TEST RESEARCH, INC.

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2012 AND 2011

Report of Independent Accountants Translated from Chinese

To the Board of Directors and Stockholders of
Test Research, Inc.

We have audited the accompanying consolidated balance sheets of Test Research, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related 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 described in Note 2(1) to the consolidated financial statements, we did not audit the 2012 and 2011 financial statements of certain consolidated subsidiaries whose statements reflect total assets of $41,780 thousand and $29,761 thousand, constituting 0.64% and 0.58% of total consolidated assets as of December 31, 2012 and 2011, respectively, and total operating revenues of $2,580 thousand and $213 thousand, constituting 0.05% and 0.01% of consolidated operating revenues for the years then ended, respectively. The financial statements of these consolidated subsidiaries were audited by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed relative to these consolidated subsidiaries, 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of 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 in the first paragraph present fairly, in all material respects, the financial position of Test Research, Inc. and subsidiaries as of December 31, 2012 and 2011, 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.

Test Research, Inc. expects to adopt International Financial Reporting Standards, International Accounting Standards, and relevant interpretations and interpretative bulletins (IFRSs) that are ratified by the Former Financial Supervisory Commission, Executive Yuan, R.O.C. (FSC) in the preparation of its financial statements effective January 1, 2013. Information relating to the adoption of IFRSs is disclosed in Note 13 under the requirements of Jin-Guan-Zheng-Shen Zi Order No. 0990004943 of FSC, dated February 2, 2010. The IFRSs may be subject to changes during the time of transition; therefore, the actual impact of IFRSs adoption on Test Research, Inc. may also change.

PricewaterhouseCoopers, Taiwan

March 1, 2013

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying 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.

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	DECEMBER 31, 2012 Amount	%	DECEMBER 31, 2011 Amount	%
ASSETS					
Current Assets					
Cash and cash equivalents	4(1)	$ 1,906,128	29	$ 1,102,863	22
Notes receivable, net		25,842	-	17,734	-
Accounts receivable, net	4(2)	1,538,911	24	937,930	18
Other receivables		6,347	-	21,361	1
Inventories, net	4(3)	773,533	12	753,719	15
Deferred income tax assets - current	4(9)	34,277	1	15,399	-
Other current assets		21,878	-	15,219	-
		4,306,916	66	2,864,225	56
Property, Plant and Equipment	4(4) and 6				
Land		1,166,021	18	1,166,021	23
Buildings and improvements		921,538	14	921,538	18
Machinery and equipment		308,712	5	281,428	5
Transportation equipment		5,190	-	5,196	-
Office equipment		102,520	1	84,641	2
Miscellaneous equipment		81,586	1	67,756	1
Cost		2,585,567	39	2,526,580	49
Less: Accumulated depreciation		(333,933)	(5)	(261,376)	(5)
		2,251,634	34	2,265,204	44
Intangible Assets					
Patents		285	-	331	-
Computer software costs		6,373	-	4,075	-
		6,658	-	4,406	-
Other Assets					
Assets leased to others		-	-	2,604	-
Refundable deposits		8,550	-	2,734	-
Deferred expenses		814	-	1,664	-
Deferred income tax assets - non-current	4(9)	2,502	-	2,608	-
		11,866	-	9,610	-
TOTAL ASSETS		$ 6,577,074	100	$ 5,143,445	100

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TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		DECEMBER 31,			
		2012		2011	
	Notes	Amount	%	Amount	%
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities					
Notes payable		$ 11,164	-	$ 13,446	-
Accounts payable		575,392	9	261,435	5
Income tax payable	4(9)	308,295	5	143,034	3
Accrued expenses	4(8)	307,443	5	217,344	4
Other payables		7,669	-	16,641	-
Other current liabilities		38,739	-	17,252	1
		1,248,702	19	669,152	13
Other Liabilities					
Accrued pension liabilities	4(5)	25,754	-	25,814	-
Deferred income tax liabilities - non-current	4(9)	54,006	1	27,608	1
		79,760	1	53,422	1
Total Liabilities		1,328,462	20	722,574	14
Stockholders' Equity					
Common stock	4(6)	2,228,460	34	2,163,560	42
Capital reserve	4(7)				
Paid-in capital in excess of par value		51,874	1	51,874	1
Long-term investments		1,416	-	1,416	-
Retained earnings	4(8)				
Legal reserve		554,330	9	457,958	9
Undistributed earnings		2,390,331	36	1,702,673	33
Cumulative translation adjustments		22,201	-	43,390	1
Total Stockholders' Equity		5,248,612	80	4,420,871	86
Contingent Liabilities	7				
Significant Subsequent Events	9				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$ 6,577,074	100	$ 5,143,445	100

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 1, 2013.

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNT)

		FOR THE YEARS ENDED DECEMBER 31,			
		2012		2011	
	Notes	Amount	%	Amount	%
Operating revenues					
Sales		$ 5,515,811	100	$ 3,872,186	99
Less: Sales returns		(41,575)	(1)	(17,798)	-
Sales allowances		(680)	-	(5,788)	-
Net sales		5,473,556	99	3,848,600	99
Maintenance income		64,832	1	49,072	1
Net operating revenues		5,538,388	100	3,897,672	100
Operating costs	4(11)				
Cost of sales	4(3)	(2,478,220)	(45)	(1,764,473)	(45)
Cost of maintenance		(10,317)	-	(12,530)	(1)
Net operating costs		(2,488,537)	(45)	(1,777,003)	(46)
Gross profit		3,049,851	55	2,120,669	54
Operating expenses	4(11)				
Selling		(762,981)	(14)	(630,747)	(16)
General		(117,049)	(2)	(126,150)	(3)
Research and development		(326,446)	(6)	(239,437)	(6)
Total operating expenses		(1,206,476)	(22)	(996,334)	(25)
Operating income		1,843,375	33	1,124,335	29
Non-operating income and gains					
Interest income		10,084	-	6,179	-
Exchange gain - net		-	-	57,609	2
Rental income		4,392	-	5,348	-
Other income		13,885	1	3,244	-
Total non-operating income and gains		28,361	1	72,380	2
Non-operating expenses and losses					
Interest expense		-	-	(3)	-
Loss on disposal of property, plant and equipment		(1,582)	-	(2,375)	-
Exchange loss - net		(45,389)	(1)	(-)	-
Other expenses	4(11)	(8,054)	-	(3,843)	-
Total non-operating expenses and losses		(55,025)	(1)	(6,221)	-
Income before income tax		1,816,711	33	1,190,494	31
Income tax expense	4(9)	(383,620)	(7)	(226,775)	(6)
Consolidated net income		$ 1,433,091	(26)	$ 963,719	(25)
Attributable to:					
Equity holders of the Company		$ 1,433,091	(26)	$ 963,719	(25)

	Notes	2012 Before tax	2012 After tax	2011 Before tax	2011 After tax
Earnings per common share (in dollars)	4(10)	Before tax	After tax	Before tax	After tax
Basic earnings per share		$ 8.01	$ 6.43	$ 5.19	$ 4.32
Diluted earnings per share		$ 7.98	$ 6.40	$ 5.15	$ 4.29

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 1, 2013.

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Capital Reserve		Retained Earnings			
	Common Stock	Paid-in Capital In Excess of Par Value	Donated Assets Received	Legal Reserve	Undistributed Earnings	Cumulative Translation Adjustments	Total
2011							
Balance at January 1, 2011	$ 2,022,020	$ 51,874	$ 1,416	$ 367,346	$ 1,436,171	$ 11,415	$ 3,890,242
Appropriations of 2010 earnings: (Note)							
Legal reserve	-	-	-	90,612	(90,612)	-	-
Stock and cash dividends	141,540	-	-	-	(606,605)	-	(465,065)
Net income for 2011	-	-	-	-	963,719	-	963,719
Cumulative translation adjustments on foreign long-term investments	-	-	-	-	-	31,975	31,975
Balance at December 31, 2011	$ 2,163,560	$ 51,874	$ 1,416	$ 457,958	$ 1,702,673	$ 43,390	$ 4,420,871
2012							
Balance at January 1, 2012	$ 2,163,560	$ 51,874	$ 1,416	$ 457,958	$ 1,702,673	$ 43,390	$ 4,420,871
Appropriations of 2011 earnings: (Note)							
Legal reserve	-	-	-	96,372	(96,372)	-	-
Stock and cash dividends	64,900	-	-	-	(649,061)	-	(584,161)
Net income for 2012	-	-	-	-	1,433,091	-	1,433,091
Cumulative translation adjustments on foreign long-term investments	-	-	-	-	-	(21,189)	(21,189)
Balance at December 31, 2012	$ 2,228,460	$ 51,874	$ 1,416	$ 554,330	$ 2,390,331	$ 22,201	$ 5,248,612

Note: For the years ended December 31, 2011 and 2010, directors' and supervisors' remuneration amounting to $8,690 and $6,560, respectively, and employees' bonus amounting to $45,300 and $34,192, respectively, had been deducted from the consolidated statement of income.

