

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2012**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-14542

**ASIA PACIFIC WIRE & CABLE  
CORPORATION LIMITED**

(Exact name of Registrant as specified in its charter)

**Bermuda**

(Jurisdiction of incorporation or organization)

**7/FI. B, No. 132, Sec. 3**

**Min-Sheng East Road**

**Taipei, 105, Taiwan**

**Republic of China**

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

**Title of each class**

**Name of each exchange on which registered**

**Common Shares, par value 0.01 per share**

**NASDAQ Global Market**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

**None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**13,828,869 Common Shares**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. Large accelerated Filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

## FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this Annual Report on Form 20-F contain some forward-looking statements. Forward-looking statements give our current beliefs or expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Such statements may include words such as “anticipate,” “estimate,” “expect,” “intend,” “plan,” “believe” and other words and terms of similar meaning in connection with any discussion of future operating or financial performance.

Such statements are not promises or guarantees and are subject to a number of known and unknown risks and uncertainties that could cause our future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include our ability to maintain and develop market share for our products; global, regional or national economic and financial conditions, including events such as the financial crisis that commenced in 2008 and the consequent economic recession, and their individual or collective impact on demand for our products and services; the introduction of competing products or technologies; our inability to successfully identify, consummate and integrate acquisitions; our potential exposure to liability claims; the uncertainty and volatility of the markets in which we operate; changes in laws or regulations applicable to the Company in the markets in which we conduct business; the availability and price of copper, our principal raw material; our ability to negotiate extensions of labor agreements on acceptable terms and to successfully deal with any labor disputes; our ability to service, and meet all requirements under, our debt, and to maintain adequate credit facilities and credit lines; our ability to make payments of interest and principal under our existing and future indebtedness; our ability to increase manufacturing capacity and productivity; the fact that we have operations outside the United States that may be materially and adversely affected by acts of terrorism, war and political and social unrest, or major hostilities; increased exposure to political and economic developments, crises, instability, terrorism, civil strife, expropriation and other risks of doing business in foreign markets; economic consequences arising from natural disasters and other similar catastrophes, such as floods, earthquakes, hurricanes and tsunamis; the fact that Asia Pacific Wire & Cable Corporation Limited (“APWC” or the “Company”) is a holding company that depends for income upon

distributions from operating subsidiaries, most of which are not wholly-owned and for which there may be restrictions on the timing and amount of distributions; price competition and other competitive pressures; the impact of climate change on our business and operations and on our customers; our ability to avoid limitations on utilization of net losses for income tax purposes; fluctuations in currency, exchange and interest rates, operating results and the impact of technological changes and other factors that are discussed in this report and in our other filings made with the Securities and Exchange Commission (the “SEC” or the “Commission”).

In particular, these statements include, among other things, statements relating to:

- our business strategy;
- our prospects for future revenues and profits in the markets in which we operate;
- the impact of political, legal or regulatory changes or developments in the markets in which we do business;
- our dependence upon the level of business activity and investment by our customers for the generation of our sales revenue;
- the fact that our Common Shares are now traded on a national exchange in the United States;
- our dependence on a limited number of suppliers for our raw materials and our vulnerability to fluctuations in the cost of our raw materials; and
- our liquidity.

We undertake no obligation to update any forward-looking statements or other information contained in this Annual Report, whether as a result of new information, future events or otherwise, except as required by law. You are advised, however, to consult any additional disclosures we make in our filings with the SEC. Also note that we provide a cautionary discussion of risks and uncertainties under the “Risk Factors” section of this Annual Report. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed there could also adversely affect us.

This discussion is permitted by the Private Securities Litigation Reform Act of 1995.

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## **OTHER CONVENTIONS**

Unless otherwise specified, all references in this Annual Report to “Thailand” are to the Kingdom of Thailand, all references to “Singapore” are to The Republic of Singapore, all references to “Taiwan” are to Taiwan, The Republic of China, all references to “China” and to the “PRC” are to The People’s Republic of China (for the purpose of this Annual Report, excluding Hong Kong and Macau), all references to “Australia” are to the Commonwealth of Australia and all references to the “U.S.” are to the United States of America.

Most measurements in this Annual Report are given according to the metric system. Standard abbreviations of metric units (e.g., “mm” for millimeter) have been employed without definitions. All references in this Annual Report to “tons” are to metric tons, which are equivalent in weight to 2,204.6 pounds.

With respect to measurements relating to the manufacture of wire and cable products, references to “pkm” are to kilometers of twisted pairs of copper wire.

Dollar amounts in this Annual Report are expressed in thousands (\$000), except where otherwise indicated or with respect to earnings per share.

## Part I

### Item 1: Identity of Directors, Senior Management and Advisers

(Not applicable)

### Item 2: Offer Statistics and Expected Timetable

(Not applicable)

### Item 3: Key Information

#### 3.1 Selected Consolidated Financial Data

The following selected consolidated financial data is derived from the consolidated financial statements of the Company for the years ended December 31, 2008, 2009, 2010, 2011 and 2012, prepared in accordance with U.S. GAAP.

The selected data set forth below should be read in conjunction with, and is qualified in its entirety by, the discussion in “Item 5: Operating and Financial Review and Prospects” and the consolidated financial statements and the notes thereto included in “Item 18: Financial Statements.”

**(Figures in 2008, 2009, and 2010 were restated to reflect the results of discontinued operations of Shandong Pacific Fiber Optics Co. Ltd. (“SPFO”). For details, see “Item 5.3: Operating Results”)**

	For the Years Ended December 31,				
	2008	2009	2010	2011	2012
	(in US\$ thousands)				
Income Statement Data:					
Net sales .....	\$484,218	\$326,238	\$446,594	\$471,946	462,265
Costs of sales.....	(473,911)	(285,595)	(389,571)	(428,051)	(410,450)
Gross profit.....	10,307	40,643	57,023	43,895	51,815
Operating expenses .....	(26,586)	(24,151)	(28,371)	(33,220)	(28,200)
Impairment of long-lived assets	—	(77)	—	—	(22)
Impairment of goodwill.....	—	—	—	(8,791)	—
Operating (loss) profit .....	(16,279)	16,415	28,652	1,884	23,593
Exchange (loss) gain .....	(1,712)	507	3,041	(1,346)	2,398
Net interest expense .....	(4,107)	(1,139)	(872)	(808)	(640)
Share of net loss of equity					
investees .....	(142)	(40)	(21)	(58)	(21)
Gain on liquidation of					
subsidiaries .....	—	568	—	—	279
Loss on sale of investment .....	—	—	—	(68)	—
Others .....	2,861	2,111	1,032	1,032	1,684
Income from continuing					
operations before income taxes	23,643	18,422	31,832	636	27,293
Income taxes.....	(2,132)	(4,647)	(6,441)	(4,566)	(8,383)

Net (loss) income from continuing operations	<u>(21,511)</u>	<u>13,775</u>	<u>25,391</u>	<u>(3,930)</u>	<u>18,910</u>
(Loss) income from operations of discontinued SPFO	(689)	1,150	446	1,075	—
Income tax expenses	<u>0</u>	<u>(697)</u>	<u>(450)</u>	<u>(229)</u>	<u>—</u>
(Loss) income from discontinued operations	<u>(689)</u>	<u>453</u>	<u>(4)</u>	<u>846</u>	<u>—</u>
Net (loss) income	<u>(22,200)</u>	<u>14,228</u>	<u>25,387</u>	<u>(3,084)</u>	<u>18,910</u>
Net (loss) income attributable to non-controlling interests .....	(8,551)	4,139	11,247	2,355	7,961
Net (loss) income attributable to APWC .....	<u>\$(13,649)</u>	<u>\$10,089</u>	<u>\$14,140</u>	<u>\$(5,439)</u>	<u>10,949</u>
Basic and diluted (loss) earnings per share from continuing operations <sup>(1)</sup>	<u>\$(0.96)</u>	<u>\$0.71</u>	<u>\$1.02</u>	<u>\$(0.49)</u>	<u>0.79</u>
Basic and diluted (loss) earnings per share from discontinued operations <sup>(1)</sup>	\$(0.03)	\$0.02	\$(0.00)	\$0.10	—
Basic and diluted (loss) earnings per share <sup>(1)</sup>	<u>\$(0.99)</u>	<u>\$0.73</u>	<u>\$1.02</u>	<u>\$(0.39)</u>	<u>0.79</u>

<sup>(1)</sup> The calculation of the (loss) earnings per share is based on 13,830,769 basic and diluted weighted Common Shares issued and outstanding for the years ended December 31, 2008, 2009, 2010, 2011, and 13,830,751 for year ended 2012.

	<u>As of December 31,</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	<u>(in thousands)</u>				
<b>Balance Sheet Data:</b>					
Cash and cash equivalents.....	\$37,510	\$41,534	\$63,217	\$76,672	\$72,816
Working capital.....	100,428	127,139	170,653	170,956	183,714
Total assets.....	309,798	296,052	386,923	337,289	389,384
Total debt .....	59,694	38,917	69,083	54,545	59,577
Total APWC shareholders' equity ....	114,129	127,392	153,194	146,510	161,717

### 3.2 Exchange Rates

Unless otherwise specified, all references in this Annual Report to “\$,” “U.S. dollars” or “US\$” are to United States dollars; all references to “Bt,” “Thai Baht” or “Baht” are to Baht, the legal tender currency of Thailand; all references to “S\$” are to Singapore dollars, the legal tender currency of Singapore; all references to “A\$” are to Australian dollars, the legal tender currency of Australia; and all references to “RMB” are to Chinese Renminbi, the legal tender currency of China.

Unless otherwise noted, for the convenience of the reader, translations of amounts from Baht, Singapore dollars, Renminbi and Australian dollars to U.S. dollars have been made at the respective noon buying rates in New York City for cable transfers in those currencies as certified for customs purposes by the Federal Reserve Bank of New York (the “Noon Buying Rate”) on December 31, 2012. The respective Noon Buying Rates on December 31, 2012 were US\$ 1.00 = Bt 30.59; S\$ 1.221; RMB 6.230; and A\$0.962. The respective Noon Buying Rates on April 19, 2012, the latest practicable date before publication of this Annual Report, were US\$ 1.00 = Bt 28.6; S\$ 1.237; RMB 6.177 and A\$ 0.971. No representation is made that the foreign currency amounts could have been or could be converted into U.S. dollars on these dates at these rates or at any other rates.

Sources: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System. Federal Reserve Statistical Release H.10(512), from the website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov>.

### *Thailand*

The Thai Baht is convertible into foreign currencies and is subject to a managed float against a basket of foreign currencies, the most significant of which is the U.S. dollar. The composition of the basket for determining the value of the Baht is not made public by the Bank of Thailand. The following tables set forth, for the periods indicated, certain information concerning the Noon Buying Rate of the Thai Baht. No representation is made that the Baht or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Baht, as the case may be, at any particular rate or at all.

Year Ended December 31,	At Period End	Average <sup>(1)</sup>	High	Low
		(Bt per \$1.00)		
2008 .....	34.72	33.13	35.72	29.36
2009 .....	33.33	34.30	36.25	33.10
2010 .....	30.16	31.66	33.18	29.49
2011 .....	31.51	30.46	31.76	29.68
2012 .....	30.59	30.99	31.87	30.29

<sup>(1)</sup> Average means the average of the Noon Buying Rates on the last day of each month during a year.

The high and low exchange rates for the six months preceding the date of this Annual Report were:

Month	High	Low
October 2012.....	30.76	30.55
November 2012 .....	30.81	30.62
December 2012 .....	30.67	30.58
January 2013 .....	30.48	29.70
February 2013 .....	29.93	29.74
March 2013 .....	29.83	29.11

## Singapore

The Singapore dollar is convertible into foreign currencies and floats against a trade-weighted basket of foreign currencies, the composition of which is not made public by Singapore's central bank, the Monetary Authority of Singapore, but of which the U.S. dollar is a component. The following tables set forth, for the periods indicated, certain information concerning the Noon Buying Rate of the Singapore dollar. No representation is made that the Singapore dollar or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Singapore dollars, as the case may be, at any particular rate or at all.

Year Ended December 31,	At Period End	Average <sup>(1)</sup>	High	Low
		(\$ per \$1.00)		
2008 .....	1.438	1.410	1.529	1.347
2009 .....	1.404	1.452	1.557	1.380
2010 .....	1.289	1.359	1.423	1.282
2011 .....	1.295	1.260	1.314	1.202
2012 .....	1.221	1.245	1.294	1.216

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<sup>(1)</sup> Average means the average of the Noon Buying Rates on the last day of each month during a year.

The high and low exchange rates for the six months preceding the date of this Annual Report were:

Month	High	Low
October 2012.....	1.232	1.216
November 2012 .....	1.229	1.220
December 2012 .....	1.223	1.217
January 2013 .....	1.238	1.220
February 2013 .....	1.241	1.236
March 2013 .....	1.252	1.239

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Sources: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System. Federal Reserve Statistical Release H.10(512), from the website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov>.

## China

The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign currencies and through restrictions on foreign trade. The following tables set forth, for the periods indicated, certain information concerning the Noon Buying Rate of the Renminbi. No representation is made that the Renminbi or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all.

<u>Year Ended December 31,</u>	<u>At Period End</u>	<u>Average<sup>(1)</sup> (RMB per \$1.00)</u>	<u>High</u>	<u>Low</u>
2008 .....	6.823	6.919	7.295	6.780
2009 .....	6.826	6.830	6.847	6.818
2010 .....	6.600	6.760	6.833	6.600
2011 .....	6.294	6.460	6.636	6.294
2012 .....	6.230	6.299	6.338	6.222

(1) Average means the average of the Noon Buying Rates on the last day of each month during a year.

The high and low exchange rates for the six months preceding the date of this Annual Report were:

<u>Month</u>	<u>High</u>	<u>Low</u>
October 2012 .....	6.288	6.237
November 2012 .....	6.245	6.222
December 2012.....	6.250	6.225
January 2013.....	6.230	6.213
February 2013.....	6.244	6.221
March 2013.....	6.225	6.211

Sources: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System. Federal Reserve Statistical Release H.10 (512), from the website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov>.

## Australia

The following tables set forth, for the periods indicated, certain information concerning the Noon Buying Rate of the Australian dollar. No representation is made that the Australian dollar or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Australian dollars, as the case may be, at any particular rate or at all.

<u>Year Ended December 31,</u>	<u>At Period</u>	<u>Average<sup>(1)</sup> (A\$ per \$1.00)</u>	<u>High</u>	<u>Low</u>
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<u>Year Ended December 31,</u>	<u>At Period</u>	<u>Average<sup>(1)</sup></u>	<u>High</u>	<u>Low</u>
		(A\$ per \$1.00)		
2008 .....	1.141	1.177	1.647	1.021
2009 .....	1.114	1.252	1.587	1.067
2010 .....	0.988	1.087	1.224	0.985
2011 .....	0.976	0.968	1.058	0.907
2012 .....	0.962	0.964	1.032	0.925

<sup>(1)</sup> Average means the average of the Noon Buying Rates on the last day of each month during a year.

The high and low exchange rates for the six months preceding the date of this Annual Report were:

<u>Month</u>	<u>High</u>	<u>Low</u>
October 2012.....	0.982	0.962
November 2012 .....	0.969	0.955
December 2012 .....	0.966	0.947
January 2013 .....	0.961	0.945
February 2013 .....	0.980	0.960
March 2013 .....	0.984	0.954

Sources: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System. Federal Reserve Statistical Release H.10 (512), from the website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov>.

### **3.3 Risk Factors**

You should carefully consider the following risks before you decide to buy our Common Shares. If any one of these risks or uncertainties were to occur, our business, financial condition, results and performance could be seriously harmed and/or the price of our Common Shares might significantly decrease. The risks and uncertainties described in this Annual Report on Form 20-F are not the only ones facing us. Additional risks and uncertainties that currently are not known to us or that we currently believe are immaterial also may adversely affect our businesses and operations.

#### **3.3.1 Risks Related to PCAOB Inspection**

Our auditor, Ernst & Young, is headquartered in Taiwan ("E&Y Taiwan"). Taiwan permits independent registered public accounting firms to be subject to inspection by the Public Company Accounting Oversight Board ("PCAOB") to assess the auditor's compliance with applicable PCAOB professional standards. However, the audit component team for the China operations of the Company is composed of the affiliated firm of E&Y Taiwan in China ("E&Y China"). E&Y China, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by PCAOB. Therefore, investors may be deprived of the benefits arising from PCAOB inspections of the audit conducted by E&Y China of the Company's China operations.

### **3.3.2 Risks Related to Loan Covenants**

Our credit facility agreement (the “Credit Agreement”) with Bangkok Bank Hong Kong Branch (the “Bank”) was entered into on March 17, 2011 with a total cash loan of \$14 million and a trade facility of \$8 million. The cash loan carries an interest rate of Singapore Inter-bank Borrowing Rate (“SIBOR”) plus 2.5% (later amended to 2.75% on December 27, 2012), with a term of 5.5 years. This agreement requires us to maintain at all times certain financial covenants and non-financial covenants for both the guarantor, APWC, and borrower, Crown Century Holdings Ltd. (“CCH HK”). As of June 1, 2012, the Bank amended its Credit Agreement to make less onerous the financial covenants ratios applicable to the borrower and the guarantor. Since those amendments, APWC and CCH have been in compliance with all of the financial covenant ratios in the Credit Agreement. On December 27, 2012, the Bank again amended its non-financial covenants so that CCH HK should no longer be regarded by the Bank as a 100% direct owned subsidiary of PRC APWC Holdings. However, the Company decided to prepay the outstanding loan balance in the first quarter of 2013. Consequently, the outstanding loan balance was re-classified as a current liability as of December 31, 2012.

However, in addition to certain financial covenants relating to our financial position, operating performance and liquidity, the restrictions contained in our Credit Agreement may limit our ability to, or give rise to a risk of default if, among other things:

- we incur additional indebtedness for CCH HK for factory expansions, if any;
- we fail to maintain our listing on the NASDAQ Stock Market, Inc. (“NASDAQ”) or are suspended for more than ten days, in the event that APWC’s stock price were to fall under \$1 for consecutive thirty 30 days on NASDAQ;
- create liens on CCH HK’s assets;
- enter into business combinations (if it would be interpreted as major change in our business) or disposal of subsidiaries under CCH HK and under APWC; and

Our ability to comply with the requirements of the Credit Agreement is subject to certain risks, including:

- our ability to sustain the net worth requirements for CCH HK and APWC, if our organic growth in future years for CCH HK and for APWC is not sufficient;
- our ability to meet the proposed waivers which are still under negotiation with the Bank if our actual operational performance is not sufficient; and
- future covenant compliance issues, in the event of a rise in copper prices that leads to a material increase in the Company’s indebtedness.

Our ability to comply with the loan covenants may also be affected by economic, financial and industry conditions, commodity prices such as copper and other factors beyond our control. For further information, see section 5.7 “Off-Balance Sheet Arrangement”.

### **3.3.3 Risks Related to the Global Economic and Financial Crisis**

The aftermath of the 2008 global financial crisis continues to impact the Company, our customers and the markets in which we operate. One effect has been the growth of what some commentators refer to as hyper-competition, meaning an increase in competition among participants in various sectors competing for customers in a diminishing demand environment. The growth of emerging markets, including those markets in which conduct business, has continued, but the rate of growth and investment has curtailed and future demand prospects are uncertain.

The ongoing recession in the Euro zone may indirectly impact the business of the Company as the outcome of the Euro crisis may well affect global lending rates and policies, which could impact

demand from our customers. China recently installed new leadership and while the outcome of this tightly scripted affair is not in doubt, the economic policy consequences are: will there be more fiscal or monetary stimulus, or greater liberalization of the economy? It will take months to find out. The high corporate and individual debt levels in China, and the possibility of a housing bubble, raise serious questions regarding the level of infrastructure investment that will be undertaken in the near term. The political situation in Thailand has stabilized for the time being; however, unrest in the future could adversely impact the level of infrastructure investment, and customer demand for our products, as has happened in the past.

#### *Actual and Possible Impacts on the Company*

A comparison of copper prices on the London Metals Exchange (the “LME”) between 2011 and 2012 shows that the average prices for copper fell 10% in 2012. The effect of that decrease has further impacted the Company’s ability to improve its overall financial performance, particularly since May 2012. The decrease in average LME copper price over 2012 was the principal contributing factor to the drop in 2012 of our ASP (average selling price) compared with 2011. In Thailand, the net sales were slightly lower as our production and our ability to ship our products was curtailed by the nationwide flooding in 2011 that affected Thailand and severely disrupted many business operations in that country well into 2012. In Australia and Singapore, we witnessed an increase in net sales, as manufactured products and distributed products each enjoyed a higher turnover.

Copper prices on the LME dropped throughout the last two months of 2012 to lower than \$8,000 per ton. Consistent with industry practice, customers would expect that the selling prices of our products, particularly of copper based wires, would therefore be lower than the first half of 2012. The decrease in copper prices and other commodity prices also resulted in a decreased turnover for the last part of the year, as customers delayed placing orders with the Company or reduced the quantity of such orders in anticipation of a possible further reduction in copper prices. A further decrease in copper prices would likely have an adverse effect on the revenues of the Company.

When compared with 2011 sales, overall sales of Manufactured Products in 2012 decreased by 6.6%. Power cables recorded the greatest increase which was offset by a decrease in enameled wire sales. Sales of supply, delivery and installation project services decreased by 62%, while sales of distributed wire and cable products increased by 115%.

The Company is unable to determine the precise impact of the Euro zone fiscal crises, and the fragile state of the global recovery, on its operations and cash flow, since its operating results are also affected by factors that are, or may be, unrelated to the economic turmoil, such as the completion of routine purchase cycles by customers and the completion, expansion or contraction of large infrastructure projects. However, the Company has concluded that the current economic instability has negatively affected the Company’s operations and cash flow. The Company believes that any efforts to forecast likely future performance with any degree of specificity would be fraught with uncertainty. Accordingly, the Company cautions against placing reliance on any efforts to identify trends for the foreseeable future.

Macroeconomic events and conditions may have a material adverse impact on the Company’s business operations until such time as the global financial crisis has substantially abated and financial and economic conditions have materially improved. The Company notes, however, that the foregoing is subject to a number of unknown variables, including the impact of actions taken or that may be taken in the future by governmental entities to address the capital needs of banks and other financial institutions and to increase the flow of credit to businesses.

### **3.3.4 Risks Related to the Common Shares and Corporate Governance**

### *Consolidation of Charoong Thai Group Accounts*

As of December 31, 2012, the Company effectively owned 50.93% of the issued and outstanding shares of Charoong Thai Wire and Cable Public Company Limited (“Charoong Thai” or “CTW”), a decrease from the Company’s initial ownership percentage which is attributable to the exercise of warrants or conversion of convertible securities by third parties. The Company’s present intention is to maintain majority ownership of the voting securities of Charoong Thai. However, there may be circumstances under which the Company cannot maintain majority ownership of Charoong Thai. In the event Charoong Thai were to make a further offering of voting securities, or securities convertible into or exchangeable for voting securities, and the Company was not in a position to fund or finance its participation in the offering, the ownership interest of the Company in Charoong Thai could fall below 50%. If the Company’s ownership percentage in Charoong Thai were to fall below 50%, the accounts of the Charoong Thai group, which includes all of the Company’s Thailand operations, would not be consolidated but instead would be accounted for under the equity method. In such an event, the Company’s accounts would show a decrease in revenue and most categories of assets and liabilities, which events could have a material adverse effect on the value of the Common Shares.

### *Potential Illiquidity of Common Shares*

Approximately 75.5% of our Common Shares are either unregistered securities or registered securities held by affiliates (or were repurchased by the Company), which are subject to restrictions on trading. Accordingly, approximately 75% of our Common Shares are not fully liquid investments. Since April 2011, when APWC was listed on NASDAQ, the volume of trading in our Common Shares has picked up fractionally. However, the value of our Common Shares may be impacted negatively by their relative illiquidity when compared to the publicly-traded shares of many issuers.

### *Control of the Company Rests with Majority Shareholder; Controlled Company Exemption; Risks Related to PEWC*

As the majority shareholder, Pacific Electric Wire & Cable Co., Ltd. (“PEWC”) has sufficient votes to control the outcome of any matters presented for a shareholder vote, including the election of the members of the Board of Directors. PEWC may vote its shares in the Company in the manner that it sees fit. In addition, subject to compliance with applicable securities laws, PEWC may sell, convey or encumber all or a portion of its ownership interest in the Company without regard to the best interests of the other shareholders of the Company except to the extent that it is: (i) prohibited from engaging in conduct oppressive to minority interests under applicable law and (ii) required to comply with the terms of the Amended and Restated Shareholders’ Agreement dated March 27, 2009 among the Company, PEWC and MSD Credit Opportunity Master Fund, L.P. (“COF”) (as the assignee of SOF Investments, L.P. (“SOF”) in July 2011), a Delaware limited partnership which owns beneficially approximately 9.8% of the issued and outstanding Common Shares (the “Amended and Restated Shareholders Agreement”).

The Common Shares of the Company are traded on the NASDAQ Global Markets tier. However, as the Company has a more than fifty percent (50%) shareholder, the Company is entitled to rely upon a “controlled company exemption” to the requirement that a company have a board of directors comprised of a majority of independent directors in order to be listed on NASDAQ. At present, a majority of the board of directors of the Company is affiliated with PEWC.

PEWC was delisted from the Taipei Stock Exchange in 2003 following the disclosure of a major corporate scandal involving fraud and embezzlement by certain former executives of PEWC, one or more of whom are now serving prison sentences for their actions. Commencing in 2004, PEWC brought a number of actions in different jurisdictions against those former executives and others

seeking to recover substantial assets that had been misappropriated. Some of those actions are ongoing. PEWC is still seeking to recover financially, and in terms of its market reputation, from the malfeasance of those former executives. The financial and governance problems experienced by PEWC increase the uncertainty regarding its ability to perform under the Composite Services Agreement between PEWC and the Company, although to date PEWC has met its obligations under that agreement. (See---section 10.3 Material Contracts).

#### *Limited Trading Volume*

Although our Common Shares are traded on the NASDAQ Global Markets tier, trading in, and demand for, our Common Shares has been limited. As a consequence, shareholders may find that their ability to sell their Common Shares quickly or in substantial amounts is adversely affected by the limited public trading market. Thinly-traded equity can be more volatile than equity securities traded in an active trading market. The high and low daily closing price for our Common Shares during the past 24 months (March 2010 – March 2012) has been \$7.85 and \$1.92, respectively. In the future, our Common Shares may experience significant price fluctuations which could adversely affect the value of your ownership interest in the Company.

#### *Disclosure Controls and Procedures and Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Rule 13a-15(f) under the Securities Exchange Act of 1934.

Based on the Company's evaluation under the applicable framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), our management concluded that a material weakness in the Company's internal controls over financial reporting was identified.

In connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2012, our independent registered public accounting firm determined also the existence of a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls.

Deficiencies were noted in our controls over complex and non-routine transactions in our financial statement closing process. These deficiencies were attributable to our decentralized reporting structure, our complex and manual consolidation process and inadequate reviews over account balances at the reporting date. The aggregate effect of these deficiencies represented a material weakness. Based on this assessment, the Company's management, including its CEO and CFO, concluded that the Company's internal control over financial reporting was ineffective as of December 31, 2012.

Some of the above-described deficiencies, the material weakness and the conclusion by our CEO and our CFO that the Company's internal controls over financial reporting were ineffective as of December 31, 2012 were disclosed also in the Company's annual report on Form 20-F for the year ended December 31, 2011 (the "2011 Annual Report"). Other deficiencies noted in our 2011 Annual Report were corrected by management and the Company subsequent to December 31, 2011. (See---Item 15 for a discussion of remedial measures undertaken by the Company).

#### *Delinquency in Reporting Obligations; Reporting of Financial Results*

The Company is currently compliant with its reporting obligations under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and believes that it has addressed certain corporate governance obstacles that led to its delinquency in filing its annual report six years ago. As a foreign private issuer, the Company is not required by the rules of the Commission to provide financial results on a quarterly or semi-annual basis. In addition, Bermuda law does not require the Company to provide interim financial information to its shareholders, whether on a quarterly or semi-annual basis. As such, investors may not have the same access to financial information of the Company as they customarily receive in the case of a domestic issuer disclosing quarterly results on a Form 10-Q. Under the NASDAQ rules; however, listed issuers are required to report semi-annual unaudited financial results, which the Company has done since its listing on NASDAQ.

#### *Potential Conflict of Certain Officers and Directors*

In March 2011, the Company appointed a third independent director as required by NASDAQ. Other than our three independent directors, all of the members of the Board of Directors are also directors or officers or otherwise affiliated with PEWC, the majority shareholder. Certain of our officers are also affiliated with PEWC. In each case, they may be subject to potential conflicts of interest. In addition, certain of our officers and directors who are also officers and/or directors of PEWC may be subject to conflicts of interest in connection with, for example, pursuing corporate opportunities in which we and PEWC or one of its affiliates have competing interests, and the performance by us and PEWC of our respective obligations under existing agreements, including the Composite Services Agreement (discussed in section 10.3). In addition, some of these persons will devote time to the business and affairs of PEWC and its affiliates as is appropriate under the circumstances, which could reduce the amount of time available for overseeing or managing our business and affairs. Notwithstanding any such potential conflicts, however, such individuals, in their capacities as our directors and officers, are subject to fiduciary duties to our shareholders.

The Bermuda Companies Act 1981, as amended (the “Companies Act”), subjects our officers and directors to certain fiduciary standards in the exercise of their executive and management duties on behalf of the Company. Under the Companies Act, an officer of ours (which term includes our directors) is subject to a duty of care requiring him to act honestly, in good faith and in the best interests of the Company in the discharge of his duties and to, among other things, give notice to the Board of Directors at the first opportunity of any interest he has in any material contract or proposed material contract with us or any of our subsidiaries. The Companies Act also prohibits us, subject to certain exceptions, from making loans to any directors without first obtaining the consent of shareholders holding in the aggregate not less than nine-tenths of the total voting rights of all the shareholders having the right to vote at any shareholders meeting. We do not make any loans to our directors or executive officers in accordance with the provisions of The Sarbanes-Oxley Act of 2002.

