Pou Chen Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Pou Chen Corporation

We have audited the accompanying consolidated balance sheets of Pou Chen Corporation and subsidiaries (collectively, the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. As mentioned in Note 13 to the accompanying consolidated financial statements, the 2012 and 2011 financial statements of Ruen Chen Investment Holding Co., Ltd., an investee of the Company accounted for under the equity method, were audited by other auditors. Our opinion, insofar as it relates to Ruen Chen Investment Holding Co., Ltd., is based solely on the report of other auditors. As of December 31, 2012 and 2011, the carrying value of such long-term investment was 4.10% ($10,003,861 thousand) and 3.73% ($8,939,565 thousand) of the total assets, respectively. For the years ended December 31, 2012 and 2011, the investment income recognized under the equity method was 7.88% ($1,621,633 thousand) and 5.71% ($805,060 thousand) of the income before income tax, respectively.

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

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

March 27, 2013

Notice to Readers

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

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

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012		2011	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 29,372,266	12	$ 25,276,926	11
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	618,282	-	714,547	-
Available-for-sale financial assets, current (Notes 2 and 6)	12,119,802	5	10,745,285	4
Financial assets carried at cost, current (Notes 2 and 7)	-	-	28,399	-
Notes receivable (Notes 2 and 8)	80,167	-	57,726	-
Notes receivable from affiliates (Notes 2, 8 and 29)	302	-	43,887	-
Accounts receivable (Notes 2 and 8)	28,007,419	11	23,140,654	10
Accounts receivable from affiliates (Notes 2, 8 and 29)	192,880	-	704,875	-
Other receivables	3,756,199	2	3,882,001	2
Inventories (Notes 2 and 9)				
Inventories - manufacturing	35,347,506	14	33,294,122	14
Inventories - construction	3,711,881	2	4,198,877	2
Long-term investment as held for sale (Note 13)	48,613	-	-	-
Noncurrent assets classified as held for sale (Note 15)	-	-	3,170,549	1
Other current assets (Notes 2 and 26)	7,110,132	3	7,167,596	3
Total current assets	120,365,449	49	112,425,444	47
FUNDS AND LONG-TERM INVESTMENTS				
Financial assets at fair value through profit or loss, noncurrent (Notes 2 and 5)	27,177	-	677,040	-
Available-for-sale financial assets, noncurrent (Notes 2 and 11)	515,195	-	460,759	-
Financial assets carried at cost, noncurrent (Notes 2 and 12)	850,089	-	822,120	1
Investments accounted for by the equity method (Notes 2 and 13)	40,126,284	17	40,988,524	17
Investments in real estate (Notes 2 and 14)	298,437	-	186,123	-
Prepayments for investments (Note 13)	-	-	131,575	-
Total funds and long-term investments	41,817,182	17	43,266,141	18
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 15)				
Cost	110,999,378	46	106,617,502	45
Revaluation increment	293,323	-	293,323	-
	111,292,701	46	106,910,825	45
Less accumulated depreciation	(51,073,187)	(21)	(47,465,693)	(20)
Less accumulated impairment	(6,685)	-	(7,150)	-
Construction in progress and prepayments for equipment	1,850,629	1	4,672,257	2
Property, plant and equipment, net	62,063,458	26	64,110,239	27
INTANGIBLE ASSETS (Note 2)				
Goodwill	8,380,759	3	7,831,554	3
Other intangible assets	9,400,538	4	9,352,235	4
Total intangible assets	17,781,297	7	17,183,789	7
OTHER ASSETS (Notes 2 and 16)	2,032,964	1	2,726,707	1
TOTAL	$ 244,060,350	100	$ 239,712,320	100

	2012		2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 17)	$ 15,662,647	6	$ 18,972,990	8
Short-term bills payable (Note 18)	2,465,191	1	2,818,143	1
Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	41,552	-	448,579	-
Hedging derivative liabilities, current (Notes 2 and 28)	5,430	-	22,901	-
Notes payable	30,899	-	90,598	-
Notes payable to affiliates (Note 29)	38,182	-	25,843	-
Accounts payable	10,624,947	4	14,327,808	6
Accounts payable to affiliates (Note 29)	1,557,421	1	1,923,445	1
Income tax payable (Notes 2 and 26)	1,196,063	-	1,054,772	1
Other payables (Note 19)	19,584,324	8	15,216,504	6
Progressive billings in excess of construction in progress (Notes 2 and 10)	-	-	59,260	-
Current portion of long-term liabilities (Note 20)	15,978,798	7	3,354,105	1
Noncurrent liabilities classified as held for sale (Note 15)	-	-	1,167,101	1
Other current liabilities (Notes 2 and 26)	3,963,351	2	2,958,333	1
Total current liabilities	71,148,805	29	62,440,382	26
LONG-TERM LIABILITIES				
Long-term debt (Note 21)	36,808,563	15	48,981,374	20
Hedging derivative liabilities, noncurrent (Notes 2 and 28)	-	-	11,450	-
Long-term payables (Note 13)	581,991	-	49,103	-
Total long-term liabilities	37,390,554	15	49,041,927	20
RESERVE FOR LAND VALUE INCREMENT TAX (Note 15)	86,547	-	86,547	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 22)	954,581	-	779,728	-
Guarantee deposits received	11,517	-	6,885	-
Deferred income tax liability, noncurrent (Notes 2 and 26)	1,226,853	1	1,041,884	1
Others (Note 2)	11,412	-	11,412	-
Total other liabilities	2,204,363	1	1,839,909	1
Total liabilities	110,830,269	45	113,408,765	47
STOCKHOLDERS' EQUITY				
Capital stock (Note 23)	29,431,849	12	29,241,469	12
Capital surplus (Notes 2 and 23)	9,040,448	4	8,556,321	4
Retained earnings (Note 23)	29,228,074	12	22,895,905	9
Cumulative translation adjustments (Note 2)	(4,001,864)	(2)	(2,154,982)	(1)
Net loss not recognized as pension cost (Notes 2 and 22)	(259,786)	-	(114,235)	-
Unrealized loss on financial instruments (Note 2)	(173,440)	-	(993,798)	-
Unrealized revaluation increment	134,641	-	134,641	-
Treasury stock (Notes 2 and 24)	(153,449)	-	(155,375)	-
Minority interest	69,983,608	29	68,893,609	29
Total stockholders' equity	133,230,081	55	126,303,555	53
TOTAL	$ 244,060,350	100	$ 239,712,320	100

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

(With Deloitte & Touche audit report dated March 27, 2013)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	**%**	**Amount**	**%**
GROSS SALES AND REVENUES EARNED (Notes 2 and 29)	$ 276,131,927	100	$ 208,472,705	100
LESS SALES RETURNS AND ALLOWANCES	(24,258)	-	(33,550)	-
NET SALES AND REVENUES EARNED	276,107,669	100	208,439,155	100
COST OF GOODS SOLD (Note 29)	210,876,766	76	159,597,756	76
GROSS PROFIT	65,230,903	24	48,841,399	24
OPERATING EXPENSES				
Selling expenses	22,827,783	8	16,191,312	8
General and administrative expenses (Note 24)	19,276,157	7	15,663,258	7
Research and development expenses	7,232,387	3	5,515,233	3
Total operating expenses	49,336,327	18	37,369,803	18
INCOME FROM OPERATIONS	15,894,576	6	11,471,596	6
NON-OPERATING INCOME				
Interest income	485,677	-	383,096	-
Investment income recognized under equity method (Note 13)	4,935,069	2	2,674,626	1
Dividend income	449,086	-	483,568	-
Gain on disposal of property, plant and equipment and leased-out assets	48,080	-	260,819	-
Gain on disposal of investments	74,631	-	49,117	-
Foreign exchange gain	786,274	1	1,321,968	1
Valuation gain on financial liabilities (Note 5)	412,166	-	348,893	-
Others (Note 2)	2,216,542	1	830,099	1
Total non-operating income	9,407,525	4	6,352,186	3
NON-OPERATING EXPENSES				
Interest expense	1,867,753	1	1,555,163	1
Loss on disposal of property, plant and equipment and leased-out assets	42,971	-	25,386	-
Impairment loss (Notes 12 and 13)	2,048,198	1	575,993	-
Valuation loss on financial assets (Note 5)	398,118	-	1,430,504	1
Others	374,812	-	140,116	-
Total non-operating expenses	4,731,852	2	3,727,162	2

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POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 20,570,249	8	$ 14,096,620	7
INCOME TAX EXPENSES (Notes 2 and 26)	(1,630,427)	(1)	(1,206,083)	(1)
CONSOLIDATED NET INCOME	$ 18,939,822	7	$ 12,890,537	6
ATTRIBUTED TO				
Parent Company's stockholders	$ 10,156,335	4	$ 5,806,723	3
Minority interest	8,783,487	3	7,083,814	3
	$ 18,939,822	7	$ 12,890,537	6

	2012		2011	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
BASIC EARNINGS PER SHARE (Notes 2 and 27)				
Included income for minority interest	$ 7.02	$ 6.47	$ 4.88	$ 4.47
Attributed to stockholders of the Parent Company		$ 3.47		$ 2.01
DILUTED EARNINGS PER SHARE (Notes 2 and 27)				
Included income for minority interest	$ 6.91	$ 6.36	$ 4.80	$ 4.38
Attributed to stockholders of the Parent Company		$ 3.41		$ 1.98

Pro-forma information assuming common shares of the Parent Company held by its subsidiaries were not treated as treasury stock:

	2012	2011
CONSOLIDATED NET INCOME ATTRIBUTED TO STOCKHOLDERS OF THE PARENT COMPANY	$ 10,169,629	$ 5,819,001

(Continued)

POU CHEN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
BASIC EARNINGS PER SHARE (Notes 2 and 27)				
Included income for minority interest	$ 7.00	$ 6.45	$ 4.87	$ 4.46
Attributed to stockholders of the Parent Company		$ 3.46		$ 2.01
DILUTED EARNINGS PER SHARE (Notes 2 and 27)				
Included income for minority interest	$ 6.89	$ 6.34	$ 4.78	$ 4.37
Attributed to stockholders of the Parent Company		$ 3.40		$ 1.97

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

(With Deloitte & Touche audit report dated March 27, 2013) (Concluded)

POU CHEN CORPORATION AND SUBSIDIARIES

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

		Capital Surplus					Retained Earnings			Other Equity						
	Capital Stock	Additional Paid-in Capital of Common Stock	Additional Paid-in Capital of Bonds Conversion	Treasury Stock	Employee Stock Options	Long-term Equity Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Unrealized Gain (Loss) on Financial Instruments	Unrealized Revaluation Increment	Treasury Stock	Minority Interest	Total
BALANCE, JANUARY 1, 2011	$ 28,997,559	$ 812,890	$ 1,447,492	$ 1,453,564	$ -	$ 4,349,166	$ 5,950,686	$ 398,368	$ 14,220,651	$ (4,563,813)	$ (57,341)	$ 1,202,722	$ 134,641	$ (1,241,416)	$ 60,837,510	$ 113,942,679
Appropriation of 2010 earnings (Note 23)																
Legal reserve	-	-	-	-	-	-	789,561	-	(789,561)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	2,885,424	(2,885,424)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(3,480,523)	-	-	-	-	-	-	(3,480,523)
Execution of employee stock warrants (Note 23)	243,910	-	-	-	-	-	-	-	-	-	-	-	-	-	-	243,910
Cash dividends received by subsidiaries	-	-	-	12,278	-	-	-	-	-	-	-	-	-	-	-	12,278
Effect of changes of ownership interest in investees	-	-	-	-	-	371,250	-	-	-	-	-	-	-	-	-	371,250
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	2,408,831	-	-	-	-	-	2,408,831
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	(56,894)	-	-	-	-	(56,894)
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(298,376)	-	-	-	(298,376)
Investee's unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(1,936,312)	-	-	-	(1,936,312)
Unrealized gain on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	-	-	38,168	-	-	-	38,168
Compensation cost of transfer treasure stock to employees (Note 24)	-	-	-	-	257,635	-	-	-	-	-	-	-	-	-	-	257,635
Transfer of treasury stock - 43,300 thousand shares (Note 24)	-	-	-	109,681	(257,635)	-	-	-	-	-	-	-	-	1,086,041	-	938,087
Change of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	972,285	972,285
Consolidated net income for 2011	-	-	-	-	-	-	-	-	5,806,723	-	-	-	-	-	7,083,814	12,890,537
BALANCE, DECEMBER 31, 2011	29,241,469	812,890	1,447,492	1,575,523	-	4,720,416	6,740,247	3,283,792	12,871,866	(2,154,982)	(114,235)	(993,798)	134,641	(155,375)	68,893,609	126,303,555
Appropriation of 2011 earnings (Note 23)																
Legal reserve	-	-	-	-	-	-	580,672	-	(580,672)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(155,417)	155,417	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(3,824,166)	-	-	-	-	-	-	(3,824,166)
Execution of employee stock warrants (Note 23)	190,380	4,800	-	-	-	-	-	-	-	-	-	-	-	-	-	195,180
Cash dividends received by subsidiaries	-	-	-	13,294	-	-	-	-	-	-	-	-	-	-	-	13,294
Effect of changes of ownership interest in investees	-	-	-	-	-	463,436	-	-	-	-	-	-	-	-	-	463,436
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	(1,846,882)	-	-	-	-	-	(1,846,882)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	(145,551)	-	-	-	-	(145,551)
The treasure stock resold by subsidiaries (Note 24)	-	-	-	2,597	-	-	-	-	-	-	-	1,746	-	1,926	-	6,269
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	440,534	-	-	-	440,534
Investee's unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	349,157	-	-	-	349,157
Unrealized gain on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	-	-	28,921	-	-	-	28,921
Change of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,693,488)	(7,693,488)
Consolidated net income for 2012	-	-	-	-	-	-	-	-	10,156,335	-	-	-	-	-	8,783,487	18,939,822
BALANCE, DECEMBER 31, 2012	$ 29,431,849	$ 817,690	$ 1,447,492	$ 1,591,414	$ -	$ 5,183,852	$ 7,320,919	$ 3,128,375	$ 18,778,780	$ (4,001,864)	$ (259,786)	$ (173,440)	$ 134,641	$ (153,449)	$ 69,983,608	$ 133,230,081

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

(With Deloitte & Touche audit report dated March 27, 2013)