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 1, 2013.

TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	FOR THE YEARS ENDED DECEMBER 31, 2012	FOR THE YEARS ENDED DECEMBER 31, 2011
Cash flows from operating activities:		
Consolidated net income	$ 1,433,091	$ 963,719
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation	84,738	106,351
Amortization	4,422	8,264
Depreciation on assets leased to others	354	1,396
Provision for doubtful accounts (reversal of allowance)	12,532	(20,498)
Provision for inventory obsolescence and market price decline	82,926	17,487
Loss on disposal of property, plant and equipment	1,582	2,375
Net change in deferred income tax assets and liabilities	3,078	28,144
Changes in assets and liabilities:		
Notes and accounts receivable	(621,621)	(74,591)
Other receivables	15,014	9,207
Inventories	(158,744)	(194,599)
Other current assets	(6,659)	5,325
Notes payable	(2,282)	(3,621)
Accounts payable	313,957	(39,413)
Income tax payable	165,261	84,823
Accrued expenses	90,099	27,825
Other payables	(8,972)	207
Other current liabilities	21,487	(10,679)
Accrued pension liabilities	(60)	(162)
Net cash provided by operating activities	1,430,203	911,560

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TEST RESEARCH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	FOR THE YEARS ENDED DECEMBER 31, 2012	FOR THE YEARS ENDED DECEMBER 31, 2011
Cash flows from investing activities:		
Acquisition of property, plant and equipment	($ 24,857)	($ 23,900)
Proceeds from disposal of property, plant and equipment	4,675	2,074
Increase in deferred expenses	(6,432)	(3,578)
Increase in refundable deposits	(5,816)	(422)
Net cash used in investing activities	(32,430)	(25,826)
Cash flows from financing activities:		
Decrease in deposits received	-	(376)
Payment of cash dividends	(584,161)	(465,065)
Net cash used in financing activities	(584,161)	(465,441)
Effect due to changes in exchange rates	(10,347)	22,284
Net increase in cash and cash equivalents	803,265	442,577
Cash and cash equivalents at beginning of year	1,102,863	660,286
Cash and cash equivalents at end of year	$ 1,906,128	$ 1,102,863
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Income tax	$ 215,367	$ 113,237
Operating and financing activities which have no effect on cash flows		
Inventories transferred to property, plant and equipment	$ 56,726	$ 126,104
Assets leased to others transferred to inventories	$ 2,251	$ 5,771

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 1, 2013.

TEST RESEARCH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Test Research, Inc. (the Company) was incorporated in April 1989 under the provisions of the Company Law of the Republic of China (R.O.C.). The Company is engaged in the design, manufacture, sales, repairs and maintenance of semiconductor testers and in-circuit testers. As of December 31, 2012, the Company and its subsidiaries included in the consolidated financial statements had approximately 810 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 Republic of China. The Group’s significant accounting policies are summarized as follows:

1) Basis of consolidation

a) Basis for preparation of consolidated financial statements

All majority-owned subsidiaries wherein the Group owns more than 50% ownership and controlled entities are included in the consolidated financial statements. Significant inter-company transactions, assets and liabilities arising from inter-company transactions are eliminated.

b) Names of consolidated subsidiaries, their major business activities, the percentage owned by the Company and their changes are as follows:

Investor	Subsidiary	Main Activities	% of shares held as of Dec. 31, 2012	% of shares held as of Dec. 31, 2011	Remarks
Test Research, Inc.	DOLI TRADING LIMITED (DOLI)	Trading	100%	100%	-
Test Research, Inc.	TEST RESEARCH USA INC. (TRU)	Trading	100%	100%	-
Test Research, Inc.	TRI TEST RESEARCH EUROPE GMBH (TRE)	Trading	100%	100%	-
Test Research, Inc.	TRI JAPAN CORPORATION (TRJ)	Trading	100%	100%	-
Test Research, Inc.	TRI MALAYSIA SDN. BHD (TRM)	Trading	100%	100%	-
Test Research, Inc.	TRI INVESTMENTS LIMITED (TIL)	Investment holdings	100%	100%	-

Investor	Subsidiary	Main Activities	% of shares held as of Dec. 31, 2012	2011	Remarks
TRI INVESTMENTS LIMITED (TIL)	TRI ELECTRONIC (SHENZHEN) LIMITED	Manufacture and sales of test equipment	100%	100%	-
TRI INVESTMENTS LIMITED (TIL)	TRI ELECTRONIC (SUZHOU) LIMITED	Manufacture and sales of test equipment	100%	100%	-
TRI INVESTMENTS LIMITED (TIL)	TRI ELECTRONIC (SHANGHAI) LIMITED	Import and export of equipment, consulting and after-sale maintenance service of equipment	100%	100%	-

The financial statements of TRU, TRE and TRM for the years ended December 31, 2012 and 2011 were audited by other independent accountants. The total assets of these subsidiaries as of December 31, 2012 and 2011 were $41,780 and $29,761, constituting 0.64% and 0.58% of the consolidated total assets, respectively, and the related total operating revenues were $2,580 and $213, constituting 0.05% and 0.01% of the consolidated operating revenues for the years then ended, respectively.

c) Subsidiaries not included in the consolidated financial statements: None.

d) Adjustments for subsidiaries with different balance sheet dates: None.

e) Special operating risks in foreign subsidiaries: None.

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

g) Contents of subsidiaries' securities issued by the parent company: None.

h) Information on convertible bonds and common stock issued by subsidiaries: The issuance of convertible bonds and new common stock by subsidiaries had no significant effects on stockholders' equity of the parent company.

2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of foreign subsidiaries 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 translation

Transactions denominated in foreign currencies are translated into functional currency at the spot exchange rates prevailing at the transaction dates. Exchange gains or losses due to the difference between the exchange rate on the transaction date and the exchange rate on the date of actual receipt and payment are recognized in current year's profit or loss. Receivables, other monetary assets and liabilities denominated in foreign currencies at year-end are translated at rates of exchange ruling at the balance sheet date. All exchange gains or losses are included in current year's profit or loss.

4) Criteria for classifying assets and liabilities as current or 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:

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

(2) Assets held mainly for trading purposes;

(3) Assets that are expected to be realized within twelve months from the balance sheet date; and

(4) 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:

(1) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

(2) Liabilities arising mainly from trading activities;

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

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

5) Accounts receivable and other receivables

a) Accounts receivable are claims resulting from the sale of goods or services. Other receivables are those arising from transactions other than the sales of goods or services.

b) Allowance for doubtful accounts is provided based on the results of evaluating the collectibility of notes and accounts receivable and other receivables, taking into account the bad debts incurred in prior years and the aging analysis of the receivables. The Company assesses at each balance sheet date whether there is any objective evidence that notes and accounts receivable and other receivables are impaired. If such evidence exists, a provision for impairment of those receivables is recognized.

6) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at cost. Cost is determined using the weighted-average method. At the end of period, 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 is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

7) Property, plant and equipment

a) Property, plant and equipment are stated at cost. Interest incurred during the construction or installation of the assets is capitalized. Major renewals and improvements are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred. Gain or loss on disposal of property, plant and equipment is recorded in the current year's profit or loss.

b) Depreciation is provided under the average method over the estimated useful lives of the assets. The estimated useful lives are 50 - 55 years for buildings and 2 - 10 years for other property, plant and equipment.

8) Assets leased to others

Assets leased to others are stated at cost. Depreciation is provided under the average method over the estimated useful lives of the assets. Depreciation is classified as "Non-operating Expenses and Losses".

9) Intangible assets

a) Patents

Patents are stated at cost and amortized over the estimated life of 10 years using the straight-line method.

b) Computer software

Computer software is stated at cost and amortized over the estimated life of 3 to 5 years using the straight-line method.

10) Impairment of non-financial assets

The Company and consolidated subsidiaries recognize 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 recognized in prior years shall be recovered.

11) Retirement plan and pension reserve

a) Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. The 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 over 15 years based on the straight-line method.

b) Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

12) Product warranty

Product warranty expense is estimated based on past experience and included in the current year's operating expenses. The related liability is classified as "Other current liabilities".

