
Net income for 2011	-	-	-	-	-	-	-	326,466	-	-	(308)	326,158
Cumulative translation adjustments	-	-	-	-	-	-	-	-	565,284	-	-	565,284
Reacquisition of treasury stocks	-	-	-	-	-	-	-	-	(1,662,419)	-	-	(1,662,419)
Retirement of treasury stocks	(1,070,660)	(497,159)	83,699	-	-	-	-	-	-	1,484,120	-	-
Balance at December 31, 2011	\$ 9,641,572	\$ 4,477,045	\$ 83,699	\$ 345	\$ 44,460	\$ 2,407,478	\$ 140,321	\$ 6,239,733	\$ 424,963	\$ 178,299	\$ 5,758	\$ 23,287,075
2012												
Balance at January 1, 2012	\$ 9,641,572	\$ 4,477,045	\$ 83,699	\$ 345	\$ 44,460	\$ 2,407,478	\$ 140,321	\$ 6,239,733	\$ 424,963	\$ 178,299	\$ 5,758	\$ 23,287,075
Appropriation of 2011 earnings (Note 2):												
Legal reserve	-	-	-	-	-	32,646	-	(32,646)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(353,943)	-	-	-	(353,943)
Cash distribution from capital reserve	-	(530,913)	-	-	-	-	-	-	-	-	-	(530,913)
Net income for 2012	-	-	-	-	-	-	-	864,872	-	-	22	864,894
Cumulative translation adjustments	-	-	-	-	-	-	-	-	(182,088)	-	-	(182,088)
Reacquisition of treasury stocks	-	-	-	-	-	-	-	-	-	(1,497,790)	-	(1,497,790)
Retirement of treasury stocks	(1,193,010)	(529,972)	46,893	-	-	-	-	-	-	1,676,089	-	-
Balance at December 31, 2012	\$ 8,448,562	\$ 3,416,160	\$ 130,592	\$ 345	\$ 44,460	\$ 2,440,124	\$ 140,321	\$ 6,718,016	\$ 242,875	\$ -	\$ 5,780	\$ 21,587,235

Note 1: Directors' and supervisors' remuneration of \$8,600 and employees' bonus of \$86,000 for the year ended December 31, 2010 have been eliminated in the consolidated statement of income.

Note 2: Directors' and supervisors' remuneration of \$6,600 and employees' bonus of \$66,000 for the year ended December 31, 2011 have been eliminated in the consolidated statement of income.

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MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012
(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

	2012 (Unaudited>Note 2)	Capital Reserve			Retained Earnings			Cumulative Translation Adjustments	Treasury stock	Minority interest	Total
		Common Stock	Paid-in Capital in Excess of Par Value	Treasury stock Transactions	Long-term Investments	Employee Stock Options	Legal Reserve	Special Reserve	Unappropriated Earnings		
Balance at January 1, 2011		\$ 332,010	\$ 154,168	\$ 2,882	\$ 12	\$ 1,531	\$ 82,902	\$ 4,832	\$ 214,867	\$ 14,634	\$ 801,896
Appropriation of 2010 earnings (Note):											
Legal reserve		-	-	-	-	-	1,124	-	-	-	-
Cash dividends		-	-	-	-	-	-	-	1,124	-	-
Cash distribution from capital reserve		-	(18,282)	-	-	-	-	-	(12,188)	-	(12,188)
Net income for 2012		-	-	-	-	-	-	-	-	-	(18,282)
Cumulative translation adjustments		-	-	-	-	-	-	-	29,782	1	29,783
Reacquisition of treasury stocks		-	-	-	-	-	-	-	-	(6,270)	(6,270)
Retirement of treasury stocks		-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2012		\$ (41,082)	\$ 18,250	\$ 1,615	\$ 12	\$ 1,531	\$ 84,026	\$ 4,832	\$ 231,337	\$ 8,364	\$ 743,362
		\$ 290,928	\$ 117,636	\$ 4,497	\$ 12	\$ 1,531	\$ 84,026	\$ 4,832	\$ 231,337	\$ 8,364	\$ 743,362

Note : Directors' and supervisors' remuneration of \$227 and employees' bonus of \$2,273 for the year ended December 31, 2011 have been eliminated in the consolidated statement of income.

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 25, 2012.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

	2011	2012	2012
	New Taiwan Dollars		US Dollars
			(Unaudited-Note 2)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net income	\$ 326,158	\$ 864,894	\$ 29,783
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on valuation of financial assets	62,354	12,681	437
(Gain) loss on valuation of financial liabilities	(55,902)	20,503	706
Provision for (reversal of) bad debts	49,084	(23,835)	(821)
Reversal of loss on slow-moving inventory and market price decline	(135,126)	(132,350)	(4,558)
Investment loss accounted for under the equity method	999	2,405	83
Depreciation (including rental assets and idle assets)	624,252	586,162	20,185
Loss on disposal of property, plant and equipment	8,397	3,611	124
Amortization	31,124	24,394	840
Changes in assets and liabilities:			
Financial assets at fair value through profit or loss - current	-	(23,645)	(814)
Notes receivable	(51,690)	179,179	6,170
Accounts receivable	3,188,760	(1,348,900)	(46,450)
Other receivables	(84,806)	97,480	3,358
Inventories	5,416,686	406,252	13,989
Prepaid expenses	(205,095)	570,153	19,634
Deferred income tax assets	(57,780)	295,566	10,178
Notes payable	7	(52)	(2)
Accounts payable	(3,963,642)	473,533	16,306
Income tax payable	53,991	(105,407)	(3,630)
Accrued expenses	(734,499)	314,814	10,841
Other payables	57,466	(149,551)	(5,150)
Advance collections	157,903	(376,500)	(12,965)
Accrued pension liabilities	(3,354)	(3,897)	(134)
Net cash provided by operating activities	<u>4,685,287</u>	<u>1,687,490</u>	<u>58,110</u>

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MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

	<u>2011</u>	<u>2012</u>	<u>2012</u>
	<u>New Taiwan Dollars</u>	<u>US Dollars</u>	<u>(Unaudited-Note 2)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	(\$ 95,527)	(\$ 102,687)	(\$ 3,536)
Proceeds from disposal of property, plant and equipment	6,252	6,353	219
(Increase) decrease in deposits out	(3,753)	2,971	102
Increase in deferred charges	(32,252)	(15,980)	(550)
(Increase) decrease in restricted assets	(3,504)	252	9
Net cash used in investing activities	(128,784)	(109,091)	(3,756)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term loans	(198,166)	(1,085,623)	(37,384)
Redemption of convertible bonds	(2,196,600)	-	-
Increase in long-term liabilities - current	3,051	-	-
Payments of long-term loans	(24,710)	(13,655)	(470)
Increase in guarantee deposit received	1,224	37,839	1,303
Cash distribution from capital reserve	-	(530,913)	(18,282)
Issuance of common stock for exercise of employee stock options	11,576	-	-
Cash dividends paid	(535,611)	(353,943)	(12,188)
Reacquisition of treasury stocks	(1,662,419)	(1,497,790)	(51,577)
Net cash used in financing activities	(4,601,655)	(3,444,085)	(118,598)
Effect of changes in foreign exchange rates on cash and cash equivalents	235,270	(62,921)	(2,167)
Net increase (decrease) in cash and cash equivalents	190,118	(1,928,607)	(66,411)
Beginning balance of cash and cash equivalents	10,079,642	10,269,760	353,642
Ending balance of cash and cash equivalents	\$ 10,269,760	\$ 8,341,153	\$ 287,231
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>			
Cash paid for interest	\$ 50,099	\$ 57,845	\$ 1,992
Cash paid for income tax	\$ 157,023	\$ 188,526	\$ 6,492

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 25, 2013.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2012

(EXPRESSED IN THOUSANDS OF

DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Micro-Star International Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) in August 1986 and started its operations in the same year. The Company is primarily engaged in the manufacture and sale of motherboards and computer hardware. The shares of the Company have been listed on the Taiwan Stock Exchange since October 1998. As of December 31, 2012, the Company and its subsidiaries had approximately 13,000 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and generally accepted accounting principles in the R.O.C. The Group’s significant policies are summarized as follows:

1) Basis for preparation of consolidated financial statements

A. Principle for preparation of consolidated financial statements

All directly or indirectly majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. Consolidated financial statements are prepared quarterly since January 1, 2008. The income (loss) of the subsidiaries is included in the consolidated statement of income effective on the date the Company gains control over the subsidiaries. The income (loss) of the subsidiaries is excluded from the consolidated statement of income effective the date on which the Company loses control over the subsidiaries. The prior year’s consolidated statement of income is not restated.

Significant inter-company transactions and assets and liabilities arising from inter-company transactions are eliminated.

B. Subsidiaries included in the consolidated financial statements in 2011 and 2012:

Investor	Name of subsidiaries	Main operating activities	% of shares held as of December 31,		Note
			2011	2012	
Micro-Star International Co., Ltd.	Micro-Star Netherlands Holding B.V. [MSI (HOLDING)]	Investments holding company	100	100	B

Investor	Name of subsidiaries	Main operating activities	% of shares held as of December 31,		Note
			2011	2012	
Micro-Star International Co., Ltd.	MSI Pacific International Holding Company Limited [MSI (PACIFIC)]	Investments holding company	100	100	A
"	MSI Computer Corp. [MSI (LA)]	Sales and maintenance of computers, motherboard and electronic devices	100	100	B
"	MSI Computer Japan Company Limited [MSI (JAPAN)]	"	100	100	"
"	MSI Computer (Australia) Pty. Limited [MSI (AUSTRALIA)]	"	100	100	A
"	Micro-Star International (Cayman) Holding Company Limited [MSI (CAYMAN)]	Investments holding company	100	100	"
"	Mystar Investment Holding Company Limited [MYSTAR INVESTMENT]	General investment	100	100	"
MSI (HOLDING)	Mystar Computer B.V. [MYSTAR]	Sales and maintenance of computers, motherboard and electronic devices	100	100	B
"	MSI Technology GMBH [MSI (GMBH)]	"	100	100	"
"	MSI Computer SARL [MSI (SARL)]	"	100	100	"
"	MSI Computer (UK) Limited [MSI (UK)]	"	100	100	"
"	MSI Polska SP. Z O.O. [MSI (POLSKA)]	"	99	99	"
"	MSI Balkan Ltd. [MSI BALKAN]	"	100	100	"
"	MSI Computer Europe B.V. [MSI (EUROPE)]	Logistics	100	100	"
"	LLC MSI COMPUTER [MSI (RUSSIA)]	Sales and maintenance of computers, motherboard and electronic devices	99	99	"
"	MSI Computer Technologies Limited Company [MSI (TURKEY)]	"	99	99	"
"	MSI Italy S.R.L. [MSI (ITALY)]	"	100	100	"
MSI (EUROPE)	MSI Polska SP. Z O.O. [MSI (POLSKA)]	"	1	1	"
"	LLC MSI COMPUTER [MSI (RUSSIA)]	"	1	1	"
"	MSI Computer Technologies Limited Company [MSI (TURKEY)]	"	1	1	"

Investor	Name of subsidiaries	Main operating activities	% of shares held as of December 31,		Note
			2011	2012	
MSI (CAYMAN)	MSI Miami Corp. [MSI (MIAMI)]	Sales and maintenance of computers, motherboard and electronic devices	100	100	B
"	MSI Computer Do Brasil Ltda. [MSI (BRASIL)]	"	99	99	"
"	MSI Technology Mexico, S.A. DE.C.V [MSI (MEXICO)]	"	99	99	A
"	MSI Computer (Cayman) Company Limited [MSI COMPUTER (CAYMAN)]	Investments holding company	100	100	B
MSI COMPUTER (CAYMAN)	MSI Computer Do Brasil Ltda. [MSI (BRASIL)]	Sales and maintenance of computers, motherboard and electronic devices	1	1	"
"	MSI Technology Mexico, S.A. DE.C.V [MSI (MEXICO)]	"	1	1	A
MSI (PACIFIC)	MSI Korea Company Limited [MSI (KOREA)]	"	100	100	B
"	Star Information Holding Company Limited [STAR INFORMATION]	Investments holding company	100	100	A
"	MEGA Information Holding Company Limited [MEGA INFORMATION]	"	100	100	"
"	Micro-Star International (B.V.I) Holding Company Limited [MSI (B.V.I)]	"	100	100	"
"	Micro Electronics Holding Company Limited [MICRO ELECTRONICS]	"	100	100	"
"	MEGA Technology Holding Company Limited [MEGA TECHNOLOGY]	"	100	100	"
"	MSI Asia Company Limited [MSI ASIA]	"	100	100	"
"	MSI Computer India Pvt. Ltd. [MSI (INDIA)]	Sales and maintenance of computers, motherboard and electronic devices	99	99	"
MEGA INFORMATION	Shenzhen MEGA Information Co., Ltd. [SHENZHEN MEGA INFORMATION]	Testing and maintenance of computers, electronic devices and other products	100	100	"
MICRO ELECTRONICS	MSI Electronics (Kunshan) Co., Ltd. [MSI ELECTRONICS (KUNSHAN)]	Manufacturing, sales and maintenance of computers, electronic devices and other products	100	100	"
STAR INFORMATION	MSI Computer Trading (Shanghai) Co., Ltd. [MSI (SHANGHAI)]	Sales and maintenance of computers, electronic devices and other products	100	100	"

Investor	Name of subsidiaries	Main operating activities	% of shares held as of December 31,		Note
			2011	2012	
STAR INFORMATION	MSI Computer India Pvt. Ltd. [MSI (INDIA)]	Sales and maintenance of computers, motherboard and electronic devices	1	1	A
MSI (B.V.I.)	MSI Computer (Shenzhen) Co., Ltd. [MSI (SHENZHEN)]	Manufacturing, sales and maintenance of computers, electronic devices and other products	100	100	"
MEGA TECHNOLOGY	MSI Computer Trading (Shenzhen) Co., Ltd. [MSI TRADING (SHENZHEN)]	Sales and maintenance of computers, electronic devices and other products	100	100	"
MSI ASIA	MEGA Computer Company Limited [MEGA COMPUTER]	Sales of computers, electronic devices and other products	100	100	B
MYSTAR INVESTMENT	Funtoro Inc. [FUNTORO]	Research, development, sales and maintenance of automobile electronic products	95.2	95.2	A

Note A : Financial statements were audited by independent accountants.

Note B : These investee companies are included in the consolidated financial statements based on their financial statements which were audited by other auditors for the corresponding periods.

C. Subsidiaries excluded from the consolidated financial statements : None.

D. Adjustments for subsidiaries with different accounting periods : None.

E. Specific risks for foreign subsidiaries operations : None.

F. Significant restrictions for subsidiaries to transfer funds to the Company : None.

G. Securities issued by the Company held by subsidiaries : None.

H. Information on convertible bonds and new shares issued by subsidiaries :

- a) On October 25, 2012, the Board of Directors adopted a resolution of MSI Computer (Australia) PTY. Ltd. with a conversion of debt to shares amounting to AUD1,000. Relevant amount of capital raised has been registered.
- b) During the second half year of 2012, MSI (HOLDING) and MSI (EUROPE) invested in MSI (POLSKA) with their own capital in the amount of EUR1,064 thousand and EUR11 thousand, respectively. Corresponding registrations had all been completed.
- c) During the second half year of 2012, MSI (HOLDING) invested in MSI (GMBH) with its own capital in the amount of EUR2,000 thousand. Corresponding registrations had been completed.
- d) During the second half year of 2012, MSI (HOLDING) invested in MSI (UK) with its own capital in the amount of EUR641 thousand. Corresponding registrations had been completed.

2) Translation of foreign subsidiaries' financial statements

The financial statements of foreign subsidiaries are translated into New Taiwan Dollars using the following basis: assets and liabilities are translated into New Taiwan dollars using the exchange rates at the balance sheet date; equity accounts are translated at historical rates except for beginning retained earnings, which are carried forward from prior year's balance; profit and loss accounts are translated at weighted-average rates of the year. The resulting translation differences are included in "cumulative translation adjustments" under stockholders' equity.

3) Foreign currency transactions

- A. Transactions denominated in foreign currencies are translated into functional currencies at the spot exchange rates prevailing at the transaction dates.
- B. Other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss.
- C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall also be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
 - b) Assets held mainly for trading purposes;
 - c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - a) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
 - b) Liabilities arising mainly from trading activities;
 - c) Liabilities that are to be paid off within twelve months from the balance sheet date;

d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

5) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and other short-term highly liquid investments which are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value resulting from fluctuations in interest rates. Statements of cash flows are prepared on cash and cash equivalent basis.

6) Financial assets and financial liabilities at fair value through profit or loss

- A. Financial assets and financial liabilities at fair value through profit or loss are recognized and derecognized using settlement date accounting and are recognized initially at fair value.
- B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss.
- C. When a derivative is an ineffective hedging instrument, it is initially recognized at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value. If a derivative is a non-option derivative, the fair value initially recognized is zero. At the balance sheet date, instruments are revalued at fair value. Changes in the fair value are recognized in profit or loss and as adjustments to the carrying amounts of assets and liabilities.
- D. Assets and liabilities that meet one of the following criteria are designated as financial assets and liabilities at fair value through profit or loss:
 - a) Hybrid instruments;
 - b) Designated to eliminate or significantly decrease inconsistency on accounting valuation or recognition; and
 - c) Designated based on the Company and its subsidiaries' risk management policy or investment strategy evaluated on the fair value basis.
- E. The Company has designated all of its convertible bonds issued as financial liability at fair value through profit and loss. These bonds are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. When a bondholder exercises his/her conversion rights, the liability component of the bonds (including corporate bonds and embedded derivatives) shall be revalued at fair value on the conversion date, and the resulting difference shall be recognized as "gain or loss" in the current period. The book value of the common stock issued due to the conversion shall be based on the fair value of the above-mentioned liability component of the bonds.

7) Financial assets carried at cost

- A. Investments in unlisted equity instruments are stated at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

- B. If there is any objective evidence that the financial assets are impaired, the loss is charged to current operations. Such impairment loss in the fair value of the asset is not recoverable.

8) Notes, accounts and other receivables

- A. Notes and accounts receivables are claims resulting from the sale of goods or services. Receivables arising from transactions other than the sale of goods or services are classified as other receivables. Notes, accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.
- B. The Company and its subsidiaries assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, a provision for impairment of financial asset is recognized. The amount of impairment loss is determined based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the fair value of the asset subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. Such recovery of impairment loss shall not result to the asset's carrying amount greater than its amortized cost where no impairment loss was recognized. Subsequent recoveries of amounts previously written off are recognized in profit or loss.

9) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at cost. The cost is determined using the weighted-average method. Inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value should be based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses. Allowance for slow moving items and decline in the market value is provided when necessary.

10) Long-term investments accounted for under the equity method

- A. Long-term investments in which the Company holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method.
- B. Unrealized gains or losses arising from transactions between the Company and investees accounted for under the equity method are eliminated.
- C. Exchange differences arising from translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as "cumulative translation adjustments" under stockholders' equity.

11) Property, plant and equipment

- A. Property, plant and equipment are stated at cost. Interests incurred on the loans used to bring the assets to the condition and location necessary for their intended uses are capitalized.
- B. Depreciation is provided under the straight-line method based on the assets' estimated economic service lives. The estimated economic service lives of property, plant and equipment are 2~10 years except for buildings, the estimated economic service life of which is 20~55 years.
- C. Major improvements and renewals that generate future economic benefits are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred.
- D. Property, plant and equipment that are idle or have no value in use are reclassified to "other assets" at the lower of the fair value less costs to sell or book value. The resulting difference is included in loss of current period. Depreciation provided on these assets is charged to non-operating expense.

12) Intangible assets

Land-use rights are recorded at acquisition cost. Amortization is calculated based on the straight-line basis over their useful lives.

13) Deferred charges

Deferred charges consist mainly of royalties and copyrights and are stated at cost and amortized over their estimated useful lives under the straight-line method.

14) Impairment of non-financial assets

The Group recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life. When the impairment no longer exists, the impairment loss can be reversed within the range of impairment losses recognized in prior years.

15) Retirement plan

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 15 years. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

16) Income tax

- A. Intraperiod and interperiod income tax allocation are adopted in the accounting of income tax. Over or under provision of prior years' income tax liabilities is included in current year's income tax. When a change in the tax laws is enacted, the deferred tax liability or asset should be recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, should be recognized as an adjustment to income tax expense (benefit) for income from continuing operations in the current period.
- B. Investment tax credits arising from expenditures incurred on research and development is recognized in the year the related expenditures are incurred.
- C. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

17) Treasury stock

- A. When a company acquires its outstanding shares as treasury stock, the acquisition cost should be debited to the treasury stock account (a contra account under stockholders' equity) if the shares are purchased.
- B. When a company's treasury stock is retired, the treasury stock account should be credited, and the capital surplus-premium on stock account and capital stock account should be debited proportionately according to the share ratio. An excess of the carrying value of treasury stock over the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. An excess of the sum of the par value and premium on stock of treasury stock over its carrying value should be credited to capital surplus from the same class of treasury stock transactions.
- C. The cost of treasury stock is accounted for on a weighted-average basis.

18) Share-based payment — employee compensation plan

The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072 "Accounting for Employee Stock Options" as prescribed by the R.O.C. Accounting Research and Development Foundation, dated March 17, 2003. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share are prepared in accordance with the R.O.C. SFAS No. 39, "Accounting for Share-based Payment".