POU CHEN CORPORATION AND SUBSIDIARIES

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 18,939,822	$ 12,890,537
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation	9,191,712	7,030,589
Amortization	520,213	370,103
Valuation loss on financial assets	398,118	1,430,504
Valuation gain on financial liabilities	(412,166)	(348,893)
Compensation expense	59,503	72,684
Investment income recognized under equity method	(4,935,069)	(2,674,626)
Cash dividends received from investees under equity method	1,319,417	1,071,508
Net gain on disposal of investments	(74,631)	(49,117)
Net gain on disposal of property, plant and equipment and leased-out assets	(5,109)	(235,433)
Impairment loss	2,048,198	575,993
Compensation cost of transfer treasury stock to employees	-	257,635
Amortization of Euro Convertible Bonds	-	466,784
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss, current	702,514	(19,392)
Notes receivable	(22,441)	(26,077)
Notes receivable from affiliates	43,585	(38,116)
Accounts receivable	(4,866,765)	(1,855,588)
Accounts receivable from affiliates	511,995	(213,075)
Other receivables	125,802	1,854,773
Inventories	(1,566,388)	(10,411,712)
Construction in progress in excess of progressive bills	-	48,376
Other current assets	56,384	(998,674)
Deferred income tax asset	(53,063)	(16,969)
Other assets	579,723	(113,392)
Notes payable	(59,699)	42,610
Notes payable to affiliates	12,339	(22,948)
Accounts payable	(3,702,861)	2,232,335
Accounts payable to affiliates	(366,024)	525,638
Income tax payable	141,291	109,402
Other payables	4,671,618	2,745,795
Progressive billings in excess of construction in progress	(59,260)	5,515
Other current liabilities	787,657	754,636
Deferred income tax liability	402,330	322,925
Accrued pension cost	174,853	85,115
Long-term payable	532,888	-
Net cash provided by operating activities	25,096,486	15,869,445

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POU CHEN CORPORATION AND SUBSIDIARIES

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

	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in investments accounted for by the equity method	278,721	(8,453,479)
Cash dividends from reduction of capital surplus from investments accounted for by equity method	486,007	-
Increase in available-for-sale financial assets	(86,461)	(562,562)
Increase in financial assets carried at cost	(220,658)	(26,618)
Acquisitions of property, plant and equipment and leased-out assets	(9,476,025)	(14,245,338)
Proceeds from disposal of property, plant and equipment and leased-out assets	1,400,615	1,317,893
Acquisitions of investment in real state	(112,314)	-
Decrease in refundable deposits	15,033	2,690
Increase in goodwill	(858,596)	(445,130)
Increase in intangible assets	(780,372)	(1,523,495)
Increase in deferred charges	(17,275)	(859,577)
Net cash used in investing activities	(9,371,325)	(24,795,616)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(3,310,343)	4,646,798
(Decrease) increase in short-term bills payable	(352,952)	1,453,765
Increase in long-term debt	451,882	14,100,880
Increase in guarantee deposits received	4,632	739
Execution of employee stock warrants	195,180	243,910
Redemption of Euro Convertible Bonds	-	(8,292,529)
Cash dividend	(3,812,297)	(3,470,432)
Minority interest	(7,582,890)	978,387
Transfer treasury stock to employees	-	938,087
Net cash (used in) provided by financing activities	(14,406,788)	10,599,605
EFFECT OF EXCHANGE RATE CHANGES ON CASH	2,679,334	(641,913)
CASH RECEIVED IN ACQUISITIONS OF SUBSIDIARIES	206,678	45,409
CASH PAID FROM DISPOSAL OF SUBSIDIARIES	(109,045)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,095,340	1,076,930
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	25,276,926	24,199,996
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 29,372,266	$ 25,276,926

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POU CHEN CORPORATION AND SUBSIDIARIES

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

	2012	2011
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest (excluding interest capitalized)	$ 1,856,204	$ 1,529,321
Income tax	$ 1,611,287	$ 1,144,039
SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 15,978,798	$ 3,354,105
Unrealized gain (loss) on available-for-sale financial assets	$ 440,534	$ (298,376)
Investee's unrealized gain (loss) on available-for-sale financial assets	$ 349,157	$ (1,936,312)
Unrealized gain on cash flow hedge financial liabilities	$ 28,921	$ 38,168
Effect of changes in ownership interest in investees	$ 463,436	$ 371,250
Cash dividends received by subsidiaries	$ 13,294	$ 12,278
Sale of parent company's stock by subsidiaries	$ 6,269	$ -
Adjustments of stockholder's equity from treasury stock resold by subsidiaries	$ (1,846,882)	$ 2,408,831
Adjustments on capital surplus from transfer of treasury stock to employees	$ -	$ 109,681
CASH PAID DURING THE YEAR FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT		
Fair value of property, plant and equipment acquired	$ 9,172,227	$ 14,748,531
Add payables for acquisitions of property, plant and equipment, beginning of year	941,294	438,101
Less payables for acquisitions of property, plant and equipment, end of year	(637,496)	(941,294)
Cash paid during the year for acquisitions of property, plant and equipment	$ 9,476,025	$ 14,245,338

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

(With Deloitte & Touche audit report dated March 27, 2013) (Concluded)

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

1. ORGANIZATION AND OPERATIONS

Pou Chen Corporation ("Pou Chen") was incorporated in the Republic of China ("ROC"). Pou Chen is located in Changhwa County, Taiwan, and currently has one factory and nine trade departments. Pou Chen's business activities include manufacturing and sales of various kinds of shoes and electronic peripheral components, and import and export of related products and materials. Pou Chen also invests significantly in shoes and electronics industries to diversify its business operation.

Pou Chen invested in Yue Yuen Industrial (Holdings) Limited ("Yue Yuen") and other footwear-related companies through Wealthplus Holdings Limited. Yue Yuen and Pou Sheng International (Holdings) Limited ("Pou Sheng"), a subsidiary of Yue Yuen, are listed on the Hong Kong Exchange and Clearing Limited.

In January 1990, Pou Chen started to trade its stock on the Taiwan Stock Exchange.

In addition to Pou Chen, the consolidated financial statements include the following subsidiaries:

Name of Subsidiary	Location of Incorporation	2012.12.31 Ownership Percentage (%)	2011.12.31 Ownership Percentage (%)
Wealthplus Holdings Limited	British Virgin Islands	100.00	100.00
Win Fortune Investments Limited	British Virgin Islands	100.00	100.00
Windsor Entertainment Co., Ltd.	ROC	100.00	100.00
Pou Shine Investments Co., Ltd.	ROC	100.00	100.00
Pan Asia Insurance Services Co., Ltd.	ROC	100.00	100.00
Pro Arch International Development Enterprise Inc.	ROC	100.00	99.99
Pou Yuen Technology Co., Ltd.	ROC	99.81	99.78
Barits Development Corporation	ROC	99.60	99.60
LNC Technology Co., Ltd.	ROC	77.00	76.96
Vistas Design Co., Ltd.	ROC	-	100.00
Ming Wang Investments Co., Ltd. (Note 1)	ROC	-	100.00
Yun Yang Investments Co., Ltd. (Note 1)	ROC	-	100.00
Proshine Healthcare Co., Ltd.	ROC	-	100.00
The Right and Great Asia-Pacific Realty Development Co., Ltd.	ROC	-	70.00

Note 1: Ming Wang Investments Co., Ltd. and Yun Yang Investments Co., Ltd. decided to merge with Pou Shine Investments Co., Ltd. The merger date was September 10, 2012.

Wealthplus Holdings Limited ("Wealthplus"), a British Virgin Islands registered corporation, is an investment holding company. Wealthplus commenced its operations in 1991 and invests in companies which are engaged in the design and sale of footwear and electronics peripheral products. As at December 31, 2012, Wealthplus had outstanding common stock of US$9,222 thousand.

The information of Wealthplus's major subsidiaries is as follows:

Name of Subsidiary	Location of Incorporation	2012.12.31 Ownership Percentage (%)	2011.12.31 Ownership Percentage (%)	Primary Operation Activities
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")	Bermuda	48.93	48.93	Manufacturing and sale of athletic and casual footwear and sports apparel
Pou Sheng International (Holdings) Limited ("Pou Sheng")	Bermuda	30.24	27.43	Manufacturing and sale of OEM footwear, retailing of sportswear and distribution business
Crown Master Investments Limited	British Virgin Islands	100.00	100.00	Investment holding
Tetor Ventures Ltd.	British Virgin Islands	100.00	100.00	Investment holding
Star Eagle Consultants Limited	British Virgin Islands	100.00	100.00	Insurance agent
Pou Yu Biotechnology Co., Ltd.	ROC	69.44	69.39	Manufacturing and sale of medical appliance
Dong Guan Pou Yu Precision Ceramics Industrial Co., Ltd.	People's Republic of China ("PRC")	69.44	69.39	Designing and manufacturing medical appliance

Due to the Company's investment in Nan Shan Life Insurance Co., Ltd. through Ruen Chen Investment Holding Co., Ltd. ("Ruen Chen"), the Company received a request by Insurance Bureau of Executive Yuan Financial Supervisory Commission ("FSC") for the Company to provide 61,295 thousand ordinary shares of Yue Yuen in the custody of the Trust Department of Mega International Commercial Bank during the period from June 27, 2011 to June 27, 2021.

Win Fortune Investments Limited ("Win Fortune"), a British Virgin Islands registered corporation, is an investment holding company. Win Fortune commenced its operations in 1994 and invests in Yue Yuen (as at December 31, 2012, the ownership percentage was 1.05%). As at December 31, 2012, Win Fortune had outstanding common stock of US$100 thousand.

Windsor Entertainment Co., Ltd. ("Windsor Entertainment") was established in July 2003, with an outstanding common stock of $210,000 thousand at December 31, 2012, and is primarily engaged in entertainment and resort operation.

Pou Shine Investments Co., Ltd. ("Pou Shine") was established in March 1990, and was primarily engaged in investing activities. On August 22, 2012, the board of directors of Pou Shine, Ming Wang Investment Co., Ltd. ("Ming Wang") and Yun Yang Investment Co., Ltd. ("Yun Yang") had resolved the merger of the three companies into one. Pou Shine is the surviving company, and Ming Wang and Yun Yang are the dissolved companies. The merger date was September 10, 2012. According to the merger contract, Pou Shine issued 62,135 thousand new shares ($621,351 thousand) to acquire the net assets of the two dissolved companies. Pou Shine had outstanding common stock of $1,330,945 thousand at December 31, 2012.

Pan Asia Insurance Services Co., Ltd. ("Pan Asia Insurance Services") was established in May 1999, with an outstanding capital of $3,000 thousand at December 31, 2012, and is primarily engaged in agency of property and casualty insurance.

Pro Arch International Development Enterprise Inc. ("Pro Arch International") was established in June 1999. Pro Arch International's board of directors decreased its capital to offset its accumulated deficit by $256,004 thousand in June 2012. As at December 31, 2012, Pro Arch International has an outstanding common stock of $1,000 thousand, and is primarily engaged in real estate development business.

The information of Pro Arch International's subsidiary is as follows:

Name of Subsidiary	Location of Incorporation	2012.12.31 Ownership Percentage (%)	2011.12.31 Ownership Percentage (%)	Primary Operation Activities
Pro Arch Technology BVI Inc.	British Virgin Islands	100.00	100.00	Investment holding

Pou Yuen Technology Co., Ltd. ("Pou Yuen Technology") was established in December 1993. Pou Yuen Technology's board of directors decided to decrease its capital to offset its accumulated deficit by $609,300 thousand in September 2011. As at December 31, 2012, Pou Yuen Technology had outstanding common stock of $290,700 thousand, and is primarily engaged in tooling design software and information technology software service.

The information of Pou Yuen Technology's subsidiary is as follows:

Name of Subsidiary	Location of Incorporation	2012.12.31 Ownership Percentage (%)	2011.12.31 Ownership Percentage (%)	Primary Operation Activities
Vantage Capital Investments Ltd.	British Virgin Islands	100.00	100.00	Investment holding

Barits Development Corporation ("Barits Development") was established in November 1985, with an outstanding common stock of $1,528,727 thousand at December 31, 2012, and is primarily engaged in import and export of the shoe related materials and investing activities.

The information of Barits Development's subsidiaries is as follows:

Name of Subsidiary	Location of Incorporation	2012.12.31 Ownership Percentage (%)	2011.12.31 Ownership Percentage (%)	Primary Operation Activities
Song Ming Investments Co., Ltd.	ROC	100.00	100.00	Investing activities
Pou Chin Development Co., Ltd.	ROC	100.00	100.00	Agency of land readjustment
Yu Hong Development Co., Ltd.	ROC	100.00	-	Development of real estate
Wang Yi Construction Co., Ltd.	ROC	89.75	89.75	Construction
Pou Yii Development Co., Ltd.	ROC	75.00	75.00	Rental and sale of real estate
Top Score Investments Limited (Note 2)	British Virgin Islands	-	100.00	Investing activities
Ming Chi Investments Co., Ltd. (Note 3)	ROC	-	100.00	Investing activities
Ming Shun Investments Co., Ltd. (Note 3)	ROC	-	100.00	Investing activities

Note 2: Top Score Investments Limited had resolved to liquidate and dissolve on September 17, 2012.

Note 3: Ming Chi Investments Co., Ltd. and Ming Shun Investments Co., Ltd. decided to merge with Song Ming Investments Co., Ltd. The merger date was September 10, 2012.

LNC Technology Co., Ltd. ("LNC Technology") was established in August 2007. In October 2011, LNC Technology's board of directors approved to decrease and return its capital in the amount of $100,000 thousand. In proportion to the percentage of ownership, Pou Chen received the returned capital of $76,961 thousand. LNC had an outstanding common stock of $500,000 thousand at December 31, 2012, and is primarily engaged in manufacturing and sale of precision instruments and computer numerical controlled machine.

The information of LNC Technology’s major subsidiaries is as follows:

Name of Subsidiary	Location of Incorporation	2012.12.31 Ownership Percentage (%)	2011.12.31 Ownership Percentage (%)	Primary Operation Activities
Success Dragon Holdings Ltd. (Note 4)	British Virgin Islands	-	100.00	Investment Holding
Better Auto Holdings Ltd.	British Virgin Islands	100.00	100.00	Investing activities
Dong Guan Pou Yuen Digital Technology, Co., Ltd.	PRC	100.00	100.00	Manufacturing and sale of computer numerical controlled machine

Note 4: Success Dragon Holdings Ltd. decided to merge with Better Auto Holdings Ltd. in October 2012. Success Dragon Holdings Ltd. was the dissolved company.