13) Income tax

a) Provision for income tax includes deferred income tax resulting from temporary differences, investment tax credits and loss carryforward. Over or under provision of prior year's income tax liabilities is included in current year's income tax expense. When a change in the tax laws is enacted, the deferred tax liability or asset is 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, is recognized as an adjustment to current income tax expense (benefit).

b) Investment tax credits resulting from expenditures for the acquisition of equipment or technology, research and development, staff trainings, and investments are recognized in the year the related expenditures are incurred.

c) The additional 10% corporate income tax on undistributed current earnings, on tax basis, is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

d) DOLI and TIL, subsidiaries of the Company, are exempted from income tax in accordance with the British Virgin Islands and Western Samoa local laws, respectively.

e) If the regular income tax is equal or more than the basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas the regular income tax is less than the basic tax, the income tax payable shall be equal to the basic tax.

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

Pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., "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 the 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 Accounting Research and Development Foundation, R.O.C., 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.

15) Earnings per share

The Company's potential common shares are the employee stock options issued by the Company and employees' bonus that could be distributed in the form of stock. The treasury stock method will be used to test whether or not potential common shares have dilutive effect in calculating diluted EPS.

16) Recognition of revenues, costs and expenses

Revenues are recognized when the earning process is substantially completed and are realized or realizable. Costs are recognized when the related revenues are incurred. Expenses are recognized as incurred under the accrual basis.

17) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those assumptions and estimates.

18) Operating segments

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In accordance with R.O.C. SFAS No. 41, "Operating Segments", effective January 1, 2011, segment information is disclosed in the consolidated financial statements rather than in the separate financial statements of the Company.

3. CHANGES IN ACCOUNTING PRINCIPLES

1) Notes and accounts receivable and other receivables

Effective January 1, 2011, the Group adopted the amendments of SFAS No. 34, "Financial Instruments: Recognition and Measurement". Under this standard, a provision for impairment (bad debt) of accounts and notes receivable and other receivables is established when there is objective evidence that they are impaired. This change in accounting principle had no significant effect on the net income for the year ended December 31, 2011.

2) Operating segments

Effective January 1, 2011, the Group adopted SFAS No. 41, "Operating Segments", replacing the original SFAS No. 20, "Segment Reporting". The segment information for the year ended December 31, 2011 has been re-prepared in accordance with the standard. This change in accounting principle had no significant effect on the net income and earnings per share for the year ended December 31, 2011.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31, 2012	December 31, 2011
Cash on hand	$ 3,819	$ 3,393
Checking and demand deposits	510,208	351,430
Time deposits	242,173	198,046
Cash equivalents-Repurchase of Bonds	1,149,928	549,994
	$ 1,906,128	$ 1,102,863

2) Accounts receivable - net

	December 31, 2012	December 31, 2011
Accounts receivable	$ 1,553,645	$ 940,132
Less：Allowance for doubtful accounts	(14,734)	(2,202)
	$ 1,538,911	$ 937,930

3) Inventories

	December 31, 2012	December 31, 2011
Raw materials	$ 823,192	$ 707,174
Work in process	35,978	52,964
Finished goods	14,277	17,843
Merchandise	26,635	25,231
	900,082	803,212
Less：Allowance for decline in market value and obsolescence	(126,549)	(49,493)
	$ 773,533	$ 753,719

The inventories were not pledged.

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

	For the years ended December 31, 2012	For the years ended December 31, 2011
Cost of inventories sold	$ 2,395,447	$ 1,747,237
Loss on market price decline	82,926	17,487
Others	(153)	(251)
	$ 2,478,220	$ 1,764,473

4) Property, plant and equipment

	December 31, 2012		
	Cost	Accumulated Depreciation	Book Value
Land	$ 1,166,021	$ -	$ 1,166,021
Buildings and improvements	921,538	(104,563)	816,975
Machinery and equipment	308,712	(149,746)	158,966
Transportation equipment	5,190	(3,284)	1,906
Office equipment	102,520	(37,626)	64,894
Miscellaneous equipment	81,586	(38,714)	42,872
	$ 2,585,567	($ 333,933)	$ 2,251,634

	December 31, 2011		
	Cost	Accumulated Depreciation	Book Value
Land	$ 1,166,021	$ -	$ 1,166,021
Buildings and improvements	921,538	(86,381)	835,157
Machinery and equipment	281,428	(121,123)	160,305
Transportation equipment	5,196	(2,970)	2,226
Office equipment	84,641	(24,475)	60,166
Miscellaneous equipment	67,756	(26,427)	41,329
	$ 2,526,580	($ 261,376)	$ 2,265,204

Please see Note 6 for details of pledged property, plant and equipment.

5) Accrued pension liabilities

a) The Company has a non-contributory and funded defined benefit pension plan (the Plan) in accordance with the Labor Standards Law, covering all regular employees. Under the Plan, an employee earns 2 units 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. Upon retirement, an employee is entitled to receive a lump sum payment equal to the units earned multiplied by 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 trust department of Bank of Taiwan, under the name of the independent retirement fund committee.

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

(1) Actuarial assumptions

	December 31,	
	2012	2011
Discount rate	1.75%	1.90%
Expected rate of return on plan assets	1.75%	1.90%
Adjustment of salary	3.00%	3.00%

(2) Funded status of the pension plan

	December 31, 2012	December 31, 2011
Vested benefit obligation	$ -	$ -
Non-vested benefit obligation	(58,283)	(54,343)
Accumulated benefit obligation	(58,283)	(54,343)
Additional benefits based on future salaries	(27,321)	(28,017)
Projected benefit obligation	(85,604)	(82,360)
Plan assets at fair value	33,040	30,340
Funded status	(52,564)	(52,020)
Unrecognized net transition obligation	-	459
Unrecognized loss on plan assets	26,810	25,747
Accrued pension liabilities	($ 25,754)	($ 25,814)

(3) Net pension cost is comprised of the following:

	2012	2011
Service cost	$ 12	$ 12
Interest cost	1,565	1,701
Expected return on plan assets	(577)	(581)
Amortization of unrecognized net transition obligation	460	460
Unrecognized pension loss	922	666
	$ 2,382	$ 2,258

b) Effective July 1, 2005, the Company has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension 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 pension cost recognized under the New Plan for the years ended December 31, 2012 and 2011 was $16,934 and $15,348, respectively.

c) The subsidiaries, DOLI, TIL, TRU, TRE, TRJ and TRM, have no pension plan, and its local laws have no compulsory requirements on the establishment of a pension plan. However, the subsidiaries, TRI ELECTRONIC (SHENZHEN) LIMITED, TRI ELECTRONIC (SUZHOU) LIMITED and TRI ELECTRONIC (SHANGHAI) LIMITED, have a funded defined contribution pension plan in accordance with the local pension regulations. The pension costs of these subsidiaries recognized for the years ended December 31, 2012 and 2011 were $7,359 and $8,304, respectively.

6) Capital stock

a) As of January 1, 2011, the Company's authorized and outstanding capital was $2,500,000 and $2,022,020, respectively. As approved at the shareholders' meeting held in June 2011, the Company approved the capitalization of earnings from stock dividends of $141,540.

b) As approved at the shareholders' meeting held in June 2012, the Company approved the capitalization of earnings from stock dividends of $64,900. As of December 31, 2012, the Company's authorized and outstanding capital was $2,500,000 and $2,228,460, respectively.

7) Capital reserve

a) The Company Act requires that capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be used to cover accumulated deficit, or to increase capital or payment of cash in proportion to ownership percentage when the Company has no accumulated deficit. Further, the Securities and Exchange Act requires that the capital reserve can be capitalized once a year and the amount shall not exceed 10% of the paid-in capital.

b) Capital reserve arising from valuation of long-term equity investments accounted for under the equity method shall not be used for any purpose.