19) Employees' bonuses and directors' and supervisors' remuneration

Pursuant to EITF 96-052 of the R.O.C. Accounting Research and Development Foundation, dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration

are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the R.O.C. Accounting Research and Development Foundation, dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

20) Earnings per share

- A. The calculation of earnings per share is based on the weighted-average number of common shares and common stock equivalents outstanding during each period. The outstanding period of cash capital increase is calculated from its effective date.
- B. Dual presentation of basic and fully diluted earnings per share is due to the issuance of convertible bonds and employee stock options.

21) Revenue, cost and expense recognition

Revenue is recognized when the earning process is completed and realized or realizable. Costs and expenses are recorded as incurred.

22) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reported period. Actual results could differ from those assumptions and estimates.

23) Settlement date accounting

Under the settlement date accounting, any change in the fair value of financial instruments during the period between the trade date and settlement date shall not be recognized for financial assets carried at cost or at amortized cost, and shall be recognized in current income for financial assets at fair value through profit or loss, and in stockholders' equity for available-for-sale financial assets.

24) Operating segments

In accordance with R.O.C. SFAS No. 41, "Operating Segments", segment information is disclosed in the consolidated financial statements rather than in the separate financial statements of the Company and its subsidiaries.

25) Convenience translation into US dollars

The Company maintains its accounting records and prepares its financial statements in New Taiwan dollars. The United States dollar amounts disclosed in the 2012 financial statements are presented solely for the convenience of the readers and were translated into US dollars using the exchange rate prevailing as of December 31, 2012 of US\$1:NT29.04. Such translation amounts are not in accordance with generally accepted accounting principles in the Republic of China and should not be construed as representation that the New Taiwan dollar amounts represent, or have been or could be converted into United States dollars at that or any other rate.

3. CHANGES IN ACCOUNTING PRINCIPLES

1) Notes, accounts and other receivables

Effective January 1, 2011, the Group adopted the amendments to R.O.C. SFAS No. 34, "Financial Instruments: Recognition and Measurement". A provision for impairment of notes, accounts and other receivables is recognized when there is objective evidence that the receivables are impaired. This change in accounting principle had no significant effect on the consolidated financial statements and earnings per share for 2011.

2) Operating segments

Effective January 1, 2011, the Group adopted the newly issued R.O.C. SFAS No. 41, "Operating Segments", in place of the original R.O.C. SFAS No. 20, "Segment Reporting". This change in accounting principle had no significant effect on the consolidated net income and earnings per share for 2011.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
			(Unaudited)
Cash:			
Cash on hand	\$ 6,542	\$ 5,415	\$ 187
Checking and savings account	5,258,602	3,837,905	132,159
Time deposits	4,304,616	3,147,833	108,396
	9,569,760	6,991,153	240,742
Cash equivalents:			
Bonds with redemption rights	700,000	1,350,000	46,488
	<u>\$ 10,269,760</u>	<u>\$ 8,341,153</u>	<u>\$ 287,230</u>

2) Financial assets at fair value through profit or loss-current

	December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
			(Unaudited)
Current items:			
Financial assets held for trading			
Common stock of listed public companies	\$ -	\$ 23,645	\$ 814
Evaluation adjustments	-	118	4
Derivatives - Forward exchange contracts	4,276	-	-
Total	\$ 4,276	\$ 23,763	\$ 818

A. The Group recognized net gain of \$118 (US\$4) for the year ended December 31, 2012.

B. Please refer to Note 10 for information on derivative financial instrument transactions.

3) Accounts receivable, net

	December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
			(Unaudited)
Accounts receivable	\$ 8,977,427	\$ 10,326,327	\$ 355,590
Less: Allowance for bad debts	(153,239)	(129,404)	(4,456)
	\$ 8,824,188	\$ 10,196,923	\$ 351,134

4) Inventories, net

The details of inventories, net of allowance, were as follows :

	December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
			(Unaudited)
Raw materials	\$ 3,597,416	\$ 3,435,946	\$ 118,318
Work in process	612,351	893,862	30,780
Finished goods	6,121,891	5,733,807	197,445
	\$ 10,331,658	\$ 10,063,615	\$ 346,543

Expense and loss incurred on inventories for the years ended December 31, 2011 and 2012 were as follows:

	For the years ended December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
	(Unaudited)		
Cost of inventories sold	\$ 70,866,483	\$ 59,589,561	\$ 2,051,982
Reversal of loss on slow -moving inventory and market price decline	(135,126)	(132,350)	(4,558)
Loss on physical inventory and obsolescence	9,464	14,870	512
Others	-	75,000	2,583
	<u>\$ 70,740,821</u>	<u>\$ 59,547,081</u>	<u>\$ 2,050,519</u>

Net realizable value recovery of inventories was due to the Company's sale of a portion of obsolete inventories in 2011 and 2012.

5) Prepaid expenses

	December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
	(Unaudited)		
Overpaid tax for offsetting the future tax payable	\$ 582,723	\$ 595,570	\$ 20,509
Office supplies	759,527	571,586	19,683
Prepayments for goods	211,385	183,859	6,331
Others	442,896	75,363	2,595
	<u>\$ 1,996,531</u>	<u>\$ 1,426,378</u>	<u>\$ 49,118</u>

6) Property, plant and equipment-accumulated depreciation

	December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
	(Unaudited)		
Buildings	\$ 2,351,582	\$ 2,528,465	\$ 87,068
Machinery and equipment	4,430,765	4,254,238	146,496
Transportation equipment	20,657	19,339	666
Office equipment	1,285,362	1,302,973	44,868
Leasehold improvements	25,636	25,924	893
	<u>\$ 8,114,002</u>	<u>\$ 8,130,939</u>	<u>\$ 279,991</u>

7) Short-term loans

	December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
			(Unaudited)
Unsecured loans	\$ 2,163,763	\$ 1,078,140	\$ 37,126
Interest rate	1.78%~3.51%	0.83%~1.84%	0.83%~1.84%

8) Financial liabilities at fair value through profit or loss-current

	December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
			(Unaudited)
Derivative financial instruments			
Forward exchange contract	\$ -	\$ 8,523	\$ 293
Financial liabilities designated as at fair value through profit or loss			
Domestic unsecured convertible bonds	\$ 707,000	\$ 707,000	\$ 24,346
Adjustment of financial liabilities designated as at fair value through profit or loss	(26,866)	(6,363)	(219)
	680,134	700,637	24,127
Total	\$ 680,134	\$ 709,160	\$ 24,420

A. Please refer to Note 10 for information on derivative financial instrument transactions.

B. The Company issued its second domestic unsecured convertible bonds as resolved by the Board of Directors on November 5, 2007. The principal amount issued was \$3,000,000. Due to their hybrid instrument feature, the above-mentioned convertible bonds were recognized in "financial liabilities designated as at fair value through profit or loss" in accordance with R.O.C. SFAS No. 34. Book value of the above-mentioned convertible bonds was \$700,637 (US\$24,127) as of December 31, 2012. The Company recognized gain (loss) on valuation of convertible bonds amounting to \$55,902 and (\$20,503) (-US\$706) for the years ended December 31, 2011 and 2012, respectively. The major terms of the bonds are summarized below:

- a) Principal amount: \$3,000,000
- b) Issuance price: \$100 per bond.
- c) Coupon rate: 0%
- d) Issue period: 5 years (April 25, 2008 to April 25, 2013)

- e) Conversion period: October 26, 2008 to April 15, 2013
- f) Conversion right: The bonds are convertible into the Company's common shares at the conversion price in effect on the conversion date.
- g) Conversion price and adjustments:
1. The initial conversion price at issuance of the bonds is NT\$31.4 (in dollars) per share.
 2. The conversion price will be adjusted based on the terms of the convertible bonds. As of December 31, 2012, none of the bonds were converted to common stocks. The conversion price was adjusted to NT\$19 (in dollars) per share, as approved by the Board of Directors on July 25, 2012.
 3. The conversion price is subject to adjustment based on the prescribed formula upon the occurrence of certain events, including (i) increase in number of the issued and outstanding common shares (including cash capital increased through issuance of new common stock or private placement, retained earnings capitalized, capital reserve capitalized, employees' bonus capitalized, issuance of new common stock due to business combination or acquisition of other company's shares, shares split, cash infusion for issuance of global depository receipts, etc.), (ii) conversion of bonds at price lower than market price per share, or issuance of various securities with conversion option of common stock or stock warrants through private placement, or (iii) Common shares decrease not owing to capital decrease from treasury stock cancellation.
 4. The conversion price could be reset on the later date of ex-rights date or ex-dividends date every year from 2008 to 2012. In case of no dividends distribution, the conversion price reset date shall be August 15 in that year; if it is a holiday, it shall be extended to the following trading day. The conversion price will be adjusted and reset at one of the simple arithmetic average closing prices of the common shares for 1, 3 or 5 consecutive trading days prior to the conversion price reset date multiplied by the conversion premium rate of 110% ~ 130%. The adjusted conversion price shall not be higher than the conversion price before reset and not be less than 80% of the conversion price at issuance of the bonds.
- h) Call option:
- The Company may redeem the outstanding bonds at face value within 30 trading days after the following event: the closing prices of the shares are 50% higher than the conversion price for 30 consecutive trading days. The Company may also redeem the outstanding bonds at face value by cash any time after the following event: the amount of the outstanding bonds is less than 10% of the initial issuance amount of convertible bonds. The redemption conditions above are valid from the day after six months of bond issuance to 40 days prior to the maturity date of the bonds.

i) Put option:

The Company should redeem such bonds from March 16 to April 25, 2011 at face value upon the request of the bondholders.

j) Rights and obligations after conversion

The new shares issued in conversion have rights and obligations identical to other issued and outstanding common shares.

k) As of December 31, 2012, the face value of convertible bonds redeemed from creditors or bought back from Taiwan Over-The-Counter Securities Exchange amounts to \$2,293,000 (US\$78,960).

9) Accrued expenses

	December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
			(Unaudited)
Accrued salary and bonus	\$ 592,331	\$ 697,702	\$ 24,026
Accrued freight	135,206	319,154	10,990
Directors' and supervisors' remuneration and employees' bonus	72,600	132,000	4,545
Other accrued expenses	801,328	767,423	26,427
	<u>\$ 1,601,465</u>	<u>\$ 1,916,279</u>	<u>\$ 65,988</u>

10) Pension plan

A. The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

The following sets forth the pension information based on the actuarial report:

a) Actuarial assumptions:

	For the years ended December 31,	
	2011	2012
Discount rate	1.90%	1.75%
Average expected yield of pension assets	1.90%	1.75%
Future salary incremental rate	2.50%	2.50%

b) The reconciliation of the Plan funded status and the accrued pension liability is as follows:

	December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
			(Unaudited)
Benefit obligation			
Vested benefit obligation	(\$ 46,004)	(\$ 54,307)	(\$ 1,870)
Non-vested benefit obligation	(159,882)	(176,000)	(6,061)
Accumulated benefit obligation	(205,886)	(230,307)	(7,931)
Additional benefit based on future salaries	(86,428)	(89,320)	(3,076)
Projected benefit obligation	(292,314)	(319,627)	(11,007)
Fair value of plan assets	190,281	202,950	6,989
Projected benefit obligation in excess of plan assets	(102,033)	(116,677)	(4,018)
Unrecognized transition obligation	-	-	-
Unrecognized net loss	9,556	28,097	968
Accrued pension liabilities	(\$ 92,477)	(\$ 88,580)	(\$ 3,050)
Vested benefit	\$ 52,650	\$ 60,715	\$ 2,091

c) The net periodic pension costs were as follows:

	For the years ended December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
			(Unaudited)
Service cost	\$ 5,254	\$ 5,193	\$ 179
Interest cost	5,069	5,554	191
Expected return on plan assets	(3,102)	(3,615)	(124)
Unrecognized net transition obligation	755	-	-
Net periodic pension cost	\$ 7,976	\$ 7,132	\$ 246

B. The Company established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable upon termination of employment. The pension costs under the defined contribution pension plan for the years ended December 31, 2011 and 2012 were \$79,802 and \$81,157 (US\$2,795), respectively.

C. Consolidated entities and subsidiaries of the Company adopting funded defined contribution plans contribute pension funds in conformity with local regulations. Pension cost recognized by the consolidated entities under funded defined contribution plans for the years ended December 31, 2011 and 2012 were \$1,709 and \$1,091 (US\$37), respectively.

11) Income tax

A. Income tax expense and income tax payable are reconciled as follows:

	As of and for the years ended December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
	(Unaudited)		
Income tax payable	\$ 148,109	\$ 42,702	\$ 1,470
Income tax refundable	(80,484)	(43,447)	(1,496)
Net change in deferred income tax assets	(57,780)	295,566	10,178
Prepaid income tax and withholding taxes	43,325	22,980	791
Unpaid prior year's income tax	(10,205)	(10,205)	(351)
Under provision of prior year's income tax	6,792	27,642	952
Income tax expense	<u>\$ 49,757</u>	<u>\$ 335,238</u>	<u>\$ 11,544</u>
Income tax expense			
Current period income tax expense	\$ 49,757	\$ 321,206	\$ 11,061
10% tax on unappropriated earnings	-	14,032	483
Total income tax expense	<u>\$ 49,757</u>	<u>\$ 335,238</u>	<u>\$ 11,544</u>

B. The details of deferred income tax assets were as follows:

	December 31,					
	2011		2012		2012	
	Amount	Tax effect	Amount	Tax effect	Amount	Tax effect
	NT\$		NT\$		US\$	
	(Unaudited)					
<u>Deferred income tax assets-current</u>						
Temporary differences						
Unrealized exchange loss (gain)	\$ 123,812	\$ 21,048	(\$ 62,827)	(\$ 10,680)	(\$ 2,163)	(\$ 368)
Provision for loss on slow-moving inventories	411,221	79,250	297,359	53,626	10,240	1,847
Unrealized (gain) loss on valuation of forward exchange contracts	(3,708)	(630)	8,523	1,449	293	50
Excess provision for allowance for bad debts	49,845	7,040	24,620	3,264	848	113
Unrealized intercompany profit	111,954	19,032	78,796	13,395	2,713	461
Others	243,164	42,710	87,513	16,964	3,014	584
Loss carryforwards	109,050	43,620	190,647	27,085	6,565	933
Investment tax credits		170,000		378,426		13,031
Deferred income tax valuation allowance - current	(4,252)		(2,433)		(\$ 84)	
	<u>\$ 377,818</u>		<u>\$ 481,096</u>		<u>\$ 16,567</u>	
<u>Deferred income tax assets-noncurrent</u>						
Temporary differences						
Others	\$ -	\$ -	(\$ 627)	(\$ 216)	(\$ 22)	(\$ 7)
Loss carryforwards	120,935	54,042	98,804	37,901	3,402	1,305
Investment tax credits		382,487		-		-
	<u>\$ 436,529</u>		<u>\$ 37,685</u>		<u>\$ 1,298</u>	

C. Details of investment tax credits available through the Act for Upgrading Industries were as follows:

December 31, 2012					
Eligible expense	Tax credits		Unused		Year of Expiry
	NT\$	US\$	NT\$	US\$	
	(Unaudited)		(Unaudited)		
Research and development expense	\$ 377,796	\$ 13,009	\$ 377,796	\$ 13,009	2013
Machinery and equipment	140	5	140	5	2013
Human resources development	490	17	490	17	2013

D. As of December 31, 2012, unused loss carryforward for the Group, amounting to \$289,451 (US\$9,967) expires between 2017 and 2032.

E. The related information on the imputation tax was as follows:

	2011	2012	2012
	NT\$	NT\$	US\$
			(Unaudited)
Imputation tax credit amount	\$ 885,976	\$ 936,696	\$ 32,255
	2011 (Actual)	2012 (Projected)	
Tax imputation creditable ratio of appropriated earnings	16.10%	14.17%	

The projected imputation credit ratio for the year ended December 31, 2012 is derived based on the balance of the Company's imputation tax credit account on December 31, 2012. According to the Income Tax Law, the distribution of retained earnings in 1998 and thereafter, the imputation tax credit amount to be distributed to the shareholders of the Company is based on the imputation credit ratio on the dividend distribution date which may be subject to adjustments owing to various deductions.

F. The information on the Company's undistributed earnings was as follows:

December 31,			
	2011	2012	2012
	NT\$	NT\$	US\$
			(Unaudited)
Undistributed earnings before 1997	\$ 108,787	\$ 108,787	\$ 3,746
Undistributed earnings in and after 1998	6,130,946	6,609,229	227,591
	\$ 6,239,733	\$ 6,718,016	\$ 231,337

G. As of December 31, 2012, the income tax returns of the Company through year 2010 have been assessed and approved by the Tax Authority.

12) Common stock

- A. As of December 31, 2011 and 2012, the Company's authorized common stock were both \$15,000,000 (US\$516,529) (including 150,000,000 shares reserved for employee stock options and 80,000,000 shares reserved for convertible bonds issued by the Company). Paid-in capital was \$9,641,572 and \$8,448,562 (US\$290,928), respectively. The number of outstanding shares, net of treasury shares, was 950,124 thousand shares and 844,856 thousand shares, respectively. The par value was \$10 (in dollars) per share.
- B. On February 15, 2012, April 24, 2012 and July 25, 2012, the Board of Directors of the Company resolved to retire 39,301 thousand shares, 40,000 thousand shares and 40,000 thousand shares, respectively. The effective date of the capital reduction was set on February 15, 2012, April 24, 2012 and July 25, 2012, respectively. Such capital reduction had been registered on February 24, 2012, April 26, 2012 and July 27, 2012, respectively.
- C. As of December 31, 2012, 10,724 thousand shares of common stock had been issued by the Company due to the exercise of employee stock options. Capital reserve arising from exercise price in excess of par value on issuance of common stock amounted to \$44,460 (US\$1,531).

13) Capital reserve

- A. Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient to fully cover accumulated deficit.
- B. Cash distribution from capital reserve had been resolved on June 15, 2012 through the shareholders' meeting. The cash distribution is detailed below:

For the year ended December 31,			
2011		2011	
Cash distributed		Cash distributed	
per share		per share	
Amount	(in dollars)	Amount	(in dollars)
NT\$	NT\$	US\$	US\$
(Unaudited)			
Cash distributed from capital reserve	\$ 530,913	\$ 0.60	\$ 18,282
			\$ 0.02

The cash distribution was in agreement with that proposed by the Board of Directors.

- C. Please see Note 4 (12) for information on capital reserve from employee stock options.

14) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve pursuant to relevant laws. Bonus distributed to the employees and remuneration paid to directors and supervisors cannot exceed 10% ~ 12% and 1%, respectively, of the total distributed amount, which is 5%~90% of the remaining net income plus unappropriated retained earnings at the beginning of the year. Appropriation of the remainder to the stockholders shall be proposed by the Board of Directors and resolved by the stockholders.
- B. The Company allocates stockholders' bonus in the form of both stock and cash dividends. The amount of cash dividend should not be less than 10% of the total stockholders' bonus. While the cash dividend is less than NT\$0.5 (in dollars) per share, such dividend can be distributed in the form of cash or stock dividend. The Board of Directors is authorized to determine the proportion between cash dividend and stock dividend distributed based on the financial status and capital budget of the Company.
- C. In accordance with the regulations set forth by the Securities and Futures Commission, the Company is required to provide a special reserve amount equal to the debit balances of equity accounts. Such reserve cannot be distributed as dividends.
- D. The legal reserve shall not be used for any purpose except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership. Such issuance of new stock or cash distribution from legal reserve is limited to the amount of legal reserve in excess of 25% of the Company's paid-in capital.
- E. The appropriation of 2010 and 2011 earnings had been resolved at the stockholders' meeting on June 9, 2011 and June 15, 2012, respectively. Details are summarized as below:

	For the years ended December 31,					
	2010		2011		2011	
	Dividends		Dividends		Dividends	
	per share		per share		per share	
	Amount	(in dollars)	Amount	(in dollars)	Amount	(in dollars)
	NT\$	NT\$	NT\$	NT\$	US\$	US\$
	(Unaudited)					
Legal reserve	\$ 52,001		\$ 32,646		\$ 1,124	
Special reserve	31,475		-		-	
Cash dividends	535,611	\$ 0.50	353,943	\$ 0.40	12,188	\$ 0.01

The earnings appropriation above was in agreement with that proposed by the Board of Directors. As of March 25, 2013, the 2012 earnings appropriation of the Company had not been approved by the Board of Directors.