Vistas Design Co., Ltd. (“Vistas Design”) was established in June 2008, and is primarily engaged in interior decorating and design services. In April 2012, Vistas Design’s board of directors resolved the liquidation of Vistas Design. Accordingly, Pou Chen received $7,328 thousand after completing of liquidation in September 2012.

Ming Wang Investments Co., Ltd. was established in September 1996, and is primarily engaged in investing activities. On September 10, 2012, Ming Wang’s board of directors decided to merge Ming Wang with Pou Shine and Yun Yang.

Yun Yang Investments Co., Ltd. was established in April 1997, and is primarily engaged in investing activities. On September 10, 2012, Yun Yang’s board of directors decided to merge Yun Yang with Pou Shine and Ming Wang.

Proshine Healthcare Co., Ltd. (“Proshine Healthcare”) was established in November 2007, and is primarily engaged in the rental and sale of medical devices. In August 2012, Proshine Healthcare’s board of directors resolved the liquidation of Proshine Healthcare. Accordingly, Pou Chen received $40,289 thousand after completing the liquidation in December 2012.

The Right and Great Asia-Pacific Realty Development Co., Ltd. (“Right and Great Asia-Pacific”) was established in March 2008, and is primarily engaged in real estate development and investing activities. Pou Chen purchased 18,000 thousand shares from non-related party for the total amount of $324,000 thousand in March and June 2012. Accordingly, Pou Chen’s ownership in Right and Great Asia-Pacific was increased from 70% to 100%. Right and Great Asia-Pacific’s board of directors resolved to decrease and return its capital in the amount of $599,000 thousand in July 2012. In August 2012, Right and Great Asia-Pacific resolved to liquidate and dissolve. Accordingly, Pou Chen received $694,784 thousand after the liquidation in December 2012.

As at December 31, 2012 and 2011, there were 427,965 and 484,035 employees in Pou Chen and subsidiaries referred above, respectively.

Pou Chen and its consolidated subsidiaries are hereafter collectively referred to as “the Company”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the ROC. For readers’ convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail.

Significant accounting policies are summarized as follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Pou Chen and its controlled subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation. Minority interest presented in gross amount is included in "stockholders' equity".

Yue Yuen and Pou Sheng originally had their accounting year from October 1 of the preceding year to September 30 of the year. On May 30, 2012, these two companies had resolved to change their accounting year to calendar year effective from 2012. Accordingly, Yue Yuen and Pou Sheng's financial year of 2012 covered a period of fifteen months, which were from October 1, 2011 to December 31, 2012.

Therefore, the information of Yue Yuen and Pou Sheng in 2012 and 2011 was the period from October 1, 2011 to December 31, 2012 and October 1, 2010 to September 30, 2011, respectively.

Foreign Currencies

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
b. Stockholders' equity - at historical exchange rates;
c. Dividends - at the exchange rate prevailing on the dividend declaration date; and
d. Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of stockholders' equity. Such exchange differences are recognized in profit or loss in the period in which the foreign operations are disposed of.

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

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

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

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

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

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

Accounting Estimates

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

Current and Noncurrent Assets and Liabilities

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

The Company’s construction-related business has an operating cycle of over one year; thus, the length of the operating cycle is the basis for classifying the Company’s construction assets and liabilities as current or noncurrent.

Cash and Cash Equivalents

Cash includes unrestricted cash and bank deposits. Cash equivalents, consisting of commercial paper, bank acceptances and repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Instruments at Fair Value through Profit or Loss

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

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

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

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Available-for-sale Financial Assets

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

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

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity.

Hedge Accounting

Derivatives that are designated and effective as hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in profit or loss, or in stockholders' equity, depending on the nature of the hedging relationship.

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item as follows:

a. Fair value hedge

   The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss.

b. Cash flow hedge

   The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity. The amount recognized in stockholders' equity is recognized in profit or loss in the same period during which the hedged forecast transaction or an asset or liability arising from the hedged forecast transaction affects profit or loss. However, if all or a portion of a loss recognized in stockholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into profit or loss.

c. Hedge of a net investment in a foreign operation

   The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity. The amount recognized in stockholders' equity is recognized in profit or loss on disposal of the foreign operation.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with no fair values that can be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Impairment of Accounts Receivable

Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It is becoming probable that the debtor will enter bankruptcy or financial re-organization.

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

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

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

Impairment of Assets

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

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

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

For long-term equity investments for which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Inventories

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

Revenues, costs and profits arising from real estate development projects are measured by the ratio of actual costs incurred in a period to the total estimated costs to be incurred on the project. Borrowing costs incurred on and before the completion of a project are capitalized as part of the project costs.

Long-term Construction Contract

The Company undertakes long-term construction contract. When the duration of the contract is more than one year or one accounting period, and project profit or loss can be reasonably estimated, the percentage-of-completion method is adopted, otherwise, the completed-contract method. The percentage of completion is calculated based on the construction cost incurred this period as a percentage of the total estimated cost. Costs incurred on a project are debited to "construction in progress" when incurred and billings for payments on projects are credited to "progressive billings" when billed. The contract profit for the current period is the difference between the cumulative profit based on the percentage of completion at the end of the current period and of the prior periods. However, if the cumulative profit recognized in prior periods is greater than the cumulative profit of the current period, the excess should be recorded as a loss. If a contract is estimated to bear a loss prior to completion, the full amount of the loss should be recognized immediately. However, if the loss is estimated to be smaller in future years, the difference should be reversed and recognized as a gain in that period. Construction contract with a one year period should adopt the completed-contract method. Sales revenue and cost of goods sold are estimated by gross price method.

For the same project, any excess of costs over billings is reported as "construction in progress in excess of progressive billings," an asset account; otherwise, the excess of billings over costs is reported as "progressive billings in excess of construction in progress," a liability account.

Investments Accounted for by the Equity Method

Investments in which the Company holds 20% or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

The investment cost is allocated to the assets and liabilities of the investee on the basis of their fair values at the date of investment, and the investment cost in excess of the fair value of the identifiable net assets of the investee is recognized as goodwill. Goodwill is not amortized.

When the Company subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Company records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

If an adjustment resulted from the changes in unrealized gain (loss) on available-for-sale financial assets of an investee, the adjustment is reported as a separate component of stockholders' equity.

When the Company's share in losses of an investee over which the Company has significant influence equals its investment in that investee plus any advances made to the investee, the Company discontinues applying the equity method. The Company continues to recognize its share in losses of the investee if (a) the Company commits to provide further financial support to the investee or (b) the losses of the investee are considered to be temporary and sufficient evidence shows imminent return to profitability.

When the Company's share in losses of an investee over which the Company has control exceeds its investment in the investee, unless the other stockholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Company has to bear all of the losses in excess of the capital contributed by stockholders of the investee. If the investee subsequently reports profits, such profits are first attributed to the Company to the extent of the excess losses previously borne by the Company.

Long-term investments held for sale is an asset available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable within one year from the date of classification. The Company measures an asset classified as held for sale at the lower of its carrying amount and fair value less costs to sell, and is recorded under "current assets".

Property, Plant and Equipment and Leased Asset

Property, plant and equipment and leased assets are stated at cost plus revaluation increment less accumulated depreciation and accumulated impairment losses. Borrowing costs directly attributable to the acquisition or construction of the assets are capitalized as part of the cost of those assets. Major additions and improvements to the related assets are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on the straight-line basis over the following estimated useful lives of the related assets:

Items	Estimated Useful Lives
Buildings and improvements	15-55 years
Machinery and equipment	5-12 years
Transportation equipment	5 years
Furniture, fixtures and office equipment	3-7 years
Other equipment	3-10 years
Leased assets	10-55 years

Property, plant and equipment and leased assets still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives. Depreciation of the revaluated assets is provided on a straight-line basis over their remaining estimated useful lives determined at the time of revaluation.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and unrealized revaluation increment of the assets are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

Intangible Assets

Intangible assets acquired are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives. Patents are amortized over their legal useful lives. Goodwill arising on acquisition of other company is not amortized, and instead is tested for impairment periodically.

Deferred Charges

Deferred charges are amortized on a straight-line basis over their estimated useful lives.

Convertible Bonds

The face value of convertible bonds issued by the Company is calculated by subtracting (1) the fair value of the embedded financial derivative, and (2) the cost of any other non-derivative liability elements from the issuing price. Related interest and gain or loss at redemption are recognized in the income statement. If the convertible bond holders were to exercise their options, the common stocks received would be recorded by the Company at current book value as of the date of conversion.

Under the applicable financial accounting standards, the transaction costs of convertible bonds are allocated in proportion to the liability and equity components of the bonds.

Pension Cost

Pension cost of Pou Chen, Barits Development, Pou Yuen Technology and Pro Arch International, which are under defined benefit plans are determined by actuarial valuations.

Pou Chen and its subsidiaries each has defined contribution pension plan under the Labor Pension Act. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

The subsidiaries overseas have defined contribution plans and recognize net periodic pension costs at monthly contributions in compliance with local laws.

Income Tax

The Company adopted the provisions of SFAS No. 22, "Accounting for Income Tax", which requires the Company to apply inter-year allocation methods to its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized.

If the Company can control the timing of the reversal of a temporary difference between the book value and the tax basis of a long-term equity investment in a foreign subsidiary and if the temporary difference is not expected to reverse in the foreseeable future and will, in effect, exist indefinitely, then a deferred income tax liability or asset is not recognized. However, deferred income tax liability is recognized if the overseas subsidiary plans to distribute earnings.

Tax credits for research and development expenditures are recognized using the flow-through method.

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

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

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, "Accounting for Share-based Payment". Under the statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). The Company adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in stockholders' equity.

The Company accounts for its stock held by subsidiaries as treasury stock. The recorded cost of the stock is based on its carrying amount as of January 1, 2002.

Revenue Recognition

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. Sales returns and allowances are subtracted from sales when they occur and the related inventory costs are subtracted from cost of goods sold.

Service revenue is recognized when service is rendered and the collection is reasonably assured.

Government Grant Revenue

The Company adopted the provisions of SFAS No. 29, "Accounting for Government Grants and Disclosure of Government Assistance". The government grants should not be recognized until the Company has reasonable assurance that the related conditions for the government grants are met and the government grants will be received. The Government grants related to assets should be presented in financial statement either as deferred revenue or as a reduction to the carrying amount of related assets. The government grants related to income that are realized should be recognized as revenue for the period. Government grants that are not yet realized should be presented as deferred revenue.

When a government grant becomes repayable, it should be debited to deferred government grant revenue. If the repayment exceeds deferred revenue or if there is no deferred revenue, the amount of repayment over deferred revenue should be immediately recognized as an expense.

Earnings Per Share

Basic earnings per common share are calculated by dividing net earnings applicable to common stock by the weighted average number of common stocks outstanding. On a diluted basis, both net earnings and shares outstanding are adjusted to assume the employee stock options from the date of issuance, and adopt the treasury stock method to calculate the stock warrants' dilutive potential common shares. However, if the employee stock options contain an anti-dilutive effect, they will be excluded from the calculation.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2011 have been reclassified to conform to the presentation of the consolidated financial statements as of and for year ended December 31, 2012.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include: Loans and receivables originated by the Company are now covered by SFAS No. 34. The adoption did not result in significant effect in the consolidated financial statements for the year ended December 31, 2012.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Cash on hand	$ 54,936	$ 59,197
Checking accounts and savings accounts	242,390	92,997
Foreign-currency savings deposit	26,133,628	24,628,889
Time deposits	1,784,595	428,960
Cash equivalents - repurchase agreements collateralized by bonds	1,156,717	66,883
	$ 29,372,266	$ 25,276,926

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments at fair value through profit or loss as at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Financial assets at fair value through profit or loss, current		
Open-ended mutual funds	$ 414,196	$ 548,987
Foreign mutual funds	80,134	158,756
Forward exchange contracts	90,051	6,804
Exchange rate option contracts	33,901	-
	$ 618,282	$ 714,547
Financial assets at fair value through profit or loss, noncurrent		
JV Call Option	$ -	$ 677,040
Derivative embedded in Convertible Note (Note 11)	27,177	-
	$ 27,177	$ 677,040

(Continued)

	2012	2011
Financial liabilities at fair value through profit or loss, current		
Forward exchange contracts	$ 3,177	$ 404,780
Exchange rate option contracts	9,566	27,309
Interest rate swap contracts	26,240	16,490
Cross currency swap contracts	2,569	-
	$ 41,552	$ 448,579

(Concluded)

a. In October 2007, Pou Sheng entered into call option (the "JV Call Option") agreements with the stockholders (the "Relevant Partners") of certain associates, jointly controlled entities and subsidiaries (the "Relevant Companies"), in return for a premium to each of the Relevant Partners (the "Option Premium"). Pou Sheng has the right but not the obligation exercisable at its discretion to acquire from each of the Relevant Partners their respective equity interests, in the Relevant Companies.

   1) Term: Five years. The JV Call Option is exercisable within five years commencing from the expiry of the first six months after the dealing of the shares of Pou Sheng on the Hong Kong Exchange and Clearing Limited had commenced.

   2) The Option Premium: The Option Premium was determined based on the actual profit of the Relevant Companies attributable to the Relevant Partners during the pre-determined evaluation periods and the price earnings ratio of Pou Sheng during a specified period and after certain discount agreed between the Company and the Relevant Partners.

   3) Settlement: The Option Premium was settled by the issue of shares of Pou Sheng and the number of shares issued was determined with reference to the offering price upon the global offering of Pou Sheng's shares on the Hong Kong Exchange and Clearing Limited.

      Each of the Relevant Partners has agreed not to transfer or sell the Relevant Equity Interests during the Call Options exercisable period without Pou Sheng's prior written consent.

      In 2011, Pou Sheng exercised part of the JV Call Option to acquire the ownership of Zhejiang Yichuan.