8) Retained earnings

a) Under the Company's Articles of Incorporation as amended on June 6, 2012, the residual dividend policy is adopted taking into consideration the Company's capital expenditure budget and future capital requirements. According to the dividend policy adopted by the Board of Directors, cash dividends shall account for at least 50% of the total dividends distributed. However, it shall be raised to 100% of the total dividends distributed as the Company's capital expenditure is low or its capital is sufficient 10% of the annual net income, after offsetting losses of prior years, if any, shall be set aside as legal reserve. The net income after deducting legal reserve shall be allocated as follows:

(1) 1% to 3% as remuneration to directors and supervisors;

(2) at least 1% as special bonus to employees; and

(3) the remaining balance shall be distributed in accordance with the resolution adopted by the Board of Directors and approved at the shareholders' meeting.

b) The appropriations of 2011 and 2010 earnings had been resolved at the stockholders' meeting on June 6, 2012 and June 9, 2011, respectively. Details are summarized below:

	2011 earnings		2010 earnings	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 96,372	-	$ 90,612	-
Stock dividends	64,900	$ 0.3	141,540	$ 0.7
Cash dividends	584,161	2.7	465,065	2.3
Total	$ 745,433		$ 697,217	

The abovementioned appropriations for 2011 and 2010 earnings are not different from that proposed by the Board of Directors on Feburary 17, 2012 and April 22, 2011, respectively. 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.

c) The appropriations of 2012 earnings had been proposed by the Board of Directors on March 1, 2013. Details are summarized below:

	2012 earnings	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 143,309	-
Stock dividends	133,700	$ 0.6
Cash dividends	824,530	3.7
Total	$ 1,101,539	

As of the report date, the abovementioned appropriations of 2012 earnings had not been resolved by the stockholders. The appropriations of employees' bonus and directors' and supervisors' remuneration for 2012 as proposed by the board of directors were $51,556 and $12,900, respectively.

d) Except for covering accumulated deficit, increasing capital or payment of cash, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to stockholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in-capital.

e) The estimated amounts of employees' bonus for 2012 and 2011 are $51,556 and $45,300, respectively, and the directors' and supervisors' remuneration for 2012 and 2011 are $12,900 and $8,690, respectively, which were recognized as operating costs or operating expenses for 2012 and 2011. The estimated amounts were based on a certain percentage of the net income, net of legal reserve. While, if the estimated amounts are different from the amounts approved by the stockholders subsequently, the difference is recognized as gain or loss for the following year. The appropriations of employees' bonus and directors' and supervisors' remuneration for 2011 as approved by the shareholders were in accordance with the amount recognized by the Company in 2011. Information of the appropriation of employees' bonus and directors' and supervisors' remuneration as approved by the Board of Directors and the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

f) Details of imputation tax system

	December 31,	
	2012	2011
Balance of imputation tax credit account (ICA)	$ 188,894	$ 84,340

	2012 (Estimate)	2011 (Actual)
Creditable tax ratio	20.49%	11.39%

Note: Creditable ratio is calculated based on ICA balance plus income tax payable as of December 31, 2012 divided by the balance of the undistributed earnings after 1998. The ratio shall not be higher than the upper limit under Income Tax Act.

g) Details of undistributed earnings

	December 31,			
	2012		2011	
A. Earnings generated in and before 1997	$	270	$	270
B. Earnings generated in and after 1998				
a. Subjected to additional 10% corporate income tax		956,970		738,684
b. Not yet subjected to additional 10% corporate income tax		1,433,091		963,719
Undistributed earnings	$	2,390,331	$	1,702,673

9) Income tax

a) Income tax expense and income tax payable:

	For the years ended December 31,			
	2012		2011	
Tax determined by applying statutory rate to income before income tax	$	335,326	$	226,864
Tax exempt income		-	(	7,117)
Permanent differences		-		3,632
Investment tax credits		7,600	(	14,189)
Under (Over) provision of prior year's income tax		18,865	(	3,306)
10% additional income tax on prior year's undistributed earnings		21,829		20,891
Income tax expense		383,620		226,775
Net change in deferred income tax assets and liabilities	(	3,078)	(	28,144)
Over provision of prior year's income tax		31,384		3,306
Prepaid tax	(	103,717)	(	58,903)
Effect of exchange rates		86		-
Income tax payable	$	308,295	$	143,034

b) Deferred income tax assets and liabilities

	December 31,			
	2012		2011	
Deferred tax assets - current	$	34,277	$	15,399
Deferred tax assets - non-current		2,502		2,608
Deferred tax liabilities - non-current	(	54,006)	(	27,608)
	($	17,227)	($	9,601)

c) The components of deferred income tax assets and liabilities are as follows:

	December 31,			
	2012		2011	
	Amount	Tax effect	Amount	Tax effect
Current				
Temporary differences				
Accrued warranty	$ 13,545	$ 2,303	$ 11,599	$ 1,972
Unrealized exchange loss (gain)	8,867	1,507	(11,050)	(1,879)
Unrealized gross profit	57,048	9,698	45,285	7,698
Allowance for inventory obsolescence	113,714	19,331	40,253	6,843
Provision for rework	7,979	1,356	3,156	538
Others	480	82	1,338	227
		34,277		15,399
Non-current				
Temporary differences				
Provision for pension	25,754	4,378	25,814	4,388
Investment income	(343,067)	(58,321)	(188,213)	(31,996)
Loss carryforwards	-	5,909	-	6,160
Others	(251)	(63)	-	-
Valuation allowance	-	(3,407)	-	(3,552)
		(51,504)		(25,000)
		($ 17,227)		($ 9,601)

d) The Company's income tax returns through 2007 have been assessed and approved by the Tax Authority.

e) Income derived from products approved by the Ministry of Finance, R.O.C. and the Industrial Development Bureau of the Ministry of Economic Affairs of R.O.C. is exempt from income tax for five years. The tax exemption of the separate products commenced on March 1, 2006. In 2011, the tax exempt income was approximately $41,862.

f) The Company's income tax returns through 2007 have been assessed and approved by the Tax Authority. The Company was assessed with additional tax payable of $171,376 for the 2007 income tax return, because the products developed by the Company did not qualify for the relevant regulations under the Statute for Upgrading Industry. Accordingly, the Company had filed for tax re-examination in June, 2012, and was reassessed with additional tax payable of $7,698 which has been approved by the Tax Authority in February, 2013. These amounts have been estimated and entered into the account of "Income tax expense" and "Income tax payable".

g) The Company’s income tax returns through 2006 have been assessed and approved by the Tax Authority. The Company was assessed with additional tax payable of $143,775 for the 2006 income tax return, because the products developed by the Company did not qualify for the relevant regulations under the Statute for Upgrading Industry. Accordingly, the Company had filed for tax re-examination in June, 2011, and was reassessed with additional tax payable of $36,002 which has been approved by the Tax Authority in February, 2013. These amounts have been estimated and entered into the account of “Income tax expense” and “Income tax payable”.

h) As of December 31, 2012, losses available to be carried forward for consolidated U.S. subsidiaries, calculated based on the laws of U.S. Federal Government and California State Government, were $11,263 and $24,509, respectively, and income tax rate was 34% and 8.84%, respectively. Final year losses can be carried forward is 2017.

10) Earnings per share

	For the year ended December 31, 2012				
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Basic earnings per share:					
Net income attributable to common stockholders	$1,816,711	$1,433,091	222,846	$ 8.01	$ 6.43
Dilutive effect of common stock equivalents:					
Employee bonus	-	-	976		
Diluted earnings per share					
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	$1,816,711	$1,433,091	223,822	$ 7.98	$ 6.40

	For the year ended December 31, 2011				
	Amount		Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Basic earnings per share:					
Net income attributable to common stockholders	$1,190,494	$ 963,719	222,846	$ 5.19	$ 4.32
Dilutive effect of common stock equivalents:					
Employee bonus	-	-	1,879		
Diluted earnings per share					
Net income attributable to common stockholders plus dilutive effect of common stock equivalents	$1,190,494	$ 963,719	224,725	$ 5.15	$ 4.29

a) As employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would increase from employees' stock bonus issuance in the calculation of the weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effect of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year including the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends, the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively.

b) The abovementioned weighted-average number of common shares outstanding has been adjusted retroactively according to the capitalization rate of the 2011 earnings from stock dividends as approved at the shareholders' meeting held in June, 2012.

11) Personnel, depreciation and amortization expenses

	For the year ended December 31, 2012			
	Operating costs	Operating expenses	Non-operating expenses	Total
Personnel expenses				
Salaries	$ 101,258	$ 599,993	$ -	$ 701,251
Labor and health insurance	6,361	41,295	-	47,656
Pension and retirement	3,876	22,799	-	26,675
Others	4,356	15,598	-	19,954
	115,851	679,685	-	795,536
Depreciation	23,335	61,403	-	84,738
Depreciation - assets leased to others	-	-	354	354
Amortization	-	4,422	-	4,422
	$ 139,186	$ 745,510	$ 354	$ 885,050

	For the year ended December 31, 2011			
	Operating costs	Operating expenses	Non-operating expenses	Total
Personnel expenses				
Salaries	$ 69,916	$ 499,206	$ -	$ 569,122
Labor and health insurance	5,130	30,780	-	35,910
Pension and retirement	3,363	22,547	-	25,910
Others	3,258	11,729	-	14,987
	81,667	564,262	-	645,929
Depreciation	28,679	77,672	-	106,351
Depreciation - assets leased to others	-	-	1,396	1,396
Amortization	3,465	4,799	-	8,264
	$ 113,811	$ 646,733	$ 1,396	$ 761,940

5. RELATED PARTY TRANSACTIONS

Remuneration information of key management (including directors, supervisors, general manager and vice general managers)

	For the years ended December 31,	
	2012	2011
Salaries	$ 2,841	$ 2,748
Bonuses	5,750	4,516
Service execution fees	38	38
Directors' and supervisors' remuneration and employees' bonuses	14,500	10,290
	$ 23,129	$ 17,592

1) Salaries and bonuses include regular wages, special responsibility allowances, pensions, severance pay, various bonuses, rewards, etc.
2) Service execution fees include travel or transportation allowances, special expenditures, various allowances, housing and vehicle benefits, etc.
3) Directors' and supervisors' remuneration and employees' bonuses were those amounts estimated and accrued in the statement of income for the current year.
4) Please refer to the Company's Annual Report for the related information.