- F. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. Employees' bonus of \$66,000 and directors' and supervisors' remuneration of \$6,600 for 2011 as resolved by the stockholders were in agreement with those amounts recognized in the 2011 financial statements.
- G. The sum of employees' bonus and directors' and supervisors' remuneration for 2011 and 2012 was accrued at \$72,600 and \$132,000(US\$4,545), respectively, which was estimated based on certain percentages of net income in current year after taking into account the legal reserve and other factors, prescribed by the Company's Articles of Incorporation. Information on the appropriation of the Company's employees' bonus and directors' and supervisors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

15) Treasury stock

- A. Changes in the treasury stock for the years ended December 31, 2011 and 2012 are set forth below:

For the year ended December 31, 2011				
<u>Reason for reacquisition</u>	<u>Beginning amount</u>	<u>Additions</u>	<u>Disposal</u>	<u>Ending amount</u>
To maintain the Company's credit and the stockholders' equity				
-number of shares	-	121,099,000 (	107,066,000)	14,033,000
-amount	\$ -	\$ 1,662,419 (\$	1,484,120)	\$ 178,299

For the year ended December 31, 2012				
<u>Reason for reacquisition</u>	<u>Beginning amount</u>	<u>Additions</u>	<u>Disposal</u>	<u>Ending amount</u>
To maintain the Company's credit and the stockholders' equity				
-number of shares	14,033,000	105,268,000 (	119,301,000)	-
-amount	\$ 178,299	\$ 1,497,790	\$ 1,676,089	\$ -
	(US\$ 6,140)	(US\$ 51,577)	(-US\$ 57,717)	(US\$ -)

- B. Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital reserve.
- C. Pursuant to the R.O.C. Securities and Exchange Law, treasury stock should not be pledged. Additionally, before treasury stocks are transferred to employees, the shareholder's rights shall not be enjoyed.
- D. Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks that are not transferred to employees within three years from the day of buyback shall be deemed as not issued by the company and amendment registration shall be processed. Treasury shares to maintain the

Company's credit and the stockholders' equity shall be cancelled and amend registration within six months from the day of buyback. For information on cancellation of treasury stocks, please refer to Note 4(12).

16) Share-based payment — employee compensation plan

- A. In accordance with the resolution adopted by the Board of Directors, the Company made the first issuance of employee stock options and second issuance of employee stock options on December 16, 2004 and March 22, 2007, respectively. The existing period of the Company's employee stock option plan is 6 years. The employee may exercise the stock options in installments 2 years after the stock options are granted.
- B. No compensation cost was recognized under the stock-based employee compensation plan for the years ended December 31, 2011 and 2012.
- C. Details of the employee stock options are set forth below:

Stock options	For the year ended December 31, 2011	
	No. of shares (in thousands)	Weighted-average exercise price (NT\$ in dollars)
Options outstanding at beginning of year	16,058	\$ 21.02
Options granted	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-
Options exercised	(998)	11.60
Options revoked	(2,206)	17.35
Options outstanding at end of year	12,854	21.80
Options exercisable at end of year	12,854	
Options authorized but not granted at end of year	-	

Stock options	For the year ended December 31,		
	2012	2012	2012
	No. of shares (in thousands)	Weighted-average exercise price (NT\$ in dollars)	Weighted-average exercise price (US\$ in dollars)
Options outstanding at beginning of year	12,854	\$ 21.80	\$ 0.75
Options granted	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-
Options exercised	-	-	-
Options revoked	(712)	21.61	0.74
Options outstanding at end of year	12,142	20.75	0.71
Options exercisable at end of year	12,142		
Options authorized but not granted at end of year	-		

D. Details of the employee stock options outstanding as of December 31, 2012 are set forth below:

Range of exercise price (in dollars)	Stock options outstanding as of December 31, 2012			as of December 31, 2012		
	No. of shares (in thousands)	Weighted-average expected remaining vesting period	Weighted-average exercise price (in dollars)	No. of shares (in thousands)	Weighted-average exercise price (in dollars)	
\$ 20.75	12,142	0.58 years	\$ 20.75	12,142	\$ 20.75	
(US\$ 0.71)			(US\$ 0.71)		(US\$ 0.71)	

E. The following sets forth the pro forma net income and earnings per share assuming that the compensation cost is accounted for using the fair value method for the stock options granted or amended after January 1, 2004:

		For the years ended December 31,		
		2011	2012	2012
		NT\$	NT\$	US\$
		(Unaudited)		
Net income	Net income stated in the statement of income	\$ 326,158	\$ 864,894	\$ 29,783
	Pro forma net income	326,158	864,894	29,783
Basic earnings per share (EPS) (in dollars)	EPS stated in the statement of income	0.32	1.00	0.03
	Pro forma EPS	0.32	1.00	0.03
Diluted EPS (in dollars)	EPS stated in the statement of income	0.25	0.97	0.03
	Pro forma EPS	0.25	0.97	0.03

Fair value on the grant date of the stock options is estimated using the Black-Scholes option pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

		For the years ended December 31, 2011 and 2012	
		1st issuance	2nd issuance
Dividend yield rate		0%	0%
Expected price volatility		63.79%	45.25%
Risk-free interest rate		1.89%	2.45%
Expected vesting period		6 years	6 years
Weighted-average fair value per share (in dollars)		\$9.67 (US\$0.33)	\$13.67 (US\$0.47)

17) Earnings per share

For the year ended December 31, 2011 (NT\$)					
	Amount		Weighted average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before Tax	After Tax		Before Tax	After Tax
Net income	\$ 375,915	\$ 326,158	1,020,626		
Basic earnings per share				<u>\$ 0.37</u>	<u>\$ 0.32</u>
Effect of potential dilutive common stock:					
Employee stock option	-	-	872		
Stock bonuses to employees	-	-	5,116		
Convertible bonds	(55,902)	(55,902)	66,178		
Diluted earnings per share	<u>\$ 320,013</u>	<u>\$ 270,256</u>	<u>1,092,792</u>	<u>\$ 0.29</u>	<u>\$ 0.25</u>

For the year ended December 31, 2012 (NT\$)					
	Amount		Weighted average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before Tax	After Tax		Before Tax	After Tax
Net income	\$ 1,200,132	\$ 864,894	868,259		
Basic earnings per share				<u>\$ 1.38</u>	<u>\$ 1.00</u>
Effect of potential dilutive common stock:					
Employee stock option	-	-	-		
Stock bonuses to employees	-	-	8,602		
Convertible bonds	20,503	20,503	35,604		
Diluted earnings per share	<u>\$ 1,220,635</u>	<u>\$ 885,397</u>	<u>912,465</u>	<u>\$ 1.34</u>	<u>\$ 0.97</u>

For the year ended December 31, 2012 (US\$) (Unaudited)					
	Amount		Weighted average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before Tax	After Tax		Before Tax	After Tax
Net income	\$ 41,327	\$ 29,783	868,259		
Basic earnings per share				<u>\$ 0.05</u>	<u>\$ 0.03</u>
Effect of potential dilutive common stock:					
Employee stock option	-	-	-		
Stock bonuses to employees	-	-	8,602		
Convertible bonds	706	706	35,604		
Diluted earnings per share	<u>\$ 42,033</u>	<u>\$ 30,489</u>	<u>912,465</u>	<u>\$ 0.05</u>	<u>\$ 0.03</u>

As the employee stock option had a reverse dilutive effect, it is not included in the computation of diluted earnings per share of 2012.

18) Personnel expenses, depreciation and amortization

Personnel expenses, depreciation and amortization are summarized by their functions as follows:

<u>For the year ended December 31, 2011 (NT\$)</u>			
	<u>Cost of Goods Sold</u>	<u>Operating Expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 1,428,038	\$ 2,922,665	\$ 4,350,703
Labor and National Health insurances	20,751	215,554	236,305
Pension	5,851	83,636	89,487
Others	39,973	93,296	133,269
Depreciation(Note)	398,878	212,459	611,337
Amortization	22,077	9,047	31,124
<u>For the year ended December 31, 2012 (NT\$)</u>			
	<u>Cost of Goods Sold</u>	<u>Operating Expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 1,666,283	\$ 2,812,953	\$ 4,479,236
Labor and National Health insurances	20,501	207,886	228,387
Pension	5,956	83,424	89,380
Others	67,897	96,278	164,175
Depreciation(Note)	384,252	186,578	570,830
Amortization	18,294	6,100	24,394
<u>For the year ended December 31, 2012</u>			
<u>(US\$) (Unaudited)</u>			
	<u>Cost of Goods Sold</u>	<u>Operating Expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 57,379	\$ 96,865	\$ 154,244
Labor and National Health insurances	706	7,159	7,865
Pension	205	2,873	3,078
Others	2,338	3,315	5,653
Depreciation(Note)	13,232	6,425	19,657
Amortization	630	210	840

Note : The depreciation of rental assets and idle assets were \$12,915 and \$15,332 (US\$528) in 2011 and 2012, respectively, and shown under "Non-operating expenses".

5. RELATED PARTY TRANSACTIONS

1) Names and relationship of related parties

<u>Names of the related parties</u>	<u>Relationship with the Company</u>
Directors, supervisors, president, vice presidents, etc.	The Company's directors, supervisors and key management

2) Significant related party transactions

The following sets forth the salaries/rewards information of key management, such as directors, supervisors, president, vice presidents, etc.:

	<u>For the years ended December 31,</u>		
	<u>2011</u>	<u>2012</u>	<u>2012</u>
	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u>
			(Unaudited)
Salaries	\$ 82,548	\$ 76,994	\$ 2,651
Bonuses	21,600	35,491	1,222
Directors' and supervisors' remuneration and employees' bonus	11,240	19,454	670
Total	<u>\$ 115,388</u>	<u>\$ 131,939</u>	<u>\$ 4,543</u>

- a) Salaries include regular wages, special responsibility allowances, pensions, severance pay, etc.
- b) Bonuses include various bonuses and rewards.
- c) The relevant information above was posted in the Company's annual report.

6. PLEDGED ASSETS

The Company and its subsidiaries' assets pledged as collateral as of December 31, 2011 and 2012 were as follows:

<u>Pledged asset</u>	<u>December 31,</u>			<u>Purpose</u>
	<u>2011</u>	<u>2012</u>	<u>2012</u>	
	<u>NT\$</u>	<u>NT\$</u>	<u>US\$ (Unaudited)</u>	
Shown under "Restricted assets"				
- Pledged time deposits	\$ 7,000	\$ 6,748	\$ 232	Performance security guarantee
-Fixed assets	183,501	176,117	6,065	For guarantee of short-term and long-term loans.
	<u>\$ 190,501</u>	<u>\$ 182,865</u>	<u>\$ 6,297</u>	

7. COMMITMENTS AND CONTINGENT LIABILITIES

None.

8. SIGNIFICANT CATASTROPHE LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

None.

10. OTHERS

1) Fair value of financial instruments

	December 31, 2011			December 31, 2012			December 31, 2012		
	NT\$			NT\$			US\$ (Unaudited)		
	Fair value			Fair value			Fair value		
Financial instruments	Book value	Quotations in an active market	Estimated using a valuation technique	Book value	Quotations in an active market	Estimated using a valuation technique	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments									
Assets:									
Financial assets with fair values equal to book values	\$ 19,886,775	\$ -	\$ 19,886,775	\$ 19,057,325	\$ -	\$ 19,057,325	\$ 656,243	\$ -	\$ 656,243
Financial assets carried at cost-non-current	-	-	-	23,763	23,763	-	818	818	-
Financial assets carried at cost-non-current	10,000	-	10,000	10,000	-	10,000	344	-	344
Liabilities:									
Financial liabilities with fair values equal to book values	14,849,271	-	14,849,271	14,440,231	-	14,440,231	497,254	-	497,254
Financial liabilities at fair value through profit or loss-current	680,134	680,134	-	700,637	700,637	-	24,127	24,127	-
Long-term loans (including long-term liabilities-current)	38,089	-	38,089	24,434	-	24,434	841	-	841
Derivative financial instruments									
Assets (Liabilities):									
Forward exchange contracts	4,276		4,276	(8,523)		(8,523)	(293)		(293)

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

- A. For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to cash and cash equivalents, notes and accounts receivable, other receivables, deposits out, restricted assets, short-term loans, notes and accounts payable, accrued expenses, other payables and guarantee deposit received.
- B. Financial assets are measured at cost when they have no active markets and their fair value cannot be measured reliably.
- C. As floating interest rates are adopted for the long-term loans, their fair value is based on their book value.
- D. The fair values of derivative financial instruments were determined based upon the amounts to be received or paid assuming that the contracts were settled on the reporting date. Generally, the derived values include unrealized gains or losses on unsettled contracts.

2) Interest rate risk information

As of December 31, 2011 and 2012, the amount of financial assets with future cash flow subject to interest rate risk were both \$0 and the amount of financial liabilities with future cash flow subject to interest rate risk were \$2,201,852 and \$1,102,574 (US\$37,967), respectively.

3) Strategy of financial risk control and hedge

The Group utilizes a total risk management and control program to recognize all the risks the Group is exposed to: including market risk, credit risk, liquidity risk and cash flow risk. The program enables the Group's management to control and measure market risk, credit risk, liquidity risk and cash flow risk. The purposes of the Group's market risk management are to optimize risk position, maintain proper liquidity and collectively manage all market risks by properly considering economic environment, competition situation and market value risk.

4) Significant financial risk

A. Market risk

A) Foreign exchange risk

- a) Most of the purchases and sales of the Company are quoted in U.S. dollars (USD).

The fair value changes as the foreign exchange rate fluctuates. The amount of foreign currency quoted assets and liabilities positions are close and the collection period of those assets approximates the payment period of those liabilities. Market risk can be offset accordingly. The Company enters into forward exchange contracts to hedge possible risks should there be short-term position deficit. Therefore, significant foreign exchange rate risk is not expected.

- b) As of December 31, 2011 and 2012, the information of foreign currency assets and liabilities significantly affected by the fluctuating exchange rate are listed below. For the forward exchange contracts and interest rate swaps, please refer to the Note 10(4).E :

December 31, 2011		
	Currency	
	(in Thousands)	Exchange Rate
<u>Financial assets</u>		
<u>Monetary items</u>		
RUB : NTD	\$ 492,180	0.9403
USD : NTD	454,919	30.2750
USD : RMB	129,648	30.2750
HKD: RMB	18,247	3.8970
EUR : NTD	16,600	39.1800
USD : EUR	7,656	30.2750
PLN : NTD	6,368	8.8591
USD : DEM	5,425	30.2750
GBP : NTD	3,818	46.7300
AUD: NTD	3,423	30.7350
USD : MXP	1,293	30.2750
<u>Financial liabilities</u>		
<u>Monetary items</u>		
USD : NTD	408,229	30.2750
USD : RMB	108,060	30.2750
CZK : NTD	27,374	1.5183
HKD : RMB	18,439	3.8970
EUR : NTD	6,650	39.1800

December 31, 2012		
	Currency	
	(in Thousands)	Exchange Rate
<u>Financial assets</u>		
<u>Monetary items</u>		
USD : NTD	\$ 429,787	29.0400
USD : RMB	129,584	29.0400
EUR : NTD	13,993	38.4900
GBP : NTD	7,041	46.8300
AUD : NTD	1,769	30.1650
<u>Financial liabilities</u>		
<u>Monetary items</u>		
USD : NTD	464,090	29.0400
USD : RMB	93,964	29.0400
CZK : NTD	51,191	1.5240
EUR : NTD	12,423	38.4900
GBP : NTD	6,452	46.8300

B) Interest rate risk

The loans borrowed by the Group are floating interest rate loans. No significant market risk is expected.

C) Price risk

The convertible bond issued by the Group exposed the Group to equity securities price risk. The bond embeds conversion option, call option, put option and zero-coupon bond the fair value of which fluctuates with market stock price. The Group can redeem the bonds by exercising its call option to counter market risk. Thus, no significant market risk is expected.

B. Credit risk

A) The Group has low significant concentrations of credit risk. It has policies in place to ensure that the debtors of the Group's receivables have appropriate credit history and the transactions are properly secured.

B) Derivative counterparties are limited to high-credit-quality international financial institutions. Accordingly, the possibility of default by the counterparties is remote.

C. Liquidity risk

A) The Group has sufficient operating capital to cover commitments to forward foreign exchange. Moreover, the Group's current assets are greater than its current liabilities. Accordingly, liquidity risk is low.

B) The Group's working capital is sufficient to meet the funding requirements for its bondholders to make redemption. Therefore, no significant liquidity risk is expected.

D. Cash flow risk subject to interest rate change

The Group has floating interest rate loans with their effective interest rates changing in line with the market interest rate. As a result, the future cash flow fluctuates accordingly.

E. Derivative financial instruments:

	December 31, 2011	December 31, 2012	December 31, 2012
Forward exchange contracts	NT\$	NT\$	US\$
			(Unaudited)
Financial assets (liabilities) held for trading-valuation adjustments	\$ 4,276	(\$ 8,523)	(\$ 293)

A) The Group recognized net gains of \$75,421 and net loss of \$811 (US\$28) for the years ended December 31, 2011 and 2012, respectively.

B) The trading items and contract information of derivatives were as follows:

December 31, 2011			
Derivatives	Contract Amount (Nominal Principal)	Evaluation of the exchange rate	Contract Period
Forward exchange contracts	EUR 5,000,000	39.09~39.20	2011.12.06~2012.01.11
	AUD 1,000,000	30.75	2011.11.29~2012.02.08
	CZK 18,656,000	1.51	2011.11.10~2012.01.20
	JPY 153,620,000	0.39	2011.08.05~2012.01.10
December 31, 2012			
Derivatives	Contract Amount (Nominal Principal)	Evaluation of the exchange rate	Contract Period
Forward exchange contracts	EUR 11,000,000	38.42~38.52	2012.10.16~2013.02.27
	AUD 1,000,000	28.05	2012.12.07~2013.01.16
	CZK 6,400,000	46.91	2012.10.16~2013.03.13

The Company undertook derivative transactions mainly to hedge the exchange rate risk arising from export sales, but hedge accounting is not adopted.

11. Supplementary disclosure

1) Information on major transactions of the Company and the following investee companies:

A. Lending to other parties for the year ended December 31, 2012: None.

B. Endorsement and guarantee for other parties: None.

C. Investments as of December 31, 2012:

Transaction company	Types and names of marketable securities	Relationship with the Company	General ledger account	Ending Balance (NT\$)				Note
				Number of shares	Book value	Percentage	Market value	
Micro-Star International Co., Ltd.	MSI (PACIFIC)	Parent company to subsidiary	Long-term investments accounted for under the equity method	82,204,118	\$ 6,045,610	100.00	\$ 6,170,610	Note
Micro-Star International Co., Ltd.	MSI (HOLDING)	Parent company to subsidiary	Long-term investments accounted for under the equity method	14,000	764,243	100.00	764,243	Note
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Parent company to subsidiary	Long-term investments accounted for under the equity method	15,000,000	132,239	100.00	132,239	Note
Micro-Star International Co., Ltd.	MSI (JAPAN)	Parent company to subsidiary	Long-term investments accounted for under the equity method	1,400	14,564	100.00	14,564	Note
Micro-Star International Co., Ltd.	MSI (AUSTRALIA)	Parent company to subsidiary	Long-term investments accounted for under the equity method	2,321,836	6,352	100.00	6,352	Note
Micro-Star International Co., Ltd.	MSI (LA)	Parent company to subsidiary	Other liabilities-other	575,458	(15,924)	100.00	-	Note
Micro-Star International Co., Ltd.	MSI (CAYMAN)	Parent company to subsidiary	Other liabilities-other	5,238,000	(74,096)	100.00	-	Note

Transaction company	Types and names of marketable securities	Relationship with the Company	General ledger account	Ending Balance (US\$)				Note
				Number of shares	Book value	Percentage	Market value	
Micro-Star International Co., Ltd.	MSI (PACIFIC)	Parent company to subsidiary	Long-term investments accounted for under the equity method	82,204,118	\$ 208,182	100.00	\$ 212,487	Note
Micro-Star International Co., Ltd.	MSI (HOLDING)	Parent company to subsidiary	Long-term investments accounted for under the equity method	14,000	26,317	100.00	26,317	Note
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Parent company to subsidiary	Long-term investments accounted for under the equity method	15,000,000	4,554	100.00	4,554	Note
Micro-Star International Co., Ltd.	MSI (JAPAN)	Parent company to subsidiary	Long-term investments accounted for under the equity method	1,400	501	100.00	502	Note
Micro-Star International Co., Ltd.	MSI (AUSTRALIA)	Parent company to subsidiary	Long-term investments accounted for under the equity method	2,321,836	219	100.00	219	Note
Micro-Star International Co., Ltd.	MSI (LA)	Parent company to subsidiary	Other liabilities-other	575,458	(548)	100.00	-	Note
Micro-Star International Co., Ltd.	MSI (CAYMAN)	Parent company to subsidiary	Other liabilities-other	5,238,000	(2,552)	100.00	-	Note

Note : Financial statements audited by auditors for the corresponding period.

D. The accumulated purchase and sale of marketable securities over NT\$100 million or over 20% of capital stocks for the year ended December 31, 2012:None.

E. The purchase of real estate over NT\$100 million or over 20% of capital stocks for the year ended December 31, 2012: None.

F. The disposal of real estate over NT\$100 million or over 20% of capital stocks for the year ended December 31, 2012: None.