      In 2012, Pou Sheng exercised part of the JV Call Option to acquire the ownership of Hebei Zhanxin.

b. On March 10, 2008, Yue Yuen entered into a derivative contract with an independent third party to acquire the cash-settled call option for the notional amount of approximately HK$2,100,000 thousand (US$269,231 thousand). Yue Yuen paid a premium of US$27,994 thousand for the HKD Call Option, recorded under financial assets at fair value through profit or loss.

   1) Term: Yue Yuen has the right to exercise the option to acquire equity interests from the Relevant Partners, from time to time on or after March 14, 2008 up to November 7, 2011.

   2) Settlement price: Yue Yuen will settle the net difference between the market value of one share of Yue Yuen, and the agreed price of HK$26.75 per share for each option exercised in United States dollars.

   3) Total amount: The total number of HKD Call Option that can be exercised by Yue Yuen is equivalent to 78,504,672 shares, at HK$0.25 each.

4) The HKD Call Option is not an option to acquire or dispose the shares of Yue Yuen. The option will be automatically exercised if the share price of Yue Yuen rises and remains above certain agreed levels for 30 consecutive days from May 17, 2008 to November 17, 2011; the range of share price level is from HK$33.319 to HK$36.346.

   As at December 31, 2012, the HKD Call Option had expired.

c. The Company is engaged in forward exchange contracts, exchange rate option contracts and interest rate swap contracts mainly to hedge the risk due to exchange rate and interest rate fluctuations. The Company's financial hedging strategies are to manage the risk of fluctuations in market price or cash flow.

d. Major terms of foreign currency forward contracts with maturities within one year from December 31, 2012 were summarized as follows:

Aggregate Notional Amount	Forward Exchange Rates
HK$530,000,000	Sell HKD/buy USD at 7.7476 to 7.750
US$ 91,000,000	Sell USD/buy RMB at 6.2750 to 6.50
US$ 12,189,456	Sell RMB/buy USD at 6.3035 to 6.3632
US$ 25,000,000	SELL USD/BUY VND at 20,914 to 21,025

Major terms of foreign currency forward contracts with maturities within one year from December 31, 2011 were summarized as follows:

Aggregate Notional Amount	Forward Exchange Rates
US$ 11,000,000	Sell USD/buy RMB at 6.5104 to 6.5454
US$ 2,150,783	Sell RMB/buy USD at 6.3980 to 6.4096

e. Major terms of exchange rate option contracts with maturities within one year from December 31, 2012 and 2011 were summarized as follows:

December 31, 2012

Item	Type	Buy/Sale	Premium Amount	Contract Amount	Market Value
Exchange rate option contracts	Put	Sell	$ -	US$ 120,000,000	$ 14,077
"	Put	Sell	-	120,000,000	3,317
"	Put	Sell	-	24,000,000	1,673
"	Put	Sell	-	48,000,000	2,824
"	Put	Sell	-	48,000,000	3,240
"	Put	Sell	-	63,000,000	8,770
"	Put	Sell	799	20,000,000	(479)
"	Put	Sell	558	8,000,000	(318)
"	Put	Sell	7,081	120,000,000	(952)
"	Put	Sell	3,949	48,000,000	(1,221)
"	Put	Sell	5,628	72,000,000	(1,196)
"	Put	Sell	9,511	120,000,000	(2,541)
"	Put	Sell	6,026	72,000,000	(1,926)
"	Put	Sell	2,009	24,000,000	(508)
"	Put	Sell	2,009	24,000,000	(425)
					$ 24,335

December 31, 2011

Item	Type	Buy/Sale	Premium Amount	Contract Amount	Market Value
Exchange rate option contracts	Put	Sell	$ -	$ 115,000,000	$ 1,652
"	Put	Sell	1,974	9,000,000	(508)
"	Put	Sell	1,974	9,000,000	(508)
"	Put	Sell	-	120,000,000	(27,945)
					$ (27,309)

f. The information of interest rate swap contracts as at December 31, 2012 and 2011 were summarized as follows:

December 31, 2012

Bank	Item	Principal	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
Chinatrust Commercial Bank	Interest rate swap	$ 750,000	2014.12.02	1.135	0.887	$ (2,108)
Chinatrust Commercial Bank	"	500,000	2014.12.02	0.935	0.887	(166)
Citibank	"	750,000	2014.12.02	1.135	0.887	(2,073)
Citibank	"	500,000	2014.12.02	0.843	0.887	427
Taipei Fubon Bank	"	500,000	2014.12.02	1.140	0.887	(1,420)
Taipei Fubon Bank	"	875,000	2016.09.29	1.066	-	(2,033)
Taipei Fubon Bank	"	700,000	2016.09.29	1.180	-	(3,482)
Taipei Fubon Bank	"	500,000	2016.09.29	0.967	-	(11)
E.SUN Bank	"	500,000	2014.12.02	1.140	0.887	(1,348)
E.SUN Bank	"	700,000	2016.09.29	1.183	-	(3,869)
SinoPac Bank	"	875,000	2016.09.29	1.066	-	(2,436)
SinoPac Bank	"	700,000	2016.09.29	1.183	-	(3,847)
Ta Chong Bank	"	700,000	2016.09.29	1.183	-	(3,874)
		$ 8,550,000				$ (26,240)

December 31, 2011

Bank	Item	Principal	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
Chinatrust Commercial Bank	Interest rate swap	$ 750,000	2014.12.02	1.135	0.861	$ (4,705)
Chinatrust Commercial Bank	"	500,000	2014.12.02	0.935	0.861	(906)
Citibank	"	750,000	2014.12.02	1.135	0.861	(4,680)
Citibank	"	500,000	2014.12.02	0.843	0.839	109
Taipei Fubon Bank	"	500,000	2014.12.02	1.140	0.861	(3,164)
E.SUN Bank	"	500,000	2014.12.02	1.140	0.861	(3,144)
		$ 3,500,000				$ (16,490)

g. The information about cross currency swap contracts as at December 31, 2012 was summarized as follows:

Name	Type	Principal	Maturity Date	Forward Rate	Forward Interest %	Fair Value
Australia and New Zealand Bank	Cross currency swap contracts	US$3,000,000	2013.07.16	29.93	0.35	$(2,569)

h. At December 31, 2012 and 2011, the fair values of the above forward contracts were determined based on valuations provided by counterparty bank using valuation techniques. The net profit (loss) from financial instruments at fair value through profit or loss for the years ended December 31, 2012 and 2011 was $14,048 thousand and $(1,081,611) thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS, CURRENT

Available-for-sale financial assets, current as at December 31, 2012 and 2011 consisted of the following:

	2012		2011
	Original Cost	Carrying Value	Carrying Value
Marketable equity securities			
Mega Financial Holding Company	$ 9,195,640	$ 10,767,387	$ 9,453,202
Taiwan Paiho Limited	23,456	24,406	30,542
Global Brands Manufacture Ltd.	959,809	508,990	583,130
Bizlink Holding Inc.	-	-	41,849
Sun Art Retail Group Ltd.	517,337	819,019	636,562
	$ 10,696,242	$ 12,119,802	$ 10,745,285

7. FINANCIAL ASSETS CARRIED AT COST, CURRENT

Financial assets carried at cost, current as at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Foreign mutual funds	$ -	$ 28,399

The above mutual funds do not have public offering price and reliable fair values, thus they are carried at cost.

8. NOTES AND ACCOUNTS RECEIVABLE

Notes receivable and accounts receivable as at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Notes receivable	$ 80,167	$ 57,726
Less allowance for doubtful accounts	-	-
	80,167	57,726

(Continued)

	2012	2011
Notes receivable from affiliates (Note 29)	$ 302	$ 43,887
Less allowance for doubtful accounts	-	-
	302	43,887
	$ 80,469	$ 101,613
Accounts receivable	$ 29,138,905	$ 24,106,686
Less allowance for doubtful accounts	(1,131,486)	(966,032)
	28,007,419	23,140,654
Accounts receivable from affiliates (Note 29)	213,003	725,444
Less allowance for doubtful accounts	(20,123)	(20,569)
	192,880	704,875
	$ 28,200,299	$ 23,845,529

(Concluded)

9. INVENTORIES

a. Inventories - manufacturing as at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Raw materials and supplies	$ 7,834,668	$ 10,429,147
Work-in-process	4,540,771	4,769,579
Finished goods and merchandise	22,972,067	18,095,396
	$ 35,347,506	$ 33,294,122

1) As of December 31, 2012 and 2011, the allowance for manufacturing inventory devaluation was $1,093,032 thousand and $957,975 thousand, respectively.

2) The cost of manufacturing inventories recognized as cost of goods sold for the years ended December 31, 2012 and 2011 was $209,283,440 thousand and $159,551,709 thousand, respectively, which included $135,057 thousand and $122,907 thousand write-downs of inventories, respectively.

b. Inventories - construction as at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Land and buildings for development	$ 3,528,427	$ 4,007,949
Land, buildings and improvements for sale	56,796	64,270
Construction site	126,658	126,658
	$ 3,711,881	$ 4,198,877

1) As of December 31, 2012 and 2011, the allowance for construction inventory devaluation was $26,922 thousand and $22,602 thousand, respectively.

2) The cost of construction inventories recognized as cost of goods sold for the years ended December 31, 2012 and 2011 was $1,593,326 thousand and $46,047 thousand, respectively.

3) Land and buildings for development as at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Barits Development	$ 2,660,540	$ 2,371,136
Right and Great Asia-Pacific	-	1,426,222
Yu Hong Development	657,296	-
Pou Chin Development	210,591	210,591
	$ 3,528,427	$ 4,007,949

At December 31, 2011, according to the loan agreement, the secured borrowings were secured by the land and buildings for development of the Company. Please see Note 30 to the consolidated financial statements for further information.

4) Land, buildings and improvements for sale as at December 31, 2012 and 2011 consisted of the following:

	2012			2011
Company	**Land**	**Building**	**Carrying Value**	**Carrying Value**
Pou Yii Development	$ 27,668	$ 29,128	$ 56,796	$ 64,270

5) As of December 31, 2012 and 2011, the construction site in the amount of $126,658 thousand, was an inventory of Pou Yii Development.

10. CONSTRUCTION IN PROCESS AND PROGRESSIVE BILLINGS

a. Construction of demarcation of real estate in Anhe district, Taichung City had been completed in March 2012.

b. Net amount of construction in process and progressive billings as at December 31, 2011 consisted of the following:

		2011		
Company	**Name of Construction**	**Construction in Process**	**Progressive Billings**	**Net Amount**
Wang Yi Construction	Construction of demarcation of real estate in Anhe district, Taichung City I (recorded under "progressive billings in excess of construction in progress")	$ 669,111	$ 672,495	$ (3,384)
	Construction of demarcation of real estate in Anhe district, Taichung City II (recorded under "progressive billings in excess of construction in progress")	$ 311,298	$ 367,174	$ (55,876)

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

Available-for-sale financial assets, noncurrent as at December 31, 2012 and 2011 consisted of the following:

	2012		2011
	Original Cost	**Carrying Value**	**Carrying Value**
Domestic marketable equity securities			
Asia Vital Components Co., Ltd.	$ 124,957	$ 153,812	$ 184,333
Taiwan Paiho Limited	128,338	167,422	185,867
Foreign marketable equity securities			
Symphony Holdings Ltd.	305,986	68,450	90,559
Foreign mutual funds			
Investar Excelsus Venture Capital	-	-	-
Foreign bunds			
Luen Thai Holdings Limited	134,757	125,511	-
	$ 694,038	$ 515,195	$ 460,759

a. Asia Vital Components Co., Ltd. is engaged in manufacturing and selling of semiconductors electronic connecters, computer connectors and communication products. The shares of Asia Vital Components Co., Ltd. are listed on the Taiwan Stock Exchange. It had outstanding common stock of $3,533,102 thousand as at December 31, 2012.

b. Taiwan Paiho Limited is engaged in manufacturing and selling of touch fasteners and webbings. The shares of Taiwan Paiho Limited are listed on the Taiwan Stock Exchange. It had outstanding common stock of $2,979,639 thousand as at December 31, 2012.

c. Symphony Holdings Ltd. is engaged in manufacturing and sales of footwear. The shares of Symphony Holdings Ltd. are listed on the Hong Kong Exchange and Clearing Limited. It has an outstanding common stock of HK$130,803 thousand as at December 31, 2012.

d. The Company had recorded impairment loss equal to the investment cost for Investar Excelsus Venture Capital.

e. In April 2012, Yue Yuen received a convertible note ("Convertible Note") with principal amount of US$4,600 thousand issued by Luen Thai Holdings Limited ("Luen Thai") as a consideration for disposal of 50% equity interest in Yuen Thai Industrial Company Limited. The Convertible Note carries interest at 6.5% per annum with maturity on May 30, 2014 at redemption amount of 100% of the principal amount together with interest accrued as at the redemption date. The Convertible Note is convertible at the option of the holders into ordinary shares of Luen Thai at HK$1.2 each from the issue date up to the maturity date.

   The derivative component of the Convertible Note, was recorded under "financial assets at fair value through profit or loss". Please see Note 5 to the consolidated financial statements for relevant information.

12. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

Financial assets carried at cost, noncurrent as at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Non-publicly traded common stocks		
Golden Brands Developments Ltd.	$ 161,406	$ 168,270
Shey Yu Co., Ltd.	320	320
Huan Shey Co., Ltd.	-	-
View Sonic Corporation	19,246	19,246
Taichung International Entertainment Corporation	1,905	1,905
Great Team Backend Foundry Inc.	70,402	73,396
First Dynamic International Ltd.	36,857	38,424
Ryco Investment Ltd.	-	-
DTE Technologies Corp.	-	-
Zhi Yuen Venture Capital Corporation	60,000	60,000
Foreign mutual funds		
Asia Pacific Genesis Venture Capital Fund, L.P.	38,056	39,675
CID Greater China Venture Capital Fund II. L.P.	215,655	226,598
Prodigy Strategic Investment Fund XXII Segregated Portfolio	246,242	194,286
UIS - Trusted Money Fund	-	-
	$ 850,089	$ 822,120

a. The stocks and mutual funds mentioned above do not have public offering active market and reliable fair values; thus, they are carried at cost.

b. The Company recognized an impairment loss of $188,517 thousand and $461,458 thousand on the investment of Prodigy Strategic Investment Fund XXII segregated portfolio for the years ended December 31, 2012 and 2011, respectively.

c. The Company had recorded impairment loss equal to the investment cost for Ryco Investment Ltd., Uis-Trusted Money Fund, Huan Shey Co., Ltd., and DTE Technologies Corp., respectively.

13. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Investments accounted for by the equity method as at December 31, 2012 and 2011 consisted of the following:

	2012			2011	
	Original Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Shoes, shoe materials and athletic products companies					
Best Focus Holdings Ltd.	$ 324,300	$ 401,879	50.00	$ 424,211	50.00
Beijing Baojing Kangtai Trading Co., Ltd.	205,960	180,463	50.00	221,155	50.00
Bigfoot Limited	138,772	173,233	48.76	159,485	48.76

(Continued)

	2012			2011	
	Original Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Blessland Enterprises Limited	$ 26,196	$ 50,432	50.00	$ 65,520	50.00
Central Honour Limited	-	-	-	-	-
China Ocean Resources Limited	821,131	347,219	50.00	422,535	50.00
Cohen Enterprises Inc.	156,820	616,449	50.00	570,015	50.00
Din Tsun Holding Co., Ltd.	251,211	1,040,824	50.00	829,089	50.00
Eagle Nice (International) Holdings Limited	1,325,223	1,931,798	38.42	1,963,226	38.42
Enthroned Group Limited	158	142	48.76	148	48.76
Faith Year Investments Ltd.	68,853	174,500	30.00	97,475	30.00
Full Pearl International Ltd.	381,878	390,274	40.04	376,476	40.04
Fuzhou Fubao Paper Packaging Co., Ltd.	-	-	-	122,360	50.00
Good Assets Management Limited	-	-	-	5,459	50.00
Great Skill Industrial Limited	34,149	92,656	50.00	73,983	50.00
Guiyang Baoshang Sports Goods Company Limited	47,776	60,081	50.00	68,836	50.00
Hangzhou Baohong Sports Goods Company Limited	60,503	27,425	50.00	32,252	50.00
Hebei Zhanxin Sports Development Company Limited	-	-	-	293,657	45.00
Hefei Tengrei Sports Goods Company Limited	164,220	156,653	50.00	382,188	50.00
High Style Investments Limited	5,675	121	50.00	18,555	50.00
Hua Jian Industrial Holding Co., Limited	771,201	2,593,282	50.00	2,460,310	50.00
Intelligent Plus Limited	48,989	64,685	45.90	58,288	45.90
i-Tech Enterprises Ltd.	-	-	-	7,910	50.00
Jilin Lingpao Sports Goods Company Limited	285,431	429,587	50.00	678,434	50.00
Jilin Xinfangwei Sports Goods Company Limited	597,359	457,944	50.00	587,525	50.00
Jumbo Power Enterprises Limited	438,315	841,078	50.00	659,433	50.00
Just Lucky Investments Limited	26,204	69,425	38.30	61,140	38.30
Ka Yuen Rubber Factory Limited	32,719	747,828	50.00	709,857	50.00
Keen Idea Group Limited	52,086	5,520	40.00	16,861	40.00
Liberty Bell Investments Limited	318,234	139,937	49.00	129,532	49.00
Luen Thai Holdings Ltd.	394,437	695,159	8.93	600,139	8.98
Natural Options Limited	11,144	5,855	38.30	6,077	38.30
Oftenrich Holdings Limited	1,339,783	1,934,018	45.00	2,000,242	45.00
Original Designs Developments Limited	40,156	163,303	49.47	147,810	49.47
Pine Wood Industries Limited	92,393	103,438	37.00	103,055	37.00
Precise Zone Investments Limited	41,662	12,962	47.65	32,617	47.65
Prosperlink Limited	17,432	16,283	38.00	5,737	38.00
Prosperous Industrial (Holdings) Ltd.	583,740	1,237,447	30.00	1,071,750	30.00
Pygf Co., Ltd.	3,243	5,070	50.00	58,782	50.00
Rise Bloom International Limited	24,312	13,873	47.00	15,497	47.00
Shaanxi Jixian Longyue Sports Goods Company Limited	146,935	100,851	50.00	238,829	50.00
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	-	-	-	319,018	40.00
Smart Shine Industries Limited	-	93,033	50.00	94,669	50.00
Supplyline Logistics Ltd.	214,332	-	49.00	33,936	49.00
Suzhou Xinjun Trading Development Company Limited	-	-	-	156,106	49.00
Texas Clothing Holdings Corp.	3,975,752	2,408,437	49.99	1,653,622	49.71
Topmost Industries Limited	26,438	55,912	50.00	79,444	50.00
Twinways Investments Limited	88,232	391,848	50.00	319,321	50.00
Well Success Investment Limited	150,207	1,139,188	40.00	1,299,111	40.00
Wenzhou Baofeng Trading Co., Ltd.	-	-	-	-	50.00

(Continued)

	2012			2011	
	Original Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Willpower Industries Limited	$ 221,001	$ 421,018	44.84	$ 383,296	44.84
Yuen Thai Industrial Company Limited	-	-	-	133,096	50.00
Zhejiang Baohong Sports Goods Company Limited	203,380	145,717	49.00	163,047	49.00
Evermore Chemical Industry Co., Ltd.	253,333	288,149	21.09	279,372	20.75
San Fang Chemical Industry Co., Ltd.	2,690,389	3,631,265	44.72	3,510,983	44.72
Nan Pao Resins Chemical Co., Ltd.	539,797	716,225	22.15	669,276	22.15
Hebei Olivier Trading Co., Ltd.	4,203	-	45.00	-	-
Electronics companies					
Haicheng Information Technology Co., Ltd.	194,580	-	50.00	138,996	50.00
Kleine Developments Ltd.	335,317	7,042	33.33	17,754	33.33
Silver Island Trading Ltd.	129,720	-	50.00	47,751	50.00
Venture Well Holdings Ltd.	332,638	314,538	31.55	325,123	31.55
Elitegroup Computer Systems Co., Ltd.	5,550,394	3,688,504	19.38	5,207,760	19.38
Techview International Technology Inc.	671,618	-	50.00	-	50.00
Investment holding and other companies					
Ace Top Group Limited	15,865	101,367	40.00	75,007	40.00
Asia Air Tech Industrial (Pte) Ltd.	-	-	-	-	-
Coprospects Holdings Ltd.	-	841	50.00	904	50.00
Mega Atlas International Limited	-	-	-	-	40.00
Most Honour International Limited	1,640	3,988	50.00	3,908	50.00
Partner Alliance Limited	-	-	-	5,460	50.00
Poulik Properties Management Co., Ltd.	-	545	30.00	554	30.00
Rising Developments Ltd.	2	15,740	50.00	24,367	50.00
Talent Pool Management Ltd.	-	2,830	30.00	2,567	30.00
Zhuhai Poulik Properties Management Co., Ltd.	14,374	78,108	40.00	57,122	40.00
Zhong Ao Multiplex Management Limited	1,002,199	1,336,434	46.82	1,270,939	46.82
Ruen Chen Investment Holding Co., Ltd.	9,000,000	10,003,861	20.00	8,939,565	20.00
	34,894,011	40,126,284		40,988,524	
Prepayments for investments	-	-		131,575	
	$ 34,894,011	$ 40,126,284		$ 41,120,099	

(Concluded)

a. The Company's investment income (loss) recognized under equity method for the years ended December 31, 2012 and 2011 was summarized as follows:

	2012	2011
Shoes, shoe materials and athletic products companies		
Best Focus Holdings Ltd.	$ 36,028	$ 75,445
Beijing Baojing Kangtai Trading Co., Ltd.	(9,841)	5,641
Bigfoot Limited	37,902	21,351
Blessland Enterprises Limited	(2,065)	7,467
Central Honour Limited	-	(57)
Cohen Enterprises Inc.	65,793	7,254
Din Tsun Holding Co., Ltd.	249,721	142,020
Eagle Nice (International) Holdings Limited	174,459	133,352

(Continued)

	2012	2011
Faith Year Investments Ltd.	$ 81,295	$ 16,692
Full Pearl International Ltd.	18,252	(29,255)
Fuzhou Fubao Paper Packaging Co., Ltd.	(9,647)	(6,395)
Good Assets Management Limited	(11)	(4)
Great Skill Industrial Limited	22,090	16,016
Guiyang Baoshang Sports Goods Company Limited	(7,732)	354
Hangzhou Baohong Sports Goods Company Limited	(4,351)	(8,791)
Hebei Zhanxin Sports Development Company Limited	(3,612)	(4,550)
Hefei Tengrei Sports Goods Company Limited	(77,387)	(2,001)
High Style Investments Limited	(5,435)	874
Hua Jian Industrial Holding Co., Limited	250,459	174,349
Intelligent Plus Limited	6,251	468
i-Tech Enterprises Ltd.	-	1,519
Jilin Lingpao Sports Goods Company Limited	(70,368)	22,499
Jilin Xinfangwei Sports Goods Company Limited	(89,282)	(77,642)
Jumbo Power Enterprises Limited	195,943	(72,432)
Just Lucky Investments Limited	16,075	10,531
Ka Yuen Rubber Factory Limited	180,547	81,214
Keen Idea Group Limited	(1,031)	53
Liberty Bell Investments Limited	15,978	(10,685)
Luen Thai Holdings Ltd.	158,964	54,539
Natural Options Limited	26	6
Oftenrich Holdings Limited	281,907	236,592
Original Designs Developments Limited	43,166	42,978
Pine Wood Industries Limited	14,782	26,599
Precise Zone Investments Limited	(15,771)	(12,731)
Prosperlink Limited	(260)	(117)
Prosperous Industrial (Holdings) Ltd.	245,107	99,337
Pygf Co., Ltd.	(503)	1,136
Rise Bloom International Limited	(1,010)	(7,248)
Shaanxi Jixian Longyue Sports Goods Company Limited	(134,928)	12,835
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	25,313	43,931
Smart Shine Industries Limited	796	(1,658)
Suzhou Xinjun Trading Development Company Limited	(5,606)	(13,183)
Texas Clothing Holdings Corp.	838,474	266,843
Topmost Industries Limited	(5,977)	3,903
Twinways Investments Limited	145,506	79,500
Well Success Investment Limited	(111,003)	66,706
Wenzhou Baofeng Trading Co., Ltd.	-	(28,681)
Willpower Industries Limited	95,448	57,854
Yuen Thai Industrial Company Limited	23,356	(1,140)
Zhejiang Baohong Sports Goods Company Limited	(16,050)	(23,208)
Evermore Chemical Industry Co., Ltd.	22,070	4,506
San Fang Chemical Industry Co., Ltd.	427,431	309,385
Nan Pao Resins Chemical Co., Ltd.	103,761	79,540
Hebei Olivier Trading Co., Ltd.	(4,060)	-
<u>Electronics companies</u>		
Haicheng Information Technology Co., Ltd.	(98,313)	(2,622)
Kleine Developments Ltd.	(10,534)	(76,448)

(Continued)

	2012	2011
Silver Island Trading Ltd.	$ (46,646)	$ (21)
Venture Well Holdings Ltd.	8,222	18,057
Elitegroup Computer Systems Co., Ltd.	87,658	98,684
Techview International Technology Inc.	-	-
<u>Investment holding and other companies</u>		
Ace Top Group Limited	46,285	15,994
Coprospects Holdings Ltd.	(27)	28
Mega Atlas International Limited	-	(237)
Most Honour International Limited	6	(325)
Partner Alliance Limited	(335)	471
Rising Developments Ltd.	1,239	(10,842)
Talent Pool Management Ltd.	1,732	739
Zhuhai Poulik Properties Management Co., Ltd.	33,657	13,268
Zhong Ao Multiplex Management Limited	89,522	9,309
Ruen Chen Investment Holding Co., Ltd.	1,621,633	805,060
	$ 4,935,069	$ 2,674,626

(Concluded)

The names, main businesses, and place of incorporation of the equity-accounted investees were as follows:

Name	Core Operating Item	Location of Incorporation
Ace Top Group Limited	Investment holding	British Virgin Islands
Asia Air Tech Industrial (Pte) Ltd.	Manufacture and sale of air conditioner	Singapore
Best Focus Holdings Ltd.	Manufacture and sale of paper carton	British Virgin Islands
Beijing Baojing Kangtai Trading Co., Ltd.	Retailing of sportswear	PRC
Bigfoot Limited	Cloth product trading/cloth dyeing and processing/cloth shoe material binding	British Virgin Islands
Blessland Enterprises Limited	Manufacture and sale of shoe pads	British Virgin Islands
Central Honour Limited	Shoe injection	British Virgin Islands
China Ocean Resources Limited	Sales of sports goods	British Virgin Islands
Cohen Enterprises Inc.	Manufacture and sales of leather products for shoes	British Virgin Islands
Coprospects Holdings Ltd.	Investment holding	British Virgin Islands
Din Tsun Holding Co., Ltd.	Manufacture and sale of apparel	British Virgin Islands
Eagle Nice (International) Holdings Limited	Manufacture and sale of apparel	Cayman Islands
Enthroned Group Limited	Investment holding	British Virgin Islands
Faith Year Investments Ltd.	Manufacture and sale of apparel	British Virgin Islands
Full Pearl International Limited	Retailing of ladies shoes	British Virgin Islands
Fuzhou Fubao Paper Packaging Co., Ltd.	Print and manufacture of paper	PRC
Good Assets Management Limited	Investment holding	British Virgin Islands
Great Skill Industrial Limited	Manufacture and sale of plastic shoe injection	British Virgin Islands
Guiyang Baoshang Sports Goods Company Limited	Retailing of sportswear	PRC
Haicheng Information Technology Co., Ltd.	Developing and manufacture of software and electronic parts	PRC

(Continued)