6. PLEDGED ASSETS

	Book Value		
	December 31,		
Item	2012	2011	Purpose
Property, plant and equipment			
- Land	$ 388,990	$ 388,990	Security for lines of credit
- Buildings and improvements	63,285	64,878	〃
	$ 452,275	$ 453,868	

7. CONTINGENT LIABILITIES

Except for the matters described in Note 10(2), the Group had no other significant commitments and contingent liabilities.

8. SIGNIFICANT DAMAGE LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

Except for the matters described in Notes 4(8)(c), 4(9)(f)(g), no other significant subsequent events occurred.

10. OTHERS

1) Fair values of the financial instruments

	December 31, 2012		
		Fair value	
	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	$ 3,485,778	Note	Note
Liabilities			
Financial liabilities with fair values equal to book values	$ 901,668	Note	Note

	December 31, 2011		
		Fair value	
	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	$ 2,082,622	Note	Note
Liabilities			
Financial liabilities with fair values equal to book values	$ 508,866	Note	Note

Note: As assets and liabilities were short-term instruments, their fair values were determined based on their carrying values, and not based on quotations in an active market or estimated using a valuation technique.

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 receivable, Accounts receivable, Other receivables, Notes payable, Accounts payable, Accrued expenses and Other payables.

b) The fair value of refundable deposits was based on the present value of expected cash flow amount. The discount rate was the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank. The Group uses the carrying value if the difference of the present value amount is not significant.

2) Off-balance sheet financial instruments with credit risk

1. Provision of endorsements and guarantees granted by the Company to subsidiary are in compliance with "Procedures for Provision of Endorsements and Guarantees". As the Company is fully aware of the credit conditions of the related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of endorsements and guarantees.

2. Off-balance sheet financial instruments with credit risk

	December 31, 2012	December 31, 2011
Endorsements and guarantees granted to subsidiary	$ 14,605	$ -

3) Procedure of financial risk control and hedge

The Group adopts an overall risk management and control system to identify and measure a variety of financial risks including market risk, credit risk, liquidity risk and cash flow interest rate risk.

The Group's management considers economic environment, competition and market value risk to achieve the best position of investment risk, maximize the investment of excess liquidity and control the overall market risk.

To meet its risk management objectives, the Group adopts the following strategies to control financial risk:

a) Foreign exchange risk

To reduce foreign exchange risk, the Group's management considers international economic environment to measure the overall foreign exchange risk.

b) Credit risk

The Group has a stringent credit policy in place. Transactions are conducted only with counterparties with good credit conditions. Appropriate measures are also undertaken where necessary to protect the Group's credit rights and thereby mitigate credit risk.

4) Information of material financial risk

a) Market risk

The Group is engaged in export, and some of its transactions involve foreign currency which is exposed to exchange rate fluctuation. The information on foreign currency denominated monetary assets and liabilities which are significantly affected by exchange rate fluctuation is as follows:

	December 31, 2012		December 31, 2011	
	Foreign Currency Amount (In dollars)	Exchange Rate	Foreign Currency Amount (In dollars)	Exchange Rate
Financial assets				
Monetary items				
USD：TWD	$ 50,656,402	29.04	$ 27,303,210	30.28
Financial liabilities				
Monetary items				
USD：TWD	$ 10,343,980	29.04	$ 2,933,107	30.28

b) Credit risk

The Group has lower significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. The maximum loss to the Group is the book value of accounts receivable.

c) Cash flow risk arising from fluctuations in interest rates

The Group has no borrowings; thus, no cash flow risk would arise from the fluctuations of interest rate.

11. OTHER DISCLOSURE ITEMS

1) Information on significant transactions:

(All the transactions with subsidiaries disclosed below had been eliminated when preparing consolidated financial statements. The disclosure information as follows is for reference only.)

(The required information of TEST RESEARCH USA, INC., TRI TEST RESEARCH EUROPE GMBH and TRI MALAYSIA SDN. BHD were based on the investee companies' financial statements which were audited by other auditors.)

a) Loans granted during the year ended December 31, 2012: None.

b) Endorsements and guarantees provided during the year ended December 31, 2012:

No.	Endorser/ guarantor	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor	Limit on endorsement/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount during the year ended December 31, 2012	Outstanding endorsement/ guarantee amount at December 31, 2012	Amount of endorsement/ guarantee secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the Company	Ceiling on total amount of endorsements/ guarantees provided (Note)	Remark
0	Test Research, Inc.	DOLI TRADING LIMITED	A Subsidiary of the Company	$ 891,384	$ 14,605	$ 14,605	$ -	0.28%	$ 891,384	-

Note: In accordance with the "Procedures for Provision of Endorsements and Guarantees", the limit for the Company's total external endorsements and guarantees is no more than 40% of the Company's paid-in capital; the limit for the endorsements and guarantees for the subsidiary, wherein 90% of shares is held by the Company, is no more than 40% of the Company's paid-in capital; the limit for other endorsements and guarantees shall not exceed 20% of the paid-in capital and shall not exceed 40% of net assets.

c) Marketable securities held as at December 31, 2012:

Securities held by	Marketable securities	Relationship of the securities issuer with the Company	General ledger account	As of December 31, 2012 Number of shares	Book value	Ownership (%)	Market value	Remarks
Test Research, Inc.	Common Stock - TRI Investments Limited	Subsidiary accounted for under the equity method	Long-term equity investments accounted for under the equity method	6,724,109	$ 647,042	100%	$ 647,354	None B
	Common Stock - DOLI Trading Limited	〃	〃	801	94,858	100%	110,031	〃
	Common Stock - Test Research USA, Inc.	〃	〃	1,018,935	18,583	100%	18,583	〃
	TRI Test Research Europe GmbH	〃	〃	Note A	18,280	100%	18,280	〃
	TRI Japan Corporation	〃	〃	720	10,235	100%	10,235	〃
	TRI MALAYSIA SDN. BHD	〃	〃	200,000	8,758	100%	8,758	〃
TRI Investments Limited (TIL)	TRI Electronic (Shenzhen) Limited	Subsidiary of TIL accounted for under the equity method	〃	Note A	427,369	100%	427,369	〃
	TRI Electronic (Suzhou) Limited	〃	〃	Note A	99,239	100%	99,239	〃
	TRI Electronic (Shanghai) Limited	〃	〃	Note A	120,627	100%	120,627	〃

Note A: A limited liability company.

Note B: The investee's shares were not outstanding; the market value was the investee's net assets.

d) Acquisition or sale of the same security with the accumulated cost exceeding $100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2012: None.

e) Acquisition of real estate properties exceeding $100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2012: None.

f) Disposals of real estate properties exceeding $100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2012: None.

g) Purchases from or sales to related parties exceeding $100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2012:

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/Seller	Counterparty	Relationship with the Company	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/ accounts receivable (payable)	Remark
Test Research, Inc.	DOLI Trading Limited	A company accounted for under the equity method	Sales	$2,510,072	51%	The collection terms are 90-120 days, and similar to third parties.	If the purchases from TRI will be resold to the indirect 100% owned companies of TRI, the price is 40%-70% of standard prices; otherwise, the price is 92% of final sales price.	The collection terms are 90-120 days, and are similar to third parties.	Accounts Receivable $ 832,557	64%	None
DOLI Trading Limited	TRI Electronic (Shenzhen) Limited	Same ultimate parent company	Sales	$ 181,461	7%	The collection terms are 90-120 days, and similar to third parties.	The price is 40%-70% of standard prices.	The collection terms are 90-120 days, and are similar to third parties.	Accounts Receivable $ 33,125	3%	None
DOLI Trading Limited	Test Research, Inc.	Parent company	Purchases	$2,510,072	100%	The payment terms are 90-120 days.	The price is determined by TRI, the only counterparty for purchase transactions of DOLI.	The payment terms are 90-120 days.	Accounts Payable $ 832,557	100%	None
TRI Electronic (Shenzhen) Limited	DOLI Trading Limited	Affiliated Company	Purchases	$ 181,461	67%	The payment terms are 90-120 days.	The price is determined by TRI.	The payment terms are 90-120 days.	Accounts Payable $ 33,125	45%	None

h) Receivables from related parties exceeding $100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2012:

					Overdue receivables			
Creditor	Counterparty	Relationship with the Company	Balance as at December 31, 2012	Turnover rate	Amount	Actions taken	Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
Test Research, Inc.	DOLI Trading Limited	A company accounted for under the equity method	$ 832,557	3.77	$ -	-	$ 72,890	(Note 2)

Note 1: The subsequent collections were received prior to the opinion date.