G. Purchases from and sales to related parties over NTS100 million or over 20% of capital stock for the year ended December 31, 2012:

Transaction company	Name of the counter party	Relationship with the counter party	Description of the transactions (NT\$)				Description and reasons of difference in transaction terms compared to third party transactions		Accounts or notes receivable (payable) (NT\$)		
			Purchases/ (Sales)	Amount (Note 2)	% of total purchase (sale)	Credit terms					
Micro-Star International Co., Ltd.	MSI (LA)	Subsidiary of the Company	Sales	(\$ 3,267,797)	(5)	60-80 days	Unit price	Insignificant difference	Credit terms	Balance (Note 2)	% of total accounts or notes receivable (payable)
Micro-Star International Co., Ltd.	MEGA COMPUTER	Indirect subsidiary of the Company	Sales	(2,091,947)	(4)	40-70 days		Insignificant difference	Note 1	\$ 729,380	7
Micro-Star International Co., Ltd.	MYSTAR	Indirect subsidiary of the Company	Sales	(1,460,086)	(2)	40-70 days		Insignificant difference	Note 1	260,464	3
Micro-Star International Co., Ltd.	MSI (GMBH)	Indirect subsidiary of the Company	Sales	(1,365,363)	(2)	40-70 days		Insignificant difference	Note 1	249,438	3
Micro-Star International Co., Ltd.	MSI (KOREA)	Indirect subsidiary of the Company	Sales	(1,173,644)	(2)	50-70 days		Insignificant difference	Note 1	155,015	1
Micro-Star International Co., Ltd.	MSI (MIAMI)	Indirect subsidiary of the Company	Sales	(643,226)	(1)	50-85 days		Insignificant difference	Note 1	31,228	-
Micro-Star International Co., Ltd.	FUNTORO	Indirect subsidiary of the Company	Sales	(206,766)	-	40-70 days		Insignificant difference	Note 1	134,457	1
Micro-Star International Co., Ltd.	MSI (BRASIL)	Indirect subsidiary of the Company	Sales	(196,526)	-	60-125 days		Insignificant difference	Note 1	13,446	-
								Insignificant difference	Note 1	135,200	1

Note 1: The credit terms to third parties are approximately 30 to 120 days.

Note 2: The balance represented the amount after the elimination of sales to majority owned subsidiaries which have not sold the inventories at balance sheet date.

Transaction company	Name of the counter party	Relationship with the counter party	Description of the transactions (US\$)				Description and reasons of difference in transaction terms compared to third party transactions		Accounts or notes receivable (payable) (US\$)		
			Purchases/ (Sales)	Amount (Note 2)	% of total purchase (sale)	Credit terms					
Micro-Star International Co., Ltd.	MSI (LA)	Subsidiary of the Company	Sales	(\$ 112,527)	(5)	60-80 days	Unit price	Credit terms	Balance (Note 2)	% of total accounts or notes receivable (payable)	Note
Micro-Star International Co., Ltd.	MEGA COMPUTER	Indirect subsidiary of the Company	Sales	(72,037)	(4)	40-70 days	Insignificant difference	Note 1	\$ 25,116	7	
Micro-Star International Co., Ltd.	MYSTAR	Indirect subsidiary of the Company	Sales	(50,278)	(2)	40-70 days	Insignificant difference	Note 1	8,969	3	
Micro-Star International Co., Ltd.	MSI (GMBH)	Indirect subsidiary of the Company	Sales	(47,017)	(2)	40-70 days	Insignificant difference	Note 1	8,589	3	
Micro-Star International Co., Ltd.	MSI (KOREA)	Indirect subsidiary of the Company	Sales	(40,415)	(2)	50-70 days	Insignificant difference	Note 1	5,338	1	
Micro-Star International Co., Ltd.	MSI (MIAMI)	Indirect subsidiary of the Company	Sales	(22,150)	(1)	50-85 days	Insignificant difference	Note 1	1,075	-	
Micro-Star International Co., Ltd.	FUNTORO	Indirect subsidiary of the Company	Sales	(7,120)	-	40-70 days	Insignificant difference	Note 1	4,630	1	
Micro-Star International Co., Ltd.	MSI (BRASIL)	Indirect subsidiary of the Company	Sales	(6,767)	-	60-125 days	Insignificant difference	Note 1	463	-	
			Sales	(6,767)	-	60-125 days	Insignificant difference	Note 1	4,656	1	

Note 1: The credit terms to third parties are approximately 30 to 120 days.

Note 2: The balance represented the amount after the elimination of sales to majority owned subsidiaries which have not sold the inventories at balance sheet date.

H. Receivables due from related parties over NT\$100 million or over 20% of capital stock as of December 31, 2012:

Company as a creditor	Name of the counter party	Relationship with the counter party	Balance of receivable from related parties (NT\$)	Turnover rate	Overdue receivable		Subsequent collection (NT\$)	Balance of allowance for bad debts
					Amount	Action adopted for overdue accounts		
Micro-Star International Co., Ltd.	MSI (LA)	Subsidiary of the Company	\$ 729,380	4.85	\$ -	-	\$ 607,282	\$ 29,105
Micro-Star International Co., Ltd.	MSI (CAYMAN)	Subsidiary of the Company	360,678	-	-	-	-	-
Micro-Star International Co., Ltd.	MEGA COMPUTER	Indirect subsidiary of the Company	260,464	8.08	-	-	140,139	-
Micro-Star International Co., Ltd.	MYSTAR	Indirect subsidiary of the Company	249,438	10.68	-	-	224,704	-
Micro-Star International Co., Ltd.	MSI (GMBH)	Indirect subsidiary of the Company	155,015	5.92	-	-	151,858	-
Micro-Star International Co., Ltd.	MSI (BRASIL)	Indirect subsidiary of the Company	135,200	4.30	-	-	-	-
Micro-Star International Co., Ltd.	MSI (MIAMI)	Indirect subsidiary of the Company	134,457	3.50	-	-	134,457	-

Company as a creditor	Name of the counter party	Relationship with the counter party	Balance of receivable from related parties (US\$)	Turnover rate	Overdue receivable		Subsequent collection (US\$)	Balance of allowance for bad debts
					Amount	Action adopted for overdue accounts		
Micro-Star International Co., Ltd.	MSI (LA)	Subsidiary of the Company	\$ 25,116	4.85	\$ -	-	\$ 20,912	\$ 1,002
Micro-Star International Co., Ltd.	MSI (CAYMAN)	Subsidiary of the Company	12,420	-	-	-	-	-
Micro-Star International Co., Ltd.	MEGA COMPUTER	Indirect subsidiary of the Company	8,969	8.08	-	-	4,826	-
Micro-Star International Co., Ltd.	MYSTAR	Indirect subsidiary of the Company	8,589	10.68	-	-	7,738	-
Micro-Star International Co., Ltd.	MSI (GMBH)	Indirect subsidiary of the Company	5,338	5.92	-	-	5,229	-
Micro-Star International Co., Ltd.	MSI (BRASIL)	Indirect subsidiary of the Company	4,656	4.30	-	-	-	-
Micro-Star International Co., Ltd.	MSI (MIAMI)	Indirect subsidiary of the Company	4,630	3.50	-	-	4,630	-

I. Please refer to Note 10 for derivatives transactions information.

2) Information of direct and indirect investee companies:

Disclosures of investee companies information were prepared based on the investee companies' audited financial statements.

1. Information on investee company which the investor company has the ability to exercise significantly operational influence on or has control over directly or indirectly:

Name of the investor company	Name of the investee company	Locations	Main operating activities	Original investment amount				Ending Balance			Net income (loss) of the investee company		Investment gain (loss) recognized by the company		Note
				Currency	End of current period	Currency	End of prior period	Shares	Ratio	Book value	Currency	Value	Currency	Value	
Micro-Star International Co., Ltd.	MSI (LA)	U.S.A	Sales and maintenance of computers, motherboard and electronic devices	NTD	258,468	NTD	258,468	575,458	100.00	(15,924)	NTD	18,569	NTD	18,569	Subsidiary of the Company
Micro-Star International Co., Ltd.	MSI (AUSTRALIA)	Australia	Sales and maintenance of computers, motherboard and electronic devices	USD	8,900	USD	(548)			(548)	USD	639	USD	639	
Micro-Star International Co., Ltd.	MSI (JAPAN)	Japan	Sales and maintenance of computers, motherboard and electronic devices	NTD	57,420	NTD	26,096	2,321,836	100.00	6,352	NTD	(1,116)	NTD	(1,116)	Subsidiary of the Company
Micro-Star International Co., Ltd.	MSI (PACIFIC)	British Cayman Islands	Sales and maintenance of computers, motherboard and electronic devices	USD	1,977	USD				219	USD	(38)	USD	(38)	
Micro-Star International Co., Ltd.	MSI (HOLDING)	Netherlands	Sales and maintenance of computers, motherboard and electronic devices	NTD	20,411	NTD	20,411	1,400	100.00	14,564	NTD	112,560	NTD	112,560	Subsidiary of the Company
Micro-Star International Co., Ltd.	MSI (CAYMAN)	British Cayman Islands	Holding company	USD	703	USD				501	USD	3,876	USD	3,876	
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	General investment	NTD	3,138,129	NTD	3,138,129	82,204,118	100.00	6,045,610	NTD	303,032	NTD	272,032	Subsidiary of the Company
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Testing and consulting services of electromagnetism interference and telecommunication	USD	108,062	USD				208,182	USD	10,435	USD	9,368	
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Research, development, sales and maintenance of automobile electronic devices	NTD	264,153	NTD	264,153	14,000	100.00	764,243	NTD	(19,157)	NTD	(19,157)	Subsidiary of the Company
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	USD	9,096	USD				26,317	USD	(660)	USD	(660)	
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	NTD	167,883	NTD	167,883	5,238,000	100.00	(74,096)	NTD	18,175	NTD	18,175	Subsidiary of the Company
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	USD	5,781	USD				(2,552)	USD	626	USD	626	
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	NTD	307,000	NTD	307,000	15,000,000	100.00	132,239	NTD	(2,209)	NTD	(2,209)	Subsidiary of the Company
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	USD	10,572	USD				4,554	USD	(76)	USD	(76)	
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	NTD	24,000	NTD	24,000	1,251,600	27.69	2,091	NTD	(8,686)	NTD	-	Indirect subsidiary of the Company
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	USD	826	USD				72	USD	(299)	USD	-	
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	NTD	142,800	NTD	142,800	14,280,000	95.20	114,649	NTD	464	NTD	-	Indirect subsidiary of the Company
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	USD	4,917	USD				3,948	USD	16	USD	-	
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	USD	1,000	USD	1,000	1,000	100.00	227	USD	607	USD	-	Indirect subsidiary of the Company
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	USD	990	USD	990	12,157,000	99.00	(1,402)	USD	121	USD	-	Indirect subsidiary of the Company
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	USD	200	USD	200	-	99.00	(8,557)	USD	(3,134)	USD	-	Indirect subsidiary of the Company
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	USD	3,040	USD	3,040	50,000	100.00	4,171	USD	20	USD	-	Indirect subsidiary of the Company
Micro-Star International Co., Ltd.	MYSTAR INVESTMENT	Taiwan	Sales and maintenance of computers, motherboard and electronic devices	USD	10	USD	10	123,000	1.00	10	USD	121	USD	-	Indirect subsidiary of the Company

Name of the investor company	Name of the investee company	Locations	Main operating activities	Original investment amount				Ending Balance				Net income (loss) of the investee company		Investment gain (loss) recognized by the company		Note
				Currency	End of current period	Currency	End of prior period	Shares	Ratio	Currency	Book value	Currency	Value	Currency	Value	
MSI COMPUTER (CAYMAN)	MSI (BRASIL)	Brazil	Sales and maintenance of computers, motherboard and electronic devices	USD	2	USD	2	-	1.00	USD	2	USD	(3,134)	USD	-	Indirect subsidiary of the Company
MSI (PACIFIC)	MSI (KOREA)	Korea	Sales and maintenance of computers, motherboard and electronic devices	USD	703	USD	703	80,000	100.00	USD	4,702	USD	122	USD	-	Indirect subsidiary of the Company
MSI (PACIFIC)	MSI (INDIA)	India	Sales and maintenance of computers, motherboard and electronic devices	USD	13	USD	13	-	99.00	USD	82	USD	(75)	USD	-	Indirect subsidiary of the Company
MSI (PACIFIC)	MSI (B.V.I.)	British Virgin Islands	Holding company	USD	61,521	USD	61,521	61,465,071	100.00	USD	125,106	USD	8,006	USD	-	Indirect subsidiary of the Company
MSI (PACIFIC)	MICRO ELECTRONICS	British Virgin Islands	Holding company	USD	54,315	USD	54,315	54,315,472	100.00	USD	81,745	USD	3,711	USD	-	Indirect subsidiary of the Company
MSI (PACIFIC)	STAR INFORMATION	British Virgin Islands	Holding company	USD	3,503	USD	3,503	3,502,601	100.00	USD	425	USD	(288)	USD	-	Indirect subsidiary of the Company
MSI (PACIFIC)	MEGA TECHNOLOGY	British Virgin Islands	Holding company	USD	3,000	USD	3,000	3,000,000	100.00	USD	(2,841)	USD	(1,218)	USD	-	Indirect subsidiary of the Company
MSI (PACIFIC)	MEGA INFORMATION	British Virgin Islands	Holding company	USD	700	USD	700	700,000	100.00	USD	702	USD	-	USD	-	Indirect subsidiary of the Company
MSI (PACIFIC)	MSI ASIA	British Virgin Islands	Holding company	USD	-	USD	-	1	100.00	USD	29	USD	(3)	USD	-	Indirect subsidiary of the Company
MSI (HOLDING)	MYSTAR	Netherlands	Sales and maintenance of computers, motherboard and electronic devices	EUR	3,627	EUR	3,627	-	100.00	EUR	4,417	EUR	637	EUR	-	Indirect subsidiary of the Company
MSI (HOLDING)	MSI (RUSSIA)	Russia	Sales and maintenance of computers, motherboard and electronic devices	EUR	1,631	EUR	1,631	-	99.00	EUR	1,297	EUR	(345)	EUR	-	Indirect subsidiary of the Company
MSI (HOLDING)	MSI (GMBH)	Germany	Sales and maintenance of computers, motherboard and electronic devices	EUR	3,355	EUR	1,355	-	100.00	EUR	1,719	EUR	(368)	EUR	-	Indirect subsidiary of the Company
MSI (HOLDING)	MSI (POLSKA)	Poland	Sales and maintenance of computers, motherboard and electronic devices	EUR	2,318	EUR	1,254	-	99.00	EUR	1,380	EUR	47	EUR	-	Indirect subsidiary of the Company
MSI (HOLDING)	MSI (SARL)	France	Sales and maintenance of computers, motherboard and electronic devices	EUR	730	EUR	730	-	100.00	EUR	1,095	EUR	(2)	EUR	-	Indirect subsidiary of the Company
MSI (HOLDING)	MSI (UK)	U.K.	Sales and maintenance of computers, motherboard and electronic devices	EUR	1,130	EUR	489	-	100.00	EUR	287	EUR	(347)	EUR	-	Indirect subsidiary of the Company

Name of the investor company	Name of the investee company	Locations	Main operating activities	Original investment amount				Ending Balance				Net income (loss) of the investee company		Investment gain (loss) recognized by the company		Note
				Currency	End of current period	Currency	End of prior period	Shares	Ratio	Currency	Book value	Currency	Value	Currency	Value	
MSI (HOLDING)	MSI (TURKEY)	Turkey	Sales and maintenance of computers, motherboard and electronic devices	EUR	76	EUR	76	-	99.00	EUR	84	EUR	16	EUR	-	Indirect subsidiary of the Company
MSI (HOLDING)	MSI (ITALY)	Italy	Sales and maintenance of computers, motherboard and electronic devices	EUR	50	EUR	50	-	100.00	EUR	18	EUR	(15)	EUR	-	Indirect subsidiary of the Company
MSI (HOLDING)	MSI (BALKAN)	Serbia	Sales and maintenance of computers, motherboard and electronic devices	EUR	20	EUR	20	-	100.00	EUR	44	EUR	(19)	EUR	-	Indirect subsidiary of the Company
MSI (HOLDING)	MSI (EUROPE)	Netherlands	Logistics	EUR	1,149	EUR	1,149	-	100.00	EUR	1,078	EUR	(29)	EUR	-	Indirect subsidiary of the Company
MSI (EUROPE)	MSI (RUSSIA)	Russia	Sales and maintenance of computers, motherboard and electronic devices	EUR	16	EUR	16	-	1.00	EUR	16	EUR	(345)	EUR	-	Indirect subsidiary of the Company
MSI (EUROPE)	MSI (POLSKA)	Poland	Sales and maintenance of computers, motherboard and electronic devices	EUR	24	EUR	13	-	1.00	EUR	24	EUR	47	EUR	-	Indirect subsidiary of the Company
MSI (EUROPE)	MSI (TURKEY)	Turkey	Sales and maintenance of computers, motherboard and electronic devices	EUR	1	EUR	1	-	1.00	EUR	1	EUR	16	EUR	-	Indirect subsidiary of the Company
MSI (B.V.I.)	MSI (SHENZHEN)	China	Manufacturing, sales and maintenance of computers, electronic devices and other products	USD	51,800	USD	51,800	-	100.00	USD	102,840	USD	4,657	USD	-	Indirect subsidiary of the Company
MICRO ELECTRONICS	MSI ELECTRONICS (KUNSHAN)	China	Manufacturing, sales and maintenance of computers, electronic devices and other products	USD	51,000	USD	51,000	-	100.00	USD	53,800	USD	2,339	USD	-	Indirect subsidiary of the Company
STAR INFORMATION	MSI (SHANGHAI)	China	Sales and maintenance of computers, electronic devices and other products	USD	3,000	USD	3,000	-	100.00	USD	103	USD	(288)	USD	-	Indirect subsidiary of the Company
STAR INFORMATION	MSI (INDIA)	India	Sales and maintenance of computers, motherboard and electronic devices	USD	-	USD	-	-	1.00	USD	-	USD	(75)	USD	-	Indirect subsidiary of the Company
MEGA TECHNOLOGY	MSI TRADING (SHENZHEN)	China	Sales and maintenance of computers, electronic devices and other products	USD	3,000	USD	3,000	-	100.00	USD	(2,841)	USD	(1,218)	USD	-	Indirect subsidiary of the Company
MEGA INFORMATION	SHENZHEN MEGA INFORMATION	China	Testing and maintenance of computers, electronic devices and other products	USD	700	USD	700	-	100.00	USD	702	USD	-	USD	-	Indirect subsidiary of the Company
MSI ASIA	MEGA COMPUTER	Hong Kong	Sales of computers, electronic devices and other products	USD	-	USD	-	1	100.00	USD	29	USD	(3)	USD	-	Indirect subsidiary of the Company

2. Significant transactions of investee companies over which the Company has direct or indirect control:

A. Lending funds to other parties for the year ended December 31, 2012: None.

B. Endorsement and guarantee for other parties: None.

C. Investments as of December 31, 2012:

Holding company	Types and names of security	Relationship with the security issuer	General ledger account	Ending Balance						Note
				Number of shares	Currency	Book value	Ratio	Currency	Fair value/ carrying value	
MYSTAR INVESTMENT	FUNTORO	Investment accounted for under equity method	Long-term investments accounted for under the equity method	14,280,000	NTD	114,649	95.20	NTD	114,649	
					USD	3,948		USD	3,948	
MYSTAR INVESTMENT	SPECTRUM	Investment accounted for under equity method	Long-term investments accounted for under the equity method	1,251,600	NTD	2,091	27.69	NTD	2,091	
					USD	72		USD	72	
MYSTAR INVESTMENT	MACS Technology INC.	Investment accounted for under cost method	Financial assets carried at cost-non-current	2,250,000	NTD	-	15.00	NTD	-	
					USD	-		USD	-	
MYSTAR INVESTMENT	Accesstek Inc.	Investment accounted for under cost method	Financial assets carried at cost-non-current	294,250	NTD	-	9.09	NTD	-	
					USD	-		USD	-	
MYSTAR INVESTMENT	PROCOM ELECTRONICS CO., LTD	Investment accounted for under cost method	Financial assets carried at cost-non-current	1,078,884	NTD	10,000	5.35	NTD	10,000	
					USD	344		USD	344	
MSI (CAYMAN)	MSI (MIAMI)	Subsidiary	Long-term investments accounted for under the equity method	1,000	USD	227	100.00	USD	227	
MSI (CAYMAN)	MSI (MEXICO)	Subsidiary	Long-term investments accounted for under the equity method	12,157,000	USD	(1,402)	99.00	USD	-	
MSI (CAYMAN)	MSI (BRASIL)	Subsidiary	Long-term investments accounted for under the equity method	-	USD	(8,557)	99.00	USD	-	
MSI (CAYMAN)	MSI COMPUTER (CAYMAN)	Subsidiary	Long-term investments accounted for under the equity method	50,000	USD	4,171	100.00	USD	4,171	
MSI COMPUTER (CAYMAN)	MSI (MEXICO)	Affiliated company	Financial assets carried at cost-non-current	123,000	USD	10	1.00	USD	10	

Holding company	Types and names of security	Relationship with the security issuer	General ledger account	Ending Balance						Note
				Number of shares	Currency	Book value	Ratio	Currency	Fair value/ carrying value	
MSI COMPUTER (CAYMAN)	MSI (BRASIL)	Affiliated company	Financial assets carried at cost-non-current	-	USD	2	1.00	USD	2	
MSI (PACIFIC)	MSI (KOREA)	Subsidiary	Long-term investments accounted for under the equity method	80,000	USD	4,702	100.00	USD	4,702	
MSI (PACIFIC)	MSI (INDIA)	Subsidiary	Long-term investments accounted for under the equity method	-	USD	82	99.00	USD	82	
MSI (PACIFIC)	MSI (B.V.I.)	Subsidiary	Long-term investments accounted for under the equity method	61,465,071	USD	125,106	100.00	USD	125,106	
MSI (PACIFIC)	MICRO ELECTRONICS	Subsidiary	Long-term investments accounted for under the equity method	54,315,472	USD	81,745	100.00	USD	81,745	
MSI (PACIFIC)	STAR INFORMATION	Subsidiary	Long-term investments accounted for under the equity method	3,502,601	USD	425	100.00	USD	425	
MSI (PACIFIC)	MEGA TECHNOLOGY	Subsidiary	Long-term investments accounted for under the equity method	3,000,000	USD (	2,841)	100.00	USD	-	
MSI (PACIFIC)	MEGA INFORMATION	Subsidiary	Long-term investments accounted for under the equity method	700,000	USD	702	100.00	USD	702	
MSI (PACIFIC)	MSI ASIA	Subsidiary	Long-term investments accounted for under the equity method	1	USD	29	100.00	USD	29	
MSI (HOLDING)	MYSTAR	Subsidiary	Long-term investments accounted for under the equity method	-	EUR	4,417	100.00	EUR	4,417	
MSI (HOLDING)	MSI (RUSSIA)	Subsidiary	Long-term investments accounted for under the equity method	-	EUR	1,297	99.00	EUR	1,297	
MSI (HOLDING)	MSI (GMBH)	Subsidiary	Long-term investments accounted for under the equity method	-	EUR	1,719	100.00	EUR	1,719	