Name	Core Operating Item	Location of Incorporation
Hangzhou Baohong Sports Goods Company Limited	Retailing of sportswear	PRC
Hebei Zhanxin Sports Development Company Limited	Retailing of sportswear	PRC
Hefei Tengrei Sports Goods Company Limited	Retailing of sportswear	PRC
High Style Investments Limited	Manufacture halftone, printing ink	British Virgin Islands
Hua Jian Industrial Holding Co., Limited	Manufacture and sale of ladies shoes	British Virgin Islands
Intelligent Plus Limited	Manufacturing and sale of chemical materials	British Virgin Islands
i-Tech Enterprises Ltd.	Sale of plastic grain	British Virgin Islands
Jilin Lingpao Sports Goods Company Limited	Retailing of sportswear	PRC
Jilin Xinfangwei Sports Goods Company Limited	Retailing of sportswear	PRC
Jumbo Power Enterprises Limited	Manufacture and sale of footwear	British Virgin Islands
Just Lucky Investments Limited	Property management	British Virgin Islands
Ka Yuen Rubber Factory Limited	Manufacture and sale of rubber soles	British Virgin Islands
Keen Idea Group Limited	Investment holding	British Virgin Islands
Kleine Developments Ltd.	Manufacture and sale of electronic parts and investment holding	British Virgin Islands
Liberty Bell Investments Limited	Manufacture and sale of chemical for leather use	British Virgin Islands
Luen Thai Holdings Ltd.	Manufacturing of apparel	Cayman Islands
Mega Atlas International Ltd.	Investment Holding	British Virgin Islands
Most Honour International Limited	Investment holding	British Virgin Islands
Natural Options Limited	Manufacture of foamed cotton	British Virgin Islands
Oftenrich Holdings Limited	Manufacture and sale of safety and casual shoes	Bermuda
Original Designs Developments Limited	Manufacture of shoe lasts	British Virgin Islands
Partner Alliance Limited	Sale of tobacco and liquor	British Virgin Islands
Pine Wood Industries Limited	Manufacture and sale of cloths	British Virgin Islands
Poulik Properties Management Co., Ltd.	Properties management	British Virgin Islands
Precise Zone Investments Limited	Manufacture and processing of ironware and plastic products	British Virgin Islands
Prosperlink Ltd.	Investment Holding	Samoa
Prosperous Industrial (Holdings) Ltd.	Manufacture and sale of sports bags	Cayman Islands
PYGF Co., Ltd.	Processing rubber	British Virgin Islands
Rise Bloom International Ltd.	Investment Holding	Hong Kong
Rising Developments Ltd.	Trading of diesel/petroleum	British Virgin Islands
Shaanxi Jixian Longyue Sports Goods Company Limited	Retailing of sportswear	PRC
Shaanxi Wuhuan Shengdao Sports Production Development Company Limited	Retailing of sportswear	PRC
Silver Island Trading Ltd.	Sale of electronic parts	British Virgin Islands
Smart Shine Industries Limited	Manufacture and sales of shoes and apparel	British Virgin Islands
Supplyline Logistics Ltd.	Provision of logistic service	Hong Kong
Suzhou Xinjun Trading Development Company Limited	Retailing of sportswear	PRC
Talent Pool Management Ltd.	Provision of kindergarten service	British Virgin Islands
Texas Clothing Holdings Corp.	Manufacture and sale of apparel	British Virgin Islands
Topmost Industries Limited	Manufacture of counters for shoes	British Virgin Islands
Twinways Investments Limited	Manufacture and sales of injection moulds for shoe components	British Virgin Islands
Venture Well Holdings Ltd.	Sale of electronic parts	British Virgin Islands

(Continued)

Name	Core Operating Item	Location of Incorporation
Well Success Investment Limited	Investment holding	British Virgin Islands
Wenzhou Baofeng Trading Co., Ltd.	Retailing of sportswear	PRC
Willpower Industries Limited	Manufacture and sale of paper product	British Virgin Islands
Yuen Thai Industrial Company Limited	Manufacture and trading of sports and active wear	Hong Kong
Zhejiang Baohong Sports Goods Co., Ltd.	Retailing of sportswear	PRC
Zhuhai Poulik Properties Management Co., Ltd.	Properties management	British Virgin Islands
Zhong Ao Multiplex Management Limited	Properties management	PRC
Hebei Olivier Trading Co., Ltd.	Properties management	PRC

(Concluded)

Except Venture Well Holdings Ltd. and Kleine Developments, Ltd., the accounting year of the above-listed companies ends on September 30. These companies have resolved to change their accounting year to calendar year, effective for the financial year of 2012. The Company accounted for the investment income (loss) from these companies in 2012 and 2011 based on their financial results for the period from October 1, 2011 to December 31, 2012 and October 1, 2010 to September 30, 2011, respectively.

1) Eagle Nice (International) Holdings Ltd. ("Eagle Nice") is engaged in manufacturing and sale of apparel. The shares of Eagle Nice are listed on the Hong Kong Exchange and Clearing Limited. It has an outstanding common stock of HK$4,997 thousand as at December 31, 2012.

2) Luen Thai Holdings Ltd. ("Luen Thai") is engaged in manufacturing ready-made garments. The shares of Luen Thai are listed on the Hong Kong Exchange and Clearing Limited. It has an outstanding common stock of US$9,993 thousand as at December 31, 2012.

3) Evermore Chemical Industry Co., Ltd. ("Evermore Chemical") is engaged in manufacturing and selling of melamine resin and phthali anhydride resin. The shares of Evermore Chemical are listed on the Taiwan Stock Exchange. It has an outstanding capital of $1,023,880 thousand as at December 31, 2012.

4) San Fang Chemical Industry Co., Ltd. ("San Fang") is engaged in manufacturing and marketing of leather. The shares of San Fang are listed on the Taiwan Stock Exchange. It has an outstanding capital of $3,534,563 thousand as at December 31, 2012.

5) Techview International Technology Inc. ("Techview International") was established in November 2003, and is primarily engaged in development, sale and assembly of TFT-LCD display.

6) Elitegroup Computer Systems Co., Ltd. ("Elitegroup Computer") is engaged in designing, manufacturing and sale of computer peripheral equipment. The shares of Elitegroup Computer are listed on the Taiwan Stock Exchange Corporation. On August 24, 2011, Elitegroup Computer's board of directors decided to cancel 50,000 thousand shares of treasury shares under the Company law. Accordingly, the Company's ownership in Elitegroup Computer was increased from 18.59% to 19.38%. Elitegroup Computer had outstanding common stock of $11,831,937 thousand as at December 31, 2012. Based on the result of its assessment, the Company recognized impairment loss in the amount of $983,053 thousand in 2012.

7) Nan Pao Resins Chemical Co., Ltd. ("Nan Pao Resins") was established in October 1963. It is engaged in manufacturing chemical materials. It has an outstanding common stock of $740,184 thousand as at December 31, 2012.

8) Ruen Chen Investment Holding Co., Ltd. was established in November 2010. Pou Chen was one of the original stockholders and has invested $500,000 thousand, representing 20% ownership. In 2011, Ruen Chen issued additional capital stock of $42,500,000 thousand at $10 per share, of which $8,500,000 thousand was subscribed by Pou Chen in proportion to the percentage of ownership. Ruen Chen primarily engages in investing in Nan Shan Life Insurance Co., Ltd. Ruen Chen had outstanding common stock of $48,580,000 thousand as at December 31, 2012.

   In addition, Pou Chen has provided 820,000 thousand shares of Ruen Chen as collateral of the long-term loans made by Ruen Chen from Taiwan Cooperative Bank and other financial institutions. Please see Note 29 to the consolidated financial statements for the relevant information.

b. October 2010, Pou Sheng decided to pay $1,851,901 thousand (US$64,470,000) for the remaining equity ownership of Zhejiang Yichuan. The unpaid consideration in the amount of $95,033 thousand (US$3,139,000) was recorded under "other payables" as at December 31, 2011. Please see Note 19 to the consolidated financial statements for further information.

c. The prepayments for investments in the amount of $131,575 thousand as at December 31, 2011 represented the consideration paid for acquisition of the remaining ownership of Hebei Zhanxin Sports Development Company Limited ("Hebei Zhanxin") and the business of Shanghai Pengda Sports Goods Company Limited ("Shanghai Pengda").

d. The consideration for the remaining equity ownership of Hebei Zhanxin in the total amount of $611,763 thousand (US$20,474,000) had been fully paid as at December 31, 2012.

e. In February 2012, the acquisition of the business of Shanghai Pengda was completed, and the total consideration was in the amount of $3,397,767 thousand (US$117,003,000). As of December 31, 2012, the consideration in the amount of $549,059 thousand (US$18,907,000) has not been paid, of which $26,920 thousand (US$927,000) was recorded under "other payables", and $522,139 thousand (US$17,980, 000) was recorded under "long-term payable".

f. In April 2012, Pou Sheng decided to sell the 49% ownership of Suzhou Xinjun Trading Development Company Limited. Due to the fact that the net realizable value was lower than the book value, the Company recognized impairment loss in the amount of $29,574 thousand (US$1,000,000). At December 31, 2012, Pou Sheng had reclassified the equity investment in the amount of $1,674,000 to "long-term investment classified as held for sale".

14. INVESTMENTS IN REAL ESTATE

Investments in real estate as at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Land	$ 298,437	$ 186,123

For urban redevelopment of Taichung, Pou Chen purchased the land located on Guangshun and Fuhe section, Xitun District, Taichung. In June 2012, Pou Chen acquired the land located on Fuhe section, Xitun District, Taichung from non-related parties for $112,314 thousand.

15. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at December 31, 2012 and 2011 consisted of the following:

	2012					2011
	Cost	Revaluation Increment	Accumulated Depreciation	Accumulated Cost	Carrying Increment	Carrying Depreciation
Land	$ 2,223,693	$ 248,261	$ -	$ (5,241)	$ 2,466,713	$ 2,425,958
Buildings and improvements	59,293,541	45,062	(19,367,522)	(1,444)	39,969,637	37,179,151
Machinery and equipment	41,138,084	-	(26,038,212)	-	15,099,872	17,004,132
Transportation equipment	1,394,557	-	(936,964)	-	457,593	498,757
Furniture, fixtures and office equipment	6,740,845	-	(4,560,868)	-	2,179,977	2,309,023
Other equipment	208,658	-	(169,621)	-	39,037	20,961
Construction in progress and prepayments for equipment	1,850,629	-	-	-	1,850,629	4,672,257
	$ 112,850,007	$ 293,323	$ (51,073,187)	$ (6,685)	$ 62,063,458	$ 64,110,239

a. Pou Chen recorded land value increment in 1987 and 1991 to reflect the value appraised and published by the government. Reserve for land value increment tax, payable upon sale of land, is presented under long-term liabilities. Furthermore, in accordance with the amended Land Tax Law, Pou Chen decreased its reserve for land value increment tax by $49,652 thousand with a corresponding increase in adjustments of stockholders' equity for the year ended December 31, 2005.

b. In 2011, Yue Yuen and Pou Sheng had decided to sell partial assets of an investee in the amount of $2,003,448 thousand (US$66,175,000). The Company had reclassified the associated assets and liabilities to "noncurrent assets/liabilities classified as held for sale".

c. As at December 31, 2011, according to a loan agreement, the secured borrowings were secured by part of the buildings and improvements of the Company. Please see Note 30 to the consolidated financial statements for further information.

16. OTHER ASSETS

Other assets as at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Leased assets		
Cost and revaluation increment	$ 757,786	$ 801,762
Less accumulated depreciation	(8,570)	(6,984)
Less allowance for valuation loss of leased assets	(12,290)	(15,468)
	736,926	779,310
Idle asset	-	62,083
Less accumulated depreciation	-	(60,609)
Less allowance for valuation loss of idle asset	-	(1,474)
	-	-
Refundable deposits	162,076	177,109
Deferred charges	599,895	710,641
Deferred income tax assets, noncurrent (Note 26)	272,705	218,562
Land held by trustee	73,713	73,713
Prepaid pension cost (Note 22)	130,802	99,640
Land and building for sale	5,208	5,254
Temporary tax payments	1,675	5,135
Restricted assets - noncurrent	25,864	405,727
Others	24,100	251,616
	$ 2,032,964	$ 2,726,707

Three parcels of land located in Changhwa County were purchased by Pou Chen for $22,187 thousand in June 1990, for $33,668 thousand in April 1997, and for $17,858 thousand in July 2007. According to related laws, the ownership for these three parcels of land should be transferred to Pou Chen. However, due to certain restrictions under the land regulations, the ownership for these three parcels of land resides with a trustee through a trust agreement which prohibits the trustee from selling, pledging or hypothecating the property. Consequently, the three parcels of land in the amount of $73,713 thousand at December 31, 2012, are included in "other assets - land held by trustee".

17. SHORT-TERM LOANS

Short-term loans as at December 31, 2012 and 2011 consisted of the following:

	2012		2011	
	Annual Interest Rate %	**Balance**	**Annual Interest Rate %**	**Balance**
Unsecured loans	0.71-8.24	$ 15,662,647	0.95-7.63	$ 18,909,589
Procurement loans	-	-	3.93	63,401
		$ 15,662,647		$ 18,972,990

The Company provided collateral in accordance with the requirements of the bank. Please see Note 30 to the consolidated financial statements for relevant information.

18. SHORT-TERM BILLS PAYABLE

Short-term bills payable as at December 31, 2012 and 2011 consisted of the following:

	2012		2011	
	Annual Interest Rate %	**Balance**	**Annual Interest Rate %**	**Balance**
Commercial paper	0.79-0.98	$ 2,467,000	0.82-0.90	$ 2,821,000
Less discount on commercial paper		(1,809)		(2,857)
		$ 2,465,191		$ 2,818,143

19. OTHER PAYABLES

Other payable as at December 31, 2012 and 2011 consisted of the following:

	2012	2011
Salary and wages payable	$ 8,489,533	$ 6,426,530
Cash dividends payable	2,051,341	-
Payables on machinery and equipment	637,496	941,294
Compensation due to directors and supervisors	308,323	256,485
Employee bonus payable	282,733	177,656

(Continued)

	2012	2011
Interest payable	$ 138,661	$ 128,361
Payable for acquisition of subsidiary	26,920	95,033
Other accrued expenses	7,649,317	7,191,145
	$ 19,584,324	$ 15,216,504

(Concluded)

20. CURRENT PORTION OF LONG-TERM LIABILITIES

Current portion of long-term liabilities as at December 31, 2012 and 2011 consisted of the follows:

	2012	2011
Euro Convertible Bonds	$ -	$ -
Long-term debt (Note 21)	15,978,798	3,354,105
	$ 15,978,798	$ 3,354,105

The covenants of overseas unsecured convertible bonds issued by Yue Yuen in 2007 were as followed:

a. Date of issuance: November 17, 2006.

b. Par value: HK$10 thousand.

c. Location of issuance: Hong Kong.

d. Price of issuance: 100%.

e. Total amount: HK$2,100,000 thousand issued.

f. Interest rate: 0%.

g. Term: Five years; date of maturity: November 17, 2011.

h. Conversion price:

   HK$26.75 per share which will be subject to adjustment for, among other things, subdivision or consolidation of shares, capital distributions, bonus issues, rights issues and other dilutive events.

i. Redemption at maturity:

   Unless previously redeemed, repurchased and cancelled, or converted, the bonds will be redeemed on November 17, 2011 at a price equal to 113.227% of the unpaid principal amount.

j. Redemption at the option of Yue Yuen:

   On or at any time after November 17, 2007 (in the case of (i) below) and at any time (in the case of (ii) and (iii) below) and (in either case) prior to November 17, 2011, Yue Yuen may redeem all of the bonds at the Early Redemption Amount on the Redemption Date if (i) the closing price of the share (as derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange) for each of the 30 consecutive Trading Day prior to the date upon which notice of such redemption is given, was at least 120 percent of the

Conversion Price in effect on each such Trading Day or (ii) at least 90 percent in principal amount of the bonds has already been converted, redeemed or purchased and cancelled or (iii) in the event of certain changes relating to Bermuda or Hong Kong taxation law (after Yue Yuen exercised such redemption option, each bond holder may elect to refuse such redemption).

k. Repurchase at the option of holders:

1) Each holder has the put option to require Yue Yuen to repurchase all or any portion of such holder's bonds on November 17, 2009 at a price equal to 107.738% of the unpaid principal amount thereof.