Note 2: According to the EITF 76-069, prescribed by the R.O.C. Accounting Research and Development Foundation, no allowance for doubtful accounts will be provided for accounts receivable from related parties which are included in the Company's consolidated financial statements.

i) Derivative financial instruments undertaken during the year ended December 31, 2012: None.

2) Disclosure information of investee companies:

(All the transactions with subsidiaries disclosed below had been eliminated when preparing consolidated financial statements. The disclosure information as follows is for reference only.)

(The required information of TEST RESEARCH USA, INC., TRI TEST RESEARCH EUROPE GMBH and TRI MALAYSIA SDN. BHD were based on the investee companies' financial statements which were audited by other auditors.)

Related information on investee companies:

				Initial investment amount				Shares held as at December 31, 2012								
Investor	Investee	Location	Main activities	Currency	Balance as at 12/31/2012	Currency	Balance as at 1/1/2012	No. of shares	Ownership (%)	Currency	Book value	Currency	Net income (loss) of the investee	Currency	Investment income (loss) recognized by the Company	Remarks
Test Research, Inc.	TRI Investments Limited	SAMOA	Investment holdings	TWD	219,811	TWD	219,811	6,724,109	100%	TWD	647,042	TWD	61,642	TWD	61,642	None
Test Research, Inc.	DOLI Trading Limited	British Virgin Islands	Trading	TWD	131,973	TWD	131,973	801	100%	TWD	94,858	TWD	75,838	TWD	72,324	Note 3
Test Research, Inc.	Test Research USA, Inc.	United States	Trading	TWD	30,297	TWD	30,297	1,018,935	100%	TWD	18,583	TWD	(162)	TWD	(162)	None
Test Research, Inc.	TRI Test Research Europe GmbH	Germany	Trading	TWD	17,679	TWD	17,679	-	100%	TWD	18,280	TWD	11,924	TWD	11,924	Note 1
Test Research, Inc.	TRI Japan Corporation	Japan	Trading	TWD	10,750	TWD	10,750	720	100%	TWD	10,235	TWD	5,167	TWD	5,167	None
Test Research, Inc.	TRI MALAYSIA SDN. BHD	Malaysia	Trading	TWD	2,066	TWD	2,066	200,000	100%	TWD	8,758	TWD	3,264	TWD	3,264	None
TRI Investments Limited	TRI Electronic (Shenzhen) Limited	China	Manufacture and sales of test equipment	USD	750,000	USD	750,000	-	100%	TWD	427,369	TWD	82,924	TWD	-	Note 1 and Note 4

Investor	Investee	Location	Main activities	Initial investment amount				Shares held as at December 31, 2012				Net income (loss) of the investee		Investment income (loss) recognized by the Company		Remarks
				Currency	Balance as at 12/31/2012	Currency	Balance as at 1/1/2012	No. of shares	Ownership (%)	Currency	Book value	Currency	the investee	Currency	by the Company	
TRI Investments Limited	TRI Electronic (Suzhou) Limited	China	Manufacture and sales of test equipment	USD	2,000,000	USD	2,000,000	-	100%	TWD	99,239	TWD	(9,272)	TWD	-	Note 1 and Note 4
TRI Investments Limited	TRI Electronic (Shanghai) Limited	China	Import and export of equipment, consulting and after-sale maintenance service of equipment	USD	3,900,000	USD	3,900,000	-	100%	TWD	120,627	TWD	(12,010)	TWD	-	Note 1 and Note 4

Note 1: A limited liability company.

Note 2: The unit of foreign currency is dollar.

Note 3: The investment loss included the elimination of intercompany transactions.

Note 4: The investment income (loss) recognized by TRI Investment Limited.

3) Disclosure of investments in Mainland China:

(All the transactions with subsidiaries disclosed below had been eliminated when preparing consolidated financial statements. The disclosure information as follows is for reference only.)

a) The related information of investments in Mainland China is as follows:

Investee in Mainland China	Main activities	Paid-in capital (USD)	Investment method (Note 1)	Accumulated amount of remittance to Mainland China as of January 1, 2012 (USD)	Amount remitted to Mainland China during the year	Amount remitted back to Taiwan during the year	Accumulated amount of remittance to Mainland China as of December 31, 2012 (USD)	Ownership held by the Company (direct/indirect)	Investment income (loss) recognized by the Company for the year (Note 2(2)2.)	Book value of investments in Mainland China as of December 31, 2012	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2012	Remark
TRI Electronic (Shenzhen) Limited	Manufacture and sales of test equipment	$3,050,000	Note 1(2)	$ 750,000	-	-	$ 750,000	100%	$ 82,924	$ 427,369	None	
TRI Electronic (Suzhou) Limited	Manufacture and sales of test equipment	2,588,915	Note 1(2)	2,000,000	-	-	2,000,000	100%	(9,272)	99,239	None	
TRI Electronic (Shanghai) Limited	Import and export of equipment, consulting and after-sale maintenance service of equipment	3,900,000	Note 1(2)	3,900,000	-	-	3,900,000	100%	(12,010)	120,627	None	

b) Limination of investment in Mainland China:

Company	Accumulated investment in Mainland China at the end of year (USD)	Limitation of investment approved by the Investment Commission of the Ministry of Economic Affairs (USD)	Limitation of investment followed the regulation of the Ministry of Economic in Mainland China (Note 3)
Test Research, Inc.	$ 6,650,000	$ 8,913,915	$ 3,149,167

c) Significant transactions with investee companies in Mainland China:

Investee company	Purchases (Sales)	Sales (purchases) Amount	%	Accounts receivable (payable) Amount	%	Other significant events (Note 4)
TRI Electronic (Shenzhen) Limited	Sales	$ 181,461	7%	$ 33,125	3%	$ 57,055
TRI Electronic (Suzhou) Limited	Sales	57,513	1%	17,605	1%	38,194
TRI Electronic (Shanghai) Limited	Sales	59,595	1%	22,063	2%	12,831

Note 1: There are four investment method classifications are shown below:

(1) The third regional remittance investment in China.
(2) Through the investee of the third regional investment in China.
(3) Through the company establishment of the third regional investment in China.
(4) Direct investment in China.
(5) Others

Note 2: Investment income (loss) recognized by the Company for the year:

(1) Preparation for the investee, the investment income (loss) recorded as $0.
(2) Investment income (loss) recognized methods classified as below:
   1. Amount based on the financial statements audited by an international accounting firm in cooperation with an R.O.C. accounting firm.
   2. Amount based on the financial statements audited by the Company's auditors.
   3. Others

Note 3: The highest of $80,000, 60% of the stockholder's equity and 60% of consolidated net assets.

Note 4: Warranty expenses, agency expenses and expenses on purchases made by related parties on behalf of the Company.

4) <u>Relationship and significant transactions between the Company and its subsidiaries</u>

(All the transactions with subsidiaries disclosed below had been eliminated when preparing consolidated financial statements. The disclosure information as follows is for reference only.)