Holding company	Types and names of security	Relationship with the security issuer	General ledger account accounted for under the equity method	Ending Balance						Note
				Number of shares	Currency	Book value	Ratio	Currency	Fair value/ carrying value	
MSI (HOLDING)	MSI (POLSKA)	Subsidiary	Long-term investments accounted for under the equity method	-	EUR	1,380	99.00	EUR	1,380	
MSI (HOLDING)	MSI (SARL)	Subsidiary	Long-term investments accounted for under the equity method	-	EUR	1,095	100.00	EUR	1,095	
MSI (HOLDING)	MSI (UK)	Subsidiary	Long-term investments accounted for under the equity method	-	EUR	287	100.00	EUR	287	
MSI (HOLDING)	MSI (TURKEY)	Subsidiary	Long-term investments accounted for under the equity method	-	EUR	84	99.00	EUR	84	
MSI (HOLDING)	MSI (ITALY)	Subsidiary	Long-term investments accounted for under the equity method	-	EUR	18	100.00	EUR	18	
MSI (HOLDING)	MSI (BALKAN)	Subsidiary	Long-term investments accounted for under the equity method	-	EUR	44	100.00	EUR	44	
MSI (HOLDING)	MSI (EUROPE)	Subsidiary	Long-term investments accounted for under the equity method	-	EUR	1,078	100.00	EUR	1,078	
MSI (HOLDING)	RWE	-	Financial assets at fair value through profit or loss-current	6,000	EUR	189,399	-	EUR	189,399	
MSI (HOLDING)	FRANCE TELECOM	-	Financial assets at fair value through profit or loss-current	10,000	EUR	81,800	-	EUR	81,800	
MSI (HOLDING)	BAYERISCHE MOTOREN WERKE	-	Financial assets at fair value through profit or loss-current	1,500	EUR	102,687	-	EUR	102,687	
MSI (HOLDING)	BASF	-	Financial assets at fair value through profit or loss-current	1,500	EUR	105,323	-	EUR	105,323	
MSI (HOLDING)	LVMH MOET HENNESSY VUITTO	-	Financial assets at fair value through profit or loss-current	1,000	EUR	138,165	-	EUR	138,165	

Holding company	Types and names of security	Relationship with the security issuer	General ledger account	Ending Balance						Note
				Number of shares	Currency	Book value	Ratio	Currency	Fair value/ carrying value	
MSI (EUROPE)	MSI (RUSSIA)	Affiliated company	Financial assets carried at cost-non-current	-	EUR	16	1.00	EUR	16	
MSI (EUROPE)	MSI (POLSKA)	Affiliated company	Financial assets carried at cost-non-current	-	EUR	24	1.00	EUR	24	
MSI (EUROPE)	MSI (TURKEY)	Affiliated company	Financial assets carried at cost-non-current	-	EUR	1	1.00	EUR	1	
MSI (B.V.I.)	MSI (SHENZHEN)	Subsidiary	Long-term investments accounted for under the equity method	-	USD	102,840	100.00	USD	102,840	
MICRO ELECTRONICS	MSI ELECTRONICS (KUNSHAN)	Subsidiary	Long-term investments accounted for under the equity method	-	USD	53,800	100.00	USD	53,800	
STAR INFORMATION	MSI (SHANGHAI)	Subsidiary	Long-term investments accounted for under the equity method	-	USD	103	100.00	USD	103	
STAR INFORMATION	MSI (INDIA)	Affiliated company	Financial assets carried at cost-non-current	-	USD	-	1.00	USD	-	
MEGA TECHNOLOGY	MSI TRADING (SHENZHEN)	Subsidiary	Long-term investments accounted for under the equity method	-	USD	(2,841)	100.00	USD	-	
MEGA INFORMATION	SHENZHEN MEGA INFORMATION	Subsidiary	Long-term investments accounted for under the equity method	-	USD	702	100.00	USD	702	
MSI ASIA	MEGA COMPUTER	Subsidiary	Long-term investments accounted for under the equity method	1	USD	29	100.00	USD	29	

- D. The accumulated purchase and sale of marketable securities over NT\$100 million or over 20% of capital stocks for the year ended December 31, 2012: None.
- E. The purchase of real estate over NT\$100 million or over 20% of capital stock for the year ended December 31, 2012: None.
- F. The disposal of real estate over NT\$100 million or over 20% of capital stock for the year ended December 31, 2012: None.
- G. Purchases from and sales to related parties over NT\$100 million or over 20% of capital stock for the year ended December 31, 2012:

Transaction company	Name of the counter party	Relationship with the counter party	Description of the transactions (NT\$)				Description and reasons of difference in transaction terms compared to third party transactions			Accounts or notes receivable (payable) (NT\$)		
			Purchases/ (Sales)	Amount	% of total purchase (sale)	Credit terms	Unit price	Credit terms		Balance (Note 3)	% of total accounts or notes receivable (payable)	Note
MSI (L/A)	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	\$ 3,267,797	98	60~80 days	Insignificant difference	Note 1		(\$ 729,380)	(99)	
MEGA COMPUTER	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	2,091,947	100	40~70 days	Insignificant difference	Note 1		(260,464)	(100)	
MYSTAR	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	1,460,086	100	40~70 days	Insignificant difference	Note 1		(249,438)	(100)	
MSI (GNBH)	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	1,365,363	100	40~70 days	Insignificant difference	Note 1		(155,015)	(94)	
MSI (KOREA)	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	1,173,644	100	50~70 days	Insignificant difference	Note 1		(31,228)	(100)	
MSI (MIAMI)	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	643,226	96	50~85 days	Insignificant difference	Note 1		(134,457)	(99)	
FUNTORO	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	206,766	95	40~70 days	Insignificant difference	Note 1		(13,446)	(99)	
MSI (BRASIL)	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	196,526	100	60~125 days	Insignificant difference	Note 1		(135,200)	(100)	
MSI TRADING (SHENZHEN)	MEGA COMPUTER	Affiliated company	Purchases	2,098,465	100	40~70 days	Insignificant difference	Note 1		(494,756)	(100)	
MEGA COMPUTER	MSI TRADING (SHENZHEN)	Affiliated company	Sales	(2,098,465)	(100)	40~70 days	Insignificant difference	Note 1		494,756	100	
MSI (PACIFIC)	MSI (SHENZHEN)	Parent company or direct or indirect subsidiary	Processing overhead	2,656,925	70	Note 2	Insignificant difference	Note 2		(2,119,850)	(66)	
MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Parent company or direct or indirect subsidiary	Processing overhead	811,762	21	Note 2	Insignificant difference	Note 2		(764,477)	(24)	
MSI (PACIFIC)	MICRO ELECTRONICS	Parent company or direct or indirect subsidiary	Processing overhead	150,403	4	Note 2	Insignificant difference	Note 2		(194,151)	(6)	
MSI (PACIFIC)	MSI (B.V.I)	Parent company or direct or indirect subsidiary	Processing overhead	100,498	3	Note 2	Insignificant difference	Note 2		(142,150)	(4)	
MSI (PACIFIC)	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Revenue from processing	(3,786,385)	(100)	Note 2	Insignificant difference	Note 2		3,228,942	100	
MSI (SHENZHEN)	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	Revenue from processing	(2,656,925)	(100)	Note 2	Insignificant difference	Note 2		2,119,850	100	
MSI ELECTRONICS (KUNSHAN)	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	Revenue from processing	(811,762)	(89)	Note 2	Insignificant difference	Note 2		764,477	95	
MICRO ELECTRONICS	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	Revenue from processing	(150,403)	(100)	Note 2	Insignificant difference	Note 2		194,151	100	
MSI (B.V.I)	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	Revenue from processing	(100,498)	(100)	Note 2	Insignificant difference	Note 2		142,150	100	

Note 1: The credit terms to third parties are approximately 30 to 120 days.

Note 2: Credit terms depend on the financial condition of the paying firm.

Note 3: The balance represents the amount after the elimination of purchase from the Company which have not sold the inventories at balance sheet date.

Transaction company	Name of the counter party	Relationship with the counter party	Description of the transactions (US\$)				Description and reasons of difference in transaction terms compared to third party transactions			Accounts or notes receivable (payable) (US\$)		
			Purchases/ (Sales)	Amount	% of total purchase (sale)	Credit terms	Unit price	Credit terms	Balance (Note 1)	% of total accounts or notes receivable (payable)	Note	
MSI (LA)	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	\$ 112,527	98	60~80 days	Insignificant difference	Note 1	(\$ 25,116)	(99)		
MEGA COMPUTER	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	72,037	100	40~70 days	Insignificant difference	Note 1	(8,969)	(100)		
MYSTAR	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	50,278	100	40~70 days	Insignificant difference	Note 1	(8,589)	(100)		
MSI (GMBH)	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	47,017	100	40~70 days	Insignificant difference	Note 1	(5,338)	(94)		
MSI (KOREA)	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	40,415	100	50~70 days	Insignificant difference	Note 1	(1,075)	(100)		
MSI (MIAMI)	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	22,150	96	50~85 days	Insignificant difference	Note 1	(4,630)	(99)		
FUNTORO	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	7,120	95	40~70 days	Insignificant difference	Note 1	(463)	(99)		
MSI (BRASIL)	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Purchases	6,767	100	60~125 days	Insignificant difference	Note 1	(4,656)	(100)		
MSI TRADING (SHENZHEN)	MEGA COMPUTER	Affiliated company	Purchases	72,261	100	40~70 days	Insignificant difference	Note 1	(17,037)	(100)		
MEGA COMPUTER	MSI TRADING (SHENZHEN)	Affiliated company	Sales	(72,261)	(100)	40~70 days	Insignificant difference	Note 1	17,037	100		
MSI (PACIFIC)	MSI (SHENZHEN)	Parent company or direct or indirect subsidiary	Processing overhead	91,492	70	Note 2	Insignificant difference	Note 2	(72,998)	(66)		
MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Parent company or direct or indirect subsidiary	Processing overhead	27,953	21	Note 2	Insignificant difference	Note 2	(26,325)	(24)		
MSI (PACIFIC)	MICRO ELECTRONICS	Parent company or direct or indirect subsidiary	Processing overhead	5,179	4	Note 2	Insignificant difference	Note 2	(6,686)	(6)		
MSI (PACIFIC)	MSI (B.V.I)	Parent company or direct or indirect subsidiary	Processing overhead	3,461	3	Note 2	Insignificant difference	Note 2	(4,895)	(4)		
MSI (PACIFIC)	Micro-Star International Co., Ltd.	Parent company or direct or indirect subsidiary	Revenue from processing	(130,385)	(100)	Note 2	Insignificant difference	Note 2	111,189	100		
MSI (SHENZHEN)	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	Revenue from processing	(91,492)	(100)	Note 2	Insignificant difference	Note 2	72,998	100		
MSI ELECTRONICS (KUNSHAN)	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	Revenue from processing	(27,953)	(89)	Note 2	Insignificant difference	Note 2	26,325	95		
MICRO ELECTRONICS	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	Revenue from processing	(5,179)	(100)	Note 2	Insignificant difference	Note 2	6,686	100		
MSI (B.V.I)	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	Revenue from processing	(3,461)	(100)	Note 2	Insignificant difference	Note 2	4,895	100		

Note 1: The credit terms to third parties are approximately 30 to 120 days.

Note 2: Credit terms depend on the financial condition of the paying firm.

Note 3: The balance represents the amount after the elimination of purchases from the Company which have not sold the inventories at balance sheet date.

H. Receivables from related parties over NT\$100 million or over 20% of capital stocks as of December 31, 2012:

Company as a creditor	Name of the counter party	Relationship with the counter party	Balances of receivables from related party (NT\$)	Turnover rate	Overdue receivable		Subsequent collection (NT\$)	Balance of allowance for bad debts (NT\$)
					Amount (NT\$)	Action adopted for overdue account		
MSI (PACIFIC) (Note)	Micro-star International Co., Ltd.	Parent company or direct or indirect subsidiary	\$ 3,228,942	1.21	\$ -	-	\$ 1,341,213	\$ -
MSI (SHENZHEN) (Note)	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	2,119,850	1.33	-	-	1,033,332	-
MSI ELECTRONICS (KUNSHAN) (Note)	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	764,477	0.92	-	-	297,486	-
MEGA COMPUTER	MSI TRADING (SHENZHEN)	Affiliated company	494,756	3.21	-	-	187,980	-
MICRO ELECTRONICS	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	194,151	0.85	-	-	-	-
MSI (B.V.I.)	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	142,150	0.97	-	-	-	-

Company as a creditor	Name of the counter party	Relationship with the counter party	Balances of receivables from related party (US\$)	Turnover rate	Overdue receivable		Subsequent collection (US\$)	Balance of allowance for bad debts (US\$)
					Amount (US\$)	Action adopted for overdue account		
MSI (PACIFIC) (Note)	Micro-star International Co., Ltd.	Parent company or direct or indirect subsidiary	\$ 111,189	1.21	\$ -	-	\$ 46,185	\$ -
MSI (SHENZHEN) (Note)	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	72,998	1.33	-	-	35,583	-
MSI ELECTRONICS (KUNSHAN) (Note)	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	26,325	0.92	-	-	10,244	-
MEGA COMPUTER	MSI TRADING (SHENZHEN)	Affiliated company	17,037	3.21	-	-	6,473	-
MICRO ELECTRONICS	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	6,686	0.85	-	-	-	-
MSI (B.V.I.)	MSI (PACIFIC)	Parent company or direct or indirect subsidiary	4,895	0.97	-	-	-	-

Note: Processing overhead receivable.

- I. Information as to transaction of derivatives for the year ended December 31, 2012:
1. The extent of transaction and contract information of unsettled derivative financial instruments: None.
 2. Net loss recognized on derivative transactions for the year ended December 31, 2012 was \$393(US\$14).

3) Information of investment in China for the year ended December 31, 2012

A. Information of investee companies in China:

Name of the invested company in China	Main operating activities	Issued capital stock(NT\$)	Investment model	Cumulative remittance at January 1, 2012(NT\$)	The status of investing capital		Cumulative remittance at December 31, 2012(NT\$)	The company holding percentage through direct or indirect investment	Investment income or loss recognized in current period (NT\$) (Note 2)	Book value at the period end (NT\$)	Cumulative collection resulting from investing gain (NT\$)	Note
					Addition(NT\$)	Withdrawal(NT\$)						
MSI (SHENZHEN)	Main operating activities of computers, electronic devices and other products	1,726,857	Note 1	1,726,857	-	-	1,726,857	100.00	137,723	2,986,474	-	
MSI ELECTRONICS (KUNSHAN)	Manufacturing, sales and maintenance of computers, electronic devices and other products	1,772,675	Note 1	1,772,675	-	-	1,772,675	100.00	69,172	1,562,352	-	
SHENZHEN MEGA INFORMATION	Testing and maintenance of computers, electronic devices and other products	23,940	Note 1	23,940	-	-	23,940	100.00	-	20,386	-	
MSI (SHANGHAI)	Sales and maintenance of computers, electronic devices and other products	91,777	Note 1	-	-	-	-	100.00	8,517	2,991	-	Note 3
MSI TRADING (SHENZHEN)	Sales and maintenance of computers, electronic devices and other products	91,296	Note 1	-	-	-	-	100.00	36,020	82,503	-	Note 4

Company name	Accumulated investment in China at the end of the period(NT\$)		Limitation of investment approved by the Investment Commission of Ministry of Economic Affairs(NT\$)	
	3,602,547		3,791,620	
Micro-star International Co., Ltd.			Limitation to investment in China(NT\$) (Note 5)	
			12,992,341	

Name of the invested company in China	Main operating activities	Issued capital stock (US\$)	Investment model	Cumulative remittance at January 1, 2011 (US\$)	The status of investing capital		Cumulative remittance at December 31, 2011 (US\$)	The company holding percentage through direct or indirect investment	Investment income or loss recognized in current period (US\$) (Note 2)	Book value at the period end (US\$)	Cumulative collection resulting from investing gain (US\$)	Note
					Added (US\$)	Withdrawal (US\$)						
MSI (SHENZHEN)	Manufacturing, sales and maintenance of computers, electronic devices and other products	59,465	Note 1	59,465	-	-	59,465	100.00	4,743	102,840	-	
MSI ELECTRONICS (KUNSHAN)	Manufacturing, sales and maintenance of computers, electronic devices and other products	61,043	Note 1	61,043	-	-	61,043	100.00	2,382	53,800	-	
SHENZHEN MEGA INFORMATION	Testing and maintenance of computers, electronic devices and other products	824	Note 1	824	-	-	824	100.00	-	702	-	
MSI (SHANGHAI)	Sales and maintenance of computers, electronic devices and other products	3,367	Note 1	-	-	-	-	100.00	(293)	103	-	Note 3
MSI TRADING (SHENZHEN)	Sales and maintenance of computers, electronic devices and other products	3,144	Note 1	-	-	-	-	100.00	(1,240)	(2,841)	-	Note 4

Company name	Accumulated investment in China at the end of the period (US\$)	Limitation of investment approved by the Investment Commission of Ministry of Economic Affairs (US\$)	Limitation to investment in China (US\$)
Micro-star International Co., Ltd.	124,055	130,565	446,017

Note 1: The investments were made indirectly through 100% owned subsidiary of the Company.

Note 2: Evaluated based on audited financial statements of the investee companies.

Note 3: The amount of US\$3,000 thousand was remitted by the Company's subsidiary, MSI (PACIFIC), to MSI (SHANGHAI).

Note 4: The amount of US\$3,000 thousand was remitted by the Company's subsidiary, MSI (PACIFIC), to MSI TRADING (SHENZHEN).

Note 5: In pursuance of Jing-Shen-Zi Letter No.09704604680 from the Ministry of Economic Affairs dated August 29, 1998. The amended "Regulations for examination of investments and technical cooperations in Mainland Area" sets the limitation for investments in mainland China to be the higher of net book value or 60% of consolidated net book value.

B. The Company's transactions with investee companies in China through other entities outside of Taiwan and China, including sales price, payment terms, unrealized profit/loss and other information that may be relevant for understanding the impact of investment in China to the financial statements

(1) Purchases and percentage of purchase and ending balance of accounts payable and percentage: None.

(2) Sales and percentage of sales and ending balance of accounts receivable and percentage: (US\$)

Seller	Counterparty	Sales amount	Transaction			Notes/accounts receivable	
			Percentage of total sales	Credit term	Balance	Percentage of total notes/accounts receivable	Unrealized gain (loss)
MEGA COMPUTER	MSI TRADING (SHENZHEN)	\$ 72,261	100	40-70 days	\$ 17,037	100	\$ -

(3) Amount of property transactions and relevant profit and loss: None.

(4) Amount and purpose of endorsement and guarantee: None.

(5) Maximum amount of lending/borrowing, ending balance, interest rate and total amount of interest paid for the period: None.

(6) Other transactions that have significant impact to current period profit/loss or financial status, such as provision or acceptance of services: Please refer to Notes 11(1)G and 11(2)G. Also refer to the notes on related party transactions.