2) If the common shares of Yue Yuen cease to be listed or admitted to trading on the Hong Kong Stock Exchange, each holder has the right to require Yue Yuen to repurchase all of such holder's bonds. The holder of the bonds required Yue Yuen to repurchase a part of the bonds; the payment was about $591,722 thousand (US$18,684,000).

3) Upon the occurrence of a change of control, each holder has the right to require Yue Yuen to repurchase all of such holder's bonds.

The Euro Convertible Bonds issued by Yue Yuen have been redeemed according to the covenants on November 17, 2011.

21. LONG-TERM DEBT

Long-term debt as at December 31, 2012 and 2011 consisted of the following:

	2012	2011
China Trust Commercial Bank (lead lender) syndication loan		
Long-term debt, US$300,000 thousand. The term is from May 12, 2011 to June 10, 2016. The principal is due in semiannual installment commencing from January 2015. Interest is paid semiannually. Interest rate is 0.75%.	$ 8,712,000	$ 9,082,500
Taipei Fubon Bank		
Long-term debt, US$2,500 thousand. The term is from July 22, 2011 to July 22, 2014. The principal is due in quarterly installment commencing from November 2012. Interest is paid monthly. Interest rate is 2.31%.	63,525	75,688
Taipei Fubon Bank		
Long-term debt, US$150,000 thousand. The principal due in semiannual installments commencing from May 2012. Interest is paid quarterly. Interest rate is 1.27%.	2,178,000	4,541,250
Citibank		
Long-term debt, facility is US$300,000 thousand including HK$401,700 thousand and US$248,500 thousand. The term is from May 20, 2010 to May 20, 2013. The principal will be fully repaid upon maturity. Interest is paid semiannually. Interest rate is 1.00%.	8,715,498	9,086,146
Citic Bank		
Long-term debt, US$14,997 thousand. The term is from September 6, 2012 to September 8, 2014. The principal is due in semiannual installments commencing from September 2013. Interest is paid quarterly. Interest rate is 3.02%.	435,512	605,439

(Continued)

	2012	2011
Citibank (lead lender) syndication loan		
Long-term debt, facility is US$350,000 thousand including HK$2,028,000 thousand and US$90,000 thousand. The term is from October 20, 2011 to October 20, 2014. The principal will be fully repaid upon maturity. Interest is paid semiannually. Interest rate is 1.58%.	$ 10,182,826	$ 10,615,876
Chinatrust Commercial Bank (lead lender) syndication loan		
Long-term debt, $7,000,000 thousand, due in semiannual repayments commencing November 16, 2011 and maturing May 16, 2013. Interest rate is 1.40%.	1,750,000	5,250,000
Chinatrust Commercial Bank (lead lender) syndication loan		
Long-term debt, $10,000,000 thousand, due in semiannual repayments commencing June 2, 2013 and maturing December 2, 2014. Interest rate is 1.54%-1.59%.	10,000,000	10,000,000
First Commercial Bank (lead lender) syndicated loan		
Long-term debt, $13,000,000 thousand, due in semiannual repayments commencing March 27, 2015 and maturing September 29, 2016. Interest rate is 1.50%.	10,750,000	1,750,000
DBS Bank		
Secured long-term debt, RMB130,000 thousand. The term is from August 26, 2009 to September 15, 2012. The principal is due in semiannual installments commencing from September 2010. Interest is paid semiannually.	-	430,715
The Hong Kong and Shanghai Banking Corporation Limited		
Medium-term debt, RMB40,000 thousand. The term is from March 31, 2007 to March 31, 2012. The principal is due in semiannual installments commencing from March 2010. Interest is paid semiannually. The principal had fully repaid upon maturity.	-	37,865
Cathay United Bank		
Medium-term debt, facility is $1,050,000 thousand including secured debt $849,000 thousand and unsecured debt $201,000 thousand. The term is from May 9, 2011 to May 9, 2014. The principal had fully repaid upon maturity. Interest is paid monthly.	-	860,000
	52,787,361	52,335,479
Less current portion (Note 20)	(15,978,798)	(3,354,105)
	$ 36,808,563	$ 48,981,374

(Concluded)

Since the Company had refinanced the loans before December 31, 2012 and 2011, respectively, the current portion of the syndication loans from China Trust Commercial Bank was recorded under “long-term debt”, accordingly.

The Company provided collateral in accordance with the requirements of the banks. Please see Note 30 to the consolidated financial statements for relevant information.

22. PENSION PLAN

Pou Chen, Barits Development, Pou Yuen Technology and Pro Arch International each have a defined benefit pension plan covering all employees.

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement.

Information about the defined benefit plan was as follows:

a. Components of net periodic pension cost for the year 2012 and 2011 consisted of the following:

	2012	2011
Service cost	$ 23,486	$ 25,154
Interest cost	28,852	29,020
Expected return on plan assets	(10,472)	(11,724)
Amortization of net transition asset	(874)	(1,520)
Amortization of unrecognized prior service cost	204	204
Amortization of pension loss	16,575	15,822
Curtailment or settlement gain	(29,708)	-
	$ 28,063	$ 56,956

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2012 and 2011 was as follows:

	2012	2011
Actuarial present value of benefit obligation:		
Vested benefits	$ (523,010)	$ (457,315)
Nonvested benefits	(762,650)	(731,812)
Accumulated benefit obligation	(1,285,660)	(1,189,127)
Additional benefits at future salaries	(264,327)	(255,385)
Projected benefit obligation	(1,549,987)	(1,444,512)
Plan assets at fair value	466,908	524,825
Funded status	(1,083,079)	(919,687)
Net transition asset not yet recognized	-	(874)
Unrecognized prior service costs	149	353
Unrecognized pension loss	518,937	354,355
Additional pension liability	(259,786)	(114,235)
Accrued pension cost	$ (823,779)	$ (680,088)
Vested benefit	$ 621,598	$ 554,697

As at December 31, 2012, the amount of accrued pension cost of $823,779 thousand was the net amount of prepaid pension cost of $130,802 thousand, and accrued pension cost of $954,581 thousand.

As at December 31, 2011, the amount of accrued pension cost of $680,088 thousand was the net amount of prepaid pension cost of $99,640 thousand, and accrued pension cost of $779,728 thousand.

c. Actuarial assumptions as at December 31, 2012 were as follows:

	Pou Chen	Barits Development	Pou Yuen Technology	Pro Arch International
Weighted-average discount rate	1.88%	1.88%	1.88%	1.88%
Assumed rate of increase in salaries	2.00%	2.50%	2.75%	2.25%
Expected rate of return on plan assets	1.88%	1.88%	1.88%	1.88%

Actuarial assumptions as at December 31, 2011 were as follows:

	Pou Chen	Barits Development	Pou Yuen Technology	Pro Arch International
Weighted-average discount rate	2.00%	2.00%	2.00%	2.00%
Assumed rate of increase in salaries	2.00%	2.50%	2.75%	2.25%
Expected rate of return on plan assets	2.00%	2.00%	2.00%	2.00%

d. Contributions to the fund for the years 2012 and 2011 were as follows:

	Pou Chen	Barits Development	Pou Yuen Technology	Pro Arch International	Total
2012	$ 28,546	$ 737	$ 640	$ -	$ 29,923
2011	$ 28,558	$ 1,465	$ 757	$ -	$ 30,780

e. Payments from the fund for the years 2012 and 2011 were as follows:

	Pou Chen	Barits Development	Pou Yuen Technology	Pro Arch International	Total
2012	$ 89,098	$ 3,234	$ -	$ -	$ 92,332
2011	$ 81,785	$ 1,045	$ -	$ -	$ 82,830

23. CAPITAL STOCK AND RETAINED EARNINGS

Pou Chen's registered and issued capital as at December 31, 2012 and 2011 were summarized as follows:

	2012	2011
Registered capital		
Shares (in thousands)	4,500,000	4,500,000
Par value (in dollars)	$ 10	$ 10
Capital	$ 45,000,000	$ 45,000,000
Issued capital		
Shares (in thousands)	2,943,185	2,924,147
Par value (in dollars)	$ 10	$ 10
Capital	$ 29,431,849	$ 29,241,469

Pou Chen's outstanding capital stock was $28,997,559 thousand as at January 1, 2011. Employee stock warrants were exercised for 24,391 thousand shares (amounted to $243,910 thousand) during 2011. As a result, Pou Chen's outstanding capital stock was $29,241,469 thousand, divided into 2,924,147 thousand common shares, with a par value of $10.00 per share, as at December 31, 2011.

Furthermore, employee stock warrants were exercised for 19,038 thousand shares (amounted to $190,380 thousand) during 2012. As a result, Pou Chen's outstanding common stock was $29,431,849 thousand, divided into 2,943,185 thousand common shares, with a par value of $10.00 per share, as at December 31, 2012.

As at July 15, 2002, the board of directors of Pou Chen resolved to issue employee stock warrants in accordance with Securities and Exchange Law Article 28-3 within the quantity of 67,600 units. Each individual employee stock warrant is granted the right to purchase new issued common share for 1,000 shares. The exercise price is the closing price of Pou Chen's common shares at the employee stock warrants' issuance date. The warrant holders can exercise the right up to one-third of the granted warrant units no earlier than two years from the granted date. After four years from the granted date, the warrants holders are eligible to exercise all the warrants owned. As of August 6, 2002, and July 24, 2003, Pou Chen has issued 66,600 units, and 1,000 units of employee stock warrants, respectively, to the employees with an exercise price of $23.30 dollars and $41.20 dollars per share, respectively. The exercise price of the warrant in 2012 has been retroactively restated as $10.00 dollars and $14.80 per share, respectively. As at December 31, 2012, the employee stock warrants issued in 2002 were executed for 67,301 thousand shares of common stock. The unexecuted 299 units expired in August 2012.

Additionally, as at November 6, 2007, Pou Chen has issued 125,500,000 units of employee stock warrants to the employees with an exercise price of $29.80 dollars per share. Each of the aforementioned individual employee stock warrant is granted the right to purchase one newly issued common share. If Pou Chen resolved to increase additional capital stock through stock dividends or issue of new shares, the exercise price will be retroactively restated. Additionally, the share of employee stock warrant granted but not exercised will also be adjusted. After the aforementioned adjustment, the exercise price and issued units of employee stock warrants were $20.20 and 149,392,469 units, respectively, as at December 31, 2012.

Information about Pou Chen's outstanding stock warrants for the years ended December 31, 2012 and 2011 was as follows:

	2012		2011	
Employee Stock Warrants	**Number of Stock Purchasable (Thousand Shares)**	**Weighted-average Exercise Price (NT$)**	**Number of Stock Purchasable (Thousand Shares)**	**Weighted-average Exercise Price (NT$)**
Balance, beginning of year	168,730	$ 20.03	193,121	$ 19.55
Stock warrants exercised	(19,038)	10.25	(24,391)	10.00
Stock warrants expired	(299)	10.00	-	-
Balance, end of year	149,393	20.20	168,730	20.03
Exercisable stock warrants, end of year	149,393		168,730	

As at December 31, 2012 and 2011, information about Pou Chen's outstanding and exercisable stock warrants was as follows:

Range of Exercise Price (NT$)	Stock Warrants Outstanding			Stock Warrants Exercisable	
	Number of Stock Purchasable (Thousand Shares)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT$)	Number of Stock Purchasable (Thousand Shares)	Weighted-average Exercise Price (NT$)
2012					
$10.00-$20.20	149,393	4.85	$ 20.20	149,393	$ 20.20
2011					
$10.00-$21.30	168,730	5.25	$ 20.03	168,730	$ 20.03

The pro forma information of Pou Chen for the years ended December 31, 2012 and 2011 assuming employee stock options granted before January 1, 2008 were accounted for under SFAS No. 39, "Accounting for Share-based Payment" is as follows:

	2012	2011
Net income-attributed to stockholders of the Parent Company	$ 10,156,335	$ 5,700,756
Basic earnings per share - attributed to stockholders of the Parent Company (in dollars)	$3.47	$1.98

In the aforementioned employee stock warrant plan, Pou Chen adopted the Black-Scholes options pricing model to estimate the fair value of warrants on the grant dates, and the factors were as follows:

	Grant Dates		
	August 6, 2002	July 24, 2003	November 6, 2007
Dividend rate	-	-	-
Expected volatility of price	42.16%	44.17%	34.83%
Risk-free interest rate	2.61%	1.68%	2.70%
Expected life	6.5 years	6.5 years	6.5 years
Stock warrants issued (thousand shares)	66,600	1,000	125,500
Weighted average fair value (in dollars)	$10.70	$18.87	$11.93

Under the Company Law of the ROC and Pou Chen's Articles of Incorporation, the annual earnings should be appropriated as follows:

a. For paying tax,

b. For offsetting deficit,

c. 10% of the annual earnings as legal reserve,

d. Less than 3% as bonus to directors and supervisors after the three above are appropriated,

e. 1% -5% as bonus to employees after the four above are appropriated,

f. As special reserve or being retained partially, and

g. Dividends to stockholders as proposed according to stock ownership proportion.

h. For share bonus to qualified employees, including the employees of subsidiaries of the Company meeting specific requirements. Regarding the terms and proportion, the board of directors of the Company is authorized to resolve.