#### *Obligations under the Amended and Restated Shareholders Agreement*

Pursuant to the original shareholders agreement dated June 28, 2007 (the “Shareholders Agreement”), the Company granted to SOF certain rights and protections (now held by COF, as successor-in-interest to SOF, as explained below). Under the Shareholders Agreement, the Company agreed to indemnify SOF and its partners and certain of its affiliates (the “SOF Indemnified Persons”), for any additional taxes, interest, penalties and other costs that might be imposed upon or incurred by the SOF Indemnified Persons in the event that the Company is determined by the Internal Revenue Service (the “IRS”) to be a “controlled foreign corporation” (a “CFC”) or a “passive foreign investment company” (a “PFIC”), as such terms are interpreted and defined under IRS rules and regulations. The Company has determined that it was not a CFC or PFIC at any time during the 2012 fiscal year and does not believe that it is likely to become a CFC or a PFIC; however, the Company cannot provide any assurances that it will not become a CFC or a PFIC in the future.

In addition, the Company granted certain registration rights to SOF with respect to its Common Shares (the “Registrable Securities”) in the Shareholders Agreement. In particular, the Company agreed to use its reasonable best efforts to prepare and file, and cause to go effective, as soon as practicable, a shelf registration statement covering the resale of the Registrable Securities on a delayed or continuous basis. The Company also agreed to use its reasonable best efforts to keep its shelf registration statement effective until all Registrable Securities have been sold or until all Registrable Securities may be sold without restriction pursuant to Rule 144 promulgated pursuant to the Securities Act of 1933, as amended. In addition, the Company granted to SOF two demand registration rights for underwritten offerings and customary piggyback registration rights with regard to the Registrable Securities. Moreover, the Company agreed to use its reasonable best efforts to cause the Common Shares to be listed on a national “Securities Market,” which means any of the NASDAQ Stock Market, Inc. (Global Market or Global Select Market), the American Stock Exchange LLC (now known as NYSE Amex Equities) or the New York Stock Exchange LLC, not later than January 31, 2009, subject to notice and a sixty (60) day cure period. All of the costs and expenses of the Company in connection with the fulfillment of its obligations under the Shareholders Agreement were to be paid by the Company, other than underwriting fees, discounts and commissions attributable to the sale of Common Shares held by SOF.

Under the Shareholders Agreement, if the Company failed to fulfill its obligations thereunder, SOF would have a claim for damages against the Company. No such claim has been made. In addition, if the Company fulfilled its reasonable best efforts undertakings but failed to meet one or more of the stated goals, SOF would have a put right of their Common Shares to PEWC. In accordance with those terms, on February 2, 2009, SOF delivered to PEWC notice of its exercise of the put right under the Shareholders Agreement due to the fact that the Common Shares were not listed on a national Securities Market as of January 31, 2009. On March 27, 2009, SOF sold 51% of its Common Shares to PEWC pursuant to the terms of a share purchase agreement between those parties. Upon the consummation of that share purchase agreement, SOF held 1,355,415 registered Common Shares of the Company and PEWC held 1,410,739 registered Common Shares, respectively, representing 9.8% and 10.2% of the outstanding Common Shares, with PEWC holding an additional 7,664,615 unregistered Common Shares, giving it an aggregate of 65.6% of the total issued and outstanding Common Shares. In connection with this transaction, the Company, PEWC and SOF entered into the Amended and Restated Shareholders Agreement, which among other things, granted to the Company an extension for listing the Common Shares on a national Securities Market until February 2011 and maintained for SOF the right to sell its remaining Common Shares to PEWC in the event the Company did not list its Common Shares on a national Securities Market by such time. In April 2011, the Common Shares of the Company were approved for trading on the NASDAQ Capital Markets tier, which tier does not fit within the definition of a national “Securities Market”, as provided in the Amended and Restated Shareholders Agreement. As of July 1, 2011, SOF transferred its Common Shares to COF, at which time COF executed a joinder agreement and became a party to the Amended and Restated Shareholders Agreement and succeeded to the rights and interests of SOF thereunder. The Company is not aware that COF has taken any action with respect to the Common Shares held by it. The Amended and Restated Shareholders Agreement also provides for those put, registration and indemnification rights set forth above in the description of the Shareholders Agreement and such rights now apply to COF in place of SOF. While the sale of Common Shares by SOF to PEWC resulted in PEWC holding a higher concentration of Common Shares which may impact liquidity for the other shareholders, the Company does not believe that any definitive impact can be determined.

In addition, sales of Common Shares held by COF and registered under the shelf registration statement, or any registration statement that goes effective following an exercise of demand registration rights, will increase the number of Common Shares available for purchase in the public market and may adversely affect the value of the Common Shares held by other shareholders. Even without substantial sales by COF or PEWC of their respective Registrable Securities, the possibility of

such sales may create a “market overhang” that has the effect of depressing the trading price of the Common Shares.

The Company has also granted to COF preemptive rights in the event of any issuance of additional equity securities (or securities convertible into or exchangeable for equity securities) by the Company, such that COF may subscribe for additional securities in order to maintain its then percentage ownership interest in the issued and outstanding equity securities of the Company.

*Holding Company Structure; Potential Restrictions on the Payment of Dividends*

We have no direct business operations other than our ownership of the capital stock of our subsidiaries and joint venture holdings. While we have no present intention to pay dividends, should we decide in the future to do so, as a holding company our ability to pay dividends and meet our other obligations will depend upon the amount of distributions, if any, received from our operating subsidiaries and other holdings and investments. Our operating subsidiaries and other holdings and investments, from time to time, may be subject to restrictions on their ability to make distributions to us, including as a result of restrictive covenants contained in loan agreements, restrictions on the conversion of local currency earnings into U.S. dollars or other hard currency and other regulatory restrictions. For example, PRC legal restrictions permit payments of dividends by our business entities in the PRC only out of their retained earnings, if any, determined in accordance with relevant PRC accounting standards and regulations. Under PRC law, such entities are also required to set aside a portion of their net income each year to fund certain reserve funds. These reserves are not distributable as cash dividends. The foregoing restrictions may also affect our ability to fund operations of one subsidiary with dividends and other payments received from another subsidiary.

*Requirement to Maintain Effectiveness of the Registration Statement and to List on a National Securities Exchange; Effect of the Put of the COF Shares to PEWC*

Under the Amended and Restated Shareholders Agreement, COF has retained the right to sell its remaining Common Shares (the “COF Shares”) to PEWC if the Company does not achieve a listing on a national Securities Market within the time frame provided in the agreement. The Company’s Common Shares are currently listed on the NASDAQ Global Markets tier. In addition, the Company has agreed to maintain the effectiveness of the registration statement on Form F-3, for the benefit of COF, and if the Company fails to do so for any period of thirty (30) consecutive trading days or an aggregate of sixty (60) trading days during any twelve month period, then COF may, subject to compliance with notice and other procedural requirements, exercise a right to sell its remaining Common Shares to PEWC. At all times, the Company must exercise its reasonable best efforts to comply with its covenants under the Amended and Restated Shareholders Agreement. Otherwise, the Company could be subject to a damages claim by COF.

*Corporate Matters; Limited Recourse; Limited Enforceability*

We are incorporated in and organized pursuant to the laws of Bermuda. In addition, all of our directors and officers reside outside the United States and our material assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon such persons or to realize against them in courts of the United States upon judgments predicated upon civil liabilities under the United States federal securities laws. Even if investors are successful in realizing against such persons in courts of the United States, the laws of Taiwan may render such investors unable to enforce the judgment against the Company’s assets or the assets of its officers and directors. Also, investors may have difficulty in bringing an original action based upon the United States federal securities law against such persons in the Taiwan courts. Additionally, we have been advised by our legal counsel in Bermuda, Appleby (Bermuda) Limited,

that there is doubt as to the enforcement in Bermuda, in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated upon U.S. federal securities laws, although Bermuda Courts will enforce foreign judgments for liquidated amounts in civil matters subject to certain conditions and exceptions. As a result, shareholders may encounter more difficulties in enforcing their rights and protecting their interests in the face of actions taken by management, the Board of Directors or controlling shareholders than they would if the Company were organized under the laws of the United States or one of the states therein, or if the Company had material assets located within the United States or some of the directors and officers were resident within the United States. See “Enforceability of Certain Civil Liabilities” for additional information.

### **3.3.5 Risks Relating to Our Business**

#### *Risks Relating to Copper*

Copper is the principal raw material we use, accounting for a majority of the cost of sales. We purchase copper at prices based on the average prevailing international spot market prices on the LME for copper for the one month prior to purchase, or the first five days of current average copper price. The price of copper is affected by numerous factors beyond our control, including international economic and political conditions, supply and demand, inventory levels maintained by suppliers, actions of participants in the commodities markets and currency exchange rates. As with other costs of production, changes in the price of copper may affect the Company’s cost of sales. Whether this has a material impact on our operating margins and financial results depends primarily on the Company’s ability to adjust selling prices to its customers, such that increases and decreases in the price of copper are fully reflected in those selling prices. Most of our sales of manufactured products reflect the cost of copper used to manufacture those products at the time the products are ordered. In the ordinary course of business we maintain inventories of raw materials and finished products reasonably necessary for the conduct of our business. These inventories typically reflect the cost of copper prevailing in the market at the time of purchase. A long-term decrease in the price of copper would require the Company to revalue its inventory at periodic intervals to the then net realizable value, which could be below cost. Copper prices have been subject to considerable volatility and it is not always possible to manage our copper purchases and inventory so as to neutralize the impact of copper price volatility. Accordingly, significant volatility in copper prices could have an adverse effect on our operations. In November 2012, the average LME copper price dropped from \$8,000 to just below \$7,700 per ton, affecting our sales in the last two months of copper based products, as much of the Company’s copper inventory was procured prior to the price decline. No assurance can be given that such volatility will not recur.

#### *Risks related to our Customer Base and our Geographic Markets*

Our sales of manufactured and distributed products are made primarily to customers that use our products as components in their own products or in construction or infrastructure projects in which they participate. The volume of our sales is dependent largely on general economic conditions in the markets in which we compete, including how much our customers invest in their own product manufacturing or project development. Increases or decreases in economic activity and investment in the markets where we operate generally will result in higher or lower sales volume and higher or lower net income for the Company.

#### *Risks relating to Force Majeure Events*

Operations and other business conducted at our plants and other facilities are at risk to acts of god consisting of uncontrollable natural and climatic events (often referred to as force majeure events), such as the 2011 flooding in much of Thailand that severely disrupted our manufacturing operations at

our Thai plant controlled by our subsidiary, Charoong Thai. The severe flooding affected much of our Thai operations and forced the suspension of operations for a period of five months. The temporary suspension of operations at Siam Pacific Electric Wire & Cable Company Limited (“Siam Pacific”), which is 100% owned by Charoong Thai impacted adversely on its 2011 sales, which experienced a 20% reduction in product sales in 2011. The adverse impact of the flooding carried over into 2012. With the help of its affiliated companies such as Pacific Electric Wire & Cable (Shenzhen) Co., Ltd. (“PEWS”) and Shanghai Yayang Electric Co., Ltd. (“Shanghai Yayang” or “SYE”), together with our parent company, PEWC, Siam Pacific fully restored its operations in second quarter of 2012. The insurance coverage includes flood, fire, and theft but does not include losses due to business interruption.

#### *Risks Relating to China*

We conduct substantial business operations in China. Accordingly, our results of operations and prospects are likely to be materially impacted by economic, legal and other developments in China.

#### *Economic Reform Measures in the PRC May Adversely Affect the Company’s Operations or Financial Condition*

The PRC government has gradually moved away from a planned economic model and implemented economic reform measures emphasizing decentralization, utilization of market forces in the development of the economy and a high level of management autonomy. When General Secretary Xi Jinping took office in December 2012, the government decreased its focus on export oriented activities and placed greater emphasis on building up rural areas in China, including integrating a number of primitive, largely inaccessible agricultural areas into the national economy. However, many of the reforms are unprecedented and may be subject to revision, modification or termination based on the outcome of such economic changes and other considerations, such as their social impact. There is not sufficient administrative or judicial precedent to permit the Company to determine with any degree of certainty how the reforms will impact our business in China. In the years 2011 and 2012, the government began to curtail credit in order to dampen an over-heated real estate market, including commercial and residential areas. While the extent of the impact is unknown at this time, any contraction in the construction sector would certainly affect the demand for building wires, one of the products that the Company manufactures and sells in China.

#### *PRC Civil Law System May Limit the Company’s Remedies*

The Chinese legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the central government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. In particular, since 1979, the PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investment in China. Foreign investment laws and regulations in China are evolving and the interpretations of many laws, regulations and rules are not always uniform. Accordingly, enforcement of these laws, regulations and rules involves uncertainties, which may limit the remedies available to us in the event of any claims or disputes with third parties. In addition, any litigation in China may be protracted and could result in substantial costs and diversion of resources and management attention.

#### *PRC Control over the Convertibility of Currency May Restrict the Payment of Dividends*

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and in certain cases, the remittance of currency out of China. Under existing PRC foreign

exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (“SAFE”) by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where foreign currency is remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies unless SAFE has pre-approved the amortization schedule of the foreign currency loan in question. The PRC government may also at its discretion put restrictions on access in the future to foreign currencies for current account transactions.

Pursuant to the Foreign Exchange Administration Regulation promulgated on January 29, 1996, as amended on January 14, 1997 and August 5, 2008, and various regulations issued by the SAFE and other relevant PRC government authorities, the Renminbi is freely convertible only with respect to current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriations of investments, require the prior approval of the SAFE or its local branches for conversion of Renminbi into foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC. Payments for transactions that take place within the PRC must be made in Renminbi. Foreign exchange transactions under the capital account are still subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities, or their competent local branches.

On August 29, 2008, the SAFE promulgated SAFE Circular No. 142, a notice regulating the conversion by a foreign-invested company of foreign currency into Renminbi by restricting how converted Renminbi may be used. This notice requires that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC unless specifically provided for otherwise in its business scope. In addition, the SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested company. The use of such Renminbi may not be changed without SAFE’s approval and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the Company’s approved business scope. Violations of SAFE Circular No. 142 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulation. As a result, SAFE Circular No. 142 may impose an additional layer of bureaucratic compliance and could, under certain circumstances, limit our ability to transfer the proceeds from our non-RMB denominated borrowing arrangements outside of the PRC to our PRC subsidiaries, which may, absent the requisite approvals from SAFE, adversely affect the continued growth of our business.

Pursuant to SAFE Circular No. 75, (i) a PRC resident must register with the local SAFE branch before establishing or controlling an overseas special purpose vehicle (“SPV”) for the purpose of obtaining overseas equity financing using the assets of or equity interests in a domestic enterprise; (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an SPV, or engages in overseas financing after contributing assets or equity interests into an SPV, such PRC resident must register his or her interest in the SPV and any subsequent change thereto with the local SAFE branch; and (iii) when the SPV experiences a material event, such as a change in share capital, merger or acquisition, share transfer or exchange, spin-off or long-term equity or debt investment, the PRC resident must, within 30 days after the occurrence of such event, register such event with the local SAFE branch. On May 29, 2007, the SAFE issued guidance to its local branches for the implementation of the SAFE Circular No. 75, which guidance provides for more standardized, specific and stringent supervision regarding such registration requirements and requires PRC residents holding any equity interests or options in SPVs, directly or indirectly, controlling or nominal, to register with the SAFE.

*Political or Social Instability in the PRC May Adversely Affect the Company's Operations or Financial Condition*

Political or social instability in China could also adversely affect our business operations or financial condition. In particular, adverse public health epidemics or pandemics in China could not only interfere with our ability to operate our PRC subsidiaries, but could also affect the country's overall economic growth, which could in turn affect the sales of our products in China. In addition, as our corporate headquarters are located in Taipei, any escalation in political tensions between the PRC and the government of Taiwan could impact adversely our ability to manage our Chinese operations efficiently or without third party interference.

*Inflation in the PRC May Adversely Affect the Company's Operations or Financial Condition*

The rapid growth of the PRC economy has historically resulted in high levels of inflation, coupled with a rise in the value of RMB against U.S. dollars. The PRC government has publicly announced its commitment to control inflation, and the anti-inflation policies of the PRC government may have an adverse effect on the business climate and growth of private enterprise in the PRC. An economic slowdown may increase our costs. If inflation is significant, our costs would likely increase, and there can be no assurance that we would be able to increase our prices to an extent that would offset the increase in our expenses.

*PRC Power Shortages and Lack of Insurance May Adversely Affect the Company's Operations or Financial Condition*

We consume substantial amounts of electricity in our manufacturing processes at our production facilities in China. Certain parts of China have been subject to power shortages in recent years. We have experienced a number of power shortages at our production facilities in China to date, particularly in Shenzhen where numerous clusters of factories are situated. We are sometimes given advance notice of power shortages and in relation to this we currently have a backup power system at certain of our production facilities in China. However, there can be no assurance that in the future our backup power system will be completely effective in the event of a power shortage, particularly if that power shortage is over a sustained period of time and/or we are not given advance notice thereof. Any power shortage, brownout or blackout for a significant period of time may disrupt our manufacturing, and as a result, may have an adverse impact on our business.

The insurance industry in China is still at an early stage of development and foreign insurance companies are limited to operate only in a certain number of big cities. In particular, PRC insurance companies do not offer extensive business insurance products. As a result, we have limited business liability and disruption insurance coverage for our operations in China. Any business disruption, litigation or natural disaster might result in our incurring substantial costs and the diversion of resources.

*PRC Tax Treatments May Affect the Company's Operations or Financial Condition*

On March 16, 2007, the National People's Congress of the PRC, passed the new PRC Enterprise Income Tax Law (the "New EIT Law"). Under the New EIT Law, effective January 1, 2008, China adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoked the then current tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, there is a transition period for enterprises, whether foreign-invested or domestic, that were receiving preferential tax treatments granted by relevant tax authorities at the time the New EIT Law became effective. Enterprises that are subject to an enterprise income tax, or EIT, rate lower than 25% may continue to enjoy the lower rate and gradually transition to the new tax rate

within five years after the effective date of the New EIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires. PEWS enjoyed a reduced tax rate under the transitional period. The preferential income tax rate of PEWS under the revised tax incentive regulations was 22% in 2010 and 24% in 2011, and was 25% in 2012. Accordingly, PEWS has been subject to the 25% uniform tax rate since the beginning of 2012. In the beginning of 2012, the Chinese government announced that it was contemplating a conversion of its sales tax system into a value added tax system (“VAT”). While a change to a VAT system would help alleviate sales taxes to some extent, the details of the proposed changes are still unknown to industries and trading enterprises. Accordingly, the Company cannot say what impact, if any, a conversion to a VAT system of taxation might have on the Company’s financial results.

#### *Labor Law Legislation in the PRC May Adversely Affect the Company’s Operations or Financial Condition*

The Labor Contract Law became effective on January 1, 2008. It formalizes workers’ rights concerning overtime hours, pensions, layoffs, employment contracts and the role of trade unions. Considered one of the strictest labor laws in the world, among other things, this new law requires an employer to conclude an “open-ended employment contract” with any employee who either has worked for the employer for ten years or more or has had two consecutive fixed-term contracts. An “open-ended employment contract” is in effect a lifetime, permanent contract, which is terminable only in specified circumstances, such as a material breach of the employer’s rules and regulations, or for a serious dereliction of duty. Such employment contracts with qualifying workers would not be terminable if, for example, the Company determined to downsize its workforce in the event of an economic downturn. Under the new law, downsizing by 10% or more (or more than 20 persons) may occur only under specified circumstances, such as a restructuring undertaken pursuant China’s Enterprise Bankruptcy Law, or where a company suffers serious difficulties in production and/or business operations. Any of the Company’s staff employed to work exclusively within the PRC are covered by the new law and thus, the Company’s ability to adjust the size of its operations when necessary in periods of recession or less severe economic downturns has been curtailed. Accordingly, if the Company faces future periods of decline in business activity generally or adverse economic periods specific to the Company’s business, this new law can be expected to exacerbate the adverse effect of the economic environment on the Company’s results of operations and financial condition. Additionally, this new law has affected labor costs of our customers which may result in a decrease in such customers’ production and a corresponding decrease in their purchase of our products.

#### *Exposure to Foreign Exchange Risks*

Changes in exchange rates influence our results of operations. Our principal operations are located in Thailand, Australia, Singapore and China, and a substantial portion of our revenues is denominated in Baht, Australian dollars, Singapore dollars or Renminbi. Nearly all of the raw materials for these operations are imported and paid for in U.S. dollars and a substantial portion of our future capital expenditures are expected to be in U.S. dollars. We require a significant amount of U.S. dollars for our ongoing equipment upgrade and maintenance programs. Any devaluation of the Baht, the Australian dollar, the Singapore dollar or the Renminbi against the U.S. dollar would increase the effective cost of foreign manufacturing equipment and the amount of foreign currency denominated expenses and liabilities and would have an adverse impact on our operations.

Although our reporting currency is U.S. dollars, the functional currency of our Thai operations, which accounted for 39.1% of our manufactured goods sales in 2012, is the Thai Baht. The functional currency of our Singapore operations, which accounted for 9.6% of our manufactured goods sales in 2012, is the Singapore dollar. The functional currency of our Australian operations, which accounted

for 13.0% of our manufactured good sales in 2012, is the Australian dollar. The functional currencies for our China operations, in total accounted for 25.0% of our manufactured goods sales in 2012, are divided into two groups: for Shandong Pacific Rubber Cable Company, Ltd. (“SPRC”, equity investee with 25% equity owned by APWC, accounting under equity method for consolidation purpose), and SYE, their functional currency is Renminbi, while for CCH HK, PEWS and Epan Industries Pte. Ltd (“Epan Industries”) in Singapore, their functional currency is U.S. dollars. Accordingly, the functional currency accounts of these operations are all translated into U.S. dollars utilizing, for the year, the balance sheet exchange rate for balance sheet accounts, and an average exchange rate for the year for the income statement accounts. Such translation of the functional currency accounts is recognized as other comprehensive income in the shareholders’ equity. Any devaluation of the Baht, the Australian dollar, the Singapore dollar, or the Renminbi against the U.S. dollar would adversely affect our financial performance measured in U.S. dollars.

### *Competition*

The wire and cable industry in the Asia Pacific region is highly competitive. Our competitors include a large number of independent domestic and foreign suppliers. Certain competitors in each of our markets have substantially greater manufacturing, sales, research and financial resources than we do. We and other wire and cable producers increasingly compete on the basis of product quality and performance, reliability of supply, customer service and price. To the extent that one or more of our competitors is more successful with respect to the primary competitive factors, our business could be adversely affected.

### *Risks associated with Required Productivity Increases*

Our business strategy includes a focus on increasing profitability through increased efficiency and productivity. In the event we are not able to implement measures to increase efficiencies and productivity, we may be limited in achieving increased profitability or may become less profitable. Moreover, productivity increases are linked to capacity utilization rates. A drop in the utilization rate of our manufacturing capacity would adversely impact productivity.

### *Indebtedness*

As of December 31, 2012, the Company had a total of \$336.1 million in credit available to itself, or one or more of its operating subsidiaries. The available credit is provided by a total of 16 banks in the various regions/territories in which we operate. Out of total available credit, \$227.1 million was unused. The Company, collectively and on individual basis, is not highly leveraged and management does not consider it to be likely that the Company will become highly leveraged. The weighted average borrowing rate, for all the outstanding loans combined, would sum up to be 3.4%, which runs, at this point in time, slightly higher than like-kind borrowing rates that might be available to us in the marketplace, i.e., three month LIBOR (data of April 8, 2013) of 0.28% plus 2.5%.

### *Composite Services Agreement with PEWC*

We engage in transactions in the ordinary course of business with PEWC, including the purchase of certain raw materials and the distribution of PEWC products in various countries in the Asia Pacific region. We and PEWC have entered into a composite services agreement dated November 7, 1996, as amended and supplemented (the “Composite Services Agreement”), which contains provisions that define our relationship and the conduct of our respective businesses and confers certain preferential benefits on us. The Composite Services Agreement is renewable at our option and is currently in force. However, we are unable to predict whether PEWC would, at some future date, seek to limit, or

be unable to perform in whole or in part, the business it conducts with the Company pursuant to the terms of the Composite Services Agreement.

#### *Risks Relating to Thailand*

A substantial portion of our Thai operations, which accounted for approximately 39.1% of our total net sales in 2012, consists of the manufacture of telecommunications and power cable and sales of those products for use in large-scale telecommunications projects and various construction projects in Thailand. As a result, our future results will depend in part on the political situation in Thailand and the general state of the Thai economy. While the political turmoil in Thailand has subsided since 2010, the continuing political uncertainty and the risk of further social unrest lessens the attractiveness of the local market for foreign investment, and diminishes the focus of the government on infrastructure development, both of which considerations may adversely impact on the volume of business of the Company's actual and potential customers in the Thai market. The Company's Thai operations remain vulnerable to uncertainties with regard to payment for current sales and the award of future contracts in view of the ongoing political instability in Thailand. Additionally, in recent years the Thai economy has been highly cyclical and volatile, depending for economic growth in substantial part on a number of government initiatives for economic expansion. Moreover, the Baht remains volatile and subject to significant fluctuations in relation to the U.S. dollar. Such fluctuations in the value of the Baht may negatively impact our performance.

#### *Environmental Liabilities*

We are subject to certain environmental protection laws and regulations governing our operations and the use, handling, disposal and remediation of hazardous substances used by us. A risk of environmental liability could arise from our manufacturing activities in the event of a release or discharge by us of a hazardous substance. Under certain environmental laws, we could be held responsible for the remediation of any hazardous substance contamination at our facilities and at third party waste disposal sites and could also be held liable for any consequences arising out of human exposure to such substances or other environmental damage. There can be no assurance that the costs of complying with environmental, health and safety laws and requirements in our current operations or the liabilities arising from past releases of, or exposure to, hazardous substances, will not result in future expenditures by us that could materially and adversely affect our financial results, cash flows or financial condition.

### *Alternative Transmission Technologies*

Our fiber optic and copper-based telecommunications business is subject to competition from other transmission technologies, principally wireless-based technologies. Fiber optic cable is presently being used in telecommunications trunks and feeder cable businesses and minimally in the access cable business. In November 2011 we sold our entire 51% equity interest in SPFO to a group of buyers in China for a cash consideration of \$2.9 million, due to its low profit margin generation and fierce competition in the local fiber optic cable market. In the Asia Pacific markets where we compete, wireless telecommunications businesses have sometimes made substantial inroads in early emerging markets where sufficient funding may not then be available to install the infrastructure necessary for market-wide fixed line telecommunications. In addition, the ease of use of wireless telecommunications may make that medium an attractive alternative in circumstances where access to fixed line telecommunications is limited. While these technologies do present significant competition in the markets in which we conduct or plan to conduct business, the Company believes that demand for its fixed wire products will remain strong. However, no assurance can be given that the future development and use of such alternative technologies will not adversely affect our results of operations.

### *International Business Risks*

We are subject to risks specific to our international business operations, including: the risk of supply disruption; production disruption or other disruption arising from events of force majeure, such as the severe weather and climatic events that caused the 2011 floods in Thailand; the outbreak of highly infectious or communicable diseases such as Severe Acute Respiratory Syndrome, swine influenza or pandemics of a similar nature; the risk of potential conflict and further instability in the relationship between Taiwan and the PRC; risks related to national and international political instability, such as disruptions to business activities and investment arising out of the political unrest and turmoil in Thailand; risks related to the recent global economic turbulence and adverse economic developments in a number of Asian markets; risks related to changes in governmental or private sector policies and priorities with respect to infrastructure investment and development; unpredictable consequences on the economic conditions in the U.S. and the rest of the world arising from terrorist attacks, and other military or security operations; unexpected changes in regulatory requirements or legal uncertainties regarding tax regimes; tariffs and other trade barriers, including current and future import and export restrictions; difficulties in staffing and managing international operations in countries such as Australia, Singapore, the PRC, Thailand and Taiwan; risks that changes in foreign currency exchange rates will make our products comparatively more expensive; limited ability to enforce agreements and other rights in foreign countries; changes in labor conditions; longer payment cycles and greater difficulty in collecting accounts receivable; burdens and costs of compliance with a variety of foreign laws; limitation on imports or exports and the possible expropriation of private enterprises; and reversal of the current policies (including favorable tax and lending policies) encouraging foreign investment or foreign trade by our host countries. Although we have not experienced any serious harm in connection with our international operations, we cannot assure you that such problems will not rise in the future.

## **Item 4: Information on the Company**

### **4.1 History and Development of the Company**

#### *General*

Asia Pacific Wire & Cable Corporation Limited was formed on September 19, 1996 as a Bermuda exempted limited liability company under the Companies Act. The address of the

Company's principal place of business is 7/FI. B, No. 132, Sec. 3, Min-Sheng East Road, Taipei, 105, Taiwan, Republic of China, and its telephone number is (886) 2-2712-2558. Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, Delaware 19711, is the Company's agent for service of process in the United States.

The Company is principally engaged in the manufacture and distribution of telecommunications (copper and fiber optic) and power cable, enameled wire and electronic wire products in the Asia Pacific region, primarily in Thailand, China, Singapore and Australia. The Company manufactures and distributes its own wire and cable products ("Manufactured Products") and also distributes wire and cable products ("Distributed Products") manufactured by its principal shareholder, Pacific Electric Wire & Cable, Co. Ltd. ("PEWC") and other third party suppliers. The Company also provides project engineering services in the supply, delivery and installation ("SDI") of power cables to certain of its customers.

#### *Principal Capital Expenditures and Divestitures*

Total purchases of property, plant and equipment amounted to \$3.7 million in 2010, \$8.9 million in 2011, and \$ 11 million in 2012, mostly for old machinery replacements for newly purchased production machinery and equipment for the CTW group in Thailand and for Ningbo Pacific Cable Co., Ltd. ("NPC" or "Ningbo Pacific") in Ningbo, China. The addition of a new plant at Shenzhen for the Chinese domestic market also accounted for a portion of our 2012 capital expenditures.