For the year ended December 31, 2012:

Number	Name of counterparty	Name of transaction parties	Relationship	Subject	Amount (Note 5)	Transaction terms	Percentage of total combined revenue or total assets
0	Test Research, Inc.	DOLI TRADING LIMITED	Note 1	Sales revenue	$ 2,510,072	Note 3	45%
0	Test Research, Inc.	DOLI TRADING LIMITED	〃	Accounts receivable	832,557	Note 3	13%
0	Test Research, Inc.	TEST RESEARCH USA, INC.	〃	Agency expenses	38,112	Note 4	1%
		TRI JAPAN CORPORATION	〃	〃	19,623	〃	0%
		TRI TEST RESEARCH EUROPE GMBH	〃	〃	19,932	〃	0%
1	DOLI TRADING LIMITED	TRI ELECTRONIC (SUZHOU) LIMITED	Note 2	Warranty expenses	20,682	None	0%
		TRI ELECTRONIC (SHENZHEN) LIMITED	〃	Agency expenses	48,247	Note 4	1%
1	DOLI TRADING LIMITED	TRI ELECTRONIC (SHENZHEN) LIMITED	〃	Sales revenue	181,461	Note 3	3%
		TRI ELECTRONIC (SUZHOU) LIMITED	〃	〃	57,513	〃	1%
		TRI ELECTRONIC (SHANGHAI) LIMITED	〃	〃	59,595	〃	1%
1	DOLI TRADING LIMITED	TRI ELECTRONIC (SHENZHEN) LIMITED	〃	Accounts receivable	33,125	〃	1%
		TRI ELECTRONIC (SUZHOU) LIMITED	〃	〃	17,605	〃	0%
		TRI ELECTRONIC (SHANGHAI) LIMITED	〃	〃	22,063	〃	0%

Note 1: The relationship with the transaction parties is the Company to the consolidated subsidiary.

Note 2: The relationship with the transaction parties is the consolidated subsidiary to indirect wholly-owned subsidiaries of the Company.

Note 3: The purchases from the Company will be resold to the indirect 100% owned companies of TRI, and the price is 40%-70% of standard prices; otherwise, the price is 92% of final sales price. The collection terms are 90-120 days.

Note 4: The Company signed agency agreements with subsidiaries, and the subsidiaries act as product sales agent.

Note 5: Only related party transactions in excess of $10,000 are disclosed.

For the year ended December 31, 2011:

Number	Name of counterparty	Name of transaction parties	Relationship	Subject	Amount (Note 5)	Transaction terms	Percentage of total combined revenue or total assets
0	Test Research, Inc.	DOLI TRADING LIMITED	Note 1	Sales revenue	$ 1,952,253	Note 3	50%
0	Test Research, Inc.	DOLI TRADING LIMITED	〃	Accounts receivable	499,323	Note 3	10%
0	Test Research, Inc.	TEST RESEARCH USA, INC.	〃	Agency expenses	31,859	Note 4	1%
		TRI JAPAN CORPORATION	〃	〃	12,732	〃	0%
		TRI TEST RESEARCH EUROPE GMBH	〃	〃	13,244	〃	0%
1	DOLI TRADING LIMITED	TRI ELECTRONIC (SUZHOU) LIMITED	Note 2	Warranty expenses	24,503	None	1%
		TRI ELECTRONIC (SHENZHEN) LIMITED	〃	Agency expenses	38,023	Note 4	1%
		TRI ELECTRONIC (SHANGHAI) LIMITED	〃	〃	12,680	〃	0%
1	DOLI TRADING LIMITED	TRI ELECTRONIC (SHENZHEN) LIMITED	〃	Sales revenue	140,828	Note 3	4%
		TRI ELECTRONIC (SUZHOU) LIMITED	〃	〃	47,783	〃	1%
		TRI ELECTRONIC (SHANGHAI) LIMITED	〃	〃	57,319	〃	1%
1	DOLI TRADING LIMITED	TRI ELECTRONIC (SHENZHEN) LIMITED	〃	Accounts receivable	32,754	〃	1%
		TRI ELECTRONIC (SUZHOU) LIMITED	〃	〃	14,843	〃	0%

Note 1: The relationship with the transaction parties is the Company to the consolidated subsidiary.

Note 2: The relationship with the transaction parties is the consolidated subsidiary to indirect wholly-owned subsidiaries of the Company.

Note 3: The purchases from the Company will be resold to the indirect 100% owned companies of TRI, and the price is 40%-70% of standard prices; otherwise, before June 30, 2011, the price is 93% of final sales price; after June 30, 2011, the price is 92% of final sales price. The collection terms are 90-120 days.

Note 4: The Company signed agency agreements with subsidiaries, and the subsidiaries act as product sales agent.

Note 5: Only related party transactions in excess of $10,000 are disclosed.

12. SEGMENT INFORMATION

1) General information

The businesses of the Group are mainly divided into two parts: Board tester and Semiconductor tester.

Circuit board inspection department manufactures equipment that can precisely detect those bad parts on circuit boards to elevate the quality of manufacturing process of circuit boards.

Semiconductor testing department manufactures wafer testing and related finished goods testing equipment to check whether IC meets qualified standards.

2) Measurement basis

The accounting policies of the operating segments and the Group are the same. The Group uses the operating profit as the measurement for operating segment profit and the basis of performance assessment.

3) Financial information

	For the year ended December 31, 2012	
	Board Tester	Semiconductor Tester
Revenues from external customers	$ 5,487,154	$ 51,234
Segment profit	1,887,401	(44,026)
Segment profit include:		
Depreciation and amortization	85,372	3,788
Segment asset	-	-
Segment liability	-	-

	For the year ended December 31, 2011	
	Board Tester	Semiconductor Tester
Revenues from external customers	$ 3,801,771	$ 95,901
Segment profit	1,175,202	(50,867)
Segment profit include:		
Depreciation and amortization	111,795	2,820
Segment asset	-	-
Segment liability	-	-

4) Reconciliation of operating segments' operating profit

Net profit (loss) of segments reported to the chief operating decision-maker is measured in a manner consistent with revenues and expenses in the income statement. Amounts of total assets and total liabilities of segments are not provided to the chief operating decision-maker to make strategic decisions. A reconciliation of segment profit (loss) to profit (loss) before tax and discontinued operations is provided as follows:

	For the years ended December 31,	
	2012	2011
Reportable operating segments' profit	$ 1,843,375	$ 1,124,335
Unallocated profit or loss		
Non-operating (loss) gain	(26,664)	66,159
Income before income tax from continuing operations	$ 1,816,711	$ 1,190,494

5) Information by product and service

Revenues from external customers are mainly from sales of Board tester and Semiconductor tester, and the components of revenues are as follows:

	For the years ended December 31,	
	2012	2011
Sales		
Board Tester	$ 5,425,662	$ 3,757,105
Semiconductor Tester	47,894	91,495
Maintenance income		
Board Tester	61,492	44,666
Semiconductor Tester	3,340	4,406
	$ 5,538,388	$ 3,897,672

6) Information by geographic area

	For the year ended December 31, 2012		For the year ended December 31, 2011	
	Revenues	Non-current assets	Revenues	Non-current assets
Taiwan	$ 365,361	$ 2,120,121	$ 296,715	$ 2,134,355
China	3,334,729	137,152	2,668,190	138,293
USA	1,444,017	380	505,060	233
Others	394,281	1,453	427,707	997
Total	$ 5,538,388	$ 2,259,106	$ 3,897,672	$ 2,273,878

Note: The Group allocates the revenues on the basis of the location of the single country or area.

7) Information on major customers

Sales to customers constituting more than 10 percent of the Group's total sales are as follows:

	For the year ended December 31, 2012		For the year ended December 31, 2011	
Customer	Amount	Segment	Amount	Segment
F	$ 1,192,104	Board Tester	$ 432,741	Board Tester
G	851,882	Board Tester	540,236	Board Tester

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, International Accounting Standards, and relevant interpretations and interpretative bulletins that are ratified by the Financial Supervisory Commission (collectively referred herein as IFRSs).

The Company discloses the following information in advance prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Order 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 has formed an IFRSs group, headed by the Company's general manager, 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	Status of Execution
a. Formation of an IFRSs group	Completed
b. Setting up a plan relative to the Company's transition to IFRSs	Completed
c. Identification of the differences between current accounting policies and IFRSs	Completed
d. Identification of consolidated entities under the IFRSs framework	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	Completed
f. Evaluation of needed information system adjustments	Completed
g. Evaluation of needed internal control adjustments	Completed
h. Establish IFRSs accounting policies	Completed

Working Items for IFRSs Adoption	Status of Execution
i. Selection of exemptions and options available under IFRS 1 - First - time Adoption of International Financial Reporting Standards	Completed
j. Preparation of statement of financial position on the date of transition to IFRSs	Completed
k. Preparation of IFRSs comparative financial information for 2012	In progress according to the plan
l. Completion of relevant internal control (including financial reporting process and relevant nformation system) adjustments	Completed

2) Material differences and effect 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 uses 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's current evaluation results may be different from the actual differences that may arise 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.