- 4) Business relationships and major transactions between the company and the subsidiaries.
Individual transaction not exceeding \$10,000 is not disclosed.
For the year ended December 31, 2011:

Number	Transaction company	Counter party	Relation	Transactions			
				General ledger account	NTS (Note 1)	Trade terms	% of net sales or total assets
0	Micro-Star International Co., Ltd.	MSI (LA)	Parent to subsidiary or indirectly subsidiary	Sales revenue	\$ 4,066,931	Note 2	5.17%
0	Micro-Star International Co., Ltd.	MSI (AUSTRALIA)	Parent to subsidiary or indirectly subsidiary	Sales revenue	520,314	Note 2	0.66%
0	Micro-Star International Co., Ltd.	MSI (JAPAN)	Parent to subsidiary or indirectly subsidiary	Sales revenue	1,060,626	Note 2	1.35%
0	Micro-Star International Co., Ltd.	MSI (SARL)	Parent to subsidiary or indirectly subsidiary	Sales revenue	1,606,892	Note 2	2.04%
0	Micro-Star International Co., Ltd.	MSI (GMBH)	Parent to subsidiary or indirectly subsidiary	Sales revenue	2,042,763	Note 2	2.60%
0	Micro-Star International Co., Ltd.	MYSTAR	Parent to subsidiary or indirectly subsidiary	Sales revenue	2,961,276	Note 2	3.76%
0	Micro-Star International Co., Ltd.	MSI (MIAMI)	Parent to subsidiary or indirectly subsidiary	Sales revenue	1,047,969	Note 2	1.33%
0	Micro-Star International Co., Ltd.	MSI (UK)	Parent to subsidiary or indirectly subsidiary	Sales revenue	554,362	Note 2	0.70%
0	Micro-Star International Co., Ltd.	MSI (KOREA)	Parent to subsidiary or indirectly subsidiary	Sales revenue	1,673,602	Note 2	2.13%
0	Micro-Star International Co., Ltd.	MSI (POLSKA)	Parent to subsidiary or indirectly subsidiary	Sales revenue	30,964	Note 2	0.04%
0	Micro-Star International Co., Ltd.	MEGA COMPUTER	Parent to subsidiary or indirectly subsidiary	Sales revenue	2,979,289	Note 2	3.79%
0	Micro-Star International Co., Ltd.	FUNTORO	Parent to subsidiary or indirectly subsidiary	Sales revenue	283,166	Note 2	0.36%
0	Micro-Star International Co., Ltd.	MSI (RUSSIA)	Parent to subsidiary or indirectly subsidiary	Sales revenue	28,934	Note 2	0.04%
0	Micro-Star International Co., Ltd.	MSI (BRASIL)	Parent to subsidiary or indirectly subsidiary	Sales revenue	40,817	Note 2	0.05%
0	Micro-Star International Co., Ltd.	MSI (LA)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	617,091	Note 2	1.55%
0	Micro-Star International Co., Ltd.	MSI (AUSTRALIA)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	103,432	Note 2	0.26%
0	Micro-Star International Co., Ltd.	MSI (JAPAN)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	210,830	Note 2	0.53%
0	Micro-Star International Co., Ltd.	MSI (SARL)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	162,331	Note 2	0.41%
0	Micro-Star International Co., Ltd.	MSI (GMBH)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	306,401	Note 2	0.77%
0	Micro-Star International Co., Ltd.	MYSTAR	Parent to subsidiary or indirectly subsidiary	Accounts receivable	24,050	Note 2	0.06%
0	Micro-Star International Co., Ltd.	MSI (UK)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	101,200	Note 2	0.25%
0	Micro-Star International Co., Ltd.	MSI (MIAMI)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	233,439	Note 2	0.59%
0	Micro-Star International Co., Ltd.	MSI (KOREA)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	554,461	Note 2	1.39%
0	Micro-Star International Co., Ltd.	MSI (POLSKA)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	33,366	Note 2	0.08%
0	Micro-Star International Co., Ltd.	MEGA COMPUTER	Parent to subsidiary or indirectly subsidiary	Accounts receivable	257,576	Note 2	0.65%
0	Micro-Star International Co., Ltd.	FUNTORO	Parent to subsidiary or indirectly subsidiary	Accounts receivable	17,711	Note 2	0.04%

Note 1: Balances after elimination in conformity with regulations.

Note 2: Sales price and terms were approximately the same as those to third parties, terms for third parties were 30 to 120 days.

Number	Transaction company	Counter party	Relation	Transactions			
				General ledger account	NTS (Note 1)	Trade terms	% of net sales or total assets
0	Micro-Star International Co., Ltd.	MSI (PACIFIC)	Parent to subsidiary or indirectly subsidiary	Accrued expenses	\$ 3,042,597	Note 3	7.64%
0	Micro-Star International Co., Ltd.	MSI (PACIFIC)	Parent to subsidiary or indirectly subsidiary	Processing overhead	2,320,818	Note 3	2.95%
0	Micro-Star International Co., Ltd.	MSI (LA)	Parent to subsidiary or indirectly subsidiary	Operating expenses	159,990	Note 3	0.20%
0	Micro-Star International Co., Ltd.	MSI (AUSTRALIA)	Parent to subsidiary or indirectly subsidiary	Operating expenses	24,493	Note 3	0.03%
0	Micro-Star International Co., Ltd.	MSI (JAPAN)	Parent to subsidiary or indirectly subsidiary	Operating expenses	45,504	Note 3	0.06%
0	Micro-Star International Co., Ltd.	MYSTAR	Parent to subsidiary or indirectly subsidiary	Operating expenses	125,898	Note 3	0.16%
0	Micro-Star International Co., Ltd.	MSI (SARL)	Parent to subsidiary or indirectly subsidiary	Operating expenses	40,789	Note 3	0.05%
0	Micro-Star International Co., Ltd.	MSI (GMBH)	Parent to subsidiary or indirectly subsidiary	Operating expenses	84,892	Note 3	0.11%
0	Micro-Star International Co., Ltd.	MSI (MIAMI)	Parent to subsidiary or indirectly subsidiary	Operating expenses	19,000	Note 3	0.02%
0	Micro-Star International Co., Ltd.	MSI (UK)	Parent to subsidiary or indirectly subsidiary	Operating expenses	36,376	Note 3	0.05%
0	Micro-Star International Co., Ltd.	MSI (KOREA)	Parent to subsidiary or indirectly subsidiary	Operating expenses	43,621	Note 3	0.06%
0	Micro-Star International Co., Ltd.	MSI (POLSKA)	Parent to subsidiary or indirectly subsidiary	Operating expenses	135,452	Note 3	0.17%
0	Micro-Star International Co., Ltd.	MSI (EUROPE)	Parent to subsidiary or indirectly subsidiary	Operating expenses	289,646	Note 3	0.37%
0	Micro-Star International Co., Ltd.	MEGA COMPUTER	Parent to subsidiary or indirectly subsidiary	Operating expenses	172,609	Note 3	0.22%
0	Micro-Star International Co., Ltd.	MSI (INDIA)	Parent to subsidiary or indirectly subsidiary	Operating expenses	31,795	Note 3	0.04%
0	Micro-Star International Co., Ltd.	MSI (RUSSIA)	Parent to subsidiary or indirectly subsidiary	Operating expenses	97,032	Note 3	0.12%
0	Micro-Star International Co., Ltd.	MSI (ITALY)	Parent to subsidiary or indirectly subsidiary	Operating expenses	40,620	Note 3	0.05%
0	Micro-Star International Co., Ltd.	MSI (TURKEY)	Parent to subsidiary or indirectly subsidiary	Operating expenses	18,265	Note 3	0.02%
0	Micro-Star International Co., Ltd.	MSI (LA)	Parent to subsidiary or indirectly subsidiary	Accrued expenses	15,094	Note 3	0.04%
0	Micro-Star International Co., Ltd.	MYSTAR	Parent to subsidiary or indirectly subsidiary	Accrued expenses	12,387	Note 3	0.03%
0	Micro-Star International Co., Ltd.	MSI (POLSKA)	Parent to subsidiary or indirectly subsidiary	Accrued expenses	32,642	Note 3	0.08%
0	Micro-Star International Co., Ltd.	MSI (EUROPE)	Parent to subsidiary or indirectly subsidiary	Accrued expenses	11,702	Note 3	0.03%
0	Micro-Star International Co., Ltd.	MEGA COMPUTER	Parent to subsidiary or indirectly subsidiary	Accrued expenses	31,592	Note 3	0.08%
0	Micro-Star International Co., Ltd.	MSI (RUSSIA)	Parent to subsidiary or indirectly subsidiary	Accrued expenses	20,838	Note 3	0.05%

Note 1: Balances after elimination in conformity with regulations.

Note 3: Processing overhead was determined based on the quantities, contract amount and delivery time.

Number	Transaction company	Counter party	Relation	Transactions			
				General ledger account	NT\$ (Note 1)	Trade terms	% of net sales or total assets
1	MSI (PACIFIC)	MSI (SHENZHEN)	Between subsidiary and indirect subsidiary	Accrued expenses	\$ 1,823,558	Note 3	4.58%
1	MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Between subsidiary and indirect subsidiary	Accrued expenses	977,504	Note 3	2.46%
1	MSI (PACIFIC)	SHENZHEN MEGA INFORMATION	Between subsidiary and indirect subsidiary	Accrued expenses	12,562	Note 3	0.03%
1	MSI (PACIFIC)	MSI (B.V.I)	Between subsidiary and indirect subsidiary	Accrued expenses	63,602	Note 3	0.16%
1	MSI (PACIFIC)	MICRO ELECTRONICS	Between subsidiary and indirect subsidiary	Accrued expenses	155,764	Note 3	0.39%
1	MSI (PACIFIC)	Micro-Star International Co., Ltd.	Parent and subsidiary	Accounts receivable	3,042,597	Note 3	7.64%
1	MSI (PACIFIC)	MSI (SHENZHEN)	Between subsidiary and indirect subsidiary	Processing overhead	2,286,537	Note 3	2.91%
1	MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Between subsidiary and indirect subsidiary	Processing overhead	675,747	Note 3	0.86%
1	MSI (PACIFIC)	SHENZHEN MEGA INFORMATION	Between subsidiary and indirect subsidiary	Processing overhead	57,369	Note 3	0.07%
1	MSI (PACIFIC)	MSI (B.V.I)	Between subsidiary and indirect subsidiary	Processing overhead	49,414	Note 3	0.06%
1	MSI (PACIFIC)	MICRO ELECTRONICS	Between subsidiary and indirect subsidiary	Processing overhead	21,536	Note 3	0.03%
2	MEGA COMPUTER	MSI TRADING (SHENZHEN)	Between subsidiary and indirect subsidiary	Processing income	3,078,751	Note 2	3.91%
2	MEGA COMPUTER	MSI TRADING (SHENZHEN)	Between subsidiary and indirect subsidiary	Accounts receivable	810,829	Note 2	2.04%

Note 1: Balances after elimination in conformity with regulations.

Note 2: Sales price and terms were approximately the same as those to third parties; terms for third parties were 30 to 120 days.

Note 3: Processing overhead was determined based on the quantities, contract amount and delivery time.

For the year ended December 31, 2012:

Number	Transaction company	Counter party	Relation	Transactions					% of net sales or total assets
				General ledger account	Amount (Note 1)		Trade terms		
0	Micro-Star International Co., Ltd.	MSI (LA)	Parent to subsidiary or indirectly subsidiary	Sales revenue	\$ 3,267,797	US\$ 112,527	Note 2	4.87%	
0	Micro-Star International Co., Ltd.	MSI (AUSTRALIA)	Parent to subsidiary or indirectly subsidiary	Sales revenue	46,144	1,589	Note 2	0.07%	
0	Micro-Star International Co., Ltd.	MSI (GMBH)	Parent to subsidiary or indirectly subsidiary	Sales revenue	1,365,363	47,017	Note 2	2.04%	
0	Micro-Star International Co., Ltd.	MYSTAR	Parent to subsidiary or indirectly subsidiary	Sales revenue	1,460,086	50,278	Note 2	2.18%	
0	Micro-Star International Co., Ltd.	MSI (MIAMI)	Parent to subsidiary or indirectly subsidiary	Sales revenue	643,226	22,150	Note 2	0.96%	
0	Micro-Star International Co., Ltd.	MSI (KOREA)	Parent to subsidiary or indirectly subsidiary	Sales revenue	1,173,644	40,415	Note 2	1.75%	
0	Micro-Star International Co., Ltd.	MEGA COMPUTER	Parent to subsidiary or indirectly subsidiary	Sales revenue	2,091,947	72,037	Note 2	3.12%	
0	Micro-Star International Co., Ltd.	FUNTORO	Parent to subsidiary or indirectly subsidiary	Sales revenue	206,766	7,120	Note 2	0.31%	
0	Micro-Star International Co., Ltd.	MSI (BRASIL)	Parent to subsidiary or indirectly subsidiary	Sales revenue	196,526	6,767	Note 2	0.29%	
0	Micro-Star International Co., Ltd.	MSI (LA)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	729,380	25,116	Note 2	1.96%	
0	Micro-Star International Co., Ltd.	MSI (GMBH)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	155,015	5,338	Note 2	0.42%	
0	Micro-Star International Co., Ltd.	MYSTAR	Parent to subsidiary or indirectly subsidiary	Accounts receivable	249,438	8,589	Note 2	0.67%	
0	Micro-Star International Co., Ltd.	MSI (MIAMI)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	134,457	4,630	Note 2	0.36%	
0	Micro-Star International Co., Ltd.	MSI (KOREA)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	31,228	1,075	Note 2	0.08%	
0	Micro-Star International Co., Ltd.	MEGA COMPUTER	Parent to subsidiary or indirectly subsidiary	Accounts receivable	260,464	8,969	Note 2	0.70%	
0	Micro-Star International Co., Ltd.	FUNTORO	Parent to subsidiary or indirectly subsidiary	Accounts receivable	13,446	463	Note 2	0.04%	
0	Micro-Star International Co., Ltd.	MSI (BRASIL)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	135,200	4,656	Note 2	0.36%	
0	Micro-Star International Co., Ltd.	MSI (Cayman)	Parent to subsidiary or indirectly subsidiary	Accounts receivable	360,678	12,420	Note 2	0.97%	

Note 1: Balances after elimination in conformity with regulations.

Note 2: Sales price and terms were approximately the same as those to third parties, terms for third parties were 30 to 120 days.

Number	Transaction company	Counter party	Relation	Transactions					Trade terms	% of net sales or total assets
				General ledger account	Amount (Note 1)		US\$			
					NT\$	\$				
0	Micro-Star International Co., Ltd.	MSI (PACIFIC)	Parent to subsidiary or indirectly subsidiary	Accrued expenses	3,228,942	111,189		Note 3	8.67%	
0	Micro-Star International Co., Ltd.	MSI (PACIFIC)	Parent to subsidiary or indirectly subsidiary	Processing overhead	3,480,679	119,858		Note 3	5.19%	
0	Micro-Star International Co., Ltd.	MSI (LA)	Parent to subsidiary or indirectly subsidiary	Operating expenses	101,174	3,484		Note 3	0.15%	
0	Micro-Star International Co., Ltd.	MSI (AUSTRALIA)	Parent to subsidiary or indirectly subsidiary	Operating expenses	31,966	1,101		Note 3	0.05%	
0	Micro-Star International Co., Ltd.	MSI (JAPAN)	Parent to subsidiary or indirectly subsidiary	Operating expenses	67,606	2,328		Note 3	0.10%	
0	Micro-Star International Co., Ltd.	MYSTAR	Parent to subsidiary or indirectly subsidiary	Operating expenses	135,598	4,669		Note 3	0.20%	
0	Micro-Star International Co., Ltd.	MSI (SARL)	Parent to subsidiary or indirectly subsidiary	Operating expenses	72,572	2,499		Note 3	0.11%	
0	Micro-Star International Co., Ltd.	MSI (GMBH)	Parent to subsidiary or indirectly subsidiary	Operating expenses	48,820	1,681		Note 3	0.07%	
0	Micro-Star International Co., Ltd.	MSI (MIAMI)	Parent to subsidiary or indirectly subsidiary	Operating expenses	11,392	392		Note 3	0.02%	
0	Micro-Star International Co., Ltd.	MSI (UK)	Parent to subsidiary or indirectly subsidiary	Operating expenses	18,412	634		Note 3	0.03%	
0	Micro-Star International Co., Ltd.	MSI (KOREA)	Parent to subsidiary or indirectly subsidiary	Operating expenses	29,887	1,029		Note 3	0.04%	
0	Micro-Star International Co., Ltd.	MSI (POLSKA)	Parent to subsidiary or indirectly subsidiary	Operating expenses	165,209	5,689		Note 3	0.25%	
0	Micro-Star International Co., Ltd.	MSI (EUROPE)	Parent to subsidiary or indirectly subsidiary	Operating expenses	208,560	7,182		Note 3	0.31%	
0	Micro-Star International Co., Ltd.	MEGA COMPUTER	Parent to subsidiary or indirectly subsidiary	Operating expenses	141,086	4,858		Note 3	0.21%	
0	Micro-Star International Co., Ltd.	MSI (RUSSIA)	Parent to subsidiary or indirectly subsidiary	Operating expenses	99,840	3,438		Note 3	0.15%	
0	Micro-Star International Co., Ltd.	MSI (ITALY)	Parent to subsidiary or indirectly subsidiary	Operating expenses	21,557	742		Note 3	0.03%	
0	Micro-Star International Co., Ltd.	MSI (TURKEY)	Parent to subsidiary or indirectly subsidiary	Operating expenses	17,868	615		Note 3	0.03%	
0	Micro-Star International Co., Ltd.	MSI (Balkan)	Parent to subsidiary or indirectly subsidiary	Operating expenses	14,073	485		Note 3	0.02%	
0	Micro-Star International Co., Ltd.	MSI (LA)	Parent to subsidiary or indirectly subsidiary	Accrued expenses	12,393	427		Note 3	0.03%	
0	Micro-Star International Co., Ltd.	MYSTAR	Parent to subsidiary or indirectly subsidiary	Accrued expenses	13,743	473		Note 3	0.04%	

Note 1: Balances after elimination in conformity with regulations.

Note 3: Processing overhead was determined based on the quantities, contract amount and delivery time.

Number	Transaction company	Counter party	Relation	Transactions				
				General ledger account	Amount (Note 1)		Trade terms	% of net sales or total assets
					NT\$	US\$		
0	Micro-Star International Co., Ltd.	MSI (POLSKA)	Parent to subsidiary or indirectly subsidiary	Accrued expenses	\$ 19,895	685	Note 3	0.05%
0	Micro-Star International Co., Ltd.	MEGA COMPUTER	Parent to subsidiary or indirectly subsidiary	Accrued expenses	17,761	612	Note 3	0.05%
0	Micro-Star International Co., Ltd.	MSI (RUSSIA)	Parent to subsidiary or indirectly subsidiary	Accrued expenses	14,841	511	Note 3	0.04%
1	MSI (PACIFIC)	MSI (SHENZHEN)	Between subsidiary and indirect subsidiary	Accrued expenses	2,119,580	72,988	Note 3	5.69%
1	MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Between subsidiary and indirect subsidiary	Accrued expenses	764,477	26,325	Note 3	2.05%
1	MSI (PACIFIC)	MSI (B.V.I.)	Between subsidiary and indirect subsidiary	Accrued expenses	142,150	4,895	Note 3	0.38%
1	MSI (PACIFIC)	MICRO ELECTRONICS	Between subsidiary and indirect subsidiary	Accrued expenses	194,151	6,686	Note 3	0.52%
1	MSI (PACIFIC)	Micro-Star International Co., Ltd.	Parent and subsidiary	Accounts receivable	3,228,942	111,189	Note 3	8.67%
1	MSI (PACIFIC)	MSI (SHENZHEN)	Between subsidiary and indirect subsidiary	Processing overhead	2,656,925	91,492	Note 3	3.96%
1	MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Between subsidiary and indirect subsidiary	Processing overhead	811,762	27,953	Note 3	1.21%
1	MSI (PACIFIC)	SHENZHEN MEGA INFORMATION	Between subsidiary and indirect subsidiary	Processing overhead	66,797	2,300	Note 3	0.10%
1	MSI (PACIFIC)	MSI (B.V.I.)	Between subsidiary and indirect subsidiary	Processing overhead	100,498	3,461	Note 3	0.15%
1	MSI (PACIFIC)	MICRO ELECTRONICS	Between subsidiary and indirect subsidiary	Processing overhead	150,403	5,179	Note 3	0.22%
2	MEGA COMPUTER	MSI TRADING (SHENZHEN)	Between subsidiary and indirect subsidiary	Sales revenue	2,098,465	72,261	Note 2	3.13%
2	MEGA COMPUTER	MSI TRADING (SHENZHEN)	Between subsidiary and indirect subsidiary	Accounts receivable	494,756	17,037	Note 2	1.33%

Note 1: Balances after elimination in conformity with regulations.

Note 2: Sales price and terms were approximately the same as those to third parties, terms for third parties were 30 to 120 days.

Note 3: Processing overhead was determined based on the quantities, contract amount and delivery time.

12. SEGMENT INFORMATION

1) General information and measurement of segment information

The Company's operating segment profit (loss) is measured by the operating income (loss), which is used as a basis in assessing the performance of operating segments. Furthermore, the accounting policies used by the operating segments are not significantly different from the summary of significant accounting policies stated in Note 2. In accordance with R.O.C. SFAS No. 41, "Operating Segments", the Company's reportable operating segments are as follows:

Computer/information business group: mainly engages in development and sale of mother boards, interface cards, notebooks and computer peripherals.

Others and general administration department: mainly engages in development and sale of auto electronic components and in charge of general administration department expenses.

2) Information and reconciliation for segment profit (loss) and assets

Revenue and operating results of the Company's continuing operations are analyzed below by reportable operating segments:

A. For the year ended December 31, 2011

	Computer/information business group	Others and general administration department	Total
	NT\$	NT\$	NT\$
Total segment revenue	\$ 78,038,797	\$ 627,722	\$ 78,666,519
Operating income (loss)	\$ 785,144	(\$ 695,411)	\$ 89,733
Other non-operating revenue			286,182
Profit before tax			\$ 375,915
Segment assets (Note)	\$ -	\$ -	\$ -

B. For the year ended December 31, 2012

	Computer/information business group	Others and general administration department	Total
	NT\$	NT\$	NT\$
Total segment revenue	\$ 66,368,984	\$ 688,187	\$ 67,057,171
Operating income (loss)	\$ 1,332,461	(\$ 456,473)	\$ 875,988
Other non-operating revenue			324,144
Profit before tax			\$ 1,200,132
Segment assets (Note)	\$ -	\$ -	\$ -

	Computer/information business group	Others and general administration department	Total
	US\$ (Unaudited)	US\$ (Unaudited)	US\$ (Unaudited)
Total segment revenue	\$ 2,285,433	\$ 23,698	\$ 2,309,131
Operating income (loss)	\$ 45,884	(\$ 15,719)	\$ 30,165
Other non-operating revenue			11,162
Profit before tax			\$ 41,327
Segment assets (Note)	\$ -	\$ -	\$ -

Note : As the amounts of consolidated entities' assets are not provided to the chief operating decision-maker, such items were not disclosed.