#### **4.2.1 Certain Recent Events**

On August 28, 2012, the Board approved a share buy-back plan to be executed by an investment bank in New York at a pre-determined buyback price. The Board authorized management to enter into a Rule 10b5-1 purchase plan (the "Share Buy-back Plan"), to be executed in accordance with Rule 10b-18 under the Exchange Act, for the purchase of Common Shares up to a value of Two Million Dollars (US\$ 2,000,000). Under that plan, the Company re-purchased a total of 9,300 Common Shares at an average purchase price of \$3.38 per share, with the most recent purchase under the Share Buy-back Plan having been made on January 10, 2013. On April 25, 2013 the Company announced the suspension of the Share Buy-back Plan, as the Board of Directors had determined to review the terms of that plan in light of the recent trading price of the Common Shares on the NASDAQ Capital Markets tier and changes in general market conditions, among other factors, including the pending announcement of 2012 results. At the August 28, 2012 Board meeting, the Board also approved the APWC six-month financial results, for the period ended June 30, 2012. In this meeting the Board delegated all matters relating to the 2012 Annual General Meeting of shareholders (the "2012 AGM") to be handled by both the CEO and CFO as well.

On December 20, 2012, the Board approved the disposal of a 48.73% equity investment in Shandong Huayu Pacific Fiber Optics Communication, Co., Ltd., an equity investee of the Company. The Board also approved an early repayment of the Bangkok Bank loan at \$14 million and the loan was fully paid off in March 2013.

Effective February 15, 2013, the Common Shares of the Company were elevated by NASDAQ to trade on the Global Markets tier.

On March 31, 2013, Mr. Carson Tien resigned from APWC. Mr. Tien had served as our chief operating officer since 2005 and had worked with APWC, and before that with PEWC, for his entire professional career. Mr. William Gong Wei was appointed as our chief operating officer effective April 1, 2013.

#### **4.2.2 Managing Our Business in Current Market Conditions**

In order to address the continuing market challenges facing our business, the Company has taken and plans to continue to implement a number of measures in order to maintain efficient operations.

Specifically, the Company has continued to focus on increased efforts to collect its receivables on a timely basis. The days of sales outstanding in 2012 have improved from 92 days in 2011 to 91 days. The Company continues to focus on working actively with all of its significant customers to reduce collection times and minimize write-offs. The Company has also reduced its inventory levels through planned reductions in raw material purchases while negotiating with suppliers to reduce costs of raw materials and supplies. The Company has focused also on reducing operating costs where practicable. On the other hand, our overall headcount increased because of the resumption of Siam Pacific production activities in Q2 2012. We believe that the successful implementation of these actions has had a positive effect on our cash resources, and we intend to continue these measures in order to preserve our liquidity and maintain a strong cash position. As of December 31, 2012, the Company had available and unused lines of credits from suppliers, banks and other lenders totaling, in the aggregate, approximately \$227.1 million, an increase of \$2.5 million from that date one year prior. We believe, however, that available and unused amounts of credit are sufficient to support our current working capital needs. The total bank loans and trust receipts outstanding as of December 31, 2012 were \$5 million higher than that as of December 31, 2011.

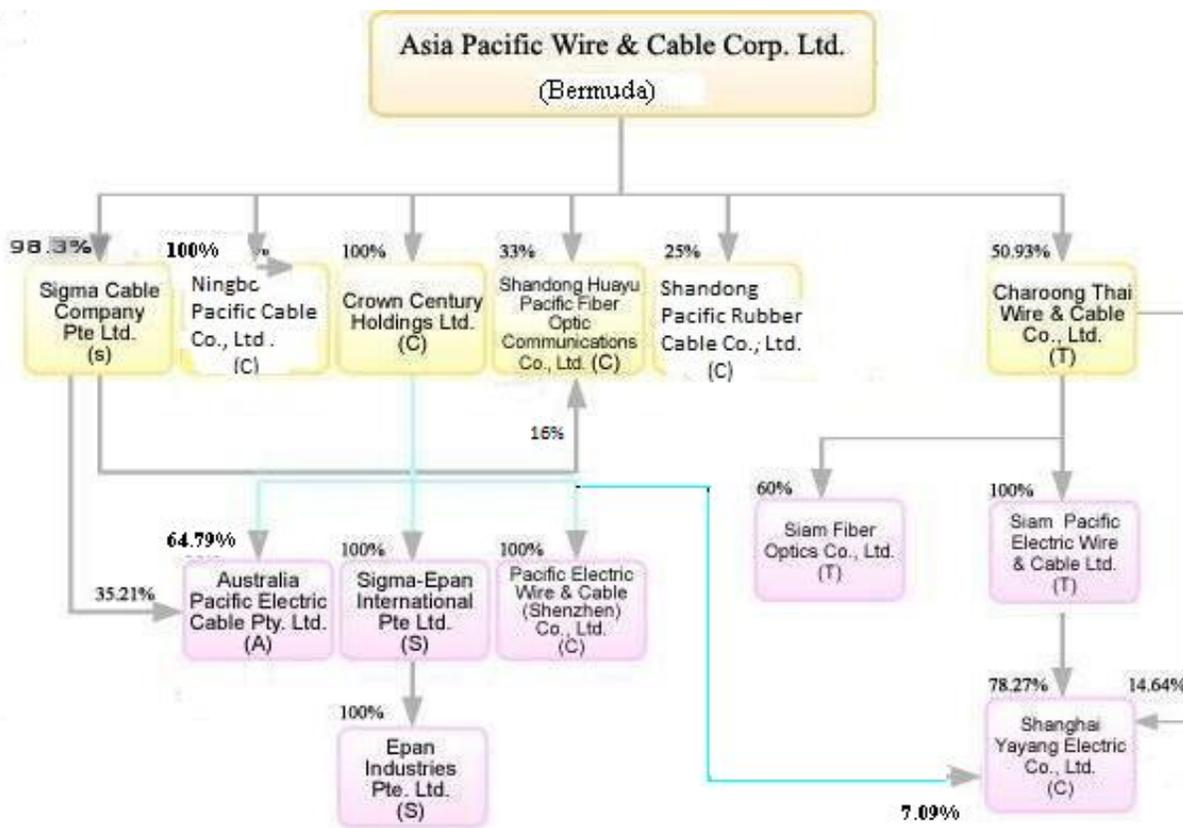
#### **4.2.3 Recent Business Trends**

APWC experienced a 2.1% reduction in overall 2012 revenues against revenue of 2011, but enjoyed an increase in gross margins by 1.9% against that of 2011. Operating profit was up from \$1.9 million in 2011 to \$23.6 million in 2012, due to the fact that the Company re-claimed the insurance proceeds out of Siam Pacific flood losses. In 2011, there was a write-off of goodwill in the amount of \$8.8 million and Siam Pacific incurred flood damage of \$3.9 million. The gross margin improvement in 2012 can be attributed primarily to higher margin on power cables and on telecommunication cables. The improvement in our gross margin, and Siam Pacific flood loss insurance claims, yielded a positive earnings per share of \$0.79 in 2012, compared to earnings per share loss of \$ (0.49) in 2011.

#### **4.3 Business Overview**

The Company is a holding company that operates its business through operating subsidiaries and joint ventures, principally located in Thailand, China, Singapore and Australia.

The following chart shows the organizational structure of the Company and its principal operating subsidiaries, including joint venture ownerships, and the percentage of ownership interest and voting power in each case. The location of the headquarters of each company is indicated in parentheses under the company's name ("S" for Singapore, "T" for Thailand, "A" for Australia and "C" for China or Hong Kong).



### Thailand

The Company's Thai operations are conducted through Charoong Thai, Siam Pacific Wire and Cable, and Siam Fiber Optics Co. Ltd.

Charoong Thai is a publicly-traded Thai corporation, the shares of which are listed on the Stock Exchange of Thailand ("SET"). It manufactures aluminum and copper electric wire, medium and high voltage power cable and telecommunications cable. It has subsidiaries and affiliates in the businesses of optic fiber cable manufacturing and telecommunication and network services. Charoong Thai was established in Thailand in 1967 as a limited public company. As of December 31, 2012, the Company effectively owned 50.93% of the issued and outstanding shares of Charoong Thai. The Company's present intention is to maintain majority ownership of the voting securities of Charoong Thai. The board of directors of Charoong Thai may authorize the issuance of additional shares of common stock of Charoong Thai. The Company has preemptive rights to purchase its pro rata share of any additional authorized shares, less amounts reserved for directors, officers and employees. In the event the board of Charoong Thai decides to cause it to issue additional shares, the Company may decide not to exercise its preemptive rights, in which case the Company's interest may be diluted.

Siam Pacific was established in 1988 as a joint venture between PEWC and Italian-Thai Development Plc ("Ital-Thai"), a third party, which at the time was the largest diversified construction company in Thailand, principally engaged in the design, engineering, construction and project management of large-scale civil engineering and telecommunications projects in Thailand. Capitalizing on PEWC's wire and cable manufacturing expertise and Ital-Thai's significant presence in the local market, Siam Pacific was able to establish its presence in this market and gain knowledge of business opportunities in Thailand. Siam-Pacific is now a 100%-owned subsidiary of Charoong Thai and it focuses on the manufacture of telecommunications cable, and enameled wire for the

domestic Thailand market. As stated above, the Siam Pacific operation suffered significant flooding damage in September and October of 2011 but with the support from affiliated companies in Taiwan and in China, Siam Pacific resumed full operations during the course of 2012.

Based on information published by the Thai Ministry of Commerce on sales by dollar value, the Company believes that Siam Pacific and Charoong Thai are two of the leading telecommunications and power cable and wire manufacturers in Thailand and are two of a very limited number of the government-approved suppliers of telecommunications cables for major public telecommunications projects in Thailand.

### *China*

The Company's China operations are conducted through six business entities – Shanghai Yayang, CCH HK, PEWS, NPC, SPRC (equity investee), and SHP (equity investee). The operating entities include Shanghai Yayang, formerly known as Shanghai Pacific Electric Co., Ltd., a joint venture in Shanghai incorporated in June 1998 to manufacture enameled wires. The Company's effective holding in Shanghai Yayang is 54.41%. Shanghai Yayang manufactures enameled wires with a diameter between 0.05mm and 2.5mm for sale and distribution in the eastern part of China, including to local and Taiwanese based end-users. Sitting on the board are six directors, either members of management of Shanghai Yayang who are expatriated from Taiwan or Thai representatives, also expatriated or designated by APWC or PEWC.

The Company owns 100% of CCH HK, a Hong Kong registered company, and its wholly-owned subsidiary company, PEWS. PEWS manufactures enameled wires for electric, video and audio products primarily for export and with a little portion sold domestically. Since a restructuring in the first quarter of 2010, CCH HK is no longer the trading arm of PEWS, as it transferred its distribution role to Epan Industries in Singapore. The Company believes that PEWS is one of the major manufacturers-of enameled wire products in the southern Chinese market.

Until 2006, the Company's China operations included NPC, a telecommunications cable manufacturing joint venture located in Ningbo Yin County, Zhejiang Province in eastern China. NPC used to manufacture a range of telecommunications cable and local area network ("LAN") electronic cables for sale and distribution in the Chinese domestic market and export market. In 2006, the Company decided to cease operations at NPC, as it concluded that the prospects for reversing the losses and achieving profitability were too remote. Thereafter, the Company liquidated certain machinery and equipment through sales to third parties. The land, building and some leftover machinery and equipment remained with NPC. In December 2009, the Company started a series of discussions with Bangkok Bank Hong Kong branch on a possible loan which would provide a cash infusion and a trade finance facility, each aimed at re-building NPC to be a viable operation focusing on producing electronic wiring. For the most updated loan situation, please refer to section 5.7 "Off-Balance Sheet Arrangement". The construction of NPC's factory is divided in two phases with the existing plant finished in October 2011 and the new plant is targeted to be completed by the end of the second quarter 2013. In connection with the planned re-commencement of operations at NPC, the Company acquired the interest of its joint venture partner and the Company now owns 100% of NPC.

The Company holds a 25.0% interest in SPRC, which manufactures rubber cable for the China market. The remaining 75% is owned by Shandong Yanggu Wire & Cable Corp. Ltd. ("Shandong Yanggu"), an established cable manufacturer in Shandong Province that produces a wide range of cable products and is considered one of the major cable producers in China.

The Company holds a 49% interest in a joint venture called Shandong Huayu Pacific Fiber Optics Communication, Co., Ltd. ("SHP"), which engages in the manufacture of optic fibers. The remaining

51% of SHP is now owned by Shandong Pacific Fiber Optics Cable Co. Ltd. Due to a severe downturn in the market for fiber optic cable after the SHP joint venture was established, the plant intended to be constructed for manufacturing fiber optic cable has yet to be completed and a production date for commencing operations has not been determined. The carrying value of the Company's investment in SHP was \$0.9 million as of December 31, 2012. On December 20, 2012, the Board approved disposal of SHP for RMB 9.5 million (approx \$ 1.5 million) to Shandong Fiber Optics Cable Co. Ltd. The transaction is expected to complete before the end of the second quarter 2013, producing a gain of over \$0.5 million. Sales proceeds are expected to be received before the end of the second quarter 2013. The management considered disposing of its interest in SHP for some time because this equity investee has been in a loss position for several years.

### *Singapore*

The Company's Singapore operations are principally conducted through its 98.3%-owned subsidiary, Sigma Cable. The Company believes that Sigma Cable is one of the major suppliers of power cable products in Singapore. Sigma Cable manufactures and sells a range of low voltage power cable products, used mainly in infrastructure projects and commercial and residential developments. Sigma Cable is the exclusive distributor in Singapore of medium and high voltage wire and cable products manufactured by PEWC. It is also the distributor for general wire manufactured by a third party supplier.

Sigma Cable also has project engineering operations in Singapore to supply, deliver and install primarily medium and high voltage cable to power transmission projects. While the Company currently obtains its supply of medium and high voltage power cable for its SDI operations from PEWC, other suppliers are also available if necessary. The Company anticipates that there will be modest demand for medium and high voltage power cable projects sponsored by Singapore government in the fairly near future.

The Company also holds a 100% interest in Sigma-Epan Industries, Pte. Ltd. ("Sigma-Epan"), a group of companies with its headquarters and limited operations in Singapore. Prior to ceasing manufacturing operations in May of 2007, Sigma-Epan manufactured specialty cables and assembled cable harnesses for the electronics, computer, building automation, audio and communication industries. Sigma-Epan continues to trade specialty electronic and other types of cables. After the Company's restructuring, which was completed in April 2010, Epan Industries, one of the subsidiaries of Sigma-Epan, became the trading arm for PEWS products in the South China market.

### *Australia*

The Company went through a group restructuring in March 2010 and in June 2012. CCH HK, in total, acquired 64.79% shares of APEC from Sigma Cable. The Company's effective interest in APEC is now 99.4%. APEC is located near Brisbane and is one of three major wire and cable manufacturers in Australia. APEC produces a range of power cables supplemented by imports from overseas sister companies. APEC possesses a substantial marketing and distribution infrastructure with a network of sales offices and warehouses in the major capital cities of Brisbane, Sydney, Melbourne and Perth.

#### **4.3.1 Products and Services**

The Company engages in three principal business lines consisting of the manufacture of wire and cable products, the distribution of certain wire and cable products manufactured by PEWC, as well as some third party products, and the provision of project engineering services to certain of its customers. The Company manufactures and sells a wide variety of wire and cable products primarily in three general categories: telecommunications cable, power transmission cable, enameled wires, and

electronic wire. The Company's telecommunications and power cables are used in a range of infrastructure projects and in commercial and residential developments. The Company's enameled wire is used in the manufacturing of components and sub-components of household appliances and small machinery. The electronic wire products, which include cable harnesses, are used in the electronics, computer, building automation, audio and communication industries. In addition, the Company acts as the Singapore distributor of wire and cable products manufactured by PEWC and other third party suppliers. The Company also offers SDI project engineering services of medium and high voltage cable for power transmission projects in Singapore.

#### *Distribution Products*

The Company has a sales and marketing force for the distribution of its Manufactured Products in the markets where it has manufacturing facilities and in certain other Asian markets. In addition, the Company is a distributor of wire and cable products manufactured by PEWC and other third party suppliers. The leading PEWC products sold by the Company are medium and high voltage power cable (with capacities ranging from 3.3 kilovolts to 69 kilovolts), with the vast majority of such sales made in Singapore. The PEWC products sold by the Company do not compete with the Company's Manufactured Products. In addition, certain subsidiaries also sell distributed products from other suppliers in Thailand and Australia during 2012.

#### *SDI Project Engineering Services*

Based upon the needs of government and the private sector with regard to residential and commercial buildings and infrastructure projects in Singapore, the Company anticipates modest demand for medium and high voltage power and for value added services in the power supply industry. To take advantage of these opportunities, the Company has developed its SDI project engineering capability. The SDI project engineering involves supply, delivery and installation primarily of medium and high voltage cable to power transmission projects in Singapore. After entering into a contract to supply, deliver and install cable for a power transmission project, the Company delivers medium and high voltage cables and enters into subcontracting agreements with local companies to install the cable as required by the project.

### **4.3.2 Manufacturing**

Copper rod is the base component for most of the Company's products. The manufacturing processes for these products require that the rod be "drawn" and insulated. In the "drawing" process, copper rod is drawn through a series of dies to reduce the copper to a specific diameter. For certain applications, the drawn copper conductor is then plated with tin. Copper used in cable is covered with various insulating materials that are applied in an extrusion process. The insulated wires are then combined, or "cabled" to produce the desired electrical properties and transmission capabilities. Then, depending upon the cable, some form of protective cover is placed over the cabled wires. A summary of the manufacturing process used for the Company's primary wire and cable products is set forth below.

#### *Telecommunications Cable*

The Company produces a wide range of bundled telecommunications cable for telephone and data transmissions with different capacities and insulations designed for use in various internal and external environments principally as access cable to connect buildings and residents to trunk cables. Telecommunications cables produced by the Company include copper-based and fiber optic cables.

Production of copper-based telecommunications cable begins by drawing a copper rod until it has reached the desired diameter, after which the drawn wires are subjected to a process called “annealing” in which the wires are heated in order to make the wires softer and more pliable. Utilizing an extrusion process, which involves the feeding, melting and pumping of a compound through a die to shape it in final form as it is applied to insulate the wire, the wires are then covered by a polyethylene (“PE”) or polyvinyl chloride (“PVC”) compound and foam skin, suitable for different installations and environmental conditions. In order to reduce the cross-talk between pairs of communication wires, the insulated wires are then “twinned” or twisted so that two insulated single wires are combined to create a color-coded twisted pair. The twisted pairs of wire are then “cabled” or “stranded” into units of 25 twisted pairs for combination with other 25 pair units to form cable of various widths and capacities. The appropriate number of units is cabled together after stranding to form a round cable core. Depending upon the planned environment, a petroleum jelly compound may then be added to fill the cable core to seal out moisture and water vapor. Aluminum or copper tape is used to “shield” the cable and, finally, the shielded cable core is covered by plastic outer sheathing. The Company manufactures telecommunications cable with capacities and sizes ranging from 25 to 3,000 pairs of 0.4 mm-diameter wire to 10 to 600 pairs of 0.9 mm-diameter wire.

#### *Power Cable*

The Company produces a range of armored and unarmored low voltage power transmission cable. Low voltage power cable, generally considered to be cable with a capacity of 1 to 3.3 kilovolts, is typically used to transmit electricity to and within commercial and residential buildings, as well as to outdoor installations such as street lights, traffic signals and other signs. Armored low-voltage power cable is usually used for public lighting and power transmission running to buildings and installed either above or below ground. Unarmored low voltage cable is mainly used as lighting and power supply cable inside and outside of buildings. The voltage capacity of the Company’s power cables range from 300 volts to one kilovolt.

Production of unarmored cable begins by drawing and annealing of copper rods. The drawn copper wires are then stranded or “bunched” into round or sector-shaped conductors in sizes ranging from 1.5 square millimeters to 1000 square millimeters. The copper conductors are then covered in an extrusion process with a plastic insulator such as PVC, after which 2-5 conductors are twisted into a circular cable core in a cabling process and covered by a plastic outer cover.

Unarmored cable is composed of one or more cores of copper wire, insulated by substances such as PVC. Armored cable is produced in the same manner and the same range of configurations as unarmored cable, but with the addition of an outer layer of galvanized steel or iron wires to protect the cable from damage.

#### *Enameled Wire*

The Company also produces several varieties of enameled wire. Enameled wire is copper wire varnished, in an enameling process, by insulating materials. The enameling process makes the wire more resistant to oil, heat, friction and fusion, and therefore suitable for use in machinery and components and sub-components of manufactured goods. The Company manufactures enameled wire in sizes that range from 0.02 mm to 4.00 mm in diameter, varnished by various types of petroleum insulation materials including polyvinyl formal, polyurethane wire and polyester, among others. Enameled wire products are used in the assembly of a wide range of electrical products, including oil-filled transformers, refrigerator motors, telephones, radios, televisions, fan motors, air conditioner compressors and other electric appliances.

### 4.3.3 Raw Materials

Copper is the principal raw material used by the Company for copper-based products. The Company purchases copper at prices based on the average prevailing international spot market prices on the LME for copper for the one month prior to purchase. The price of copper is influenced heavily by global supply and demand as well as speculative trading. As with other costs of production, changes in the price of copper may affect the Company's cost of sales. Whether this has a material impact on the Company's operating margins and financial results depends primarily on the Company's ability to adjust selling prices to its customers, such that increases and decreases in the price of copper are reflected in those selling prices. Most sales of the Company's Manufactured Products reflect copper prices prevailing at the time the products are ordered. A long-term decrease in the price of copper would require the Company to revalue the value of its inventory at periodic intervals to the then net realizable value, which could be below cost.

The Company purchases copper in the form of rods and cathodes. Copper cathodes are thin sheets of copper purified from copper ore. Copper purchased by the Company in the form of cathodes must be sent to subcontractors to be melted and cast into the copper rods necessary for the manufacturing processes, for a processing fee equal to approximately 3.5% (based on the Company's past experience) of the copper cathode purchase price. The Company presently relies on the services of Thai Metal Processing Co., Ltd., the Company's long term equity investment, to process its copper cathodes into copper rods in Thailand, although the Company has a variety of processing companies from which to obtain these services. Construction of such a processing facility could also be an additional source of revenues and profit, to the extent that sales are made to unaffiliated parties. Copper rods are drawn into copper wire for the production of telecommunications cable, power cable and enameled wire.

The Company has historically purchased a substantial portion of its copper rods from PEWC. Under the Composite Services Agreement between the Company and PEWC, PEWC agreed to supply to the Company on a priority basis its copper rod requirements at prices at least as favorable as prices charged to other purchasers in the same markets purchasing similar quantities. PEWC continues to be the principal supplier of copper rods to the Company's operations in other Asian countries. Under the Company's copper rod supply arrangements, orders will be placed between eight to ten weeks before the desired delivery date, with prices "pegged" to the average spot price of copper on the LME for the one month prior to delivery plus a premium.

The Company purchases both copper cathodes which are subjected to a 1.0% import tariff, and copper rods which normally are subject to a 5.0% import tariff for its Thailand operations. The key suppliers are Sterlite Industries (India) Ltd - India, PEWC-Taiwan, Prime Global Corp.-Korea, Lanexang Mineral Ltd.-Laos and the Mitsubishi Corporation Unimetal Ltd.-Japan, Mitsubishi Corporation, Glencore International AG., and Marubeni Corporation. The Company has regularly signed one-year contracts with each of the copper suppliers, pursuant to which the Company agrees to purchase a set quantity of copper each month. Under the terms of such contracts, the price of copper is usually pegged to the monthly average of the spot price of copper on the LME for the delivery month (M-0), or 1 month before delivery month (M-1) plus a premium. The Company has almost two decades of good relationships with many copper suppliers, and currently believes that the copper suppliers will be capable of providing an adequate supply of copper for the Company's requirements. The Company does not anticipate any change in relations with its copper suppliers in the near term.

The Company attempts to maintain approximately a three to five week supply of copper rods and cathodes for its Thai operations and approximately a two to four week supply in Singapore. In PEWS, the Company generally maintains one to two weeks of supply of copper rods and cathodes. In APEC, the copper supply was maintained at one to two weeks during 2012. In Epan Industries whose copper

is purchased through CCH HK, approximately three weeks of copper supply is preserved for manufacturing purposes. The Company has never experienced a material supply interruption or difficulty obtaining a sufficient supply of copper rod or cathode.

Other raw materials used by the Company include aluminum used as a conductor in power cable and petroleum-based insulation materials such as PE, PVC and jelly compounds for insulating covers on cables and varnishes on enameled wire; aluminum foils for sheathing of communication cable; and galvanized steel wire for the production of armored wire. The Company has not had any difficulty in maintaining adequate supplies of these raw materials and expects to continue to be able to purchase such raw materials at prevailing market prices.

Other than import tariffs in Thailand, the Company does not face any restriction or control on the purchase or import of its raw materials. The Company may freely choose its suppliers and negotiate the price and quantity of material with its suppliers. The Company formulates consumption plans for raw materials regularly and continually monitors market conditions in respect of the supply, price and quality of raw materials.

Inflation would increase the cost of raw materials and operating expenses for the Company. The Company would try to maintain its gross margins by increasing the prices of its products.

#### **4.3.4 Quality Control**

The Company places a significant emphasis on product quality. The Company has implemented a range of quality control procedures with stringent quality standards under the supervision of dedicated quality control staff. Quality control procedures are implemented from the raw material to the finished product stages at each of the Company's major production facilities. Raw materials are inspected to ensure they meet the necessary level of quality before production begins. During the manufacturing process, quality control procedures are performed at several stages of production. Upon completion, finished goods are brought to quality control centers set up in the factory for inspection and testing of different electrical and physical properties.

Depending on the requirements of its customers, the Company has the capability to manufacture its products to meet a variety of different quality and production standards. These include local standards and certifications, such as the Singapore Institute of Standards and Industrial Research Quality Mark and the Thailand Industrial Standard, as well as other standards including the National Electrical Manufacturers Association Standard, the British Standard, the Japan Industrial Standard and Underwriters Laboratories Inc. Standard, as applicable.

All the major companies in the group have attained International Standards Organization ("ISO") 9002 certification for quality management and assurance standards in the manufacture of electric wire and cable and have maintained that certification for at least the last ten years. The certifications mean that the companies have in place quality assurance systems and the capability to consistently manufacture products of quality.

#### **4.3.5 Sales and Marketing**

The Company's telecommunications cable and power cable products are primarily sold in the domestic markets of the countries where they are manufactured, whereas most of the enameled wire manufactured by the Company in Thailand is exported. Enameled wire sold by Epan Industries in Singapore is manufactured by PEWS in Shenzhen, China. The enameled wire is also exported to the customers throughout Southeast Asia. The following table sets forth the Company's sales revenues for the periods indicated among its three business segments — i.e., Manufactured Products,

Distributed Products, and SDI and, within the Manufactured Products segment, by geographic locations of manufacturing, together with their respective percentage share of total sales for such periods.

**(Figures in 2010 were restated to reflect the results of discontinued operations of SPFO. For details, see “Item 5.3: Operating Results”)**

	Years ended December 31,					
	2010		2011		2012	
	\$	%	\$	%	\$	%
Manufactured Products:						
Thailand	190,364	42.6%	186,034	39.4%	180,914	39.1%
Singapore	34,248	7.7%	52,353	11.1%	44,603	9.6%
Australia	45,053	10.1%	58,932	12.5%	60,019	13.0%
China	126,394	28.3%	132,155	28.0%	115,487	25.0%
Total	396,059	88.7%	429,474	91.0%	401,023	86.7%
Distributed Products (1)	26,935	6.0%	25,500	5.4%	54,797	11.9%
SDI Project Engineering (2)	23,600	5.3%	16,972	3.6%	6,445	1.4%
Total Net Sales	446,594	100.0%	471,946	100.0%	462,265	100.0%

(1) Distributed products are sold in Singapore, Thailand, and Australia.

(2) All SDI project Engineering is supplied in Singapore.

Sales within Thailand and Singapore are made directly by the sales department of the Company’s local subsidiaries in accordance with terms and pricing set by the local subsidiaries. The local subsidiaries are also responsible for sales planning, marketing strategy and customer liaison. The Company’s sales staff is knowledgeable about the Company’s products and frequently must render technical assistance, consulting services and repair and maintenance services to the Company’s customers. In order to ensure quality service and maintain sensitivity to market conditions, the Company does not conduct sales through independent sales agents on a commission basis but uses its own sales employees located at the operating subsidiaries.

As copper constitutes the most significant component of the Company’s wire and cable products, the price of the Company’s products depends primarily upon the price of copper. In order to minimize the impact of copper price fluctuations, the Company attempts to determine the prices of its products based on the prevailing market price of copper. The Company may be affected, to a degree, in the short term by significant fluctuations in the price of copper.

Payment methods for the Company’s products vary with markets and customers. The majority of sales by the Company of its Manufactured Products requires payment within 90 days, but may vary depending on the customer and payment record. Sales pursuant to a successful project tender or sales to governmental or public utilities are conducted in accordance with the tender or other applicable regulations. In connection with the distribution of medium and high voltage power cable manufactured by PEWC, the Company is required to pay PEWC 90% of the cost of the products either within 30 days of receipt of the product or, in the case of SDI products, upon installation, with

the remaining 10% in either case to be paid within one year. In connection with the purchase of copper rod, the Company is required to pay PEWC the cost of the copper rod within 30 days from obtaining the products from PEWC. For the export market, payment is usually made by prior delivery of an irrevocable letter of credit. Neither the Company nor its local subsidiaries offers financing for purchases of the Company's products. Except for PEWS, CCH HK and Epan Industries, the Company's subsidiaries sell their products in the local currency of the country of sale. Company employees engaged in sales and marketing are paid a salary and may also receive a bonus based on performance.

Products are marketed under the respective names of each company. For instance, products manufactured by Siam Pacific are marketed under the "Siam Pacific". Products manufactured by Sigma Cable are sold under the "Sigma Cable" brand.