Material differences identified by the Company 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, and the effects of exemptions selected by the Company under IFRS1 - First-time Adoption of International Financial Reporting Standards (refer to Note 13(3)) are set forth below:

1. Reconciliation of significant differences as of January 1, 2012

	R.O.C. GAAP	Adjustment	IFRSs	Description
Deferred income tax assets - current	$ 15,399	($ 15,399)	$ -	(1)
Deferred income tax assets - non-current	2,608	15,399 4,783 1,159	23,949	(1) (2) (3)
Others	5,125,438	-	5,125,438	
Total assets	$ 5,143,445	$ 5,942	$ 5,149,387	
Accrued pension liabilities	$ 25,814	$ 28,133	$ 53,947	(2)
Accrued expenses	217,344	6,818	224,162	(3)
Others	479,416	-	479,416	
Total liabilities	$ 722,574	$ 34,951	$ 757,525	
Cumulative translation adjustments	$ 43,390	($ 43,390)	$ -	(4)
Undistributed earnings	1,702,673	(23,350) (5,659) 29,009	1,702,673	(2) (3) (4)
Special reserve	-	14,381	14,381	(4)
Others	2,674,808	-	2,674,808	
Total stockholders' equity	$ 4,420,871	($ 29,009)	$ 4,391,862	

Explanations for the significant differences are as follows:

(1) In accordance with current accounting standards in R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting, should be classified as current or noncurrent according to the expected period to realize or settle a deferred tax asset or liability. However, under IAS 1, "Presentation of Financial Statements", an entity should not classify a deferred tax asset or liability as current. Therefore, the Group reclassified deferred income tax assets - current of $15,399 to deferred income tax assets - non-current at the date of transition to IFRSs.

(2) The discount rate of the Group used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, "Employee Benefits", requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan.

In accordance with current accounting standards in R.O.C., the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, in accordance with IAS 19, "Employee

Benefits", the unrecognized transitional net benefit obligation should not be recognized because it is the Group's first-time adoption of IFRSs. Therefore, the Group recognized accrued pension liabilities of $28,133, reduced undistributed earnings of $23,350 and recognized deferred income tax assets - non-current of $4,783 at the date of transition to IFRSs.

(3) The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumulating unused compensated absences. The Group recognizes such costs as expense upon actual payment. However, IAS 19, "Employee Benefits", requires that the costs of accumulating unused compensated absences should be accrued as expense at the end of the reporting period. Therefore, the Group recognized accrued expenses of $6,818, reduced undistributed earnings of $5,659 and recognized deferred income tax assets - non-current of $1,159 at the date of transition to IFRSs.

(4) In accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and subsequently appropriated under the requirements of Jin-Guan-Zheng-Fa Order No. 1010012865 of FSC, the cumulative translation adjustment was reclassified to special reserve. The gain or loss on a subsequent disposal of any foreign operation shall comply with IAS 21, "The Effect of Changes in Foreign Exchange Rates". Therefore, the Group reduced cumulative translation adjustments of $43,390 and recognized undistributed earnings of $29,009 and special reserve of $14,381 at the date of transition to IFRSs.

2. Reconciliation of significant differences as of December 31, 2012

	R.O.C. GAAP	Adjustment	IFRSs	Description
Deferred income tax assets - current	$ 34,277	($ 34,277)	$ -	(1)
Deferred income tax assets - non-current	2,502	34,277 4,540 3,259	44,578	(1) (2) (3)
Others	6,540,295	-	6,540,295	
Total assets	$ 6,577,074	$ 7,799	$ 6,584,873	
Accrued pension liabilities	$ 25,754	$ 29,951	$ 55,705	(2)
Accrued expenses	307,443	19,173	326,616	(3)
Others	995,265	-	995,265	
Total liabilities	$ 1,328,462	$ 49,124	$ 1,377,586	
Cumulative translation adjustments	$ 22,201	($ 43,390)	($ 21,189)	(4)
Undistributed earnings	2,390,331	(25,411) (15,914) 29,009	2,378,015	(2) (3) (4)
Special reserve	-	14,381	14,381	(4)
Others	2,836,080	-	2,836,080	
Total stockholders' equity	$ 5,248,612	($ 41,325)	$ 5,207,287	

Explanations for the significant differences are as follows:

(1) In accordance with current accounting standards in R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting, should be classified as current or noncurrent according to the expected period to realize or settle a deferred tax asset or liability. However, under IAS 1, “Presentation of Financial Statements”, an entity should not classify a deferred tax asset or liability as current. Therefore, the Group reclassified deferred income tax assets - current of $34,277 to deferred income tax assets - non-current.

(2) The discount rate of the Group used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, “Employee Benefits”, requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan.

    In accordance with current accounting standards in R.O.C., the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, in accordance with IAS 19, “Employee Benefits”, the unrecognized transitional net benefit obligation should not be recognized because it is the Group’s first-time adoption of IFRSs. Therefore, the Group recognized accrued pension liabilities of $29,951, reduced undistributed earnings of $25,411 and recognized deferred income tax assets - non-current of $4,540.

(3) The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumulating unused compensated absences. The Group recognizes such costs as expense upon actual payment. However, IAS 19, “Employee Benefits”, requires that the costs of accumulating unused compensated absences should be accrued as expense at the end of the reporting period. Therefore, the Group recognized accrued expenses of $19,173, reduced undistributed earnings of $15,914 and recognized deferred income tax assets - non-current of $3,259.

(4) In accordance with IFRS 1, “First-time Adoption of International Financial Reporting Standards” and subsequently appropriated under the requirements of Jin-Guan-Zheng-Fa Order No. 1010012865 of FSC, the cumulative translation adjustment was reclassified to special reserve. The gain or loss on a subsequent disposal of any foreign operation shall comply with IAS 21, “The Effect of Changes in Foreign Exchange Rates”. Therefore, the Group reduced cumulative translation adjustments of $43,390 and recognized undistributed earnings of $29,009 and special reserve of $14,381.

3. Reconciliation of significant differences for the year ended December 31, 2012

	R.O.C. GAAP	Adjustment	IFRSs	Description
Operating revenues	$ 5,538,388	$ -	$ 5,538,388	
Operating cost	(2,488,537)	-	(2,488,537)	
Gross profit	3,049,851	-	3,049,851	
Operating expenses	(1,206,476)	(12,355)	(1,217,406)	(1)
	-	1,425	-	(2)
Operating income	1,843,375	(10,930)	1,832,445	
Non-operating income and expenses	(26,664)	-	(26,664)	
Income before income tax	1,816,711	(10,930)	1,805,781	
Income tax expense	(383,620)	2,100	(381,762)	(1)
	-	(242)	-	(2)
Consolidated net income	$ 1,433,091	($ 9,072)	$ 1,424,019	

Explanations for the significant differences are as follows:

(1) The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumumlated unused compensated absences. The Group recognizes such costs as expenses upon actual payment. However, IAS 19, “Employee Benefits”, requires that the costs of accumulated unused compensated absences should be accrued as expense at the end of the reporting period. Therefore, the Group recognized operating expenses of $12,355 and reduced income tax expense of $2,100.

(2) The discount rate of the Group used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, “Employee Benefits”, requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan.

In accordance with current accounting standards in R.O.C., the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, in accordance with IAS 19, “Employee Benefits”, the unrecognized transitional net benefit obligation should not be recognized because it is the Group’s first-time adoption of IFRSs. Therefore, the Company reduced operating expenses of $1,425 and recognized income tax expense of $242.

(3) The Group selected the following exemptions in accordance with IFRS 1, “First-time Adoption of International Financial Reporting Standards” and “Rules Governing the Preparation of Financial Statements by Securitites Issuers” that are expected to be applied in 2013.

1. Deemed cost

   The Group has elected to use the revalued amounts of property, plant and equipment under R.O.C. GAAP at the date of revaluation as the "deemed cost" of these assets under IFRSs.

2. Employee benefits

   The Group has elected to recognize all cumulative actuarial gains and losses associated with employee benefit plans in retained earnings at the date of transition to IFRSs, and disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments in accordance with paragraph 120A (P), IAS 19, "Employee Benefits", based on their prospective amounts for each accounting period from the date of transition to IFRSs.

3. Cumulative translation differences

   The Company has elected to reset the cumulative translation differences for all foreign operations to zero at the date of transition to IFRSs; and the gain or loss on a subsequent disposal of any foreign operation shall comply with IAS 21, "The Effects of Changes in Foreign Exchange Rates".

4. Borrowing cost

   The Company has elected to apply the transitional provisions set out in paragraphs 27 and 28 of the revised IAS 23 in 2007 at the date of transition to IFRSs.

The selection of exemptions above may be different from the actual selection at the date of transition to IFRSs due to the issuance of related decrees by competent authorities, changes in economic environment, or change in the evaluation of impact of the Company's selection of exemptions.