The above revenue were derived from the transactions with external customers. The above amounts are provided to the chief operating decision-maker for allocating resources and assessing performance of operating segments.

3) Revenue information by category

Revenue from external customers arose from the sale transactions of computer and peripherals and components. Breakdown of the revenue from all sources is as follows:

	For the years ended December 31,		
	2011	2012	2012
	NT\$	NT\$	US\$
			(Unaudited)
Computer and peripherals sale revenue	\$ 78,666,519	\$ 67,057,171	\$ 2,309,131

4) Revenue information by geographic area

Revenue information by geographic area for the years ended December 31, 2011 and 2012 were as follows:

For the years ended December 31,						
2011		2012		2012		
Sales	Non-current assets	Sales	Non-current assets	Sales	Non-current assets	
NT\$	NT\$	NT\$	NT\$	US\$	US\$	
				(Unaudited)	(Unaudited)	
Asia	\$ 41,651,861	\$ 6,357,641	\$ 42,934,072	\$ 5,763,359	\$ 1,478,446	\$ 198,463
Europe	22,204,735	238,534	14,171,529	220,470	488,000	7,592
America	12,912,649	156,631	8,445,571	144,141	290,826	4,964
Others	1,897,274	2,810	1,505,999	767	51,859	26
Total	\$ 78,666,519	\$ 6,755,616	\$ 67,057,171	\$ 6,128,737	\$ 2,309,131	\$ 211,045

5) Information on major customers

The Group has no individual customer whose sales amount accounts for more than 10% of net operating revenue in the consolidated statement of income.

13. DISCLOSURES RELATING TO THE ADOPTION OF IFRSs

Pursuant to the regulations of the Financial Supervisory Commission, Executive Yuan, R.O.C., effective January 1, 2013, a public company whose stock is listed on the Taiwan Stock Exchange Corporation or traded in the GreTai Securities Market should prepare financial statements in accordance with the International Financial Reporting Standards ("IFRSs") and relevant interpretations and interpretative bulletins that are ratified by the Financial Supervisory Commission.

The Company and its subsidiaries disclose the following information in advance prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Letter No. 0990004943 of the Financial Supervisory Commission, dated February 2, 2010:

1) Major contents and status of execution of the Company's plan for IFRSs adoption

The Company and its subsidiaries have formed an IFRSs group headed by the Company's CFO, which is responsible for setting up a plan relative to the Company's transition to IFRSs. The major contents and status of execution of this plan are outlined below:

Working Items for IFRSs Adoption	Main implementing unit	Status of Execution
A. Formation of an IFRSs group	The Board of Directors	Completed
B. Setting up a plan relative to the Company's transition to IFRSs	IFRSs group	Completed
C. Identification of the differences between current accounting policies and IFRSs	IFRSs group	Completed
D. Identification of consolidated entities under the IFRSs framework	IFRSs group	Completed
E. Evaluation of the impact of each exemption and option on the Company under IFRS 1-First- time Adoption of International Financial Reporting Standards	IFRSs group	Completed
F. Evaluation of information system adjustments required	IFRSs group	Completed
G. Evaluation of internal control adjustments required	IFRSs group	Completed
H. Establish IFRSs accounting policies	IFRSs group	Completed
I. Selection of exemptions and options available under IFRS 1-First- time Adoption of International Financial Reporting Standards	IFRSs group	Completed
J. Preparation of statement of financial position on the date of transition to IFRSs	IFRSs group	Completed
K. Preparation of IFRSs comparative financial information for 2012	IFRSs group	In process
L. Completion of relevant internal control (including financial reporting process and relevant information system) adjustments	IFRSs group	Completed

- 2) Material differences that may arise between current accounting policies used in the preparation of financial statements and IFRSs and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be used in the preparation of financial statements in the future.

The Company and its subsidiaries use the IFRSs already ratified currently by the Financial Supervisory Commission and the “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be applied in 2013 as the basis for evaluation of material differences in accounting policies as mentioned above. However, the Company and its subsidiaries’ current evaluation results may be subject to modifications when new issuances of or amendments to IFRSs are subsequently ratified by the Financial Supervisory Commission or relevant interpretations or amendments to the “Rules Governing the Preparation of Financial Statements by Securities Issuers” in the future. The following paragraphs detail material difference in considering the difference between current accounting policies and the policies that apply in the future pursuant to IFRSs and the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and the exempted items selected by the Company and its subsidiaries in pursuance of IFRS 1 “First-time Adoption of International Financial Reporting Standards.” (Refer to Note 13(3) for further information on exemptions.)

A. Reconciliation for significant differences in balance sheet items as of January 1, 2012:

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, REPUBLIC OF CHINA (R.O.C. GAAP)		EFFECTS ON ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS		INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)		
ITEMS	AMOUNT	PRESENTATION DIFFERENCE	RECOGNITION AND MEASUREMENT DIFFERENCE	AMOUNT	ITEMS	NOTE
CURRENT ASSETS					CURRENT ASSETS	
Cash and cash equivalents	\$ 10,269,760	\$ -	\$ -	\$ 10,269,760	Cash and cash equivalents	
Financial assets at fair value through profit or loss-current	4,276	-	-	4,276	Financial assets at fair value through profit or loss-current	
Notes receivable, net	183,520	-	-	183,520	Notes receivable, net	
Accounts receivable, net	8,824,188	-	-	8,824,188	Accounts receivable, net	
Other receivables	586,720	-	-	586,720	Other receivables	
Inventories, net	10,331,658	-	-	10,331,658	Inventories, net	
Prepaid expenses	1,996,531	-	-	1,996,531	Prepayments	
Deferred income tax assets-current	377,818	(377,818)	-	-		f
TOTAL CURRENT ASSETS	32,574,471	(377,818)	-	32,196,653	TOTAL CURRENT ASSETS	
FUNDS AND INVESTMENTS					ASSETS-NONCURRENT	
Financial assets carried at cost-non-current	10,000	-	-	10,000	Financial assets carried at cost-non-current	
Long-term investments accounted for under the equity method	4,496	-	-	4,496	Investments accounted for under the equity method	
TOTAL FUNDS AND INVESTMENTS	14,496	-	-	14,496	-	
PROPERTY, PLANT AND EQUIPMENT					PROPERTY, PLANT AND EQUIPMENT	
Land	1,474,069	-	-	1,474,069	Land	
Buildings	6,301,267	52,065	-	6,353,332	Buildings	i-j
Machinery and equipment	4,962,195	-	-	4,962,195	Machinery and equipment	
Transportation equipment	32,224	-	-	32,224	Transportation equipment	
Office equipment	1,677,024	-	-	1,677,024	Office equipment	
Leasehold improvements	49,221	-	-	49,221	Leasehold improvements	
COST AND REVALUATION INCREMENTS	14,496,000	52,065	-	14,548,065	-	
Less: Accumulated depreciation	(8,114,002)	-	-	(8,114,002)	Less: Accumulated depreciation	
Prepayments for equipment and construction-in -progress	50	(50)	-	-		m
PROPERTY, PLANT AND EQUIPMENT, NET	6,382,048	52,015	-	6,434,063	-	
INTANGIBLE ASSETS					INTANGIBLE ASSETS	
Intangible assets	154,586	(154,586)	-	-		h
-	-	166,124	-	166,124	Investment properties, net	g
-	-	814,977	29,794	844,771	Deferred income tax assets	a-c, f, k
OTHER ASSETS					OTHER ASSETS-NONCURRENT	
Rental assets	166,124	(166,124)	-	-		g
Idle assets	1,317	(1,317)	-	-		i
-	-	50	-	50	Prepayments for equipment	m
Deposits out	25,226	-	-	25,226	Deposits out	
Deferred charges	51,541	(51,541)	-	-		j
Deferred income tax assets-noncurrent	436,529	(436,529)	-	-		f
-	-	154,586	-	154,586	Long-term prepaid rents	h
Restricted assets	7,000	(7,000)	-	-		n
-	-	7,000	-	7,000	Other financial assets-noncurrent	n
-	-	793	-	793	Other assets-noncurrent	j
TOTAL OTHER ASSETS	687,737	(500,082)	-	187,655	TOTAL OTHER ASSETS-NONCURRENT	
TOTAL ASSETS	\$ 39,813,338	\$ 630	\$ 29,794	\$ 39,843,762	TOTAL ASSETS	

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, REPUBLIC OF CHINA
(R.O.C. GAAP)

EFFECTS ON ADOPTING INTERNATIONAL
FINANCIAL REPORTING STANDARDS

INTERNATIONAL FINANCIAL REPORTING STANDARDS
(IFRSs)

ITEMS	AMOUNT	PRESENTATION DIFFERENCE	RECOGNITION AND MEASUREMENT DIFFERENCE	AMOUNT	ITEMS	NOTE
CURRENT LIABILITIES					CURRENT LIABILITIES	
Short-term loans	\$ 2,163,763	\$ -	\$ -	\$ 2,163,763	Short-term loans	
Financial liabilities at fair value through profit or loss-current	680,134	-	-	680,134	Financial liabilities at fair value through profit or loss-current	
Notes payable	276	-	-	276	Notes payable	
Accounts payable	10,786,600	-	-	10,786,600	Accounts payable	
Income tax payable	148,109	-	-	148,109	Income tax payable	
Accrued expenses	1,601,465	-	49,163	1,650,628	Other payables	b
Other payables	276,549	-	-	276,549	Other payables	
Advance collections	718,183	-	-	718,183	Advance collections	
Long-term liabilities - current	3,051	-	-	3,051	Long-term liabilities - current	
TOTAL CURRENT LIABILITIES	16,378,130	-	49,163	16,427,293	TOTAL CURRENT LIABILITIES	
LONG-TERM INTEREST-BEARING LIABILITIES					LIABILITIES-NONCURRENT	
Long-term loans	35,038	-	-	35,038	Long-term loans	
-	-	630	-	630	Deferred income tax liabilities	k
OTHER LIABILITIES					OTHER LIABILITIES-NONCURRENT	
Accrued pension liabilities	92,477	-	16,458	108,935	Accrued pension liabilities	c
Guarantee deposit received	20,618	-	-	20,618	Guarantee deposit received	
TOTAL OTHER LIABILITIES	113,095	-	16,458	129,553	-	
TOTAL LIABILITIES	16,526,263	630	65,621	16,592,514	TOTAL LIABILITIES	
STOCKHOLDERS' EQUITY					EQUITY ATTRIBUTE TO OWNERS OF PARENT	
Capital					Capital	
Common stock	9,641,572	-	-	9,641,572	Common stock	
Capital reserve					Capital reserve	
Paid-in capital in excess of par value	4,477,045	-	-	4,477,045	Paid-in capital in excess of par value	
Treasury stock transactions	83,699	-	-	83,699	Treasury stock transactions	
Long-term investments	345	- (	345)	-	Change in the net book value of affiliates and joint ventures accounted for under equity method	e
Employee stock options	44,460	-	-	44,460	Employee stock options	
Retained earnings					Retained earnings	
Legal reserve	2,407,478	-	-	2,407,478	Legal reserve	
Special reserve	140,321	-	389,481	529,802	Special reserve	l
Unappropriated earnings	6,239,733	-	-	6,239,733	Unappropriated earnings	a-c, l
Other adjustments to stockholders' equity					Other equity	
Cumulative translation adjustments	424,963	- (	424,963)	-	Translation difference due to translations from foreign operations	d, l
Treasury stock	(178,299)	-	-	(178,299)	Treasury stock	
TOTAL STOCKHOLDERS' EQUITY OF PARENT	23,281,317	- (	35,827)	23,245,490	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	
Minority interest	5,758	-	-	5,758	Non-controlling interest	
TOTAL STOCKHOLDERS' EQUITY	23,287,075	- (	35,827)	23,251,248	TOTAL EQUITY	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 39,813,338	\$ 630	\$ 29,794	\$ 39,843,762	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	

B. Reconciliation for significant differences in balance sheet items as of December 31, 2012:

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, REPUBLIC OF CHINA (R.O.C. GAAP)		EFFECTS ON ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS		INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)		
ITEMS	AMOUNT	PRESENTATION DIFFERENCE	RECOGNITION AND MEASUREMENT DIFFERENCE	AMOUNT	ITEMS	NOTE
CURRENT ASSETS						
Cash and cash equivalents	\$ 8,341,153	\$ -	\$ -	\$ 8,341,153	Cash and cash equivalents	
Financial assets at fair value through profit or loss-current	23,763	-	-	23,763	Financial assets at fair value through profit or loss-current	
Notes receivable, net	4,341	-	-	4,341	Notes receivable, net	
Accounts receivable, net	10,196,923	-	-	10,196,923	Accounts receivable, net	
Other receivables	489,240	-	-	489,240	Other receivables	
Inventories, net	10,063,615	-	-	10,063,615	Inventories, net	
Prepaid expenses	1,426,378	-	-	1,426,378	Prepayments	
Deferred income tax assets-current	481,096	(481,096)	-	-	-	f
TOTAL CURRENT ASSETS	31,026,509	(481,096)	-	30,545,413	TOTAL CURRENT ASSETS	
FUNDS AND INVESTMENTS						
Financial assets carried at cost-non-current equity	10,000	-	-	10,000	Financial assets carried at cost-non-current	
method	2,091	-	-	2,091	Investments accounted for under the equity method	
TOTAL FUNDS AND INVESTMENTS	12,091	-	-	12,091	-	
PROPERTY, PLANT AND EQUIPMENT						
Land	1,471,092	-	-	1,471,092	Land	
Buildings	6,156,771	48,634	-	6,205,405	Buildings	i-j
Machinery and equipment	4,593,854	-	-	4,593,854	Machinery and equipment	
Transportation equipment	27,187	-	-	27,187	Transportation equipment	
Office equipment	1,624,841	-	-	1,624,841	Office equipment	
Leasehold improvements	46,575	-	-	46,575	Leasehold improvements	
COST AND REVALUATION INCREMENTS	13,920,320	48,634	-	13,968,954	-	
Less: Accumulated depreciation	(8,130,939)	-	-	(8,130,939)	Less: Accumulated depreciation	
Prepayments for equipment and construction-in -progress	892	(892)	-	-	-	m
PROPERTY, PLANT AND EQUIPMENT, NET	5,790,273	47,742	-	5,838,015	-	
INTANGIBLE ASSETS						
Intangible assets	140,577	(140,577)	-	-	-	h
-	-	146,836	-	146,836	Investment properties, net	g
-	-	529,677	30,641	560,318	Deferred income tax assets	a-c, f, k
OTHER ASSETS						
Rental assets	146,836	(146,836)	-	-	-	g
Idle assets	175	(175)	-	-	-	i
-	-	892	-	892	Prepayments for equipment	m
Deposits out	22,255	-	-	22,255	Deposits out	
Deferred charges	50,876	(50,876)	-	-	-	j
Deferred income tax assets-noncurrent	37,685	(37,685)	-	-	-	f
-	-	140,577	-	140,577	Long-term prepaid rents	h
Restricted assets	6,748	(6,748)	-	-	-	n
-	-	6,748	-	6,748	Other financial assets-noncurrent	n
-	-	2,417	-	2,417	Other assets-noncurrent	j
TOTAL OTHER ASSETS	264,575	(91,686)	-	172,889	TOTAL OTHER ASSETS-NONCURRENT	
TOTAL ASSETS	\$ 37,234,025	\$ 10,896	\$ 30,641	\$ 37,275,562	TOTAL ASSETS	

B. Reconciliation for significant differences in balance sheet items as of December 31, 2012:

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, REPUBLIC OF CHINA (R.O.C. GAAP)		EFFECTS ON ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS		INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)		
ITEMS	AMOUNT US\$ (Unaudited)	PRESENTATION DIFFERENCE US\$ (Unaudited)	RECOGNITION AND MEASUREMENT DIFFERENCE US\$ (Unaudited)	AMOUNT US\$ (Unaudited)	ITEMS	NOTE
CURRENT ASSETS					CURRENT ASSETS	
Cash and cash equivalents	\$ 287,230	-	-	\$ 287,230	Cash and cash equivalents	
Financial assets at fair value through profit or loss-current	818	-	-	818	Financial assets at fair value through profit or loss-current	
Notes receivable, net	149	-	-	149	Notes receivable, net	
Accounts receivable, net	351,134	-	-	351,134	Accounts receivable, net	
Other receivables	16,847	-	-	16,847	Other receivables	
Inventories, net	346,543	-	-	346,543	Inventories, net	
Prepaid expenses	49,118	-	-	49,118	Prepayments	
Deferred income tax assets-current	16,567	(16,567)	-	-		f
TOTAL CURRENT ASSETS	1,068,406	(16,567)	-	1,051,839	TOTAL CURRENT ASSETS	
FUNDS AND INVESTMENTS					ASSETS-NONCURRENT	
Financial assets carried at cost-non-current equity method	344	-	-	344	Financial assets carried at cost-non-current equity method	
TOTAL FUNDS AND INVESTMENTS	416	-	-	416	Investments accounted for under the equity method	
PROPERTY, PLANT AND EQUIPMENT					PROPERTY, PLANT AND EQUIPMENT	
Land	50,657	-	-	50,657	Land	
Buildings	212,010	1,675	-	213,685	Buildings	i-j
Machinery and equipment	158,191	-	-	158,191	Machinery and equipment	
Transportation equipment	936	-	-	936	Transportation equipment	
Office equipment	55,952	-	-	55,952	Office equipment	
Leasehold improvements	1,604	-	-	1,604	Leasehold improvements	
COST AND REVALUATION INCREMENTS	479,350	1,675	-	481,025		
Less: Accumulated depreciation	(279,991)	-	-	(279,991)	Less: Accumulated depreciation	
Prepayments for equipment and construction-in -progress	31	(31)	-	-		m
PROPERTY, PLANT AND EQUIPMENT, NET	199,390	1,644	-	201,034		
INTANGIBLE ASSETS						
Intangible assets	4,841	(4,841)	-	-		h
-	-	5,056	-	5,056	Investment properties, net	g
-	-	18,240	1,055	19,295	Deferred income tax assets	a-c, f, k
OTHER ASSETS					OTHER ASSETS-NONCURRENT	
Rental assets	5,056	(5,056)	-	-		g
Idle assets	6	(6)	-	-		i
-	-	31	-	31	Prepayments for equipment	m
Deposits out	766	-	-	766	Deposits out	
Deferred charges	1,752	(1,752)	-	-		j
Deferred income tax assets-noncurrent	1,298	(1,298)	-	-		f
-	-	4,841	-	4,841	Long-term prepaid rents	h
Restricted assets	232	(232)	-	-		n
-	-	232	-	232	Other financial assets-noncurrent	n
-	-	83	-	83	Other assets-noncurrent	j
TOTAL OTHER ASSETS	9,110	(3,157)	-	5,953	TOTAL OTHER ASSETS-NONCURRENT	
TOTAL ASSETS	\$ 1,282,163	\$ 375	\$ 1,055	\$ 1,283,593	TOTAL ASSETS	

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, REPUBLIC OF CHINA (R.O.C. GAAP)		EFFECTS ON ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS		INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)		
ITEMS	AMOUNT	PRESENTATION DIFFERENCE	RECOGNITION AND MEASUREMENT DIFFERENCE	AMOUNT	ITEMS	NOTE
CURRENT LIABILITIES					CURRENT LIABILITIES	
Short-term loans	\$ 1,078,140	\$ -	\$ -	\$ 1,078,140	Short-term loans	
Financial liabilities at fair value through profit or loss-current	709,160	-	-	709,160	Financial liabilities at fair value through profit or loss-current	
Notes payable	224	-	-	224	Notes payable	
Accounts payable	11,260,133	-	-	11,260,133	Accounts payable	
Income tax payable	42,702	-	-	42,702	Income tax payable	
Accrued expenses	1,916,279	-	52,847	1,969,126	Other payables	b
Other payables	126,998	-	-	126,998	Other payables	
Advance collections	341,683	-	-	341,683	Advance collections	
Long-term liabilities - current	3,019	-	-	3,019	Long-term liabilities - current	
TOTAL CURRENT LIABILITIES	15,478,338	-	52,847	15,531,185	TOTAL CURRENT LIABILITIES	
LONG-TERM INTEREST-BEARING LIABILITIES					LIABILITIES-NONCURRENT	
Long-term loans	21,415	-	-	21,415	Long-term loans	
-	-	10,896	-	10,896	Deferred income tax liabilities	k
OTHER LIABILITIES					OTHER LIABILITIES-NONCURRENT	
Accrued pension liabilities	88,580	-	40,058	128,638	Accrued pension liabilities	c
Guarantee deposit received	58,457	-	-	58,457	Guarantee deposit received	
TOTAL OTHER LIABILITIES	147,037	-	40,058	187,095	-	
TOTAL LIABILITIES	15,646,790	10,896	92,905	15,750,591	TOTAL LIABILITIES	
STOCKHOLDERS' EQUITY					EQUITY ATTRIBUTE TO OWNERS OF PARENT	
Capital					Capital	
Common stock	8,448,562	-	-	8,448,562	Common stock	
Capital reserve					Capital reserve	
Paid-in capital in excess of par value	3,416,160	-	-	3,416,160	Paid-in capital in excess of par value	
Treasury stock transactions	130,592	-	-	130,592	Treasury stock transactions	
Long-term investments	345	- (	345)	-	Change in the net book value of affiliates and joint ventures accounted for under equity method	e
Employee stock options	44,460	-	-	44,460	Employee stock options	
Retained earnings					Retained earnings	
Legal reserve	2,440,124	-	-	2,440,124	Legal reserve	
Special reserve	140,321	-	389,481	529,802	Special reserve	l
Unappropriated earnings	6,718,016	- (	26,437)	6,691,579	Unappropriated earnings	a-e, l
Other adjustments to stockholders' equity					Other equity	
Cumulative translation adjustments	242,875	- (	424,963)	(182,088)	Translation difference due to translations from foreign operations	d, l
Treasury stock	-	-	-	-	Treasury stock	
TOTAL STOCKHOLDERS' EQUITY OF PARENT	21,581,455	- (	62,264)	21,519,191	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	
Minority interest	5,780	-	-	5,780	Non-controlling interest	
TOTAL STOCKHOLDERS' EQUITY	21,587,235	- (	62,264)	21,524,971	TOTAL EQUITY	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 37,234,025	\$ 10,896	\$ 30,641	\$ 37,275,562	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, REPUBLIC OF CHINA
(R.O.C. GAAP)