#### *Thailand*

The Company produces and sells telecommunication cable, enameled wire and power cable in Thailand. Charoong Thai is one of the leading cable manufacturers in Thailand. Our distribution channels are both direct sell and agencies to the government and private sectors. The major customers of the Company are many prominent clients working with the government and contractors (True Corporation Plc ("True"), TT&T ("Triple T"), etc.), subcontractors, and distributors for the private sector. Charoong Thai successfully concluded many projects, for instance, Suwannabhumi International Airport, Government Center, PTT Maptaput, and BRT (Bus Rapid Transit).

#### *Singapore*

The Company produces and sells low voltage power cable in Singapore. In addition, the Company sells a wide range of wire and cable products produced by PEWC. The Company also offers project engineering services for the SDI of medium and high voltage power cable to power transmission projects in Singapore.

In Singapore alone, sales of Manufactured Products in 2012 accounted for 48.5% of the total net sales in Singapore; sales of Distributed Products in 2012 accounted for 44.5%, the remaining 7.0% representing SDI project engineering services. In 2012, sales of SDI project engineering services to SP Power Assets Ltd. accounted for 100% of the Company's SDI sales. Such sales are under a comprehensive contract, with purchase orders placed from time to time with the Company by SP Power Assets Ltd. Sales of Manufactured Products, i.e., power cable since 2010 have been as follows:

	<b>Years ended December 31,</b> <b>(figures are in thousands of US\$)</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
Manufactured Product:			
Power Cable .....	34,248	52,353	44,603
Total .....	34,248	52,353	44,603

#### *China*

The Company produces and sells copper-based telecommunication cable and enameled wire in China. The Company's China operations are conducted through six business entities. Copper-based telecommunication cables are generally sold to the national, provincial or local offices of the fixed-line and mobile telecommunications network operators or sub-contractors of such agencies. The

Company generally sells enameled wire directly to manufacturers of electric motors for use in various consumer appliances.

#### **4.3.6 Competition**

The wire and cable industry in the Asia Pacific region is highly competitive. The Company's competitors include a large number of independent domestic and foreign suppliers. Certain competitors in each of the Company's markets have substantially greater manufacturing, sales, research and financial resources than the Company. The Company and other wire and cable producers increasingly compete on the basis of product quality and performance, reliability of supply, customer service and price. To the extent that one or more of the Company's competitors is more successful with respect to the primary competitive factors, the Company's business could be adversely affected.

##### *Thailand*

The wire and cable industry in Thailand is highly competitive. In its various product lines, the Company competes with a total of approximately thirty local wire and cable manufacturers and, to a lesser extent, with foreign producers for sales in Thailand of telecommunications cable, power cable and enameled wire. The Company is one of the five largest producers in the Thai market. These five largest producers are the only producers of telecommunications cable approved by the Thai Industrial Standards Institute and, therefore, the only cable producers whose products may be used in government-commissioned projects. Stringent governmental approval processes, tariffs and other import restrictions have limited competition in the Thailand market from foreign wire and cable producers. The Company also experiences significant competition from a number of smaller producers with regard to sales of enameled wire products.

##### *Singapore*

The Company believes that Sigma Cable is one of the major suppliers of power cable products in Singapore, it experiences significant competition from other local producers. There is no tariff or other barrier against foreign competition in the local Singapore market and potential competitors are free to enter the industry. However, because of high capital costs, the Company believes it is unlikely that there will be new domestic entrants to the wire and cable industry in Singapore in the near future.

##### *Australia*

Currently, besides APEC, there are two major wire and cable producers in Australia: Olex Cables (owned by Nexans) and Prysmian Cables, with factories in the states of Victoria and New South Wales, respectively. Also, Advance Cable, a cable producer with a factory in Victoria, has recently obtained a bigger market share. In addition, a significant portion of the Australian market is serviced by two importers: (i) General Cables Australia, which imports cables from its parent company General Cables, which manufactures cables in New Zealand and (ii) Electra Cables, which imports cables from factories in China. These companies are APEC's principal competitors. APEC however is the only power cable producer in Queensland and therefore seeks to take advantage of its comparative proximity to customers in contrast to competitors that are required to transport their products into Queensland from other states in Australia. APEC has also opened sales offices with warehousing facilities in Sydney, Melbourne, Brisbane, and Perth in order to attract and service the customers in those regions. In February 2011, APEC entered into a distribution agreement with one of the regional suppliers with the hope that this collaboration will bring extra business to Australia operations. Foreign competition barriers exist with import duties and the more stringent Australian cable specifications standards. Asean (Association of South East Asian Nations) Free Trade Area (AFTA) Agreements are in effect with Singapore and Thailand, among other Asian countries.

## *China*

PEWS manufactures enameled wires in the Shenzhen Special Economic Zone in Guangdong Province for electronic, video and audio products for the South China market and for export. After a restructuring, Epan Industries, one of the subsidiaries of Sigma-Epan, became the trading arm of PEWS. It supplies mainly to overseas transformer, motor and coil manufacturers. It faces competition principally from overseas imports and local manufacturers.

Shanghai Yayang is the only major enameled wire producer in Shanghai and it supplies mainly to transformer, motor and coil manufacturers in the eastern part of China. It faces competition principally from overseas imports and manufacturers from other provinces in China.

In addition to the disposal in 2011 of SPFO, in 2012 the Board also approved the disposal of a 48.73% equity investment in Shandong Huayu Pacific Fiber Optics Communication, Co., Ltd., an equity investee of the Company, to exit the fiber optic cable market in Shandong Province completely.

### **4.3.7 Regional Considerations**

The principal Asian markets in which we do business have displayed exceptional overall economic growth in recent years compared to the United States and a number of other more developed markets, subject to occasional episodes of economic and currency exchange volatility attributable to various factors including the increased risks of emerging market investment, actual or potential political instability and pandemics such as the SARS health crisis several years ago. In some countries, the International Monetary Fund (the “IMF”) exerts considerable influence over economic policy and provides support to stabilize the domestic economy. In general, the Asian markets in which we do business have been export-driven in recent years and have in the case of China and Singapore, for example, accumulated considerable capital reserves, which contributes to a more stable business environment.

## *Thailand*

A substantial portion of the Company’s Thai operations, whose Manufactured Products accounted for approximately 39.1% of the Company’s net sales in 2012, consists of the manufacture of telecommunications and power cable and sales of those products for use in large-scale telecommunications projects and various construction projects in Thailand. The volume of sales of these products tends to correlate with the general level of economic activity in Thailand. As a result, the performance of the Company’s Thai operations depends in significant part on the general state of the Thai economy. Infrastructure development and related construction projects in Thailand depend significantly upon government sponsored initiatives. In recent years, the level of government involvement in infrastructure development has tended to track increases or contractions in Thailand’s gross domestic product (“GDP”). Overall, the construction industry and infrastructure projects have slowed considerably, thereby affecting local sales, placing competitive pressure on prices and prompting the Company to rationalize Thai operations and actively seek overseas export markets.

## *Telecommunications*

Sales of the Company’s telecommunication products in Thailand have depended to a significant degree on the substantial investment in and development of the telecommunications sector by the Thai government. In particular, the Company’s sales of Manufactured Products are affected by the dollar value of contracts awarded by the government for telecommunications and other infrastructure projects.

The Company produces and sells copper core telecommunications cable, enameled copper wire and enameled aluminum wire to Thailand market, and also export enameled wire to overseas markets. Sales of telecommunications cable, one of the Company's leading product in Thailand, are conducted either by tender for participation in large scale telecommunications project of the Telephone Organization of Thailand Corporation Plc. ("TOT"), or direct to subcontractors of Triple T and True, the two private telephone line contractors which would be licensed by TOT with regard to particular projects. The Company generally sells enameled wire directly to electrical appliance manufacturers or an OEM for both the local and export market, and in smaller units that are sold to local dealers.

#### *Power*

In Thailand, the prevailing historical trend has been that economic growth would stimulate rapid growth in the demand for electric power, and annual rates of growth in electricity demand would outpace annual economic growth rates. Despite the rapid growth in electricity demand, electricity consumption in Thailand remains low by international standards. The Company believes that, in the medium to longer term, there will be an increased demand for power supply which will lead to increased demand for the Company's power cable products from both developers of power production facilities and contractors installing power supply lines.

#### *Singapore*

The Company's distribution and project engineering business segments are concentrated in the Singapore market. In 2012, the Company realized \$6.4 million in revenues from SDI projects, compared to \$17.0 million in 2011. Revenue in Singapore from Distributed Products in 2012 was \$41.9 million, increased by \$37 million compared to the results in 2011.

The Singapore government has established targets to increase the population from 4.6 million in 2007 to approximately 6 million by the end of 2020. This planned growth in population is expected to result in an increase in demand for residential property and construction. The Company continues to seek ways to increase its business volume in its project engineering business segment.

#### *China*

The economy of China differs from that of most developed free-market economies in a number of respects, including structure, degree of government involvement, level of development, growth rate, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. In recent years, the PRC government has implemented economic reform measures which emphasize decentralization, utilization of market forces and the development of foreign investment projects of which Shanghai Yayang is an example.

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

The Company's Manufactured Products are produced at facilities located on premises owned or leased by Siam Pacific, Charoong Thai, Sigma Cable, APEC, Shanghai Yayang, PEWS, NPC. The following is a summary of the Company's material facilities and operations as of December 31, 2012.

Siam Pacific owns a 7.45 acre production facility near Bangkok, Thailand, located on a 26.79 acre site that it also owns. Telecommunications cable and enameled wire are manufactured here. The production facility constitutes a portion of certain property and assets which are pledged to a financial institution.

Charoong Thai owns a 24.7 acre production facility in Chachoengsao province, near Bangkok, Thailand, where telecommunications cable and power cable are manufactured. The production facility is located on a 57.9 acre site which Charoong Thai also owns. Neither the production facility nor the land is mortgaged.

Sigma Cable produces power cable on a 19,373 square meter site in Singapore leased from the Jurong Town Corporation (“JTC”) for 30 years from September 16, 2000 to September 16, 2030. JTC is a government-linked corporation and is Singapore’s largest industrial landlord. Building assets, with a total loan value of \$11.7 million are pledged to United Overseas Bank.

APEC owns a 6,735 square meter power cable manufacturing facility on a 39,000 square meter land parcel in Brisbane, Australia. The land and building therein is mortgaged to Westpac Banking Corporation of Australia as security for a bank facility of approximately A\$10.0 million (equivalent to \$10.4 million).

Shanghai Yayang operates a factory that produces enameled wires, located in an area of approximately 27,839 square meters of state-owned land in an industrial district in Fengxian, Shanghai. Assets consisting of buildings of \$1 million are pledged to the Agricultural Bank of China.

PEWS manufactures enameled wire in a facility on 36,000 square meters of state-owned land with a built-up area of 20,367 square meters in Long Gang, Shenzhen, China. A leasehold right of industrial land use for the land has been granted for 49 years. The land and building of \$0.8 million is pledged to Agricultural Bank of China as security for a \$7.9 million bank loan granted in 2003 and extended through May 2011. This facility is now further extended to end of July 2013.

Sigma-Epan leases an office space from Sigma Cable in Singapore where it employs nine individuals in its trading operations.

NPC ceased to be operational in 2006 due to unsatisfactory results and incompetent management team. The Board passed a resolution in October 2009 to re-construct NPC’s facilities to be used for production of electronic wires. The factory now occupies 44,000 total square meters, with a land usage right expiring July, 2044. NPC is situated in Ing-Chiang Township in Ningbo City in Zhè Jiāng Province, China.

All of the Company’s facilities in Thailand, Singapore, Australia and China use production processes and equipment of international standard imported from Europe, the United States, Taiwan, and Japan.

The production capacity and extent of utilization of the Company’s facilities varies from time to time and such information is considered to be commercially sensitive and proprietary information.

#### **4.5 Insurance**

The Company maintains insurance policies covering certain buildings, machinery and equipment against specified amounts of damage or loss caused by fire, flooding, other natural disasters and burglary and theft. The Company does not carry insurance for consequential loss arising from business interruptions or political disturbances and does not carry product liability insurance. In addition, the availability of insurance in China is limited, and the Company does not have business liability or disruption insurance for our operations in China. The Company believes that it maintains insurance coverage commensurate with the nature of and risks associated with its business, to the extent that appropriate insurance is available in the markets in which we conduct business. Siam Pacific, however, encountered a slight delay when it was trying to secure insurance coverage for year

2012 as the insurance companies operating in the Thai market fear the flooding may re-occur this year. Siam Pacific is reasonably confident that ultimately it will find a suitable insurance company to cover fire, flood, and theft.

#### **4.6 Environmental Matters**

The Company is subject to a variety of laws and regulations covering the storage, handling, emission and discharge of materials into the environment. The Company believes that all of its operations are in compliance with, and in certain circumstances exceed, all applicable environmental laws and regulations. The Company has not been subject to any legal, regulatory or other action alleging violations or breaches of environmental standards. While it is difficult to accurately estimate future environmental compliance costs and potential liabilities, if any, accurately, the Company does not currently anticipate any material adverse effect on its consolidated results of operations, financial position or cash flows as a result of compliance with these laws.

### **Item 5: Operating and Financial Review and Prospects**

The following discussion should be read in conjunction with the information contained in our audited consolidated financial statements and notes thereto (the “Financial Statements”) presented in Item 18 of this Annual Report. Because around 91.0% of the Company’s revenues were derived from its Manufactured Products segment for the year ended December 31, 2012, the following discussion is not presented on a segment basis.

#### **5.1 Disclosures of Critical Accounting Policies**

Management’s discussion and analysis of financial condition and results of operations discusses the Company’s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

##### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated on consolidation. The Company’s investments for which its ownership exceeds 20%, but which are not majority-owned or controlled, are accounted for using the equity method if the Company has the ability to exercise significant influence over the companies’ operating and financial policies. When the Company’s carrying value in an equity investee company is reduced to zero, no further losses are recorded in the Company’s consolidated financial statements unless the Company has guaranteed obligations of the investee company or has committed additional funding. When the investee

company subsequently reports income, the Company will not record its share of such income until it equals the amount of its share of losses not previously recognized.

#### Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles accepted in the United States requires management to make estimates, judgements, and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates reflected in the Company's consolidated financial statements include, but are not limited to, useful lives and residual values of long-lived assets, impairment assessment of long-lived assets and goodwill, allowance for accounts and other receivable, accounting for deferred income tax, income tax position, inventory valuation, valuation allowance of deferred tax assets. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank deposits and all short-term highly liquid investments with an original maturity of three months or less and are readily convertible to known amounts of cash.

#### Inventories

Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out or weighted average method.

If the expected selling price less completion costs and costs to execute sales (market) is lower than the carrying amount, a write-down is charged to expenses in cost of sales for the amount by which the carrying amount exceeds its market. When the finished goods that were previously written down to market are subsequently sold at above market, a recovery is credited to cost of sales.

#### Income Taxes

The Company follows the liability method of accounting for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. Current income tax expense is the amount of income taxes expected to be payable for the current year. Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax basis and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. ASC 740, requires that deferred tax assets be evaluated for future realization and reduced by a valuation allowance to the extent the Company believes a portion will not be realized. The Company considers many factors when assessing the likelihood of future realization of its deferred tax assets, including its recent cumulative earnings experience and expectations of future taxable income by taxing jurisdiction, the carry-forward periods available to the Company for tax reporting purposes, and other relevant factors. Deferred income tax expense (benefit) is the net change during the year in the deferred income tax asset or liability.

The Company adopted the provisions of ASC 740 to account for uncertainties in income taxes. ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax

benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost less depreciation and any impairment losses. Asset leases qualifying as capital leases are also included in property, plant and equipment. Major renewals and improvements are capitalized and minor replacements, maintenance, and repair expenses are charged to current operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or the respective lease term, whichever is shorter, as follows:

Land	Nil
Land use rights	15 - 50 years
Buildings	5 - 30 years
Machinery and equipment	5 - 10 years
Motor vehicles	3 - 10 years
Office equipment	3 - 10 years

Depreciation for 2010, 2011 and 2012 amounted to \$6,857, \$6,462 and \$4,975, respectively. No depreciation expense is charged for construction in progress and machinery and equipment under installation.

No depreciation expense is charged for construction in progress and machinery and equipment under installation.

Capitalized interest on construction in progress is added to the cost of the underlying asset and is depreciated over the estimated useful life of the asset in the same manner as the underlying asset. Interest capitalized for 2011 and 2012 amounted to \$9 and \$69, respectively. The capitalized interest was related to and has been included as part of the cost of Ningbo Pacific's construction in progress.

When property, plant and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

In 2006, the Company terminated the Ningbo Pacific joint venture and liquidated its major equipment at the Ningbo Pacific facility. In October 2009, the Company has made a resolution to acquire an additional shareholding of Ningbo Pacific from the PRC joint venture partner. The acquisition was completed on July 22, 2012. CCH HK, a wholly-owned subsidiary of the Company, currently owns 100% of Ningbo Pacific. The Company currently plans to resume manufacturing operations with the newly constructed facilities at the Ningbo Pacific site in 2013, although a commencement date has not yet been established.

#### Investments

Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation as of each balance sheet date.

The Company accounts for its investments in equity securities of privately-held companies as cost method investment in accordance to ASC 325, "Investments – Others" as these securities do not

have readily determinable fair value. Investments in which the Company does not have a controlling interest or an ownership voting interest to exert significant influence, and which are not publicly traded are accounted for at cost.

The Company accounts for its investments in debt and equity securities that have readily determinable fair value using ASC 320, *“Investments – Debt and Equity Securities”*. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are recorded as either short term or long term on the balance sheet, based on contractual maturity date and are stated at amortized cost. Equity securities are classified as available-for-sale, as the Company does not trade in these securities, but rather they are held as longer term investments due to business relationships with the entities. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in a separate component of shareholders’ equity. Realized gains and losses and declines in values judged to be other-than-temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income.

Investments in entities in which the Company can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting under ASC 323, *“Investments—Equity Method and Joint Ventures”* (“ASC 323”), and included as investment in equity investees in the balance sheets. Under the equity method, the Company’s proportionate share of each equity investee’s net income or loss is included as share of income (losses) of equity investees in the statements of operations. An investor records its proportionate share of equity adjustments for other comprehensive income (e.g. foreign currency items, etc.) as increase or decrease to the investment account with corresponding adjustment in shareholders’ equity. The Company evaluates investments in equity investees for impairment under ASC 323-10. An impairment loss on an investment in equity investee is recognized in the statements of operations when the decline in value is determined to be other-than-temporary.

A judgmental aspect of accounting for investments (including investments in equity investees) involves determining whether an other-than-temporary decline in value of the investment has been sustained. If it has been determined that an investment has sustained an other-than-temporary decline in its value, the investment is written down to its fair value, by a charge to earnings. Such evaluation is dependent on the specific facts and circumstances. Factors that are considered by the Company in determining whether an other-than-temporary decline in value has occurred include: the market value of the security in relation to its cost basis; the financial condition of the investee; and the intent and ability to retain the investment for a sufficient period of time to allow for recovery in the market value of the investments.

In 2010, 2011 and 2012, the Company recorded an impairment charge of \$346, \$nil and \$nil, respectively, related to certain available-for-sale investment.

#### Impairment of Long-Lived Assets

The Company accounts for impairment of long-lived assets in accordance with ASC 360, *“Property, Plant and Equipment”*. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In such instances, the Company estimates the undiscounted future cash flows that result from the use of the asset and its ultimate disposition. If the sum of the undiscounted cash flows is less than the carrying value, the Company recognizes an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset group, determined principally using discounted cash flows.

In 2012, the Company recorded an impairment charge of \$22 related to the impairment of a factory in Thailand (included in the manufactured products segment) that is not being used for operation. The impairment charge was recorded to reduce the carrying value of the identified assets to fair values. The fair values for the year 2012 have been determined based on a valuation performed by an accredited independent appraiser. The valuation has been made on the assumption to sell the property interests on the open market in the neighborhood without the benefit of any deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests.

In 2011, the Company recorded an impairment charge of \$25 related to the damage to Siam Pacific's machinery due to flooding in Thailand. The impairment was included in the line item "Charges related to flooding" within operating expenses.

#### Account Receivables and allowance for doubtful accounts

Accounts receivables are stated at face value less any allowance for doubtful accounts. The Company maintains allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make the required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, customer financial condition, past transaction history with the customer, current economic industry trends, and changes in customer payment terms.

#### Lease Obligations

In accordance with ASC 840, "Leases", leases for a lessee are classified at the inception date as either a capital lease or an operating lease. The Company assesses a lease to be a capital lease if any of the following conditions exist: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property's estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. The capitalized lease obligation reflects the present value of future rental payments, discounted at the appropriate interest rates. The cost of the asset is amortized over the lease term. However, if ownership is transferred at the end of the lease term, the cost of the asset is amortized as set out above under property, plant and equipment.

Operating lease expenses are recognized on a straight-line basis over the applicable lease term.

#### Revenue Recognition

Revenue represents the invoiced value of goods sold, net of value added tax and returns, invoiced value on distribution activities, and service fee income on installation activities. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

#### *Sales of manufactured goods and distributed products*

The Company recognizes revenue from the sale of manufactured goods and distributed products upon passage of title to the customer that coincides with their delivery and acceptance. These revenue recognition are recognized in accordance with SEC Staff Accounting Bulletin (SAB) No. 104. The Company recognizes its revenue of sale of distributed products at gross as the Company is the primary obligor in the transaction.

The Company classifies shipping and handling costs incurred within cost of sales.

#### *Supply, Delivery and Installation*

The Company's supply, delivery and installation services are considered as multiple elements arrangements and are accounted for in accordance with ASC subtopic 605-25, "*Revenue Recognition: Multiple-Element Arrangements*" ("ASC 605-25"). Elements such as the sale of cables and the installation service are considered as separate elements contained in a single arrangement, or in related arrangements with the same customer. The Company allocates revenue to each element based on its relative fair value. The allocation of the fair value to the delivered elements is limited to the amount that is not contingent on future delivery of services or subject to customer-specified return or refund privileges. The Company prospectively adopted Accounting Standards Update ("ASU") N. 2009-13, Multiple-Deliverable Revenue Arrangements ("ASU 2009-13"), a consensus of the FASB Emerging Issues Task Force that amends ASC 605-25, on January 1, 2011.

In accordance with ASU 2009-13, certain delivered items in multiple-element arrangements, which previously would not qualify for separate units of accounting due to the lack of vendor-specific objective evidence or third-party evidence of the selling price, are accounted for as separate units of accounting, to which the total consideration of the arrangements is allocated based on management's best estimate of selling price ("BESP"). We consider all reasonably available information in determining the BESP, including both market and entity-specific factors. The adoption of ASU 2009-13 does not have a material effect on our financial statements, the units of accounting and the pattern and timing of revenue recognition is not changed materially.

The sale of cable is subject to acceptance by the SDI customer upon inspection which is carried out when the cable is laid. Revenue from installation is accounted for using the percentage-of-completion method, based on the customer certification of the distance of cable laid with respect to the estimated total contract revenue, and in accordance with ASC 605-35, "*Revenue Recognition-Construction-Type and Production-Type Contracts*". The timing of revenue recognition of cables sales and installation services are substantially identical.

When the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract shall be made. The recognition of provision for losses shall be in the period in which they become evident.

#### *Bill-and-hold arrangements*

The Company recognizes revenue of sale of cables under bill-and-hold arrangements requested by certain customers in Thailand, in accordance with SAB 104.

As at December 31, 2010, 2011 and 2012, the revenue recognized under bill-and-hold arrangements where the cables were yet delivered was \$17.9 million, \$5.8 million and \$nil, respectively.

#### *Customers' incentive*

The Company offers sales incentives in connection with power cable sales to wholesalers and distributors. These incentives include both rebates offered to customers for purchasing a certain volume of product during the year and settlement discounts for early payment of sales invoices. However, maximum amount is recorded if there is no reliable basis to measure a lower expected amount. Both forms of incentives are recognized as a reduction to gross sales.

For the past five years up to December 31, 2012, customers only claim for rebates and the Company only allows such claims based on the amount to which they are legally entitled, instead of the potential maximum amount (i.e. amount payable for the highest volume targets) without exceptions. The Company reviewed rebate provision balances arising in 2011 and earlier that remained unclaimed as of December 31, 2012. As the policy has been strictly enforced for the past five years, the Company has established sufficient historical fact pattern to conclude that the likelihood that such customers will claim and receive the excess above their legal entitlement in the future is remote and the Company will continue to strictly enforce the policy. As a result, the Company wrote back such rebates and accounted for this as a change in estimate of accrued rebates. The reversal of the accrued rebates amounting to \$2,116 (\$ 0.15 per share - basic and diluted) was related to 2008 to 2011.

#### Foreign Currency Translation and Transactions

The functional currency of the Company's international subsidiaries is generally the local currency or U.S. Dollars. For these subsidiaries, the Company translates the assets and liabilities at exchange rates in effect at the balance sheet date and income and expense accounts at average exchange rates during the year. Resulting currency translation adjustments are recorded directly to accumulated other comprehensive income within shareholders' equity.

Foreign currency transactions are recorded at the applicable rates of exchange in effect at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange in effect at that date. Gains and losses from foreign currency transactions are recorded in the consolidated statements of operations.

#### Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share are calculated in accordance with ASC 260, "*Earnings Per Share*". There are no dilutive equity instruments for all periods presented.

#### Contingent Liability

When a loss contingency is not both probable and estimable, the Company does not record an accrued liability but discloses the nature and the amount of the claim, if material. However, if the loss (or an additional loss in excess of the accrual) is at least reasonably possible, then the Company discloses an estimate of the loss or range of loss, if such estimate can be made and material, or states that such estimate is immaterial if it can be estimated but immaterial, or discloses that an estimate cannot be made. The assessment of whether a loss is probable or reasonably possible, and whether the loss or a range of loss is estimable, often involve complex judgments about future events. Management is often unable to estimate the loss or a range of loss, particularly where (i) the damages sought are indeterminate, (ii) the proceedings are in the early stages, or (iii) there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among different jurisdictions. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including eventual loss, fine, penalty or business impact, if any.

#### Fair Value Measurements

The Company has adopted the provisions of ASC 820, "*Fair Value Measurements and Disclosures*" for financial assets and liabilities. Under ASC 820, the fair value is defined as the price that would have been received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and

minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on unobservable inputs which are supported by little or no market activity and significant to the overall fair value measurement.

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, for example, the type of investment, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment and the investments are categorized as Level 3.

The carrying amounts of financial instruments, including cash and cash equivalents, bank deposits, trade receivables, other current assets, short-term loans, trade payables, related party balances and other liabilities approximate their fair value due to the short-term maturities of such instruments.

#### Recent Pronouncements

In February 2013, the Financial Accounting Standards Board issued ASU No. 2013-02, "*Comprehensive Income (Topic 220)*" ("ASU 2013-02") to improve the reporting of reclassifications out of AOCI. This ASU sets requirements for presentation for significant items reclassified to net income in their entirety during the period and for items not reclassified to net income in their entirety during the period. It requires companies to present information about reclassifications out of accumulated other comprehensive income ("AOCI") in one place and to present reclassifications by component when reporting changes in AOCI balances. The modifications to ASC 220 "*Comprehensive Income*" resulting from the issuance of ASU 2013-02 are effective for fiscal years beginning after December 15, 2012 and interim periods within those years. Early adoption is permitted. The adoption of ASU 2013-02 on January 1, 2013 is not expected to have a material impact on the Company's consolidated financial statements.

In March 2013, the Financial Accounting Standards Board issued ASU No. 2013-05, "*Foreign Currency Matters (Topic 830)*" ("ASU 2013-05") Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. This ASU specifies that a cumulative translation adjustment ("CTA") should be released into earnings when an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For sales of an equity method

investment that is a foreign entity, a pro rata portion of CTA attributable to the investment would be recognized in earnings upon sale of the investment. When an entity sells either a part or all of its investment in a consolidated foreign entity, CTA would be recognized in earnings only if the sale results in the parent no longer having a controlling financial interest in the foreign entity. CTA would be recognized in earnings in a business combination achieved in stages (i.e., a step acquisition). The adoption of ASU 2013-05 on January 1, 2014 is not expected to have a material impact on the Company's consolidated financial statements.

## 5.2 Selected Gross Margin Data

This discussion should be read in conjunction with the information contained in our Financial Statements presented in Item 18 of this Annual Report.

Results are analyzed and reported along the lines of our three principal business segments, consisting of Manufactured Products, SDI project engineering, and Distributed Products. The operating data that senior management collects and analyzes from our operating subsidiaries include, in certain cases, certain limited information regarding results along product lines that are components within our Manufactured Products segment. For the benefit of our shareholders, included in the summary table below are certain results for product lines within our Manufactured Products segment with regard to net sales, gross profit and gross profit margin for the periods covered. The following table sets forth selected summary data for the periods indicated (dollar (\$) amounts in thousands of US\$).

**(Figures in 2010 were restated to reflect the results of discontinued operations of SPFO. For details, see "Item 5.3: Operating Results")**

	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Net Sales:</b>			
Manufactured Products:			
Telecommunications wire and cable .....	\$44,917	\$28,580	\$22,464
Power cable .....	148,300	200,673	206,330
Enameled wire .....	202,842	200,221	172,229
<b>Total Manufactured Products .....</b>	<b>396,059</b>	<b>429,474</b>	<b>401,023</b>
Supply, delivery and installation of wires and cables .....	23,600	16,972	6,445
Distributed Products .....	26,935	25,500	54,797
<b>Total net sales .....</b>	<b>446,594</b>	<b>471,946</b>	<b>462,265</b>
<b>Gross profit:</b>			
Manufactured Products:			
Telecommunications wire and cable .....	13,417	6,529	5,888
Power cable .....	25,233	26,487	34,231
Enameled wire .....	14,778	9,860	4,546
<b>Total Manufactured Products .....</b>	<b>53,428</b>	<b>42,876</b>	<b>44,665</b>
Supply, delivery and installation of wires and cables .....	242	57	(1,015)
Distributed Products .....	1,379	2,955	3,361
Inventory Impairment (Note) .....	1,974	(1,993)	4,804
<b>Total gross profit .....</b>	<b>57,023</b>	<b>43,895</b>	<b>51,815</b>
<b>Gross profit margin:</b>			

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Manufactured Products:			
Telecommunications wire and cable .....	29.9%	22.8%	26.2%
Power cable .....	17.0%	13.2%	16.6%
Enameled wire.....	7.3%	4.9%	2.6%
Total Manufactured Products.....	13.5%	10.0%	11.1%
SDI Project engineering .....	1.0%	0.3%	(15.7%)
Distributed Products.....	5.1%	11.6%	6.1%
Total gross margin.....	12.8%	9.3%	11.2%

Note: Inventory impairment is separated from calculation of total manufactured gross margin but included in the total gross profit.

### 5.3 Operating Results

The Company is 65.6% owned and controlled by PEWC, a Taiwanese company. An additional 9.8% of the Common Shares are owned and controlled by a U.S.-based private equity fund. The remaining 24.6% of the outstanding Common Shares are publicly-traded in the United States and listed on NASDAQ. Based upon a review of Schedule 13D and 13G filings made with the Commission by shareholders, and a review of the share register maintained by the Company's transfer agents in Bermuda and the U.S., the Company is not aware that it has any shareholders resident in the jurisdictions where the Company has business operations. While the Company's operations and results are impacted by economic, fiscal, monetary and political policies of the respective governments in the countries where the Company operates, that impact is not a function of the shareholder base of the Company.

#### 5.3.1 Year Ended December 31, 2012 Compared with Year Ended December 31, 2011

##### *General*

Results of operations are determined primarily by market demand and government infrastructure projects, market selling prices of our products, our ability to manufacture high quality products efficiently in quantities sufficient to meet demand and to control production and operating costs. Our results are also influenced by a number of factors, including currency stability in the countries in which our operations are located, competition and the cost of raw materials, especially copper, which accounted for majority of the cost of sales in 2012 and 2011.

In order to minimize the impact of copper price fluctuations, we attempt to "peg" the prices of our products to the prevailing market price of copper and pass changes in the cost of copper through to customers as much as possible. In certain circumstances, however, we remain affected by fluctuations in the price of copper. A recent rise or decline in copper prices may not be fully reflected under this pricing scheme for several months.

Average copper prices per metric ton decreased by 9.9% from \$8,826 in 2011 to \$7,950 in 2012 (four quarters average). Gross profit margins for Manufactured Products in 2012 were on average at 11.1% compared to 10.0% in 2011.

Copper prices indicated in this report are quoted from the London Metals Exchange ("LME") index. The 2011 and 2012 copper prices are as follows:

<u>2011</u>	<u>2012</u>
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		<u>2011</u>	<u>2012</u>
Average LME copper price (\$/Ton).....	1Q	9,641	8,308
	2Q	9,314	7,867
	3Q	8,710	7,717
	4Q	7,641	7,909
	Year	<u>8,826</u>	<u>7,950</u>

The average copper price in February 2013 on the LME was \$8,070 per metric ton.

#### *Net Sales*

Total sales of manufactured product decreased by \$28.5 million, or 6.6%, from \$429.5 million in 2011 to \$401.0 million in 2012. Sales of power cable increased by \$5.7 million in 2012, or 2.8%, due to an increasing demand in Thailand and particularly in Australia as a result of expanded government and private construction contracts, respectively. Sales of enameled wire on the other hand decreased by \$28.0 million, due to reduced customer demand in all of the enameled wire manufacturing sites, i.e., Charoong Thai, Siam Pacific, PEWS, Epan Industries, and Shanghai Yayang. Sales of telecommunication cable were reduced by \$6.1 million in the CTW group, as the number of government projects in Thailand was reduced.

Revenue from supply, delivery and installation of wires and products in Singapore decreased in 2012 by \$10.5 million or 62.0% due to the fact that one of the projects accounted for less revenue in comparison to that of 2011.

Revenue from distributed products was at \$54.8 million in 2012, up from \$25.5 million in 2011. The strategies to boost distributed product sales proved to produce some positive effects.

The following table shows the percentage share and dollar value (in thousands) of net sales of the respective geographical locations of manufacturing plants for Manufactured Products only and all products and services with respect to our total sales in 2012:

	<u>Manufactured products only</u>		<u>All products and services</u>	
Thailand	45.1%	\$180,914	41.2%	\$190,393
Singapore	11.1%	\$44,603	19.9%	\$91,937
Australia	15.0%	\$60,019	13.9%	\$64,402
China	28.8%	\$115,487	25.0%	\$115,533
Total	<u>100.0%</u>	<u>\$401,023</u>	<u>100.0%</u>	<u>\$462,265</u>

#### *Gross Profit*

Gross profit for 2012 was \$51.8 million, representing an increase of \$7.9 million, or 18% up compared to \$43.9 million in 2011. The increase was primarily attributable to the previous inventory impairment that was converted into finished goods and sold in 2012, coupled with higher margin on power cables, despite the margin erosion on enameled wires.

	<u>2011</u>	<u>2012</u>
Manufactured Products:		
Telecommunications wire and cable	15.2%	13.2%
Power cable	61.8%	76.6%
Enameled wire	23.0%	10.2%
Total	<u>100.0%</u>	<u>100.0%</u>

The contribution to gross profit from each segment line (and the components within the Manufactured Products segment) for 2011 and 2012 is as follows:

	<u>2011</u>	<u>2012</u>
Manufactured Products:		
Telecommunications wire and cable	14.9%	11.4%
Power cable	60.3%	66.1%
Enameled wire	<u>22.5%</u>	<u>8.8%</u>
<b>Total</b>	<u><b>97.7%</b></u>	<u><b>86.3%</b></u>
Supply, Delivery and Installation of wires and cables	0.1%	(2.0%)
Distributed Products	6.7%	6.5%
Inventory impairment	<u>(4.5%)</u>	<u>9.2%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Overall gross profit margins increased from 9.3% in 2011 to 11.2% in 2012 as mentioned above. Gross profit margins for Manufactured Products also increased from 10.0% in 2011 to 11.1% in 2012. Supply, Delivery and Installation of wires and cable project and Distributed Product segments posted lower gross margins as mentioned before, as our competition, primarily from four Korean contractors, i.e., ILJIN Electric Co. Singapore Branch, LS Cable & System Ltd. Singapore Branch, Taihan Electric Wire Co., Ltd., and Hi Power Pte. Ltd., are bidding at very low prices, and thereby creating a much more competitive market for distributed product sales.

#### *Operating Profit*

In 2012, we recorded a reversal of allowance for doubtful accounts of \$0.7 million, owing to the fact that some of the major customers of the Company settled their outstanding trade receivables. Our internal controls provide that we perform a detailed review of our outstanding receivables, and make adjustments to our estimate to reflect significant delinquent accounts receivable. The Company is not aware of any significant delinquent accounts receivable that have not already been adequately reserved. In addition, we believe that our periodic allowance for doubtful accounts will continue to not have a material impact on our liquidity.

Overall Selling, General and Administrative (“SG&A”) expenses increased by \$2.0 million, mainly due to the fact that CTW amended its pension plan to give extra benefits to its employees.

Accounts receivable, net of allowance for doubtful accounts, increased by \$26.7 million as of December 31, 2011 figure of \$98.4 million to \$125.1 million as of December 31, 2012. The increase in accounts receivable can be interpreted as increase in sales towards the end of 2012. The overall Day of Sales Outstanding was approximately 91 days for 2012, slightly improved as compared to that of 2011 where the number showed 92 days to get the sales proceeds collected.

#### *Exchange Gain/(Loss)*

The exchange rates at end of December 31, 2011 and 2012 are listed below, based on the Noon Buying Rate. However, they do not actually reflect the ongoing rates during the year when transactions actually took place.

	<b>December 31, 2011</b>	<b>December 31, 2012</b>
Foreign currency to US\$1:		
Thai Baht.....	31.51	30.59
Singapore \$ .....	1.295	1.221
Australian \$.....	0.976	0.962
Chinese RMB.....	6.294	6.230

Based on the above rates, the revaluation of assets and liabilities denominated in U.S. dollars or foreign currencies in the Company resulted in unrealized and realized foreign exchange gains of \$2.4 million in 2012.

#### *Other Income*

Other income refers to scrap sales of copper as a result of testing and quality control process and dividend income received.

#### *Bill-and Hold Transactions*

During 2012, Charoong Thai entered into bill-and-hold arrangements with certain customers in Thailand. The Company recognized the revenue under such bill-and-hold arrangements in accordance with *SAB Topic 13A.3.a, "Bill-and-hold Arrangements"*. The revenue recognized under bill-and-hold arrangements where the cables were yet delivered was \$ nil and \$5.8 million in 2012 and 2011, respectively.

#### *Goodwill Impairment*

The Company did not record any goodwill impairment for the year ended December 31, 2012.

#### *Thailand Flood Losses*

Siam Pacific suspended operations temporarily in the fourth quarter of 2011 due to damage sustained from the region's then-recent flooding.

During 2012, Siam Pacific received confirmation of a settlement amount total of \$4.8 million (Baht 149 million) from an independent surveyor on behalf of the insurance company. The Company received the interim payment of \$3.6 million (Baht 109 million) and recorded the compensation as other income in 2012. The remaining balance of \$38K (Baht 1 million) will be recognized to the consolidated statements of operations upon receipt of the payment.

#### *Income Taxes*

Income tax expense was \$8.4 million in 2012 compared to \$4.6 million in 2011. The fluctuation was mainly due to the increase in pre-tax income.

### 5.3.2 Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

#### *General*

Results of operations are determined primarily by market demand and government infrastructure projects, market selling prices of our products, our ability to manufacture high quality products efficiently in quantities sufficient to meet demand and to control production and operating costs. Our results are also influenced by a number of factors, including currency stability in the countries in which our operations are located, competition and the cost of raw materials, especially copper, which accounted for majority of the cost of sales in 2011 and in 2010.

In order to minimize the impact of copper price fluctuations, we attempt to “peg” the prices of our products to the prevailing market price of copper and pass changes in the cost of copper through to customers as much as possible. In certain circumstances, however, we remain affected by fluctuations in the price of copper. A recent rise or decline in copper prices may not be fully reflected under this pricing scheme for several months.

Average copper prices per metric ton have increased by 17% from \$7,534 in 2010 to \$8,826 in 2011 (four quarters average). Gross profit margins for Manufactured Products in 2010 were on average at 13.5% compared to 10.0% in 2011.

Copper prices indicated in this report are quoted from the LME index. The 2010 and 2011 copper prices are as follows:

		<u>2010</u>	<u>2011</u>
Average LME copper price (\$/Ton).....	1Q	7,232	9,641
	2Q	7,027	9,314
	3Q	7,242	8,710
	4Q	8,686	7,641
	Year	<u>7,534</u>	<u>8,826</u>

The average copper price in February 2012 on the LME was \$8,591 per metric ton.

#### *Net Sales*

Total sales of manufactured product increased by \$33.4 million, or 8.4%, from \$396.1 million in 2010 to \$429.5 million in 2011. Sales of power cable increased by \$52.4 million in 2011, or 35.3%, due to an increasing demand in Thailand and Australia as a result of expanded government and private construction contracts. Sales of enameled wire on the other hand decreased by \$2.6 million, due to reduced customer demand in all of the enameled wire manufacturing sites, i.e., Charoong Thai, Siam Pacific, PEWS, and Shanghai Yayang. Sales of telecommunication cable were reduced by \$16.3 million, as the government projects in Thailand shrank.

Revenue from supply, delivery and installation of wires and products in Singapore decreased in 2011 by \$6.6 million, or 28.1% due to reduced Singapore government expenditures on infrastructure.

Revenue from distributed products was at \$25.5 million in 2011, down from \$26.9 million in 2010. An overall strategy to boost sales and gross margin was undertaken beginning the second quarter 2012.

The following table shows the percentage share and dollar value (in thousands) of net sales of the respective geographical locations of manufacturing plants for Manufactured Products only and all products and services with respect to our total sales in 2011:

	<u>Manufactured products only</u>		<u>All products and services</u>	
Thailand	43.3%	\$186,034	42.0%	\$198,077
Singapore	12.2%	\$52,353	17.6%	\$74,227
Australia	13.7%	\$58,932	13.0%	\$61,457
China	30.8%	\$132,155	27.4%	\$138,185
Total	<u>100.0%</u>	<u>\$429,474</u>	<u>100.0%</u>	<u>\$471,946</u>

### *Gross Profit*

Gross profit for 2011 was \$43.9 million, representing a decrease of \$13.1 million, or 23.0% down compared to \$57.0 million in 2010. The decrease was primarily attributable to the raw material (copper) cost that we were unable to pass on fully to our customers. In addition, our factory utilization was less than that of 2010, and thus we were unable to pass on the increased cost to our customers.

Apart from the inventory impairment of \$2.0 million, gross profit contributed by sales of manufactured products was \$42.9 million in 2011 compared to \$53.4 million in 2010, a decrease of 19.7%, for the reason given above. The relative contribution to gross profit from Manufactured Products for 2010 and 2011 is as follows:

	<u>2010</u>	<u>2011</u>
Manufactured Products:		
Telecommunications wire and cable	25.1%	15.2%
Power cable	47.2%	61.8%
Enameled wire	27.7%	23.0%
Total	<u>100.0%</u>	<u>100.0%</u>

The contribution to gross profit from each segment line (and the components within the manufactured products segment) for 2010 and 2011 is as follows:

	<u>2010</u>	<u>2011</u>
Manufactured Products:		
Telecommunications wire and cable	23.5%	14.9%
Power cable	44.3%	60.3%
Enameled wire	<u>25.9%</u>	<u>22.5%</u>
<b>Total</b>	<b><u>93.7%</u></b>	<b><u>97.7%</u></b>
Supply, delivery and installation of wires and cables	0.4%	0.1%
Distributed Products	2.4%	6.7%
Inventory impairment	<u>3.5%</u>	<u>(4.5%)</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Overall gross profit margins decreased from 12.8% in 2010 to 9.3% in 2011 (reason as given above). Gross profit margins for Manufactured Products also decreased from 13.5% in 2010 to 10.0% in 2011. Manufactured Products and SDI project segments posted lower gross margins (reason as given before), as our competition, primarily from four Korean contractors, i.e., ILJIN Electric Co. Singapore Branch, LS Cable & System Ltd. Singapore Branch, Taihan Electric Wire Co., Ltd., and Hi

Power Pte. Ltd., were bidding at very low prices, thus driving down the potential gross margin that could be generated by these segments. Gross profit from telecommunication cables posted lower margin in Siam Fiber Optics as the price competition has become more and more intense.

#### *Operating Profit*

In 2011, we recorded a reversal of allowance for doubtful accounts of \$1.5 million, owing to the fact that one of the major customers of Siam Pacific, A.S. Associated Engineering (1964) Co., Ltd. continued to settle the long outstanding trade receivables. Our internal controls provide that we perform a detailed review of our outstanding receivables, and make adjustments to our estimate to reflect significant delinquent accounts receivable. The Company is not aware of any significant delinquent accounts receivable that have not already been adequately reserved. In addition, we believe that our periodic allowance for doubtful accounts will continue to not have a material impact on our liquidity.

Overall Selling, General and Administrative (“SG&A”) expenses increased by \$1.8 million, mainly due to the increase in transportation charges in APEC by \$0.8 million resulted from the increase in fuel cost. The remaining variance was owing to currency translation adjustment.

Accounts receivable, net of allowance for doubtful accounts, decreased by \$46.1 million from the December 31, 2010 figure of \$144.5 million to \$98.3 million as of December 31, 2011. The decrease in accounts receivable reflects our continuous effort in collecting outstanding debt in a time of global economic uncertainty. The overall Day of Sales Outstanding stands at approximately 92 days, improved as compared to that of 2010 where the number showed 102 days to get the sales proceeds collected.

#### *Exchange Gain/Loss*

The exchange rates at end of December 31, 2010 and 2011 are listed below, based on the Noon Buying Rate. However, they do not actually reflect the ongoing rates during the year when transactions actually took place.

	<u>December 31, 2010</u>	<u>December 31, 2011</u>
Foreign currency to US\$1:		
Thai Baht.....	30.16	31.51
Singapore \$.....	1.29	1.295
Australian \$.....	1.00	0.976
Chinese RMB.....	6.60	6.294

Based on the above rates, the revaluation of assets and liabilities denominated in U.S. dollars or other foreign currencies in the Company resulted in unrealized and realized foreign exchange loss of \$1.3 million in 2011.

#### *Impairment of Investment*

There have been no investment impairment losses recorded in 2011.

#### *Other Income*

Other income refers to scrap sales of copper as a result of testing and quality control process and dividend income received.

### *Bill-and Hold Transactions*

During 2011, Charoong Thai entered into bill-and-hold arrangements with certain customers in Thailand. The Company recognized the revenue under such bill-and-hold arrangements in accordance with *SAB Topic 13A.3.a, "Bill-and-hold Arrangements"*. As of December 31, 2011, the revenue recognized under bill-and-hold arrangements where the cables were yet delivered was \$8.6 million, compared to \$17.9 million as of December 31, 2011.

### *Discontinued Operations*

The divestiture of Shandong Pacific Fiber Optics Co. Ltd ("SPFO") was an important goal, and accomplishment, of the Company's board of directors and management to enable the Company to focus on its core wire and cable businesses that are more profitable and thereby increase shareholder value.

While SPFO has been one of the larger manufacturers of fiber optic cable in Shandong Province, the Company believes that an oversupply of fiber-optic cable products limits the opportunities for sustained development of what is a non-core product line for the Company. In addition, the fiber-optic cable sector throughout China has been dominated by a few large players, who together account for more than 80% of sales of fiber-optic cable products. This market concentration has made competition difficult for companies, such as the Company, that have not committed substantial resources to the fiber optic industry, and SPFO faces additional challenges, such as obtaining raw materials like optical fiber at prices that are competitive in the market place. Moreover, the Chinese government is encouraging further consolidation of fiber and cable manufacturers, and it is not part of the Company's current business strategies to put substantial investment in this market sector.

The Company successfully entered into an agreement to sell its 51% interest in the SPFO joint venture to a group of third party investors in exchange for a total cash consideration of RMB 18.5 million (approximately \$2.9 million), effective upon the directors approval on September 7, 2011. The share transfer was completed on December 1, 2011. Consequently, the Company's deconsolidated SPFO effective December 2011. The Company recognized \$2.0 million gain on disposal of a subsidiary in the consolidated statement of operations.

### *Goodwill Impairment*

Goodwill of \$8.8 million as of December 31, 2010 relating to the manufactured products segment and the changes in the carrying amount of goodwill are as follows:

Balance, December 31, 2010	\$ 8,801
Disposal of a subsidiary	(10)
Impairment	(8,791)
	<hr/>
Balance, December 31, 2011	\$ -
	<hr/> <hr/>

In accordance with ASC 350, the Company assessed the fair value of the reporting unit as of December 31, 2011. The Company adopted the discounted cash flow approach and, considering that the reporting unit constituted the majority of the overall consolidated group, by reference to the closing price of its Common Shares on that date as well as an assumed control premium. From January 2011 to December 2011, the stock market downturn caused a decline in the Company's stock price by 54.8%, which resulted in a significant reduction in the Company's market capitalization. As of December 31, 2011, the assessed fair value was below the carrying value of the reporting unit. The

Company then performed a hypothetical purchase price allocation using the fair value of reporting unit and determined that the goodwill was fully impaired. As a result, the Company recognized a goodwill impairment charge of \$8.8 million for the year ended December 31, 2011 as a separate item in the consolidated statements of operations.

#### *Thailand Flood Losses*

Siam Pacific suspended operations temporarily in the fourth quarter of 2011 due to damage sustained from the region's then-recent flooding. The Siam Pacific facility, located 30 kilometers (18.6 miles) north of Bangkok, manufactures enameled wire and communication wire. The facility sustained water damage, as the water level reached approximately 1.5 meters which damaged some of the machinery and equipment in the plant, as well as some of the inventory in the warehouse. As a result, the Company recorded \$3.9 million of flood-related charges, including fixed asset impairments, recovery charges and a write-down of damaged inventory and recognized \$0.9 million of deferred tax asset related to the charges in 2011. These charges are separately stated as a line item, "Charges related to flooding" within operating expense on the consolidated statements of operations.

The Company's insurance policy covers the flood damage to the building, machinery, and inventory; however, it does not cover losses due to the business disruption.

#### *Income Taxes*

Income tax expense was \$4.6 million in 2011 compared to \$6.4 million in 2010. The fluctuation was mainly due to the decrease in pre-tax income and non-deductible expense of goodwill impairment.

### **5.4 Liquidity and Capital Resources**

As of December 31, 2012 we had \$72.8 million in cash and cash equivalents, primarily in bank accounts and cash on hand, and none of which was in unrestricted or restricted short-term bank deposits. Our current sources of cash are our cash on hand, cash generated by our operations and our credit facilities. Our primary financing needs will continue to be available for the purchase and replacement of property, plant and equipment and future acquisitions.

We have no direct business operations other than our ownership of the capital stock of our subsidiaries and equity investees. Consequently, our subsidiaries have been and will continue to be the primary source of funds generated by operations. Corporate needs are funded primarily through distributions from our subsidiaries. Although we have no current intention to pay dividends, we would rely upon distributions of dividends from our subsidiaries in order to do so. As noted in our risk factors, our operating subsidiaries and other holdings and investments, from time to time, may be subject to restrictions on their ability to make distributions to us. Such restrictions could result from restrictive covenants contained in our loan agreements, restrictions on the conversion of local currency earnings into U.S. dollars or other currency and other regulatory restrictions. For example, PRC legal restrictions permit payments of dividends by our business entities in the PRC only out of their retained earnings, if any, determined in accordance with relevant PRC accounting standards and regulations. Under PRC law, such entities are also required to set aside a portion of their net income each year to fund certain reserve funds. These reserves are not distributable as cash dividends. The foregoing restrictions may also affect our ability to fund operations of one subsidiary with dividends and other payments received from another subsidiary. We are not aware of any other restrictions in other countries in which we do business other than those discussed in the "Risk Factors" section. Distributions may also be restricted as the result of objections by minority shareholders of our subsidiaries and current cash requirements of the operating subsidiaries. Consequently, we periodically need to manage our corporate cash needs with the timing of distributions.

We maintain several working capital and overdraft credit facilities with various commercial bank groups and financial institutions. Under our line of credit arrangements for short-term debt with our banks, we may borrow up to approximately \$336.1 million, including letters of credit for commodity purchases, on such terms as we and the banks mutually agreed upon. These arrangements do not have termination dates but are reviewed annually for renewal. As of December 31, 2012, the unused portion of the credit lines was approximately \$227.1 million. Letters of credit are issued on our behalf in the ordinary course of business by our banks as required by certain supplier contracts. As of December 31, 2012, the Company had opened letters of credit totaling \$39.8 million. Liabilities relating to the letters of credit are included in current liabilities. There is no seasonality to the company's borrowing, nor is there any restriction on the use of such borrowing.

Net cash provided by operating activities in the year ended December 31, 2012 was \$11.6 million, as compared to \$22.6 million of net cash provided by operating activities in the year ended December 31, 2011. Days of sales outstanding ("DSO") is a measure of the average collection period of accounts receivable, and although the calculation is influenced by the period used and the timing of sales within that period, it can provide insight into the variances in collections from period to period. Our days of sales outstanding as December 31, 2012 were 91 days, as compared to 92 days as of December 31, 2011. The improvement in DSO as of December 31, 2012 is due to re-enforcing collection efforts based on various company policies across the group. Net cash used in investing activities amounted \$15.8 million, incurred for the purchase of machinery and equipment at the CTW group, NPC, and PEWS.

We engage in various transactions with PEWC, including the purchase of certain raw materials and the distribution of PEWC products mainly in Singapore. The Composite Services Agreement contains provisions that define our relationship and the conduct of our respective businesses and confers certain preferential benefits on us. Under the Composite Services Agreement, the material terms of which are summarized in the "Material Contracts" section, there are no obligations binding on the Company in favor of PEWC, nor are there any pre-established purchase commitments for copper. As such, the Composite Services Agreement should not impact cash flows or liquidity until such time as actual purchases are made in the ordinary course of business such as for the purchase of raw materials. The Composite Service Agreement may, however, impact operations to the extent that PEWC is not able to fulfill its obligations, such as supplying copper, and copper is not otherwise readily available on comparable terms from other market sources. Cash generated by operations and borrowings, when needed, from our credit facilities have been the primary sources of funding purchases under the Composite Services Agreement, and we believe these sources will continue to provide sufficient funds for future purchases under this agreement.

We believe funds generated by our operating activities, our cash on hand and amounts available to us under our credit facilities will provide adequate cash to fund our requirements through at least the next twelve months. We continue to have sufficient liquidity to meet our anticipated working capital, capital expenditures, general corporate requirements, and other short-term and long-term obligations as they come due. We may further enhance our liquidity in the future, as needs arise, by establishing additional lines of credit, with the support of one or more of our principal shareholders if necessary and available. We currently anticipate that we will retain all of our earnings to fund our operations and do not anticipate paying any cash dividends in the foreseeable future.

## **5.5 Research and Development**

The Company does not currently engage in its own research and development. Under the Composite Services Agreement with PEWC described herein, the Company benefits from research and development conducted by PEWC at little or no cost to the Company. Most recently, the Company utilized technology from its parent company, PEWC, to assist in developing the Company's new business line of electronic wire being manufactured in NPC's facility. Accordingly, the

Company has not made material expenditures on or commitments to research and development since formation.

## 5.6 Trend Information

We are not aware of any trend, commitment, event or uncertainty that can reasonably be expected to have a material effect on our current or future business other than the following, each of which has materially impacted our financial results in the past and may do so in the future:

- *Uncertainty arising from the volatility in the cost of copper, our principal raw material.* In 2012, the copper price went down from \$8,826 (yearly average for 2011) per metric ton to \$7,950 per metric ton (yearly average for 2012). Since the copper price however bounced back in the beginning of 2012, the inventory impairment recorded in 2011 has been completely consumed. However, under our business model, the Company, like other companies in the industry, remains subject to movements in the price of copper, our principal raw material.
- *Fluctuations in the demand for our products in the markets in which we do business,* based upon variations in the level of governmental and private investments in communications, power and industrial projects and programs that utilize our products. We are not an end-user of our products and, therefore, we depend upon the requirements of our customers to generate sales.

See “Quantitative and Qualitative Disclosures About Market Risk.”

## 5.7 Off-Balance Sheet Arrangements

On December 20, 2012, the Board approved early repayment of a loan of \$14 million with Bangkok Bank Hong Kong branch, to be executed in February 2013 and March 2013. The purpose of this move was to free Ningbo Pacific assets and equipment for possible future financing needs and for restructuring of Shanghai Yayang. At the end of January and February 2013, the loan was partially paid off in the amount of \$0.3 million and \$ 4.7 million, respectively, by CCH HK with the remainder of \$9 million paid at the end of March 2013.

## 5.8 Contractual Obligations

The following table sets forth our obligations and commitments to make future payments under contracts and other commitments as of December 31, 2012:

Contractual obligations (In thousands of US\$)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Bank loans and overdrafts	\$57,845	\$57,845	-	-	-
Capital lease obligations (principal amount only)	\$243	\$167	\$76	-	-
Finance charges on capital lease obligations	\$18	\$12	\$6	-	-
Operating lease obligations	\$4,681	\$1,033	\$958	\$373	\$2,317
Capital commitment relating to installation of equipment and acquisition of machinery	\$2,492	\$2,492			

Contractual obligations (In thousands of US\$)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Capital commitment relating to repair and maintenance consulting service	\$232	\$232			
Purchase obligations for copper cathodes	\$231,652	\$231,652	-	-	-
	<u>\$297,163</u>	<u>\$293,433</u>	<u>\$1,040</u>	<u>\$373</u>	<u>\$2,317</u>

For more details on financial commitments and contingencies, please refer to our audited consolidated financial statements and the notes thereto in Item 18: “Financial Statements.”

### 5.9 Adoption of International Financial Reporting Standards as issued by International Accounting Standards Board

The management of the Company has decided to adopt International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board. The move from US GAAP to IFRS is to align with APWC subsidiaries that have already adopted local IFRS, and to bring more consistency in accounting and financial reporting amongst its operating subsidiaries. The date of the conversion to IFRS has yet to be determined.

## Item 6: Directors, Senior Management and Employees

### 6.1 Directors and Senior Management

There is only one class of directorships and no one or more directors possesses any veto power over matters presented to the Board or any other special or enhanced voting rights. The Bye-Laws provide that a quorum consists of a majority of the directors then in office. As of December 31, 2012, there were a total of 9 directors on the Board, including three independent directors, Mr. Anson Chan, Dr. Yichin Lee, and Dr. Lambert Ding. By a resolution passed at the Company’s most recent annual general meeting of shareholders (the “2012 AGM”) held on October 5, 2012, the shareholders determined that the minimum number of directors shall be fixed at two (2), the maximum number of directors be fixed at ten (10) and that one (1) vacancy shall exist on the Board of Directors, which shall be deemed to be a casual vacancy, which may be filled from time to time by the Board of Directors in accordance with the provisions of the Bye-Laws. Each director is entitled to one vote, and approval of any matter requires a simple majority assuming a quorum is present. The following table sets forth certain information concerning the current directors and certain other officers of the Company. All directors are subject to annual election by the shareholders of the Company. Each of the directors was reelected at the Company’s 2012 AGM. Officers generally hold office for such period and upon such terms as the Board may determine.