EFFECTS ON ADOPTING INTERNATIONAL
FINANCIAL REPORTING STANDARDS

INTERNATIONAL FINANCIAL REPORTING STANDARDS
(IFRSs)

ITEMS	AMOUNT	PRESENTATION DIFFERENCE		RECOGNITION AND MEASUREMENT DIFFERENCE	AMOUNT	ITEMS	NOTE
	US\$ (Unaudited)	US\$ (Unaudited)	US\$ (Unaudited)	US\$ (Unaudited)	US\$ (Unaudited)		
CURRENT LIABILITIES						CURRENT LIABILITIES	
Short-term loans	\$ 37,126	\$ -	\$ -	\$ -	\$ 37,126	Short-term loans	
Financial liabilities at fair value through profit or loss-current	24,420	-	-	-	24,420	Financial liabilities at fair value through profit or loss-current	
Notes payable	8	-	-	-	8	Notes payable	
Accounts payable	387,746	-	-	-	387,746	Accounts payable	
Income tax payable	1,470	-	-	-	1,470	Income tax payable	
Accrued expenses	65,988	-	-	1,820	67,808	Other payables	b
Other payables	4,373	-	-	-	4,373	Other payables	
Advance collections	11,766	-	-	-	11,766	Advance collections	
Long-term liabilities - current	104	-	-	-	104	Long-term liabilities - current	
TOTAL CURRENT LIABILITIES	533,001	-	-	1,820	534,821	TOTAL CURRENT LIABILITIES	
LONG-TERM INTEREST-BEARING LIABILITIES						LIABILITIES-NONCURRENT	
Long-term loans	737	-	-	-	737	Long-term loans	
-	-	375	-	-	375	Deferred income tax liabilities	k
OTHER LIABILITIES						OTHER LIABILITIES-NONCURRENT	
Accrued pension liabilities	3,050	-	-	1,379	4,429	Accrued pension liabilities	c
Guarantee deposit received	2,013	-	-	-	2,013	Guarantee deposit received	
TOTAL OTHER LIABILITIES	5,063	-	-	1,379	6,442	-	
TOTAL LIABILITIES	538,801	375	-	3,199	542,375	TOTAL LIABILITIES	
STOCKHOLDERS' EQUITY						EQUITY ATTRIBUTE TO OWNERS OF PARENT	
Capital						Capital	
Common stock	290,928	-	-	-	290,928	Common stock	
Capital reserve						Capital reserve	
Paid-in capital in excess of par value	117,636	-	-	-	117,636	Paid-in capital in excess of par value	
Treasury stock transactions	4,497	-	-	-	4,497	Treasury stock transactions	
Long-term investments	12	-	-	12	-	Change in the net book value of affiliates and joint ventures accounted for under equity method	e
Employee stock options	1,531	-	-	-	1,531	Employee stock options	
Retained earnings						Retained earnings	
Legal reserve	84,026	-	-	-	84,026	Legal reserve	
Special reserve	4,832	-	-	13,412	18,244	Special reserve	l
Unappropriated earnings	231,337	-	-	910	230,427	Unappropriated earnings	m, l
Other adjustments to stockholders' equity						Other equity	
Cumulative translation adjustments	8,364	-	-	14,634	6,270	operations	d, l
Treasury stock	-	-	-	-	-	Treasury stock	
TOTAL STOCKHOLDERS' EQUITY OF PARENT	743,163	-	-	2,144	741,019	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	
Minority interest	199	-	-	-	199	Non-controlling interest	
TOTAL STOCKHOLDERS' EQUITY	743,362	-	-	2,144	741,218	TOTAL EQUITY	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,282,163	\$ 375	\$ -	\$ 1,055	\$ 1,283,593	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	

C. Reconciliation for significant differences in comprehensive income items for the year ended December 31, 2012:

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, REPUBLIC OF CHINA (R.O.C. GAAP)		EFFECTS ON ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS		INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)		
ITEMS	AMOUNT	PRESENTATION DIFFERENCE	RECOGNITION AND MEASUREMENT DIFFERENCE	AMOUNT	ITEMS	NOTE
Operating revenues, net	\$ 67,057,171	\$ -	\$ -	\$ 67,057,171	Operating revenues, net	
Operating costs	(59,547,081)	-	33	(59,547,048)	Operating costs	
Gross profit	7,510,090	-	33	7,510,123	Gross profit	
Operating expenses					Operating expenses	
Selling expenses	(3,242,344)	-	(1,953)	(3,244,297)	Selling expenses	b-c
General and administrative expenses	(1,018,085)	-	(266)	(1,018,351)	General and administrative expenses	
Research and development expenses	(2,373,673)	-	(1,558)	(2,375,231)	Research and development expenses	
Total operating expenses	(6,634,102)	-	(3,777)	(6,637,879)	Total operating expenses	
Operating income	875,988	-	(3,744)	872,244	Operating income	
Non-operating income					Non-operating income and expense	
Interest income	100,102	-	-	100,102	Interest income	
Rental income	37,638	-	-	37,638	Rental income	
Others	415,733	-	-	415,733	Others	
Total non-operating income	553,473	-	-	553,473	-	
Non-operating expenses						
Interest expense	(51,757)	-	-	(51,757)	Interest expense	
Investment expense	(2,405)	-	-	(2,405)	Loss on investments in affiliates and joint ventures accounted for under equity method	
Loss on disposal of property, plant and equipment	(3,611)	-	-	(3,611)	Loss on disposal of property, plant and equipment	
Foreign exchange loss, net	(3,845)	-	-	(3,845)	Foreign exchange loss, net	
Loss on valuation of financial assets	(693)	-	-	(693)	Loss on valuation of financial assets at fair value through profit or loss	
Loss on valuation of financial liabilities	(20,503)	-	-	(20,503)	Loss on valuation of financial liabilities at fair value through profit or loss	
Others	(146,515)	-	-	(146,515)	Others	
Total non-operating expenses	(229,329)	-	-	(229,329)	-	
-	-	-	-	324,144	Total non-operating income and expenses	
Income before income tax	1,200,132	-	(3,744)	1,196,388	Income before income tax	
Income tax expense	(335,238)	-	(3,155)	(338,393)	Income tax expense	a-c
Net income	\$ 864,894	\$ -	\$ (6,899)	\$ 857,995	Net income	
					Other comprehensive income	
				(182,088)	Translation difference from foreign operations	d
				(23,540)	Actuarial loss on defined benefit pension plan	e
				4,002	Income tax relating to other comprehensive income	e
				\$ 656,369	Total comprehensive income	

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, REPUBLIC OF CHINA EFFECTS ON ADOPTING INTERNATIONAL
(R.O.C. GAAP) FINANCIAL REPORTING STANDARDS

INTERNATIONAL FINANCIAL REPORTING STANDARDS
(IFRSs)

ITEMS	AMOUNT		RECOGNITION AND MEASUREMENT DIFFERENCE		AMOUNT		ITEMS	NOTE
	US\$ (Unaudited)	US\$ (Unaudited)	US\$ (Unaudited)	US\$ (Unaudited)	US\$ (Unaudited)	US\$ (Unaudited)		
Operating revenues, net	\$ 2,309,131	\$ -	\$ -	\$ -	\$ 2,309,131	\$ -	Operating revenues, net	
Operating costs	(2,050,519)	-	-	-	(2,050,518)	-	Operating costs	
Gross profit	258,612	-	-	-	258,613	-	Gross profit	
Operating expenses							Operating expenses	
Selling expenses	(111,651)	-	(67)	(111,718)	(111,718)	-	Selling expenses	b-c
General and administrative expenses	(35,058)	-	(9)	(35,067)	(35,067)	-	General and administrative expenses	
Research and development expenses	(81,738)	-	(54)	(81,792)	(81,792)	-	Research and development expenses	
Total operating expenses	(228,447)	-	(130)	(228,577)	(228,577)	-	Total operating expenses	
Operating income	30,165	-	(129)	30,036	30,036	-	Operating income	
Non-operating income							Non-operating income and expense	
Interest income	3,447	-	-	3,447	3,447	-	Interest income	
Rental income	1,296	-	-	1,296	1,296	-	Rental income	
Others	14,316	-	-	14,316	14,316	-	Others	
Total non-operating income	19,059	-	-	19,059	19,059	-	-	
Non-operating expenses								
Interest expense	(1,782)	-	-	(1,782)	(1,782)	-	Interest expense	
Investment expense	(83)	-	-	(83)	(83)	-	Loss on investments in affiliates and joint ventures accounted for under equity method	
Loss on disposal of property, plant and equipment	(124)	-	-	(124)	(124)	-	Loss on disposal of property, plant and equipment	
Foreign exchange loss, net	(133)	-	-	(133)	(133)	-	Foreign exchange loss, net	
Loss on valuation of financial assets	(24)	-	-	(24)	(24)	-	Loss on valuation of financial assets at fair value through profit or loss	
Loss on valuation of financial liabilities	(706)	-	-	(706)	(706)	-	Loss on valuation of financial liabilities at fair value through profit or loss	
Others	(5,045)	-	-	(5,045)	(5,045)	-	Others	
Total non-operating expenses	(7,897)	-	-	(7,897)	(7,897)	-	-	
-	-	-	-	-	11,162	-	Total non-operating income and expenses	
Income before income tax	41,327	-	(129)	41,198	41,198	-	Income before income tax	
Income tax expense	(11,544)	-	(110)	(11,654)	(11,654)	-	Income tax expense	u-c
Net income	\$ 29,783	\$ -	(\$ 239)	\$ 29,544	\$ 29,544	-	Net income	
							Other comprehensive income	
				(6,270)	(6,270)	-	Translation difference from foreign operations	d
				(811)	(811)	-	Actuarial loss on defined benefit pension plan	c
				138	138	-	Income tax relating to other comprehensive income	c
				\$ 22,601	\$ 22,601	-	Total comprehensive income	

Explanations to material reconciliation items in adopting IFRSs:

a. Deferred income tax from inter-group transactions

There is no specific rules in determining the tax rate that apply in calculating deferred income taxes owing to unrealized sales revenue from inter-group transactions under R.O.C. GAAP. On adopting IFRSs, the temporary difference arising between assets' book value and tax base arising from inter-group transactions should be accounted for by the tax rate in the projected asset realization or liability payment period. Generally, the tax rate from buyer's jurisdiction is considered.

As of January 1, 2012 and December 31, 2012 due to income tax accounting for inter-group transactions, the Company had made adjustments to increase deferred income tax assets by \$16,723 and \$12,660 (US\$436), respectively, and corresponding increase in unappropriated earnings by \$16,723 (US\$576) at the date of transition to IFRSs. Also, the Company had made adjustment to increase income tax expense for the year ended December 31, 2012 by \$4,063 (US\$140).

b. Employee benefit – short-term cumulative paid leave

There is no specific rules in governing short-term paid leave under R.O.C. GAAP. Generally, the corresponding expense was recognized in the period of realization. On adopting IFRSs, expense corresponding to cumulative paid leave should be recognized as the service by employees is provided and the employees' future paid-leave payments are increased.

As of January 1, 2012 and December 31, 2012, due to short-term paid leave accounting, the Company had made adjustments to increase other payables by \$49,163 and \$52,847 (US\$1,820), respectively; increase deferred income tax assets by \$10,273 and \$11,171 (US\$385), respectively, and corresponding decrease in unappropriated earnings by \$38,890 (US\$1,339) at the date of transition to IFRSs. Also, the Company had made adjustment to increase payroll expense for the year ended December 31, 2012 by \$3,684 (US\$127) and decrease income tax expense for the year ended December 31, 2012 by \$898 (US\$30).

c. Employee benefit – actuarial gain or loss of defined benefit pension plan

Under R.O.C. GAAP, actuarial gain or loss is accounted for by corridor method, i.e., actuarial gain or loss is amortized under average service years of employees subject to defined benefit pension plan payments. On adopting IFRSs and in pursuance of IAS 19 "Employee Benefits," actuarial gain or loss of defined benefit pension plan will be opt to be fully recognized under other comprehensive income and included into retained earnings in equity reconciliation. Such comprehensive income will not be reclassified into gain or loss in subsequent periods. The Company will include all unrecognized actuarial gain or loss

into retained earnings on the date of transition to IFRSs.

As of January 1, 2012 and December 31, 2012, in accordance with IAS 19 “Employee Benefits” and IFRS 1 “First-time Adoption of International Financial Reporting Standards”, the Company had made adjustments to increase accrued pension liability by \$16,458 and \$40,058 (US\$1,379), respectively; increase deferred income tax assets by \$2,798 and \$6,810 (US\$235) respectively, and corresponding decrease in unappropriated earnings by \$13,660 (US\$470) at the date of transition to IFRSs. Also, the Company had made the following adjustments for the year ended December 31, 2012: periodic service cost and income tax expense increased by \$60 (US\$2) and decreased by \$10 (US\$0), respectively, and other comprehensive income – actuarial gain or loss on defined benefit pension plan and related tax expense increased by \$23,540 (US\$811) and \$4,002 (US\$138), respectively.

d. Cumulative translation adjustments

On the transition date of adopting IFRSs, the Company opts to define the translation difference arising from foreign subsidiaries translation as zero, and to increase unappropriated earnings by \$424,963 (US\$14,634) at the date of transition to IFRSs. As of December 31, 2012, the Company had made adjustments to increase other comprehensive income-transition difference due to translations from foreign operations by \$182,088 (US\$6,270).

e. Accounting for new shares from affiliates not proportionally purchased and adjustments to capital reserve - long-term investments accounted for under the equity method

Under R.O.C. GAAP, when the new shares from affiliates are not proportionally purchased and leads to change in the net book value of investments, such difference shall increase or decrease the amount of “long-term investments accounted for under equity method” and “capital reserve – long-term investments accounted for under equity method.”

Under IFRSs, change in ownership of affiliates without losing significant influence of that affiliate shall be viewed as acquisition or disposal of shares of the affiliates. Besides, in accordance with “Questions and answers on adopting IFRSs” from the Taiwan Stock Exchange, adjustments shall be made on transition date for capital reserve items not listed in IFRSs, Company Act and corresponding regulations from Ministry of Economic Affairs. Pursuant to “Questions and answers on adopting IFRSs,” capital reserve – long-term investments accounted for under equity method shall be reclassified into retained earnings and no retroactive adjustments is required.

As of January 1, 2012 and December 31, 2012, the Company had made adjustments to decrease capital reserve – long-term investments accounted for under equity method both by \$345 (US\$12), and to increase unappropriated earnings by \$345 (US\$12) at the date of

transition to IFRSs.

f. Deferred income tax assets

Under R.O.C. GAAP, allowance for deferred income tax assets is recognized in evaluating the realizabilities of corresponding deferred income tax assets. Under IFRSs, deferred income tax assets are recognized only when they are realizable; no allowance for deferred income tax assets is recognized. Also, under R.O.C. GAAP, deferred income tax assets and liabilities are accounted for as current or noncurrent items according to the liquidity of corresponding assets and liabilities, as for situations that no corresponding assets or liabilities exists, liquidity is determined according to the projected reversal period. Under IFRSs, deferred income tax assets and liabilities are classified as noncurrent items.

As of January 1, 2012 and December 31, 2012, the Company had reclassified deferred income tax assets into noncurrent items in the amounts of \$377,818 and \$481,096 (US\$16,567), respectively.

g. Rental assets

Under R.O.C. GAAP, rental properties are accounted for as rental assets. Under IFRSs, properties held to generate rental revenue or capital gain or both are included in investment properties. Properties that meet the criteria above shall be reclassified as investment properties.

As of January 1, 2012 and December 31, 2012, the Company had reclassified rental assets into investment properties in the amounts of \$166,124 and \$146,836 (US\$5,056), respectively.

h. Right to use of lands

Under R.O.C. GAAP, right to use of lands shall be classified as intangible assets. Under IFRSs, right to use of lands is included in IAS 17 "Leases" and shall be separately recognized as prepaid rents.

As of January 1, 2012 and December 31, 2012, the Company had reclassified right to use of lands into noncurrent items in the amounts of \$154,586 and \$140,577 (US\$4,841), respectively.

i. Idle assets

Under R.O.C. GAAP, idle assets are included as other assets. Under IFRSs, idle assets shall be properly classified according to their nature.

As of January 1, 2012 and December 31, 2012, the Company had reclassified idle assets into property, plant and equipment in the amounts of \$1,317 and \$175 (US\$6), respectively.

j. Deferred expense

Under R.O.C. GAAP, deferred expense is included as other assets. Under IFRSs, deferred expense shall be properly classified according to its nature.

As of January 1, 2012 and December 31, 2012, the Company had reclassified deferred expense into property, plant and equipment in the amounts of \$50,748 and \$48,459 (US\$1,669) and also reclassified into other assets-noncurrent in the amounts \$793 and \$2,417 (US\$83), respectively.

k. Deferred income tax liabilities

Pursuant to IAS 12.74(a) and 75, deferred income tax assets and liabilities can be offset only if legal rights are obtained to offset current income tax assets and income tax liabilities. According to current tax regulations, there shall be no legal rights in offsetting current income tax assets and income tax liabilities. Therefore, as of January 1, 2012 and December 31, 2012, the Company had made adjustments to increase both income tax assets and income tax liabilities by \$630 and \$10,896 (US\$375), respectively.

l. Special reserve recognized on transition date

Pursuant to Jin-Guan-Zheng-Zi Letter No. 1010012865 of the Financial Supervisory Commission on April 6, 2012, for unrealized reevaluation gain and cumulative translation adjustments (gain) opted to be exempted from recognition under retained earnings due to IFRS 1, special reserves with equal amount shall be recognized. While the retained earnings increase on transition date due to the adoption of IFRSs is less than the above-mentioned special reserve recognition amount, special reserve is recognized up to the amount of retained earnings increase on transition date due to the adoption of IFRSs. As to the corresponding assets being used, disposed or reclassified in the future, special reserve recognized originally can be reversed proportionally for earnings appropriation. The amount included in retained earnings from cumulative translation adjustments is \$424,963 (US\$14,634) which is more than the retained earnings increase due to adoption of IFRSs. Therefore, special reserve was increased by \$389,481 (US\$13,412), which is equal to the retained earnings increase due to the adoption of IFRSs.

m. Prepaid equipment

Pursuant to "Regulations Governing the Preparation of Financial Reports by Securities Issuers," pre-payments for fixed asset purchases shall be included in fixed assets. Under IFRSs, such transactions shall be included in other assets – noncurrent. As of January 1, 2012 and December 31, 2012, the Company had made adjustments to reclassify prepaid equipment into other assets – noncurrent in the amounts of \$50 and \$892 (US\$31), respectively.

n. Restricted assets

Pursuant to “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” time deposits pledged for security guarantee shall be included and presented under restricted assets. While according to the version of “Regulations Governing the Preparation of Financial Reports by Securities Issuers” that applies from 2013, such transactions shall be included and presented under other financial assets – noncurrent. As of January 1, 2012 and December 31, 2012, the Company had made adjustments to reclassify restricted assets into other financial assets – noncurrent in the amounts of \$7,000 and \$6,748 (US\$232), respectively.

3) The Company had selected the following exemptions in pursuance of IFRS 1 “First-time Adoption of International Financial Reporting Standards” and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that applies starting from year 2013

A. Employee benefits

The Group elected to recognize all cumulative actuarial gains or losses at the date of transition to IFRSs, and adopted a policy of recognizing actuarial gains and losses in other comprehensive income in the period when they occur.

B. Share-based payments

The Company opted not to apply retroactive adjustments to align with IFRS 2 “Share-Based Payments” for equity instruments that were granted and vested from share-based payments.

C. Cumulative translation difference

The Company opted to define cumulative translation difference from foreign operations on the transfer date as zero. Translation difference after transfer date will be accounted for under IAS 21 “The Effects of Changes in Foreign Exchange Rates.”

The selection of exemptions above may be different from the actual exemptions at the date of transition due to changes in regulations, economic environment or the Company’s evaluations of the impact of the selections of exemptions.