<i><b>Name</b></i>	<i><b>Date of Birth</b></i>	<i><b>Position</b></i>
<i>Appleby Services (Bermuda) Ltd.</i>	<i>N/A</i>	<i>Assistant Resident Secretary</i>
<i>Anson Chan</i>	<i>November 3, 1963</i>	<i>Independent director, Audit Committee Chairman</i>
<i>Andy C.C. Cheng</i>	<i>April 29, 1958</i>	<i>Director and Non-Executive Chairman of the Board</i>
<i>Fang Hsiung Cheng</i>	<i>May 31, 1942</i>	<i>Director</i>
<i>Alex Erskine</i>	<i>September 7, 1963</i>	<i>Resident Secretary in Bermuda</i>
<i>Daphne Hsu</i>	<i>August 12, 1962</i>	<i>Financial Controller</i>
<i>Lambert L. Ding</i>	<i>October 12, 1959</i>	<i>Independent director, Audit Committee Member</i>
<i>Michael C. Lee</i>	<i>September 28, 1951</i>	<i>Director</i>
<i>Yichin Lee</i>	<i>January 4, 1961</i>	<i>Independent director, Audit Committee Member</i>
<i>Ching Rong Shue</i>	<i>March 4, 1950</i>	<i>Director</i>
<i>David Sun</i>	<i>December 22, 1953</i>	<i>Director</i>
<i>Yuan Chun Tang</i>	<i>November 26, 1960</i>	<i>Director, Chief Executive Officer</i>
<i>William Gong Wei</i>	<i>October 31, 1961</i>	<i>Chief Operating Officer</i>
<i>Frank Tseng</i>	<i>March 17, 1957</i>	<i>Chief Financial Officer; Non-Resident Secretary</i>

Certain officers and directors of the Company are or were also officers and directors of PEWC and/or PEWC affiliates, as described below. A brief professional summary for each member of the Board of Directors and senior management is as follows:

Mr. Anson Chan has been an independent member of the Company's Board of Directors and a member and Chairman of the Audit Committee and compensation committee since 2007. Mr. Chan is also a Managing Director of the Bonds Group of Companies and was a Senior Advisor to Elliott Associates from 2005 to 2008.

Mr. Andy C.C. Cheng was a member of the Company's Board of Directors from 2004 to 2005 and was re-elected in 2007. Mr. Cheng was appointed as Chairman of the Board in 2009. From 1987 to 2003, Mr. Cheng served as Vice President in charge of procurement at PEWC. Mr. Cheng has been an Executive Vice President at PEWC since 2004 and Chairman of each of the investment divisions of PEWC, Tai Ho Investment Co., Ltd. and You Chi Investment Co., Ltd., since June 2008. Mr. Andy C.C. Cheng is not related to Mr. Fang Hsiung Cheng.

Mr. Fang Hsiung Cheng has been a member of the Company's Board of Directors since 2006. He also serves as Assistant Vice President of PEWC. Mr. Fang Hsiung Cheng is not related to Mr. Andy C.C. Cheng.

Mr. Alex Erskine was appointed as resident Secretary in Bermuda in October 2008. Mr. Erskine is a partner in the Bermuda law firm of Appleby, where he is the local team leader of the funds and investment services practice group, which group he joined in 1999. From March 2007 until October 2008, Mr. Erskine was the managing partner of the British Virgin Islands office of Appleby. Prior to joining Appleby, Mr. Erskine was Deputy Legal and Compliance Director of the Asset Management Division of UBS AG.

Ms. Daphne Hsu has been Financial Controller of the Company since March 2005, prior to which she served as Financial Controller for ten years in Taiwan and China at a Thomson SA joint venture.

Dr. Lambert Ding was appointed March 17, 2011 as an independent member of the Board of Directors. Dr. Ding is the president and CEO of Union Environmental Engineering Services and before that, he was an associate professor at Yuan Ze University. Dr. Ding holds a Doctor of Philosophy degree from the University of Southern California, awarded in 1989. He is also a Registered Environment Assessor and holds several patents. Dr. Ding serves as a member of the audit committee and compensation committee.

Mr. Michael C. Lee has been a member of the Company's Board of Directors since 2004 and is also Chief Executive Officer of PEWC and Chairman of Pacific USA Holdings, Ltd. Mr. Michael C. Lee is not related to Dr. Yichin Lee.

Dr. Yichin Lee has been an independent member of the Company's Board of Directors and served on the Audit Committee since 2007. He is also a member of the compensation committee. Dr. Lee is the Managing Director of FCC partners. Dr. Yichin Lee holds a doctorate degree in Resource Planning and Management from Stanford University. Dr. Yichin Lee is not related to Mr. Michael C. Lee.

Mr. Ching Rong Shue has been a member of the Company's Board of Directors since 2006. He also serves as Vice President of PEWC.

Mr. David Sun has been a member of the Company's Board of Directors since 2007. He also serves as President of PEWC and Managing Director of Charoong Thai Wire and Cable Public Company Limited.

Mr. Yuan Chun Tang has been a member of the Company's Board of Directors since 2004 and Chief Executive Officer since 2005. Mr. Yuan served as the Company's Chairman from 2005 to 2009. He has also served as Chairman of PEWC since 2004 and has been the Director of Pacific Construction Corp. Ltd since 2002. Mr. Yuan served as the Director of Taiwan Co-generation Corp from 2005 to 2008. Mr. Yuan has also been the Chairman of Taiwan Electric Wire & Cable Industries Association since 2004. He has served as the Supervisor to Taipei Importers/Exporters Association as well as the Director of Chinese National Federation of Industries in Taiwan since 1998 and 2004, respectively.

Mr. Carson Tien has been with PEWC or one of its affiliates such as APWC for his entire career. He started out as engineer in PEWC's Tao Yuan, Taiwan plant in 1969 and later was promoted to plant manager in 1977. In 1990 Carson again was promoted to Assistant VP responsible for Engineering and Manufacturing in PEWC. He then in 1996 was transferred from PEWC to APWC to head the Shenzhen, China plant as President of PEWS. In 2005, he was appointed as Chief Operating Officer at APWC headquarters. On March 31, 2013, Mr. Tien retired from APWC.

Mr. William Gong Wei has been appointed Chief Operating Officer effective April 1, 2013. He was first assigned to Charoong Thai Wire and Cable Pte. Co. Ltd. as Engineer, Assistant Plant Manager, and later consultant to the high voltage cable division from 1991 to 2000. In April 2009 he was promoted to General Manager of Sigma Cable in Singapore. Mr. Gong Wei holds a master's degree from the Asian Institute of Technology in Bangkok, Thailand.

Mr. Frank Tseng was appointed as Chief Financial Officer and Non-Resident Company Secretary effective October 22, 2009. Mr. Tseng previously served as the Deputy CFO for ABB Taiwan. Prior to that, he served as the Financial Controller of the Asia Pacific region of Phoenix Technologies Co., a NASDAQ-listed California Silicon Valley-based high-tech company.

The Company's Common Shares are traded on NASDAQ. Notwithstanding that, the Board of Directors is not composed of a majority of independent directors. The Company is relying upon the "controlled company exemption" that is available to issuers under the rules of NASDAQ. In effect, the "controlled company exemption" provides that an issuer is not required to have its Board of Directors consist of a majority of independent directors if a shareholder, or two or more shareholders who constitute a group, have beneficial ownership of more than 50% of the issued and outstanding voting securities of the issuer. PEWC owns and controls, directly or indirectly, 65.6% of the issued and outstanding Common Shares of the Company.

No service contract exists between any director and the Company or any of its subsidiaries providing for benefits upon termination of employment.

The Company has no arrangements or understandings with any major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a director or member of senior management.

## **6.2 Audit Committee**

The Audit Committee of the Board of Directors primarily functions to assist the Board in its oversight of: (i) the reliability and integrity of accounting policies and financial reporting and disclosure practices and (ii) the establishment and maintenance of processes to ensure that there is compliance with all applicable laws, regulations and company policy and an adequate system of internal control, management of business risks and safeguard of assets.

The Audit Committee is composed of Mr. Anson Chan, Dr. Yichin Lee and Dr. Lambert Ding, with Mr. Chan serving as the chairman of the Audit Committee.

The Audit Committee, as currently constituted, complies with the requirements of Regulation 10A-3 of the Exchange Act and the corporate governance requirements of NASDAQ.

## **6.3 Compensation Committee**

On June 13, 2008, the Board authorized the formation of a Compensation Committee to assist the Company in determining the compensation to be paid to the executive directors of the Company. According to the terms of reference under which it operates, the Compensation Committee is authorized to: (i) review and recommend to the Board, or determine, the annual salary, bonus, stock options, and other benefits, direct and indirect, of the senior management of the Company and its principal operating subsidiaries; (ii) review new executive compensation programs, review on a periodic basis the operations of the Company's executive compensation programs to determine whether they are properly coordinated, establish and periodically review policies for the administration of executive compensation programs, and take steps to modify any executive compensation programs that yield payments and benefits that are not reasonably related to executive performance; (iii) engage outside auditors and consultants to advise on market compensation; and (iv) establish and periodically review policies in the area of management perquisites.

The Compensation Committee is comprised of three independent directors, Mr. Anson Chan, Dr. Yichin Lee, and Dr. Lambert Ding. Mr. Andy Cheng and Mr. Yuan Chun Tang, the Company's Chairman and Chief Executive Officer respectively, serve in a non-voting advisory capacity to the Compensation Committee.

## **6.4 Compensation**

The aggregate amount of compensation paid by the Company to all of the Company's directors and executive officers, as a group, for services in all capacities during 2012 was approximately \$1.8 million. As of March 31, 2013, our directors and executive officers beneficially owned approximately 50,000 Common Shares representing approximately 0.4% of the issued and outstanding Common Shares. The annual compensation of its executive officers and directors on an individual basis is not a disclosure item under the laws of Bermuda or Taiwan.

The fee payable to independent directors is \$30,000 per year and the fee payable to directors who are executive officers of the Company or PEWC is \$20,000 per year, together with, in each case, reimbursement of reasonable travel expenses for attendance of meetings of the Board of Directors.

No funds or provisions have been set aside to directors or management except for government mandated programs.

## **6.5 Employees**

The Company employed a total of 1,413 employees as of December 31, 2012, of which about 19.7% were administrative and management personnel. Approximately 57.3% of employees were located in Thailand, 26.6% in China, 10.7% in Singapore and 5.4% in Australia. Production workers are usually organized into two 12-hour shifts or three 8-hour shifts to allow continuous factory operations.

The Company offers a range of employee benefits, which it believes are comparable to industry practice in its local markets. Such benefits include performance-based pay incentives, medical benefits, vacation, pension, housing for a small number of workers in Singapore and in Thailand, and a small housing supplement to other workers. The Company also provides training programs for its personnel designed to improve worker productivity and occupational safety.

Presently, there is no group bonus, profit-sharing or stock option plan. However, some of the Company's subsidiaries have bonus or profit-sharing plans based on individual performance and the profitability of the particular subsidiary for the fiscal year, which plans are generally in accordance with the industry practice and market conditions in the respective countries.

The Company has several defined benefit and defined contribution plans covering its employees in Thailand, Australia, the PRC and Singapore. Contributions to the plans are made on an annual basis and totaled \$1.2 million in 2012. Additionally, the Company has several defined benefit plans in accordance with Thailand labor law. In its Thai subsidiaries, the Company must pay a retiring employee from one to twenty-nine times such employee's salary rate during his or her final month, depending on the length of service. During 2012, the Company's total expenses under this labor law were \$0.9 million. These plans are not funded and the amount is recognized and included in Other Current and Non-Current Liabilities in the Company's balance sheet. The Company settles its obligations as and when employees retire. The accumulated benefit obligations under this plan amounted to \$5.8 million as at December 31, 2012.

Approximately 27% of the employees of Sigma Cable are members of the United Workers of Electronics & Electrical Industries, an employees' union in Singapore. Under the terms of a collective agreement signed in June 2003, the Company is required to negotiate salary and wage increases yearly. All other worker benefits and employment terms are included in the collective agreement. The Company believes that approximately 100% and 99% of the employees of PEWS and Shanghai Yayang, respectively, are members of their respective Company Workers' Unions. These unions

generally operate in accordance with related labor regulations in China. Approximately 15% of the employees of APEC are members of the Australian Workers' Union. None of the employees of the other operating subsidiaries of the Company are members of a union.

The Company has never experienced a strike or other disruption due to labor disputes. The Company considers its employee relations to be satisfactory and has not experienced difficulties attracting and retaining qualified employees. In Singapore, employee turnover is approximately 27% of total employees annually. In Thailand, average employee turnover is approximately 8.7% of total employees annually.

## Item 7: Major Shareholders and Related Party Transactions

### 7.1 Major Shareholders

On March 27, 2009, PEWC acquired 1,410,739 Common Shares of the Company from SOF, which amount represented 51% of the Common Shares then held by SOF. Following that transaction, PEWC and SOF held 65.6% and 9.8% of the issued and outstanding Common Shares of the Company, respectively. As of July 1, 2011, SOF transferred and conveyed its ownership interest in the 1,355,415 Common Shares held by it to COF. Pursuant to the Share Buy-back Plan, the Company repurchased 9,300 Common Shares, which are now held by the Company and booked as treasury shares. The remaining approximately 24.5% of the issued and outstanding Common Shares are publicly traded in the U.S. on the NASDAQ Global Markets tier.

The following table sets forth certain information regarding beneficial ownership of the Company's Common Shares as of March 31, 2012 by (i) all persons who are known to the Company to own beneficially more than five percent of the Common Shares of the Company and (ii) the officers and directors of the Company as a group. The information set forth in the following table is derived from public filings made by holders and information obtained from directors and officers. The voting rights attaching to the Common Shares below are the same as those attaching to all other Common Shares.

<u>Identity of Person or Group</u>	<u>Number of Shares</u>	<u>Percent of Class</u>
Pacific Electric Wire & Cable Co., Ltd. <sup>(1)</sup>	9,075,354	65.617%
MSD Credit Opportunity Master Fund, L.P. <sup>(2)</sup>	1,355,415	9.800%
Directors and Officers of the Company	50,000	0.362%

(1) PEWC owns 1,410,739 shares directly and owns its remaining shares indirectly, as a result of PEWC's control of its direct wholly-owned subsidiary, Moon View Ventures Limited, a BVI company, which beneficially owns 7,307,948 Common Shares, and as a result of PEWC's control of its indirect wholly-owned subsidiary, Pacific Holdings Group, a Nevada corporation, which beneficially owns 356,667 Common Shares.

(2) MSD Credit Opportunity Master Fund, L.P. is the record and direct beneficial owner of the securities. MSDC Management, L.P. is the investment manager of, and may be deemed to have or share voting and dispositive power over, and/or beneficially own securities owned by, MSD Credit Opportunity Master Fund, L.P. MSDC Management (GP), LLC is the general partner of, and may be deemed to have or share voting and dispositive power over, and/or beneficially own securities owned by, MSDC Management, L.P. Each of Glenn R. Fuhrman, John C. Phelan and Marc R. Lisker is a manager of MSDC Management (GP) and may be deemed to have or share voting and/or dispositive

power over, and beneficially own, the common shares beneficially owned by MSDC Management (GP). Each of Mr. Fuhrman, Mr. Phelan and Mr. Lisker disclaim beneficial ownership of such common shares, except to the extent of the pecuniary interest of such person in such shares.

The Company has 6,166,154 Common Shares that are registered securities, of which 3,390,700 Common Shares are publicly-traded on the NASDAQ Global Markets tier, which represents approximately 24.5% of the issued and outstanding Common Shares. The remaining registered securities, 2,766,154 Common Shares, are held by PEWC and COF, and are subject to trading restrictions under Rule 144 promulgated under the Securities Act. Other than the approximately 50,000 Common Shares held by directors or officers who are not resident in the United States and the 1,410,739 registered securities held indirectly by PEWC, the Company believes that substantially all of its registered securities are held by U.S. residents (other than the 9,300 Common Shares held by the Company in treasury). The Company has no means to definitively confirm that belief, however, which is based upon a review of the share registers maintained by the Company's Bermuda transfer agent and U.S. transfer agent and the addresses provided by the record holders. Based upon a review of the records of the Company's U.S. transfer agent, including a list of non-objecting beneficial holders ("NOBOs"), the Company believes there are substantially more than 400 beneficial holders that are resident in the United States, although that constitutes only the Company's best estimate of the number of U.S. beneficial holders.

## **7.2 Related Party Transactions**

The Company incurs ordinary course trade payables with PEWC in connection with copper purchases under the Composite Services Agreement and the sale by the Company of Distributed Products on behalf of PEWC.

As of December 31, 2012 and the latest practicable date, the Company, including its subsidiaries, had a net principal balance outstanding of \$9.6 million borrowed from PEWC and subsidiaries of PEWC. This short-term indebtedness is payable on a demand basis and does not accrue interest.

The Company used the proceeds from each of the related party loans described above for working capital and purchases of capital equipment. The terms of borrowing by APWC or any of its subsidiaries from PEWC are on terms at least no less favorable than terms available in arms-length transactions with unaffiliated parties.

Other than the Amended and Restated Shareholders Agreement, the Company is not a party to any agreements, and has not engaged in any other transactions, with COF or SOF, or to the Company's knowledge, their owners. For a more detailed description of the Company's obligations under the Shareholders Agreement, see the risk factor entitled "Obligations under Amended and Restated Shareholders Agreement."

Under the terms of the Composite Services Agreement, APWC pays a management fee to PEWC in connection with the secondment, or temporary assignment and relocation, of certain PEWC managers to APWC facilities in Shenzhen and Thailand. The assigned managers assist APWC in implementing the results of certain research and development conducted by PEWC and made available by PEWC to the Company under the terms of the Composite Services Agreement. The assigned managers also assist APWC in the procurement of raw materials, primarily copper, which is also provided for under the Composite Services Agreement. The amount of such annual management fee was \$388,000 as of December 31, 2012.

Additional details regarding related party balances as of December 31, 2012 and related party transactions, including copper purchases from PEWC, are disclosed in Note 17 of our audited consolidated financial statements in Item 18: Financial Statements.

There have been no other related party transactions or contracts entered into between PEWC and APWC in 2012.

## **Item 8: Financial Information**

### **8.1 Legal Proceedings**

There are currently no material proceedings in which any director, senior manager, or affiliate is adverse to the Company or has an adverse material interest. There are no legal proceedings to which the Company is a party which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

### **8.2 Dividend Policy**

To date, the Company, a Bermuda company formed in 1996, has not paid any dividends. While the Company has no present intention to pay dividends, should it decide in the future to do so, as a holding company the Company's ability to pay dividends, as well as to meet its other obligations, will depend upon the amount of distributions, if any, received from the Company's operating subsidiaries and other holdings and investments. The Company's operating subsidiaries and other holdings and investments, from time to time, may be subject to restrictions on their ability to make distributions to the Company. Those restrictions may also affect the Company's ability to fund operations of one subsidiary with dividends and other payments received from another subsidiary.

### **8.3 Significant Changes**

There have been no material or significant changes in the Company's affairs since the end of the fiscal year ended December 31, 2012 that have not been described herein.

## **Item 9: The Offer and Listing**

### **9.1 Historical Trading Information**

The high and low market prices for Common Shares on the Pink Sheets (from January 2007 until April 2008), and on the over-the-counter bulletin board (the "OTC BB") (from April 2008 until April 2011), and on the NASDAQ since April 29, 2011, for each period specified are as follows:

	<b>Price per Share</b>	
	<b>(\$)</b>	
	<b>High</b>	<b>Low</b>
<b>Five most recent full financial years:</b>		
2008	6.45	0.80
2009	3.39	0.50
2010	7.85	2.20
2011	7.05	1.92

2012	3.99	2.25
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**Two most recent full financial years:**

**2011**

First Quarter	7.05	4.50
Second quarter	6.85	3.50
Third quarter	4.98	2.62
Fourth quarter	3.30	1.92

**2012**

First quarter		
Second quarter	3.99	2.47
Third quarter	3.36	2.25
Fourth quarter	3.19	2.56
	3.45	2.64

**Most recent six months:**

October 2012	3.27	2.64
November 2012	3.24	2.98
December 2012	3.45	3.02
January 2013	4.50	3.34
February 2013	4.30	3.80
March 2013	4.25	3.64

**9.2 Markets**

The Company’s Common Shares were listed on NASDAQ Capital Markets tier on April 29, 2011 under the symbol “APWC”. On February 15, 2013, the Company’s Common Shares were elevated to NASDAQ Global Markets tier. Prior to its NASDAQ listing, the Common Shares were traded on the OTC BB since April 2008 under the symbol “AWRCF,” immediately prior to which the Common Shares were traded on the Pink Sheets. See the risk factor entitled “Potential Illiquidity of Common Shares.” The Common Shares are not listed on any other exchanges or otherwise publicly traded within or outside the United States. The elevation of the Common Shares to NASDAQ’s Global Markets tier was achieved due primarily to the improved trading price of the Common Shares.

**10.1 Share Capital**

As of December 31, 2012 and as of the date of the filing of this Annual Report, the Company has an authorized share capital of 50,000,000 Common Shares, par value \$0.01 per share. During 2012, the Company repurchased 1,900 Common Shares. On December 31, 2012 there were 13,830,769 Common Shares issued and 13,828,869 Common Shares outstanding and as of the date of the filing of this Annual Report, there were and there are 13,830,769 Common Shares issued and 13,821,469 Common Shares outstanding. No capital of the Company is under option or agreed conditionally or unconditionally to be put under option. The Company does not have any classes of capital stock other than its Common Shares.

**10.2 Memorandum of Association and Bye-Laws**

**10.2.1 General**

For a detailed description of the Company’s principal activities, see Section 4.1: “History and Development of the Business.” Pursuant to the Company’s Bye-Laws the Board of Directors consists of a single class of directors, each director has one vote on all matters put to the Board, and a quorum

consists of a majority of the members of the Board of Directors then in office. The Company's Bye-Laws were amended on October 7, 2011 to allow the Company to purchase its own shares for cancellation or acquire them to be held as treasury shares.

In 2012, the Company commenced a Share Buy-back Plan, pursuant to which the Company repurchased, in the aggregate, 9,300 issued and outstanding Common Shares, with the most recent purchase under the Share Buy-back Plan having been made on January 10, 2013. Those repurchased Common Shares are booked as treasury shares and may be re-sold to third parties by the Company in the future. In April 2013, the Company announced the suspension of the Share Buy-back Plan, although the Board of Directors may re-implement it in the future if it so determines.

### **10.2.2 Description of Shareholder Rights Attaching to Our Common Shares**

The Company was incorporated in Bermuda on September 19, 1996 under the Companies Act. The rights of our shareholders are governed by Bermuda law and our memorandum of association and Bye-Laws.

The following discussion of our Common Shares and the laws governing the rights of our shareholders is based upon the advice of Appleby (Bermuda) Limited, our Bermuda counsel.

Our authorized share capital as of December 31, 2012 was \$500,000 consisting of 50,000,000 Common Shares, par value \$0.01 per share, of which, as of December 31, 2012 there were 13,830,769 Common Shares issued and 13,828,869 Common Shares outstanding. As of the date of the filing of this Annual Report, there were and are 13,830,769 Common Shares issued and 13,821,469 Common Shares outstanding. There are 9,300 Common Shares that are issued (but not outstanding) and held as treasury shares, having been purchased by the Company pursuant to its Share Buy-back Plan.

- Holders of the Common Shares have no preemptive, redemption, conversion or sinking fund rights.
- Holders of the Common Shares are entitled to one vote per share on all matters submitted to a poll vote of holders of Common Shares and do not have any cumulative voting rights.
- In the event of our liquidation, dissolution or winding-up and subject to any alternative resolution that may be pursued by our shareholders, the holders of Common Shares are entitled to share ratably in our assets, if any, remaining after the payment of all our debts and liabilities.
- Our outstanding Common Shares are fully paid and non-assessable.
- Additional authorized but unissued Common Shares, and issued shares held in treasury, may be issued or conveyed by the Board without the approval of the shareholders.

The holders of Common Shares will receive such dividends, if any, as may be declared by the Board of Directors out of funds legally available for such purposes. We may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- we are, or after the payment would be, unable to pay our liabilities as they become due; or

- the realizable value of our assets after such payment or distribution would be less than the aggregate amount of our liabilities and our issued share capital and share premium accounts.

The following is a summary of provisions of Bermuda law and our organizational documents, including our memorandum of association and bye-Laws. We refer you to our memorandum of association and our bye-Laws, copies of which have been filed with the SEC. You are urged to read these documents in their entirety for a complete understanding of the terms thereof.

### **10.2.3 Share Capital**

Our authorized capital consists of one class of Common Shares. Under our Bye-Laws, our Board of Directors has the power to issue any authorized and unissued shares on such terms and conditions as it may determine. Any shares or class of shares may be issued with such preferred, deferred, qualified or other special rights or any restrictions with regard to such matters, whether in regard to dividend, voting, return of capital or otherwise, as we may from time to time by resolution of the shareholders prescribe, or in the absence of such shareholder direction, as the Board of Directors may determine. This provision in the Bye-Laws could be used to prevent a takeover attempt, or to make a takeover attempt prohibitively expensive, and thereby preclude shareholders from realizing a potential premium over the market value of their shares.

### **10.2.4 Voting Rights**

Generally, under Bermuda law and our Bye-Laws, questions brought before a general meeting are decided by a simple majority vote of shareholders present or represented by proxy, with no provision for cumulative voting. Matters will be decided by votes cast by way of voting cards, proxy cards or a show of hands unless a poll is demanded.

If a poll is demanded, each shareholder who is entitled to vote and who is present in person or by proxy has one vote for each Common Share entitled to vote on such question. A poll may only be demanded under the Bye-Laws by:

- the chairman of the meeting;
- at least three shareholders present in person or represented by proxy;
- any shareholder or shareholders present in person or represented by proxy and holding between them not less than one-tenth of the total voting rights of all shareholders having voting rights; or
- a shareholder or shareholders present in person or represented by proxy holding Common Shares conferring the right to vote on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Common Shares.

Unless the Board of Directors otherwise determines, no shareholder shall be entitled to vote at any general meeting unless all calls or other sums presently payable by that shareholder in respect of all shares held by such shareholder have been paid.

### **10.2.5 Dividend Rights**

Under Bermuda law, a company may declare and pay dividends unless there are reasonable grounds for believing that the company is, or would, after the payment, be unable to pay its liabilities

as they become due or that the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and issued share capital and share premium accounts.

Under our Bye-Laws, the Board may from time to time declare dividends or distributions out of contributed surplus to be paid to the shareholders according to their rights and interests. With the sanction of a shareholders resolution, the Board of Directors may determine that any dividend may be paid by distribution of specific assets, including paid-up shares or debentures of any other company. The Board of Directors may also pay any fixed cash dividend which is payable on any of our Common Shares half-yearly or on other dates, whenever our position, in the opinion of the Board of Directors, justifies such payment.

Dividends, if any, on our Common Shares will be at the discretion of our Board of Directors, and will depend on our future operations and earnings, capital requirements, surplus and general financial condition as our Board of Directors may deem relevant.

#### **10.2.6 Purchases by the Company of its own Common Shares**

Under Bermuda law and as authorized by the Company's memorandum of association, we may purchase our own Common Shares out of the capital paid up on the Common Shares in question or out of funds that would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of Common Shares made for the purposes of the purchase. We may not purchase our shares if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

However, to the extent that any premium is payable on the purchase, the premium must be provided out of the funds of the Company that would otherwise be available for dividend or distribution or out of the Company's share premium account. Any Common Shares purchased by the Company are treated as cancelled and the amount of the Company's issued capital is diminished by the nominal value of the shares accordingly but shall not be taken as reducing the amount of the Company's authorized share capital.

#### **10.2.7 Preemptive Rights**

Our Bye-Laws generally do not provide the holders of our Common Shares preemptive rights in relation to any issues of Common Shares by us or any transfer of our shares.

However, the Company has in the Shareholders Agreement granted to COF preemptive rights in the event of any issuance of additional equity securities (or securities convertible into or exchangeable for equity securities) by the Company, such that COF may subscribe for additional securities in order to maintain its then percentage ownership interest in the issued and outstanding equity securities of the Company. See the risk factor entitled "Obligations under the Amended and Restated Shareholders Agreement."

#### **10.2.8 Variation of Rights**

We may issue more than one class of shares and more than one series of shares in each class. The rights attached to any class of shares may be altered or abrogated either:

- with the consent in writing of the holders of more than fifty percent of the issued shares of that class; or

- pursuant to a resolution of the holders of such shares.

The Bye-Laws provide that the necessary quorum shall be two or more persons present in person or by proxy holding shares of the relevant class. The Bye-Laws specify that the creation or issuance of shares ranking pari passu with existing shares will not, subject to any statement to the contrary in the terms of issuance of those shares or rights attached to those shares, vary the special rights attached to existing shares.

#### **10.2.9 Transfer of Common Shares**

Subject to the “Transfer Restrictions” section below, a shareholder may transfer title to all or any of his shares by completing an instrument of transfer in the usual common form or in such other form as the Board of Directors may approve. The form of transfer is required to be signed by or on behalf of the transferor and also the transferee where any share is not fully paid. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Register of Members.

#### **10.2.10 Transfer Restrictions**

The Board of Directors may, in its absolute discretion and without assigning any reason therefore, decline to register any transfer of any share which is not a fully paid share. The Board of Directors may also refuse to register an instrument of transfer of a share unless the instrument of transfer:

- is duly stamped, if required by law, and lodged with us;
- is accompanied by the relevant share certificate and such other evidence of the transferor’s right to make the transfer as the Board of Directors shall reasonably require;
- is in respect of one class of shares; and
- has obtained, where applicable, permission of the Bermuda Monetary Authority.

Our Common Shares are traded on the NASDAQ Stock Market, Inc. as of April 2011, which qualifies as an “appointed stock exchange” for purposes of the Companies Act and the Bermuda Exchange Control Act and regulations made thereunder, in particular a notice to the public dated 1 June 2005. Accordingly, our Common Shares benefit from a general permission for free transferability for all transfers between persons who are not resident in Bermuda for exchange control purposes, for as long as such Common Shares remain listed on an appointed stock exchange.

The Company, PEWC and COF (as successor-in-interest to SOF), are parties to the Amended and Restated Shareholders Agreement which provides, among other things, for certain transfer restrictions, notice requirements and tag-along rights in the event PEWC wishes to transfer any of its Common Shares in certain types of transactions.

#### **10.2.11 Transmission of Shares**

In the event of the death of a shareholder, the survivor or survivors, where the deceased shareholder was a joint holder, and the estate representative, where the deceased shareholder was sole holder, shall be the only persons recognized by us as having any title to the shares of the deceased. “Estate representative” means the person to whom probate or letters of administration has or have

been granted in Bermuda, or failing any such person, such other person as the Board of Directors may in its absolute discretion determine to be the person recognized by us for this purpose.

#### **10.2.12 Disclosure of Interests**

Under the Companies Act, a director who has an interest in a material contract or a proposed material contract, or a 10% or more interest (directly or indirectly) in an entity that is interested in a contract or proposed contract or arrangement with us, is obligated to declare the nature of such interest at the first opportunity at a meeting of the Board of Directors, or by writing to the Board of Directors. If the director has complied with the relevant sections of the Companies Act and the Bye-Laws with respect to the disclosure of his interest, the director may vote at a meeting of the Board of Directors or a committee thereof on a contract, transaction or arrangement in which that director is interested, in which case his vote shall be counted and he shall be taken into account in ascertaining whether a quorum is present.

#### **10.2.13 Rights in Liquidation**

Under Bermuda law, in the event of liquidation or winding-up of a company, after satisfaction in full of all claims of creditors and subject to the preferential rights accorded to any series of preferred stock, the proceeds of such liquidation or winding-up are distributed among the holders of shares in accordance with a company's bye-laws.

Under our Bye-Laws, if we are wound up, the liquidator may, pursuant to a resolution of the shareholders and any approval required by the Companies Act, divide among the shareholders in cash or other assets the whole or part of our assets, whether such assets shall consist of property of the same kind or not, and may for such purposes set such values as such liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders.

#### **10.2.14 Meetings of Shareholders**

Under Bermuda law, a company, unless it elects to dispense with the holding of annual general meetings, is required to convene at least one general meeting per calendar year. The directors of a company, notwithstanding anything in such company's bye-laws, shall, on the requisition of the shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the company carrying the right of vote, duly convene a special general meeting. Our Bye-Laws provide that the Board of Directors may, whenever it thinks fit, convene a special general meeting.

Bermuda law requires that shareholders be given at least five days' notice of a meeting of the Company. Our Bye-Laws extend this period to provide that not less than 20 days' written notice of a general meeting must be given to those shareholders entitled to receive such notice. The accidental omission to give notice to or non-receipt of a notice of a meeting by any person does not invalidate the proceedings of a meeting.

Our Bye-Laws state that no business can be transacted at a general meeting unless a quorum of at least two shareholders representing a majority of the issued shares of the Company are present in person or by proxy and entitled to vote.

Under our Bye-Laws, notice to any shareholders may be delivered either personally or by sending it through the post, by airmail where applicable, in a pre-paid letter addressed to the shareholder at his address as appearing in the share register or by delivering it to, or leaving it at, such registered address.

Any notice sent by post shall be deemed to have been served seven (7) days after dispatch. A notice of a general meeting is deemed to be duly given to the shareholder if it is sent to him by cable, telex or tele-copier or other mode of representing or reproducing words in a legible and non-transitory form and such notice shall be deemed to have been served twenty-four (24) hours after its dispatch.

#### **10.2.15 Access to Books and Records and Dissemination of Information**

Under Bermuda law, members of the general public have the right to inspect the public documents of a company available at the office of the Bermuda Registrar of Companies. These documents include the memorandum of association and any amendment to the memorandum of association.

Under Bermuda law, the minutes of shareholder meetings will be open for inspection by any shareholder or director without charge for not less than two hours during business hours each day, subject to any reasonable restrictions that we may impose. The shareholders shall be entitled to receive a copy of every balance sheet and statement of income and expenditure before a general meeting as required under the Bye-Laws.

Under our Bye-Laws, unless the Board otherwise determines, the register of shareholders of the Company is required to be open for inspection between 10:00 a.m. and 12:00 noon each working day without charge to members of the general public. A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside of Bermuda. We have established a branch register with our transfer agent, Computershare Limited, which is based in Jersey City, New Jersey.

Under Bermuda Law, a company is required to keep at its registered office a register of its directors and officers that is open for inspection for not less than two hours in each day by members of the public without charge. Under our Bye-Laws, the register of directors and officers is available for inspection by the public between 10:00 a.m. and 12:00 noon every working day.

Bermuda law does not provide a general right for shareholders to inspect or obtain copies of any other corporate records, except for the Bye-Laws of the Company.

#### **10.2.16 Election or Removal of Directors**

The Bye-Laws provide that the number of directors will be such number, not less than two, as our shareholders by resolution may from time to time determine. A director will serve until re-elected or his successor is appointed at the next annual general meeting or his prior removal in the manner provided by the Companies Act or the Bye-Laws. There is no requirement under Bermuda law, the Company's memorandum of association or its Bye-Laws that a majority of the Company's directors be independent.

The Bye-Laws provide that each director shall have one vote on all matters presented to the Board for a vote. At the Annual General Meeting held on October 5, 2012, all nine directors then in office were re-elected.

The shareholders may by resolution determine that one or more vacancies in the Board of Directors shall be deemed casual vacancies for the purposes of the Bye-Laws. The Board, so long as a quorum of directors remains in office, shall have the power at any time and from time to time to appoint any individual to be a director so as to fill a casual vacancy. The shareholders may approve the appointment of alternate directors or may authorize the Board to appoint them. Directors may also

appoint and remove their own alternates. At the Annual General Meeting held on October 5, 2012, the shareholders approved the reservation of one directorship as a casual vacancy.

We may, in a special general meeting called for this purpose, remove a director, provided notice of such meeting is served upon the director concerned not less than fourteen days before the meeting and he shall be entitled to be heard at that meeting.

The office of a director will be vacated in the event of any of the following:

- if he resigns his office by notice in writing to be delivered to our registered office or tendered at a meeting of the Board of Directors;
- if he becomes of unsound mind or a patient for any purpose under any statute or applicable law relating to mental health and the Board of Directors resolves that his office is vacated;
- if he becomes bankrupt or enters into a general settlement with his creditors;
- if he is prohibited by law from being a director; or
- if he ceases to be a director by virtue of the Companies Act or is removed from office pursuant to the Bye-Laws.

#### **10.2.17 Amendment of Memorandum of Association and Bye-Laws**

Bermuda law provides that the memorandum of association of a company may be amended by resolution passed at a general meeting of which due notice has been given. An amendment to a memorandum of association does not require the consent of the Minister of Finance save for specific circumstances, for example, the adopting of any authority to carry on restricted business activities.

Under Bermuda law, the holders of:

- an aggregate of not less than twenty percent in par value of a company's issued share capital or any class thereof; or
- not less in the aggregate than twenty percent of the company's debentures entitled to object to amendments to its memorandum of association,

have the right to apply to the Supreme Court of Bermuda for an annulment of any amendment of the memorandum of association. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda Supreme Court. An application for an annulment of an amendment of the memorandum of association must be made within twenty-one days after the date on which the resolution amending the memorandum of association is passed and may be made on behalf of the persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose.

Our Bye-Laws may be amended in the manner provided for in the Companies Act, which provides that the directors may amend the Bye-Laws, provided that any such amendment shall be effective only to the extent approved by the shareholders.

### **10.2.18 Merger or Amalgamation**

The Companies Act provides that two or more Bermuda companies may merge and their undertaking, property and liabilities shall vest in one of such companies as the surviving company (referred to as a “merger” under Bermuda law). The Companies Act also provides that a Bermuda company may amalgamate with another company and continue as an amalgamated company (referred to as an “amalgamation” under Bermuda law). A merger or amalgamation requires a merger or amalgamation agreement which must be approved by the board of directors and at a meeting of the shareholders by seventy-five percent of the shareholders present and entitled to vote at such meeting in respect of which the quorum shall be two persons holding or representing by proxy more than one-third of the issued shares of the company. These provisions do not apply where a holding company is merging or amalgamating with one or more of its wholly-owned subsidiaries or where two or more wholly-owned companies of the same holding company are merging or amalgamating.

Under Bermuda law, in the event of a merger or an amalgamation of a Bermuda company, a shareholder who did not vote in favor of the transaction and who is not satisfied that fair value has been offered for the shares, may apply to the Supreme Court of Bermuda within one month of notice of the meeting of shareholders to appraise the fair value of those shares.

### **10.2.19 Class Actions and Derivative Actions**

Class actions, as they are commonly understood in the United States, are not available to shareholders under Bermuda law. Derivative actions are generally only available to shareholders under Bermuda law in very limited circumstances. A shareholder may commence an action in the name of a company to remedy a wrong done to the company where the wrongdoers are in control of the company and the act complained of is of a fraudulent character, oppressive, beyond the corporate power of the company, illegal or would have required the approval of a greater percentage of the company’s shareholders than those that actually approved it. A shareholder may not commence such an action where the wrong complained of is capable of ratification by the company in a general meeting by ordinary resolution.

When one or more shareholders believes the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interest of some of the shareholders, the Supreme Court of Bermuda, upon petition, may make such order as it sees fit, including an order regulating the conduct of the company’s affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company, and in the case of a purchase of the shares by the company, for the reduction accordingly of the company’s capital or otherwise.

### **10.2.20 Personal Liability of Directors and Indemnity**

The Companies Act requires every officer, including directors, of a company in exercising powers and discharging duties, to act honestly in good faith with a view to the best interests of the company, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Companies Act further provides that any provision, whether in the bye-laws of a company or in any contract between the company and any officer or any person employed by the company as auditor, exempting such officer or person from liability, or indemnifying him against any liability which by virtue of any rule of law would otherwise attach to him, in respect of any fraud or dishonesty of which he may be guilty in relation to the company, shall be void.

Every director, officer and committee member shall be indemnified out of our funds against all civil liabilities, loss, damage or expense including liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly

payable, incurred or suffered by him as director, officer or committee member; provided that the indemnity contained in the Bye-Laws will not extend to any matter which would render it void under the Companies Act as discussed above.

### **10.2.21 Exchange Controls**

We have been designated by the Bermuda Monetary Authority as a non-resident under the Exchange Control Act of 1972 (the “Exchange Control Act”). This designation allows us to engage in transactions in currencies other than the Bermuda dollar.

The transfer of Common Shares between persons regarded as resident outside Bermuda for exchange control purposes and the issue of Common Shares to such persons may be effected without specific consent under the Exchange Control Act and regulations thereunder, provided the Common Shares are listed on an appointed stock exchange.

Notwithstanding the recording of any special capacity, we are not bound to investigate or incur any responsibility in respect of the proper administration of any estate or trust.

We will take no notice of any trust applicable to any of our Common Shares whether or not we had notice of such trust.

As an “exempted company,” we are exempt from Bermuda laws which restrict the percentage of share capital that may be held by non-Bermudians. However, as an exempted company we may not participate in certain designated business transactions, which we do not consider relevant to our present or planned business activities.

### **10.3 Material Contracts**

#### *Composite Services Agreement (“CSA”)*

The Company engages in transactions in the ordinary course of business with PEWC, including the purchase of certain raw materials and the distribution of PEWC products in various countries in the Asia Pacific region. The Company and PEWC are parties to a composite services agreement dated November 7, 1996 (the “Composite Services Agreement” or “CSA”), which the Company has renewed annually, at its option. The Composite Services Agreement contains provisions that define the relationship and the conduct of the respective businesses of the Company and PEWC and confers certain preferential benefits on the Company. In 2011 there were no material changes to the CSA between APWC and PEWC. Pursuant to the Composite Services Agreement,

- PEWC agrees to (a) sell copper rod to the Company, upon the Company’s request, (i) at a price consisting of the spot price of copper on the LME plus an agreed upon premium and (ii) at prices and on terms at least as favorable as PEWC provides copper rod to other purchasers of similar amounts of copper rod in the same markets, and (b) give priority in the supply of copper rod to the Company over other purchasers of copper rod from PEWC.
- The Company has the right to distribute any wire or cable product manufactured by PEWC in all markets in which the Company presently distributes or develops the capability to distribute in the future such products on such terms as have historically been in effect or on terms at least as favorable as PEWC grants to third parties that distribute such products in such markets. However, PEWC is not required to grant to the Company the right to distribute products manufactured by PEWC in the future in markets where the Company does not

currently have the capability to distribute unless and until PEWC has no pre-existing contractual rights which would conflict with the grant of such right to the Company.

- Each of PEWC and the Company will notify the other party prior to entering into any negotiations with a third party concerning the establishment of any facility or similar venture to manufacture or distribute any wire or cable product outside of the markets where the Company currently manufactures or distributes, or intends to develop the capability to manufacture or distribute, any wire or cable product. Unless the Company and PEWC mutually agree otherwise, the Company has the right of first refusal to enter into any definitive agreement with such third party. If, however, such third party would not agree to the substitution of the Company for PEWC or such substitution would prevent the successful completion of the facility or venture, PEWC has agreed to arrange for the Company to participate to the extent possible.
- PEWC agrees to make available to the Company, upon the Company's request and on terms to be mutually agreed between PEWC and the Company from time to time, certain services with respect to the design and manufacture of wire and cable products, computerization, inventory control, purchasing, internal auditing, quality control, emergency back-up services, and recruitment and training of personnel; such services may include the training of the Company's employees and managers at PEWC facilities and the secondment of PEWC employees and managers to the Company.
- Without the consent of the Company, PEWC will not compete with respect to the manufacture or distribution of wire and cable products in any market in which the Company is manufacturing or has taken significant steps to commence manufacturing.
- For purposes of the Composite Services Agreement, each province in China is considered the equivalent of a country.

To the extent that transactions occur in the future between the Company and PEWC or affiliates of PEWC other than under the Composite Services Agreement, such transactions will be entered into on an arm's length basis on terms no less favorable than those available from unaffiliated third parties.

#### *Amended and Restated Shareholders Agreement*

In connection with the 2007 acquisition by SOF of twenty percent (20%) of the Company's issued and outstanding Common Shares, the Company, PEWC and SOF entered into Shareholders Agreement, pursuant to which the Company granted to SOF certain rights and protections. Under the Shareholders Agreement, the Company agreed to indemnify the SOF Indemnified Persons (as defined in the Shareholders Agreement) for any additional taxes, interest, penalties and other costs that might be imposed upon or incurred by the SOF Indemnified Persons in the event that the Company is determined by the IRS to be a "controlled foreign corporation" (a "CFC") or a "passive foreign investment company" (a "PFIC") as such terms are interpreted and defined under IRS rules or regulations. In addition, under the Shareholders Agreement, the Company granted to SOF certain registration rights with respect to the Common Shares owned by it, including the undertaking by the Company to prepare and file a shelf registration statement, and the further right of SOF to exercise two demand registration rights with regard to its Common Shares and to further exercise certain piggyback registration rights in connection with its Common Shares. The Shareholders Agreement was amended and restated on March 27, 2009 in connection with the sale by SOF to PEWC of 51% of the Common Shares held by SOF. However, the foregoing rights of SOF have been preserved in the Amended and Restated Shareholders Agreement notwithstanding its sale of 51% of its original interest in APWC. As of July 1, 2011, COF succeeded to all of the right, title and interest in the Common

Shares then held by SOF. Each of the rights of SOF under the Shareholders Agreement was conveyed to, and is now held by, COF. For a further description of the Company's obligations under the Shareholders Agreement, see the risk factor entitled "Obligations under Amended and Restated Shareholders Agreement."

## **10.4 Taxation**

The following is a summary of the material tax consequences of the acquisition, ownership and disposition of Common Shares based on the tax laws of the United States and Bermuda, subject to the assumptions, qualifications and limitations in our discussion below. Such summary is subject to changes in United States and Bermuda law, including changes that could have retroactive effect. The following summary does not take into account the individual circumstances of an investor, nor does it purport to be a complete technical analysis or examination of all potential tax effects relevant to a decision to purchase Common Shares, including without limitation, the tax laws of the various states or localities within the United States.

### **10.4.1 United States Taxation**

The following is a summary of the material United States federal income tax consequences of the acquisition, ownership and disposition of Common Shares by a U.S. Holder (as defined below) and a Non-U.S. Holder (as defined below), in each case, subject to the assumptions, qualifications and limitations in our discussion below. Such summary is subject to changes in United States law, including changes that could have retroactive effect. The summary does not purport to be a comprehensive description of all possible tax considerations that may be relevant to a decision to purchase Common Shares. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), regulations promulgated under the Code by the U.S. Treasury Department (the "Treasury") (including proposed and temporary regulations), rulings, current administrative interpretations and official pronouncements of the IRS, and judicial decisions, all as currently in effect and all of which are subject to differing interpretations or to change, possibly with retroactive effect. Such change could materially and adversely affect the tax consequences described below. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. Further, this summary does not discuss any foreign, state or local tax consequences.

In particular, this summary deals only with Common Shares held as capital assets and does not address the United States tax treatment of U.S. Holders and Non-U.S. Holders that are subject to special treatment under the Code, such as dealers in stocks, securities, or currencies, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, financial institutions, insurance companies, tax-exempt entities, real estate investment trusts, regulated investment companies, qualified retirement plans, individual retirement accounts, and other tax deferred accounts, expatriates of the United States, persons subject to the alternative minimum tax, persons holding shares as part of a hedging or conversion transaction or a straddle, or other integrated transaction, persons who acquired Common Shares pursuant to the exercise of any employee stock option or otherwise as compensation for services, or persons whose functional currency is not the United States dollar or who own (directly, indirectly or by attribution) 10% or more of the stock of the Company. This discussion is limited to investors who hold their shares as capital assets. No ruling has been or will be sought from the IRS regarding any matter discussed herein. Counsel to the Company has not rendered any legal opinion regarding any tax consequences to the Company or others of an investment in the Company. Consequently, prospective purchasers who are U.S. Holders or Non-U.S. Holders are advised to satisfy themselves as to the overall United States federal, state, local and foreign tax consequences of their acquisition, ownership and disposition of Common Shares by consulting their own tax advisors.

As used herein, the term “U.S. Holder” means a beneficial owner of Common Shares that is (i) a citizen or resident of the United States, (ii) a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States or any state (or the District of Columbia), (iii) an estate, the income of which is subject to United States federal income tax regardless of its source, or (iv) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more “United States persons” (as defined in Section 7701(a)(30) of the Code) has the authority to control all substantial decisions of the trust, or, to the extent provided in the Regulations, certain trusts in existence on August 20, 1996, and treated as U.S. Persons prior to such date, that elect to be treated as U.S. Persons.

The term “Non-U.S. Holder” means a beneficial owner of Common Shares that is not a U.S. Holder. As described in “Taxation of Non-U.S. Holders” below, the consequences to a Non-U.S. Holder may differ substantially from the tax consequences to a U.S. Holder.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of Common Shares, the U.S. federal income tax consequences to a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. A holder of Common Shares that is a partnership and the partners in such partnership should consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of Common Shares.

#### *U.S. Federal Income Taxation of the Company*

The Company expects that it will be treated as a foreign corporation for U.S. federal income tax purposes, and it will make no election to the contrary. As a foreign corporation, subject to the rules discussed below, the income, gains, losses, deductions and expenses of the Company will not be passed through to the investors, and all distributions by the Company to the investors will be treated as dividends, return of capital, and/or capital gains.

The Company currently does not conduct activities in the United States and expects that it will continue to conduct activities in a manner so as not to constitute the conduct of a trade or business in the United States or, invest in securities the income from which is treated, for U.S. federal income tax purposes, as arising from a U.S. trade or business. As a result, the income of the Company generally should not be subject to U.S. federal income tax on a net income basis. However, gains realized from certain investments in United States real property interests by foreign persons, such as the Company, may be subject to U.S. federal income tax on a net basis, withholding tax and a branch profits tax. Debt instruments with an equity component linked to a United States real property interest and stock in certain United States corporations holding significant real property interests may be considered United States real property interests taxable as described above.

#### *Taxation of U.S. Holders*

The discussion in “Taxation of Dividends” and “Taxation of Capital Gains” below assumes that the Company will not be treated as a PFIC for U.S. federal income tax purposes. For a discussion of the rules that apply if the Company is treated as a PFIC, see the discussion in “Passive Foreign Investment Company” below.

#### *Taxation of Dividends*

The Company has never declared or paid any cash dividends and does not presently anticipate paying dividends. A U.S. Holder receiving a distribution with respect to Common Shares generally

will be required to include such distribution in gross income (as ordinary income subject to regular, and not reduced, tax rates) on the day received as foreign-source dividend income to the extent such distribution is paid from the Company's current or accumulated earnings and profits (as determined under United States federal income tax principles). Such dividends will not be eligible for the dividends received deduction (generally allowed to certain United States corporations in respect of dividends received from United States corporations). U.S. Holders that are corporations and directly own 10% or more of the voting stock of the Company may be entitled to claim a foreign tax credit for United States federal income tax purposes in respect of foreign taxes paid by the Company and certain subsidiaries. However, if a U.S. Holder claims the foreign tax credit, it must "gross-up" the deemed tax payment and treat the grossed-up amount as part of the dividend distribution, so that the amount included in income is equal to the dividend received plus the amount of the foreign tax deemed paid by such U.S. Holder.

Under U.S. federal income tax laws, a dividend paid to an individual U.S. shareholder from either a domestic corporation or a "qualified foreign corporation" is subject to tax at the reduced rates applicable to certain capital gains. A qualified foreign corporation includes certain foreign corporations that are eligible for benefits of a comprehensive income tax treaty with the United States which the Secretary of the Treasury determines is satisfactory for purposes of this provision and which includes an exchange of information program. In addition, a foreign corporation not otherwise treated as a qualified foreign corporation is so treated with respect to any dividend it pays if the stock with respect to which it pays such dividend is readily tradable on an established securities market in the United States.

In the absence of a comprehensive income tax treaty between the United States and Bermuda, the Company will not be treated as a "qualified foreign corporation" under the treaty test. So long as the Company is not a PFIC (as discussed below), dividends paid by the Company to individual shareholders would qualify for these reduced rates if its stock was treated as readily tradable on an established securities market in the United States.

In Notice 2003-71, 2003-2 C.B. 922, the IRS determined that common or ordinary stock, or an American depository receipt in respect of such stock, is considered readily tradable on an established securities market in the United States if it is listed on a national securities exchange that is registered under Section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f) or on the Nasdaq Stock Market. As stated in the SEC's Annual Report for 2002, registered national exchanges as of September 30, 2002 include the American Stock Exchange (now known as NYSE Amex Equities), the Boston Stock Exchange, the Cincinnati Stock Exchange, the Chicago Stock Exchange, the NYSE, the Philadelphia Stock Exchange, and the Pacific Exchange, Inc.

For so long as the Common Shares continue to be traded on NASDAQ, or are readily tradable on any other established securities market in the United States, any dividends paid by the Company should qualify for the reduced rates referred to above so long as they remain in effect.

To the extent any distribution exceeds the current and accumulated earnings and profits of the Company for a taxable year, the distribution will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted tax basis in the Common Shares with respect to which the distribution is made, causing a reduction in the adjusted basis of the Common Shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by the U.S. Holder on a subsequent disposition of the Common Shares). To the extent such distribution exceeds the U.S. Holder's adjusted tax basis in the Common Shares, such excess will be treated as capital gain.

### *Taxation of Capital Gains*

A U.S. Holder will recognize taxable gain or loss on any sale, exchange or other disposition of Common Shares (including a liquidation, dissolution or as a result of a non-pro rata redemption of Common Shares that qualified for treatment as a sale or exchange for United States federal income tax purposes) in an amount equal to the difference between the amount realized for the Common Shares and the U.S. Holder's adjusted tax basis in the Common Shares. Such gain or loss generally will be treated as capital gain or loss and will be long-term capital gain or loss if the Common Shares have been held for more than one year on the date of the sale, exchange or other disposition thereof, and will be short-term capital gain or loss if the Common Shares have been held for one year or less on the date of the sale or exchange thereof. Any gain recognized by a U.S. Holder generally will be treated as United States source income. In general, an individual's short-term capital gains are taxable as ordinary income and an individual's long-term capital gains are subject to U.S. federal income tax at preferential rates.

Long-term capital gains of corporations generally are subject to the U.S. federal income tax at a current maximum marginal rate of 35%. Short-term capital gain generally is taxable at ordinary income rates. Although capital gains of corporations currently are taxed at the same rates as ordinary income, the distinction between capital gain and ordinary income or loss is relevant for purposes of, among other things, limitations on the deductibility of capital losses. Corporations may deduct capital losses only to the extent of capital gains and generally may carry back capital losses to each of the preceding three years and carry forward capital losses to each of the succeeding five years. Individuals may deduct capital losses to the extent of capital gains plus up to \$3,000 (\$1,500 for married individuals filing separate returns) and may carry forward capital losses indefinitely.

### *Backup Withholding*

In general, information reporting requirements may be applicable to dividend payments (or other taxable distributions) made in respect of Common Shares to non-corporate U.S. Holders, and "backup withholding" at the rate of 28% will apply to such payments (i) if the holder or beneficial owner fails to provide a taxpayer identification number in the manner required by U.S. law and applicable regulations, (ii) if the IRS notifies the payor that the taxpayer identification number furnished by the holder or beneficial owner is incorrect, (iii) if there has been notification from the IRS of a failure by the holder or beneficial owner to report all interest or dividends required to be shown on its United States federal income tax returns or (iv) in certain circumstances, if the holder or beneficial owner fails to comply with applicable certification requirements. In general, payment of the proceeds from a sale of Common Shares to or through a United States office of a broker is subject to both United States backup withholding and information reporting unless the holder or beneficial owner establishes an exemption. U.S. Holders who are required to establish their exempt status generally must provide such certification on IRS Form W-9. Amounts withheld under the backup withholding rules may be credited against a holder's tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS. Payment of the proceeds from the sale of Common Shares effected outside the United States by a foreign office of certain United States connected brokers will not be subject to backup withholding tax but will be subject to information reporting requirements unless the broker has documentary evidence in its records that the beneficial owner is a non-U.S. Holder and has no actual knowledge to the contrary, or the beneficial owner otherwise establishes an exemption.

### *Passive Foreign Investment Company*

In general, the Company will be treated as a PFIC for United States federal income tax purposes for any taxable year if either (i) at least 75% of the gross income of the Company is passive income or

(ii) at least 50% of the value (determined on the basis of a quarterly average) of the Company's assets is attributable to assets that produce or are held for the production of passive income. The Company believes, based on its current operations and assets, that it is not a PFIC and does not expect to become a PFIC in the future. This conclusion is a factual determination based on, among other things, a valuation of the Company's assets, which will likely change from time to time.

If the Company were a PFIC for any taxable year during which a U.S. Holder held Common Shares, the U.S. Holder would be subject to special tax rules with respect to (i) any "excess distribution" by the Company to the U.S. Holder (generally any distribution received by the U.S. Holder in a taxable year that is greater than 125% of the average annual distribution received by the U.S. Holder in the three preceding taxable years, or the U.S. Holder's holding period for the Common Shares, if shorter) and (ii) any gain realized on the sale or other disposition (including a pledge) of Common Shares.

Under these special tax rules, (i) the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period for the Common Shares, (ii) the amount allocated to the U.S. Holder's current taxable year and to any period prior to the first taxable year in which the Company was a PFIC would be includible as ordinary income in the U.S. Holder's current taxable year and (iii) the amount allocated to a prior year during which the Company was a PFIC would be subject to tax at the highest tax rate in effect for that year, and an interest charge would also be imposed with respect to the resulting tax attributable to each such prior year. The interest charge is computed using the applicable rates imposed on underpayments of United States federal income tax for the relevant periods.

The above rules will not apply if a "mark-to-market" election is available and a U.S. Holder validly makes such an election by filing a properly completed IRS Form 8621. If such election were made, a U.S. Holder generally would be required to take into account the difference, if any, between the fair market value and its adjusted tax basis in the Common Shares at the end of each taxable year as ordinary income or ordinary loss (to the extent of any net mark-to-market gains previously included in income). Thus, the U.S. Holder may recognize taxable income without receiving any cash to pay its tax liability with respect to such income. A U.S. Holder's tax basis in the Common Shares would be adjusted to reflect any such income or loss amount. In addition, any gain from a sale, exchange or other disposition of the Common Shares would be treated as ordinary income, and any loss would be treated as ordinary loss (to the extent of any net mark-to-market gains previously included in income). A mark-to-market election is available to a U.S. Holder only if the Common Shares are considered "marketable stock" for these purposes. Generally, shares of a PFIC will be considered marketable stock if they are "regularly traded" on a "qualified exchange" within the meaning of applicable U.S. Treasury regulations. A class of shares is regularly traded during any calendar year during which such class of shares is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. A "qualified exchange" is defined to include a national securities exchange registered with the SEC or certain foreign exchanges. As the Common Shares of the Company commenced trading on the NASDAQ beginning on April 29, 2011, the mark-to-market election under the rules discussed above is available if the Company were otherwise classified as a PFIC, for so long as the Common Shares continue to be regularly traded on NASDAQ or another qualified exchange.

The special tax rules described above will also not apply to a U.S. Holder if the U.S. Holder elects to have the Company treated as a "qualified electing fund" (a "QEF election") and the Company provides certain information to U.S. Holders. If the Company is treated as a PFIC, it will notify the U.S. Holders and provide such holders with the information necessary to make an effective QEF election, including information as to the procedures for making such an election. The QEF election is made on a shareholder-by-shareholder basis and can ordinarily be revoked only with the consent of the IRS.

A U.S. Holder that makes a valid QEF election will be currently taxable on its pro rata share of the Company's ordinary earnings and net capital gain (at ordinary income and capital gains rates, respectively) for each taxable year that the Company is classified as a PFIC, regardless of whether distributions are received. Thus, the U.S. Holder may recognize taxable income without receiving any cash to pay its tax liability with respect to such income. The U.S. Holder's basis in the Common Shares will be increased to reflect taxed but undistributed income. Distributions of income that have been previously taxed will result in a corresponding reduction of basis in the Common Shares and will not be taxed again as a distribution to the U.S. Holder.

A U.S. Holder owning Common Shares during any year that the Company is a PFIC must file IRS Form 8621. U.S. Holders should consult their tax advisors concerning the United States federal income tax consequences of holding Common Shares and of making a mark-to-market or QEF election if the Company is treated as a PFIC in the future.

#### *Controlled Foreign Corporation*

A non-U.S. corporation generally will be a CFC for U.S. tax purposes if United States shareholders collectively own more than 50 percent of the total combined voting power or total value of the corporation's stock on any day during any taxable year. For this purpose, United States shareholders are limited to those U.S. persons who own, directly, indirectly or constructively, 10 percent or more of the total combined voting power of all classes of stock of the non-U.S. corporation. If a corporation is a CFC for an uninterrupted period of 30-days in any tax year, every United States shareholder that owns stock on the last day of the CFC's tax year, must include in gross income such shareholder's pro rata share of the CFC's "subpart F income" and income from investments in certain types of U.S. property (i.e., tangible personal property located in the United States, stock of a United States corporation, an obligation of a United States person, or a right to use patents, copyrights, and other similar property in the United States) even if the income has not been distributed to the shareholders in the form of dividends or otherwise. Subpart F income consists of certain specified categories of income including, among others, dividends, interest, rents, royalties, net gains from the sale of property giving rise to such income and income from certain types of transactions involving "related persons" as defined for U.S. federal income tax purposes.

#### Taxation of Non-U.S. Holders

##### *Taxation of Dividends*

Subject to the discussion in "Backup Withholding" below, Non-U.S. Holders generally will not be subject to U.S. federal income tax, including withholding tax, on distributions received on Common Shares, unless the distributions are effectively connected with a trade or business conducted in the United States (and, if an applicable income tax treaty so requires, attributable to a permanent establishment maintained in the United States).

If distributions are effectively connected with a U.S. trade or business (and, if applicable, attributable to a U.S. permanent establishment), Non-U.S. Holders generally will be subject to tax on such distributions in the same manner as U.S. Holders, as described in "Taxation of U.S. Holders — Taxation of Dividends" above. In addition, any such distributions received by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

##### *Taxation of Capital Gains*

Gain realized by Non-U.S. Holders upon the sale or exchange or complete redemption of Common Shares held as a capital asset generally should not be subject to United States federal income tax provided that the gain is not effectively connected with a trade or business conducted in the United States (and, if an applicable tax treaty so requires, attributable to a permanent establishment maintained in the United States). However, in the case of nonresident alien individuals, such gain will be subject to the 30% (or lower tax treaty rate) U.S. flat tax if (i) such person is present in the United States for 183 days or more during the taxable year (on a calendar year basis unless the nonresident alien individual has previously established a different taxable year) and certain other conditions are met; and (ii) such gain is derived from U.S. sources.

Generally, the source of gain upon the sale or exchange or complete redemption of Common Shares is determined by the place of residence of the shareholder. For purposes of determining the source of gain, the Code defines residency in a manner that may result in an individual who is otherwise a nonresident alien with respect to the United States being treated as a United States resident for purposes of determining the source of income only. Each potential individual investor who anticipates being present in the United States for 183 days or more (in any taxable year) should consult a separate, outside tax advisor with respect to the possible application of this rule.

Special rules may apply in the case of shareholders (i) that have an office or fixed place of business in the United States to which a distribution or gain in respect of the Common Shares is attributable; or (ii) that are former citizens or residents of the United States, CFCs, foreign personal holding companies or corporations that accumulate earnings to avoid United States federal income tax. Such persons in particular are urged to consult their United States tax advisors before investing in the Company.

#### *Backup Withholding*

In the case of Common Shares held by a Non-U.S. Holder, or held in the United States by a custodian or nominee for a Non-U.S. Holder, U.S. back-up withholding taxes may apply to distributions in respect of such Common Shares unless such Non-U.S. Holder properly certifies as to its non-U.S. status using IRS Form W-8.

Backup withholding is not an additional tax. Amounts withheld as backup withholding from a payment to a Non-U.S. Holder may be credited against his U.S. federal income tax liability and a Non-U.S. Holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

#### *Future Tax Legislation*

Future amendments to the Code, other legislation, new or amended U. S. Treasury Regulations, administrative rulings or guidance by the IRS, or judicial decisions may adversely affect the federal income tax aspects of an investment in the Company, with or without advance notice, and retroactively or prospectively.

#### *U.S. Treasury Circular 230 Notice*

Any United States federal tax advice included in this communication (a) was not intended to be used, and cannot be used, for the purpose of avoiding United States federal tax penalties, and (b) was not written to support the promotion or marketing of the transaction(s) or matter(s) addressed in the written advice. The taxpayer should seek advice based upon the taxpayer's particular circumstances from an independent tax adviser.

#### **10.4.2 Bermuda Taxation**

In the opinion of Appleby, the following discussion correctly describes the material tax consequences of the ownership of Common Shares under Bermuda law, subject to the assumptions, qualifications and limitations in the discussion below. Such summary is subject to changes in Bermuda law, including changes that could have retroactive effect.

Under current Bermuda law, there are no taxes on profits, income or dividends nor is there any capital gains tax. Furthermore, the Company has received from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act of 1966, as amended, an undertaking that, in the event that Bermuda enacts any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to the Company or to any of its operations, or the shares, debentures or other obligations of the Company, until March 31, 2035. This undertaking does not, however, prevent the imposition of any such tax or duty on such persons as are ordinarily resident in Bermuda and holding such shares, debentures or obligations of the Company or of property taxes on Company-owned real property or leasehold interests in Bermuda.

As an exempted company, the Company must pay to the Bermuda government an annual government fee calculated on a sliding-scale basis by reference to its assessable capital, that is, its authorized share capital plus any share premium.

There is no stamp duty or other transfer tax payable upon the transfer of shares in the Company by shareholders.

The United States does not have a comprehensive income tax treaty with Bermuda.

#### **10.5 Documents on Display**

We are required to comply with the reporting requirements of the Exchange Act, applicable to a foreign private issuer. We are currently required to file annually a Form 20-F no later than four months after the close of our fiscal year, which is December 31. Any time the Company is delinquent in filing timely any periodic reports, including an Annual Report on Form 20-F, with the SEC, that delinquency may adversely affect the Company's status on any exchange or quotation service on which its shares are listed or quoted and the Company may not be entitled to use certain abbreviated registration statements with the SEC in connection with the registration of any of its securities. We have previously been delinquent in filing our annual reports. As a result, the Company was delisted from the OTC BB and traded on the Pink Sheets. On April 9, 2008, trading in the Common Shares of the Company was restored to the OTC BB under the trading symbol "AWRCF". On April 29, 2011, the Common Shares of the Company commenced trading on the NASDAQ Capital Market tier under the trading symbol "APWC". On February 15, 2013, the Common Shares commenced trading on NASDAQ's Global Markets tier.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our reports and other information, when so filed, may be inspected and copied (at prescribed rates) at the public reference facilities maintained by the SEC at Judiciary Plaza, 100 F Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information. In addition, the SEC maintains a web site that contains information filed electronically with the SEC, which can be

accessed over the Internet at <http://www.sec.gov>. We have filed all our reports electronically since November 4, 2002. Such reports can be accessed over the Internet at <http://www.sec.gov>.

In addition, we post certain information regarding the Company and its operations on our website located at [www.apwcc.com](http://www.apwcc.com). Summary information regarding the Company posted on our website should not be considered to be a substitute for, or a restatement of, the more complete information regarding the Company, its results of operations and financial condition set forth in this Annual Report or other documents or information which we may file with the SEC.

## **Item 11: Quantitative and Qualitative Disclosures About Market Risks**

The Company has exposure to several quantitative market risks, including fluctuations in interest rates, foreign currency exchange rates and the pricing of commodities, principally copper, the Company's main raw material. Risk management measures undertaken by the Company include entering into derivative agreements covering foreign exchange rates and copper pricing, as well as copper forward pricing agreements. The Company does not purchase or sell derivative instruments for trading purposes. The Company does not engage in trading activities involving copper contracts for which a lack of marketplace quotations would necessitate the use of fair value estimation techniques.

### **11.1 Interest Rate Risk**

The Company is not currently a party to any derivative instruments to manage interest rate exposure. As in our line of business, derivative instruments would more commonly be employed to hedge the price of commodities, copper in our case.

### **11.2 Foreign Currency Risk**

The Company has exposure to fluctuations in currency exchange rates. The Company's revenues are generated primarily in the local currency in its principal operating jurisdictions; namely Thailand, China, Singapore and Australia. However, nearly all of the costs associated with the purchase of the Company's raw materials, including copper, and its capital expenditures, including ongoing equipment upgrade and maintenance programs, are in U.S. dollars.

As the Company's operating subsidiaries incur operating costs in the local currency where they operate, the Company believes it is prudent that those operating subsidiaries incur indebtedness in the local currency when debt financing is necessary. The amount of indebtedness incurred by our operating subsidiaries from time to time is a function of our business strategy, the attractiveness of borrowing as opposed to other methods of financing operations and tax implications, among other considerations. The Company has exposure to currency exchange risk when the results of its operating subsidiaries are translated from the local currency into the U.S. dollar. At December 31, 2011 and 2012, the other comprehensive income in the total equity section of the consolidated balance sheets included currency translation adjustments of negative \$1.4 million and \$7.3 million, respectively.

### **11.3 Market Risks Relating to Copper**

Copper is the principal raw material we use, accounting for a majority portion of the cost of sales in 2012. We purchase copper at prices based on the average prevailing international spot market prices on the LME for copper for the one month prior to purchase. The price of copper is influenced heavily by global supply and demand as well as speculative trading. As with other costs of production, changes in the price of copper may affect our cost of sales. Whether this has a material impact on our

operating margins and financial results depends primarily on our ability to adjust our selling prices to our customers, such that increases and decreases in the price of copper are reflected in those selling prices. The purchase price of our products is based in part on the cost of copper used to manufacture those products. In addition, in the ordinary course of business we maintain inventories of raw materials and finished products reasonably necessary for the conduct of our business. These inventories typically reflect the cost of copper prevailing in the market at the time we purchase. Most of our sales of Manufactured Products reflect copper prices prevailing at the time the products are ordered. A long-term decrease in the price of copper would require the Company to revalue the value of its inventory at periodic intervals to the then market value, which could be below cost. Copper prices have been subject to considerable volatility and it is not always possible to manage our copper purchases and inventory so as to neutralize the impact of copper price volatility. Accordingly, significant volatility in copper prices could have an adverse effect on our operations. No assurance can be given that such volatility will not recur.

The Company enters into copper purchase contracts for future delivery for the purpose of securing its source of copper. The Company entered into certain copper purchase contracts with copper suppliers in 2012. All of the purchase contracts are still open as of the reporting date and with a latest due date of December 2013.

#### **11.4 Fair Value of Designated Market-Sensitive Derivative Contracts**

(Not applicable)

#### **Item 12: Description of Securities Other Than Equity Securities**

(Not applicable)

## Part II

### Item 13: Defaults, Dividend Arrearages and Delinquencies

The Company has experienced no material default in the payment of principal, interest, a sinking or purchase fund installment, or any other material default not cured within 30 days relating to the Company's or any of its consolidated subsidiaries' indebtedness.

### Item 14: Material Modifications to the Rights of Security Holders and Use of Proceeds

(Not applicable)

### Item 15: Controls and Procedures

#### *Disclosure Controls and Procedures*

An evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the effectiveness of our disclosure controls and procedures in accordance with the provisions of Rule 13a-15 promulgated under the Securities Exchange Act of 1934, as amended. Based upon that evaluation and for the reasons stated in the management's report on internal control over financial reporting below, our management concluded that our disclosure controls and procedures were ineffective as of December 31, 2012.

#### *Management's report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Rule 13a-15(f) under the Securities Exchange Act of 1934.

Based on the Company's evaluation under the applicable framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), our management concluded that a material weakness in the Company's internal controls over financial reporting was identified.

In connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2012, our independent registered public accounting firm determined also the existence of a material weakness. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls.

Deficiencies were noted in our controls over complex and non-routine transactions in our financial statement closing process. These deficiencies were attributable to our decentralized reporting structure, our complex and manual consolidation process and inadequate reviews over account balances at the reporting date. The aggregate effect of these deficiencies represented a material weakness. Based on this assessment, the Company's management, including its CEO and CFO, concluded that the Company's internal control over financial reporting was ineffective as of December 31, 2012.

Management commenced to implement remedial measures to address this material weakness in 2013, including:

- 1) Before convening BOD meetings at all the subsidiaries, have them submit BOD agenda and after such meetings are concluded, forward a copy of the meeting minutes to APWC headquarters, so that major policy changes affecting financial results can be captured by the CFO and the finance team to perform assessment;
- 2) Have each of the subsidiaries review all policy changes on a regular basis and have each of them confirm such policy changes in its respective reporting package;
- 3) Coordinate Internal Control department's audit effort focusing on balance sheet review; and
- 4) Conduct more frequent visits by CFO and deputy CFO to subsidiaries' sites to inquire about accounting estimates and various assumptions used in producing financial statement results.

*Changes in internal control over financial reporting*

Except for the remedial measures described above, there were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during the last fiscal year, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 16A. Audit Committee Financial Expert**

During 2010 and until April 29, 2011, the Common Shares of the Company were traded on the over-the-counter bulletin board ("OTCBB"). As of April 29, 2011, the Common Shares of the Company trade on NASDAQ. While the Company's Common Shares were traded on the OTCBB, the Company was not required to have an audit committee that met the requirements of, nor was it required to have an audit committee financial expert as contemplated by, Regulation 10A-3 under the Exchange Act. During those periods of time when the Company did not have any independent directors, our full Board of Directors fulfilled the functions of an audit committee pursuant to Section 3(a)(58)(B) of the Exchange Act. On September 28, 2007, our Board appointed Mr. Anson Chan and Dr. Yichin Lee as independent directors to fill the two casual vacancies on the Board, and on March 17, 2011, a third independent Director – Dr. Lambert L. Ding was appointed, to constitute the members of the Audit Committee, with Mr. Chan serving as the Audit Committee's chairman and financial expert. The Audit Committee of the Company's Board of Directors now meets the requirements set forth in Regulation 10A-3 under the Exchange Act and under the rules of NASDAQ.

**Item 16B. Code of Ethics**

On April 26, 2005, the Company adopted a code of ethics applicable to its Chief Executive Officer and senior financial officers. A copy of the Company's code of ethics for senior executives is on file with the SEC.

**Item 16C. Principal Accountant Fees and Services**

*Audit Fees*

The aggregate fees for fiscal years 2012 and 2011 for professional services rendered by the principal accountant for the audit of the Company's annual financial statements totaled \$0.8 million and \$0.9 million, respectively.

*Audit-Related Fees*

No fees were billed for fiscal year 2012 or 2011 for assurance and audit-related services by the principal accountant other than as included in the figures provided in the preceding paragraph.

#### *Tax Fees*

The aggregate fees for fiscal years 2012 and 2011 for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning totaled approximately \$95,000 and \$34,000 respectively.

#### *All Other Fees*

The aggregate fees for fiscal years 2012 and 2011 for professional services rendered by the principal accountant for International Financial Reporting Standards conversion related services totaled approximately \$136,000 and \$nil, respectively.

#### *Audit Committee Approval*

The engagement of the accountant to render audit, audit-related and non-audit services is entered into pursuant to pre-approval policies and procedures established in the Charter of the Audit Committee of the Company. Each of the services described in this Item 16C was approved by the Audit Committee.

### **Item 16D. Exemptions from the Listing Standards for the Audit Committees**

The Audit Committee of the Company's Board of Directors consists of three directors, each of whom is independent, as such term is defined in Regulation 10A-3 promulgated under the Exchange Act, and one of whom is a financial expert.

### **Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

During 2012, the Company commenced a Share Buy-back Plan, pursuant to which the Company re-purchased a total of 9,300 Common Shares, with the most recent purchase taking place on January 10, 2013, at an average weighted price of \$3.38 per share. The Company announced the suspension of the Share Buy-back Plan on April 25, 2013. As of the date of the filing of this Annual Report, the Company has 13,830,769 Common Shares issued and 13,821,469 Common Shares outstanding and 9,300 issued Common Shares held in treasury.

### **Item 16F. Change in Registrant's Certifying Accountant**

On October 5, 2012, the Company appointed E&Y Taiwan as its independent registered public accounting firm. The decision to appoint E&Y Taiwan as our new independent registered public accounting firm, and dismiss Ernst & Young Hong Kong ("E&Y Hong Kong"), was approved, for cost and time efficiency reasons, by our audit committee and ratified by the board of directors and our shareholders. E&Y Hong Kong's dismissal became effective on October 5, 2012.

The audit report of E&Y Hong Kong on our consolidated financial statements as of and for the years ended December 31, 2010 and 2011 prepared in accordance with U.S. GAAP did not contain an adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles.

In connection with the audits of the consolidated financial statements for each of the two years in the period ended December 31, 2011, and in the subsequent interim period through October 5, 2012, the date of E&Y Hong Kong's dismissal, there were no disagreements with E&Y Hong Kong on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of E&Y Hong Kong would have caused them to make reference thereto in any reports on the financial statements for such period, nor have there been any reportable events (as defined in Form 20-F Item 16F(a)(1)(v)) that would require disclosure.

We provided a copy of this disclosure to E&Y Hong Kong and requested that E&Y Hong Kong furnish a letter addressed to the SEC stating whether it agrees with the above statements, and if not, stating the respects in which it does not agree. A copy of the letter from E&Y Hong Kong addressed to the SEC, dated April 30, 2013, is filed as an exhibit to this annual report on Form 20-F.

For each of the two years in the period ended December 31, 2011 and the subsequent period prior to the appointment of E&Y Taiwan as our independent registered public accountants, neither we nor any person on our behalf consulted with E&Y Taiwan regarding either (i) the application of accounting principles to a specific completed or contemplated transaction, or the type of audit opinion that might be rendered on our financial statements and no written or oral advice was provided by E&Y Taiwan, which was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue, or (ii) any matter that was the subject of a disagreement (as defined in Form 20-F Item 16F(a)(1)(iv) and the related instructions to such Item) or a reportable event (as described in Form 20-F Item 16F(a)(1)(v)).

#### **Item 16G. Corporate Governance**

The Common Shares of the Company are traded on the NASDAQ Global Markets tier. However, as the Company has a more than fifty percent (50%) shareholder, the Company is entitled to rely upon a "controlled company exemption" that exempts it from having a board of directors comprised of a majority of independent directors. At present, a majority of the board of directors of the Company is affiliated with PEWC. The Company also relies on the NASDAQ's allowance for Foreign Private Issuers to follow home country practices in lieu of the requirement that listed companies have regularly scheduled meetings at which only independent directors are present ("executive sessions"). The independent directors of the Company meet periodically in executive session in their capacity as members of the Audit Committee of the Board of Directors of the Company without other Directors present, but on occasion meet with the independent auditors of the Company present in such executive session, and on occasion meet with members of management present in order to understand more fully management's analysis of the Company's financial performance and compliance with relevant corporate governance requirements. These are the only material differences between the Company's corporate governance practices and the corporate governance practices set forth for domestic companies under the NASDAQ rules on the subject matter.

#### **Item 16H. Mine Safety Disclosure**

(Not applicable)

## Part III

### Item 17: Financial Statements

The Company has elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

### Item 18: Financial Statements

See pages F-1 – F-53.

### Item 19: Exhibits

#### 19.1 Index to Audited Financial Statements

Reports of independent registered accounting firms  
Consolidated balance sheets as of December 31, 2011 and 2012  
Consolidated statements of operations and comprehensive income for the years ended December 31, 2010, 2011 and 2012  
Consolidated statements of shareholders' equity for the years ended December 31, 2010, 2011 and 2012  
Consolidated statements of cash flows for the years ended December 31, 2010, 2011 and 2012  
Notes to consolidated financial statements

#### 19.2 Index to Exhibits

- 1.1 Memorandum of Association of Asia Pacific Wire & Cable Corporation Limited (incorporated by reference to Exhibit 1.1 of the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on June 21, 2001).
- 1.2 Third Amended and Restated Bye-Laws of Asia Pacific Wire & Cable Corporation Limited (incorporated by reference to Exhibit 3.2 of the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on April 30, 2012).
- 4.1 Amended and Restated Shareholders' Agreement dated March 27, 2009 (incorporated by reference to Exhibit 3.4 of the Company's Post-Effective Amendment No. 1 to Form F-1 filed with the Securities and Exchange Commission on April 2, 2009).
- 4.2 Shareholders' Agreement Joinder dated as of July 1, 2011 (incorporated by reference to Exhibit 3.5 of the Company's Post-Effective Amendment No. 8 to Form F-1 on Form F-3 filed with the Securities and Exchange Commission on August 31, 2011).
- 4.3 Composite Services Agreement (incorporated by reference to Exhibit 10.1 of the Company's Form F-1 filed with the Securities and Exchange Commission on November 13, 1996).
- 4.4 Agreement for the Sale and Purchase of (i) Shares in Crown Century Holdings Limited and (ii) Shareholder's Loan (incorporated by reference to Exhibit 5.1 of the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on July 1, 2002).
- 4.5 Settlement Agreement between Asia Pacific Wire & Cable Corporation, Ltd. and Sino-JP Fund Co., Ltd. (incorporated by reference to Exhibit 4.5 of the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on November 9, 2007).

- 4.6 Amended and Restated summaries of Joint Venture Agreements (filed herewith).
- 4.7 Loan Facility Agreement between Crown Century Holdings Limited and Bangkok Bank Public Company Limited dated March 17, 2011 (incorporated by reference to Exhibit 10.8 of the Company's Post-Effective Amendment No. 8 to Form F-1 on Form F-3 filed with the Securities and Exchange Commission on August 31, 2011).
- 4.8 Rule 10b5-1 Issuer Purchase Plan (incorporated by reference to the Company's report on Form 6-K filed with the Securities and Exchange Commission on April 25, 2013).
- 8 List of significant subsidiaries (see Note 1 to the consolidated financial statements).
- 11 Code of Ethics (incorporated by reference to Exhibit 11 of the Company's annual report on Form 20-F filed with the Securities and Exchange Commission on November 9, 2007).
- 12.1 Certification of Chief Executive Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act.
- 12.2 Certification of Chief Financial Officer of the Company, pursuant to Section 302 of the Sarbanes-Oxley Act.
- 13.1 Certification by Chief Executive Officer of periodic financial report pursuant to 18 U.S.C. Section 1350, as mandated by Section 906 of the Sarbanes-Oxley Act.
- 13.2 Certification by Chief Financial Officer of periodic financial report pursuant to 18 U.S.C. Section 1350, as mandated by Section 906 of the Sarbanes-Oxley Act.
- 15(a) Amended and Restated Audit Committee Charter (incorporated by reference to Exhibit 16.G of the Form 20-F filed on May 13, 2011).
- 15(b) Letter of Ernst & Young Hong Kong to the Commission pursuant to Item 16F(a) (filed herewith).
- 101 Interactive Data Files submitted pursuant to Rule 405 under Regulation S-T.

**SIGNATURE**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ASIA PACIFIC WIRE & CABLE  
CORPORATION LIMITED**

Date: April 30, 2013

/s/ Yuan Chun Tang

Yuan Chun Tang  
Chief Executive Officer

Exhibit 4.6

**Amended and Restated summaries of Joint Venture Agreements**

**INDEX TO AMENDED AND RESTATED SUMMARY OF JOINT VENTURE AGREEMENTS**

	<u>Page</u>
Shandong Huayu Pacific Fiber Optics Communication Co., Ltd.	2
Shandong Pacific Rubber Cable Co., Ltd.	4

**Summary  
Of  
Joint Venture Agreement  
(to set up Shandong Huayu Pacific Fiber  
Optics Communication Co., Ltd.)("JV")**

Date of the Agreement:	September 2, 2002
Parties to the Agreement:	Hebei Huayu Co., Ltd. ("Party A") PRC (APWC) Holdings Co., Ltd. ("Party B") Sigma Cable Co. (Pte) Ltd. ("Party C")
Name of JV:	Shandong Huayu Pacific Fiber Optics Communication Co., Ltd.
Purpose:	The JV shall manufacture and sell telecommunication optical fibers and related products.
Registered Capital & Capital Contribution:	The registered capital of the JV shall be 70,000,000 RMB. To be contributed by Party A in an amount of 35,700,000 RMB. Party B shall contribute in an amount of 23,100,000 RMB and Party C in an amount of 11,200,000 RMB.
Shareholdings:	Party A: 51% Party B: 33% Party C: 16%
Organization:	<p>The Board of Directors of JV shall consist of seven (7) directors, four (4) of which shall be appointed by Party A, and three (3) appointed by Party B. The Chairman of the Board of Directors shall be appointed by Party A, and the Vice Chairman appointed by Party B.</p> <p>The JV shall have one (1) General Manager, to be appointed by Party B, two (2) Deputy General Managers, the Senior Deputy General Manager shall be appointed by Party A. The Chief Financial Manager of JV shall be appointed by Party A.</p>
Voting of Board of Directors:	<p>The following matters shall be approved by unanimous consent of the Board of Directors:</p> <ol style="list-style-type: none"><li>1) Amendment to the Articles of Incorporation,</li><li>2) Dissolution, termination or liquidation of the JV,</li><li>3) Increase of registered capital, transfer and adjustment of shareholding percentage of the Parties,</li></ol>

- 4) Merger and divide-up of the JV,
- 5) Loan or investment from a third party, and
- 6) Appointment of independent auditors.

Other matters shall be adopted by an affirmative vote of a majority of directors.

- Duration: The term of JV shall be thirty (30) years.
- Termination: In the event of (1) mutual agreement, (2) expiry of term, (3) receipt of termination notice from non-defaulting party, and (4) force majeure, JV agreement may be legally terminated.
- Governing laws: The laws of People's Republic of China.
- Dispute Resolution: Any dispute in relation to or resulting from the JV Agreement shall be referred to the Arbitration Association located in Beijing, PRC, and the award of such association shall be final.
- Language: The JV Agreement shall be in Chinese language.

**Summary  
Of  
Joint Venture Agreement  
(to set up Shandong Pacific Rubber Cable Co., Ltd.)(“JV”)**

Date of the Agreement:	August 22, 2000
Parties to the Agreement:	PRC (APWC) Holdings Co., Ltd. (“Party A”) Shandong Yanggu Cable Co., Ltd. (“Party B”)
Name of JV:	Shandong Pacific Rubber Cable Co., Ltd.
Purpose:	To manufacture and sell rubber cables for mining and shipping purposes, for use at power plant, and light weight cables.
Size of Production:	3,000 MT per year.
Registered Capital & Capital Contribution:	The total capitalization shall be 45,000,000 RMB and the registered capital of the JV shall be 38,400,000 RMB. Party A shall contribute in an amount of 9,600,000 RMB and Party B shall contribute in an amount of 28,800,000 RMB.
Shareholdings:	Party A: 25% Party B: 75%
Organization:	<p>The Board of Directors of JV shall consist of five (5) directors, two (2) of which shall be appointed by Party A, and three (3) appointed by Party B. The Chairman of the Board of Directors shall be appointed by Party B, and the Vice Chairman appointed by Party B.</p> <p>The General Manager of JV shall be appointed by Party B, the Deputy General Manager shall be appointed by Party A. The Chief Financial Manager of JV shall be appointed by Party A.</p>
Voting of Board of Directors:	<p>The following matters shall be approved by unanimous consent of the Board of Directors:</p> <ol style="list-style-type: none"><li>1) Amendment to the Articles of Incorporation,</li><li>2) Dissolution, termination or liquidation of the JV,</li><li>3) Increase of registered capital, transfer and adjustment of shareholding percentage of the Parties,</li><li>4) Merger and divide-up of the JV, and</li><li>5) Loan or investment from a third party.</li></ol>

Other matters shall be adopted by an affirmative vote of a majority of directors.

- Sales: The sales of products of JV shall be allocated as follows:  
Export: 80%  
Domestic sales: 20%
- Duration: The term of JV shall be thirty (30) years.
- Termination: In the event of (1) mutual agreement, (2) expiry of term, (3) receipt of termination notice from non-defaulting party, and (4) force majeure, JV agreement may be legally terminated.
- Governing laws: The laws of People's Republic of China.
- Dispute Resolution: Any dispute in relation to or resulting from the JV Agreement shall be referred to the Arbitration Association located in Beijing, PRC, and the award of such association shall be final.
- Language: The JV Agreement shall be in Chinese language.

**Certification of Chief Executive Officer**

**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Yuan Chun Tang, certify that:

1. I have reviewed this annual report on Form 20-F of Asia Pacific Wire & Cable Corporation Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 30, 2013

/s/ Yuan Chun Tang

Yuan Chun Tang

Chief Executive Officer

**Certification of Chief Financial Officer**

**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Frank Tseng, certify that:

1. I have reviewed this annual report on Form 20-F of Asia Pacific Wire & Cable Corporation Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 30, 2013

/s/ Frank Tseng

Frank Tseng

Chief Financial Officer

Exhibit 13.1

**Certification Pursuant to 18 U.S.C. Section 1350 as Adopted**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Asia Pacific Wire & Cable Corporation Limited (the “Company”) on Form 20-F for the period ended December 31, 2012 as filed with the Securities and Exchange Commission (the “Report”), I, Yuan Chun Tang, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: April 30, 2013

/s/ Yuan Chun Tang  
Yuan Chun Tang

Chief Executive Officer

Exhibit 13.2

**Certification Pursuant to 18 U.S.C. Section 1350 as Adopted**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Asia Pacific Wire & Cable Corporation Limited (the “Company”) on Form 20-F for the period ended December 31, 2012 as filed with the Securities and Exchange Commission (the “Report”), I, Frank Tseng, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: April 30, 2013

/s/ Frank Tseng

Frank Tseng

Chief Financial Officer

Exhibit 15(b)

**[Letterhead of Ernst & Young Hong Kong]**

April 30, 2013  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549  
USA

**Item 16-F to Form 20-F**

Dear Sir:

We have read Item 16-F of Form 20-F dated April 30, 2013 of Asia Pacific Wire & Cable Corporation Limited and are in agreement with the statements contained in the first to fourth paragraphs of Item 16-F therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

Ernst & Young  
Hong Kong SAR

cc: Asia Pacific Wire & Cable Corporation Limited

**Exhibit 101**