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares, and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term investments may not be used for any purpose.

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

For the years ended December 31, 2012 and 2011, the bonus to employees was $235,472 thousand and $159,022 thousand, respectively, and the remuneration to directors and supervisors was $119,529 thousand and $80,722 thousand, respectively. The bonus to employees and remuneration to directors and supervisors both depended on the base amount determined according to the articles of incorporation (net of the bonus to employees and bonus to directors and supervisors). The amounts were estimated based on past experience. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the stockholders' meeting.

The appropriations of earnings for 2011 and 2010 had been approved in the stockholders' meetings of Pou Chen on June 15, 2012 and June 15, 2011, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2011	**For Year 2010**	**For Year 2011**	**For Year 2010**
Legal reserve	$ 580,672	$ 789,561	$ -	$ -
Cash dividends	3,824,166	3,480,523	1.30	1.20

The bonus to employees of $159,022 thousand and remuneration to directors and supervisors of $80,722 thousand for 2011 were approved in the stockholders' meeting of Pou Chen on June 15, 2012. The resolved amounts of the bonus to employees and the remuneration to directors and supervisors were the same as the accrual amounts, which were reflected in the financial statements for the year ended December 31, 2011.

The bonus to employees of $124,720 thousand and the remuneration to directors and supervisors of $63,309 thousand for 2010 were approved in the stockholders' meeting of Pou Chen on June 15, 2011. The resolved amounts of the bonus to employees and the remuneration to directors and supervisors were the same as the accrual amounts, which were reflected in the financial statements for the year ended December 31, 2010.

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

In accordance with the Approval Documents (95) Jin-Guan-Tseng (1) No. 0950000507 of Financial Supervisory Commission, Executive Yuan, public listed companies have to appropriate earnings for special reserve according to Article 41-1 of Securities Transaction Act, in addition to the appropriation for legal reserve, in amount equal to debit balances, if any, in stockholders' equity (such as unrealized loss on financial assets and cumulative translation adjustments). The special reserve can be reversed and distributed as retained earnings if such deduction of stockholders' equity reversed.

Pou Sheng's share option scheme (the "Pou Sheng Scheme") was adopted on May 14, 2008, and will be expire on May 13, 2018. Under the Pou Sheng Scheme, the board of directors of Pou Sheng may grant eligible participants, including directors and employees of Pou Sheng and its subsidiaries, options to subscribe. The details of the plan under the scheme were as follows:

a. Without prior approval from Pou Sheng's stockholders, the number shares that may be granted:

    1) The total number of shares in respect of which options may be granted under the Pou Sheng Scheme is not permitted to exceed 10% of the shares of Pou Sheng at any point in time;

    2) The number of shares issued and to be issued in respect of which options were granted and may be granted to any individual in any twelve-month period is not permitted to exceed 1% of the shares of Pou Sheng at any point in time.

    3) Options in excess of 0.1% of Pou Sheng's share capital or with a value in excess of HK$5 million (US$0.6 million) may not be granted to substantial stockholders or independent non-executive directors.

b. Exercise price:

    The exercise price is to be determined by the directors of Pou Sheng, and will not be less than the highest of (i) the closing price of Pou Sheng's shares on the date of grant, (ii) the average closing price of Pou Sheng's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of Pou Sheng's share.

Information about the Pou Sheng Scheme for the years ended December 31, 2012 and September 30, 2011, respectively was as follows:

	2012		2011	
Employee Stock Warrants	**Number of Stock Purchasable (Thousand Shares)**	**Weighted-average Exercise Price (HK$)**	**Number of Stock Purchasable (Thousand Shares)**	**Weighted-average Exercise Price (HK$)**
Balance, beginning of year	102,365	$ 1.41	59,510	$ 1.62
Stock warrants granted	5,400	1.05	55,000	1.23
Stock warrants terminated	(31,430)	1.35	(12,145)	1.62
Balance, end of year	76,335	1.41	102,365	1.41
Exercisable stock warrants, end of year	24,056		7,105	

Information about Pou Sheng Scheme outstanding employee stock options as at December 31, 2012 and September 30, 2011, respectively, was summarized as follows:

	Stock Warrants Outstanding			Stock Warrants Exercisable	
Range of Exercise Price (HK$)	Outstanding Shares to Subscribe (Thousand Shares)	Weighted-average Predicted Remaining Period of Exercise (Years)	Weighted-average Exercise Price (HK$)	Number of Stock Purchasable (Thousand Shares)	Weighted-average Exercise Price (HK$)
2012					
$1.05-$1.62	76,335	5.62	$ 1.41	24,056	$ 1.43
2011					
$1.23-$1.62	102,365	4.23	$ 1.41	7,105	$ 1.62

Pursuant to a resolution passed in Pou Sheng's annual general meeting on March 7, 2012, the Scheme was amended whereby any unexercised share options will not automatically lapse upon cessation of employment with Pou Sheng, subject to certain conditions. Such amendment is applicable retrospectively to the unexercised share options granted on January 21, 2010 and January 20, 2011.

In the subscription plans granted on January 21, 2010, January 20, 2011 and March 7, 2012, Pou Sheng adopted the Black-Scholes options pricing model and Binomial option pricing model to estimate the fair value of warrants on the grant dates, and the factors were as follows:

	Share Options with a Vesting Period of One Year	Share Options with a Vesting Period of Two Years	Share Options with a Vesting Period of Three Years	Share Options with a Vesting Period of Four Years
Granted on January 21, 2010				
Exercise price	HK$1.62	HK$1.62	HK$1.62	HK$1.62
Share price at date of grant	HK$1.62	HK$1.62	HK$1.62	HK$1.62
Expected life of share options	5.88 years	5.88 years	5.88 years	5.88 years
Expected volatility	45%	45%	45%	45%
Expected dividend yield	-	-	-	-
Risk free yield	0.78%	0.78%	0.78%	0.78%
Fair value per share option	HK$0.14	HK$0.14	HK$0.12	HK$0.09
Granted on January 20, 2011				
Exercise price	HK$1.23	HK$1.23	HK$1.23	HK$1.23
Share price at date of grant	HK$1.23	HK$1.23	HK$1.23	HK$1.23
Expected life of share options	6.87 years	6.87 years	6.87 years	6.87 years
Expected volatility	45%	45%	45%	45%
Expected dividend yield	-	-	-	-
Risk free yield	0.96%	0.96%	0.96%	0.96%
Fair value per share option	HK$0.15	HK$0.12	HK$0.10	HK$0.80

(Continued)

	Share Options with a Vesting Period of One Year	Share Options with a Vesting Period of Two Years	Share Options with a Vesting Period of Three Years	Share Options with a Vesting Period of Four Years
Granted on March 7, 2012				
Exercise price	HK$1.05	HK$1.05	HK$1.05	HK$1.05
Share price at date of grant	HK$0.99	HK$0.99	HK$0.99	HK$0.99
Expected life of share options	8 years	8 years	8 years	8 years
Expected volatility	45%	45%	45%	45%
Expected dividend yield	-	-	-	-
Risk free yield	1.08%	1.08%	1.08%	1.08%
Fair value per share option	HK$0.48	HK$0.48	HK$0.48	HK$0.48

(Concluded)

The Company recognized $59,503 thousand and $72,684 thousand compensation cost for the years ended December 31, 2012 and September 30, 2011, respectively.

24. TREASURY STOCK

The changes in treasury stock of Pou Chen in 2012 and 2011 were summarized as follows (in shares):

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
Year ended December 31, 2012				
Common shares held by subsidiaries	10,233,805	-	299,746	9,934,059
Year ended December 31, 2011				
For transfer to employees	43,300,000	-	43,300,000	-
Common shares held by subsidiaries	10,233,528	277	-	10,233,805
	53,533,528	277	43,300,000	10,233,805

Article 28-2 of the Securities and Exchange Law stipulates that the number of treasury shares held by the Company should not exceed 10% of the number of shares issued and that the cost for acquisition of treasury shares should not exceed the total of retained earnings, additional-paid-in capital and other realized capital surplus. The maximum of treasury stock of $1,086,041 thousand (43,300 thousand common shares) was purchased by the Company in 2011.

On January 21, 2011, the board of directors of Pou Chen approved to transfer 43,300 thousand shares of treasury stocks to employees at $21.73 per share, which after deducting $2,822 thousand of income tax, amounted to $938,087 thousand. The grant date was February 21, 2011. Pou Chen recognized $257,635 thousand compensation cost of the transaction, according to SFAS No. 39, “Accounting for Share-Based Payment”.

According to the Stock Exchange Law of the ROC, the treasury stock of the Company should not be pledged and does not have the same right as the common stock.

After the adjustment of 277 shares of the subsidiaries' ownership in 2011, the subsidiaries held 10,233,805 shares of Pou Chen's common stock as at December 31, 2011, at cost of $155,375 thousand in total.

After the subsidiaries - Wealthplus and Top Score Investments Limited resold Pou Chen's common stock, 299,746 shares were deducted from treasury stock and the gain of $2,597 thousand was recognized as the capital surplus from treasury stock transactions. As at December 31, 2012, the subsidiaries held 9,934,059 shares of Pou Chen's common stock at cost of $153,449 thousand in total.

The information about the subsidiaries' holdings of Pou Chen's common stock was summarized as follows:

Company's Name	Shares	Amount
Pou Shine	3,586,358	$ 68,161
Barits Development	4,827,561	96,361
Song Ming	91,094	1,818
Pou Yii	1,615,313	25,415

25. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Function / Category	2012			2011		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Personnel expense						
Salaries	$ 43,795,415	$ 15,417,318	$ 59,212,733	$ 33,569,671	$ 11,937,350	$ 45,507,021
Labor insurance and health insurance	2,193,478	897,161	3,090,639	1,344,510	620,601	1,965,111
Pension cost	918,311	1,056,025	1,974,336	543,345	829,102	1,372,447
Others	5,147	62,282	67,429	6,331	64,333	70,664
Depreciation expenses	6,156,475	3,035,237	9,191,712	4,384,461	2,646,128	7,030,589
Amortization expenses	1,000	519,213	520,213	2,224	367,879	370,103

26. INCOME TAX

The Company's income tax expense for the years ended December 31, 2012 and 2011 was as follows:

	2012	2011
Income tax expense, current	$ 1,249,686	$ 1,578,903
Basic tax expense	2,632	240
10% additional income tax on undistributed earnings	160,079	80,843
Adjustment of deferred income tax asset and valuation allowance	212,908	(511,045)
Adjustment of prior year's income tax expense	5,122	57,142
Income tax expense, net	$ 1,630,427	$ 1,206,083

The components of deferred income tax assets (liabilities) as at December 31, 2012 and 2011 were as follows:

	2012	2011
Unrealized inventory devaluation loss	$ 22,202	$ 18,590
Unrealized bad debt loss	91,555	109,217
Unrealized impairment loss	21,587	21,587
Unrealized pension expense	119,715	114,734
Unrealized exchange gain	(1,876)	(3,924)
Losses carryforward	354,340	355,698
Investment tax credits	3,115	10,530
Unrealized investment income under equity method from foreign subsidiaries	(691,152)	(469,090)
Others	(1,100,854)	(973,246)
Less valuation allowance	(449,807)	(466,004)
Deferred income tax liabilities, net	$ (1,631,175)	$ (1,281,908)

The detail was as follows:

	2012	2011
Deferred income tax assets, current (recorded under “other current assets”)	$ 1,700	$ 2,780
Deferred income tax assets, noncurrent	272,705	218,562
Deferred income tax liabilities, current (recorded under “other current liabilities”)	(678,727)	(461,366)
Deferred income tax liabilities, noncurrent	(1,226,853)	(1,041,884)
	$ (1,631,175)	$ (1,281,908)

The Company’s current income tax expense for the years ended December 31, 2012 and 2011 and income tax payable as at December 31, 2012 and 2011 were reconciled as follows:

	2012	2011
Income tax expense at statutory rate of 17%	$ 2,869,689	$ 1,911,945
Dividend income - tax free	(75,693)	(76,573)
Loss from investees which decreased capital to offset accumulated deficit	(43,527)	(113,647)
Investment income recognized under equity method	(1,344,824)	(482,032)
Income from sale of land - tax free	(150,575)	-
Others	(5,384)	339,210
Income tax expense, current	1,249,686	1,578,903
Provision (reversal) for deferred income tax asset (liabilities)		
Unrealized inventory devaluation loss	3,612	7,549
Unrealized pension expense	4,981	4,798
Reversal of unrealized bad debt loss	17,662	(6,257)
Loss carryforward	(1,358)	(64,865)
Unrealized exchange gain	2,048	(15,165)
Others	(219,861)	(354,214)
Income tax payable	1,056,770	1,150,749

(Continued)

		2012	2011
Add:	Basic tax payable	$ 2,632	$ 240
	10% additional income tax on unappropriated earnings	160,079	80,843
	Prior year's income tax payable	31	48,637
Less:	Investment tax credits	(7,986)	(222,199)
	Temporary tax payment	(15,463)	(3,498)
Income tax payable, end of year		$ 1,196,063	$ 1,054,772

(Concluded)

Income tax payment of $1,675 thousand (recorded under "other assets") as at December 31, 2012 was previous withholding tax.

The income tax returns of Pou Chen, Pou Yuen Technology and LNC Technology for the years through 2009 had been examined and approved by the tax authority. The income tax returns of Barits Development, Pou Shine, Windsor Entertainment, Wang Yi Construction, Pan Asia Insurance Services, Song Ming, Pou Yii Development and Pou Chin Development for the years through 2010 had been examined and approved by the tax authority. The income tax returns of Pro Arch International for the years through 2011 had been examined and approved by the tax authority.

The information of Pou Chen's integrated income tax system as at December 31, 2012 was as follows:

Balance of Imputation Credit Account	$ 598,639
Undistributed earnings for the years 1997 and before	$ 221,425
Undistributed earnings for the years 1998 and thereafter	$ 18,557,355
Expected IC ratio on distribution of earnings for the year 2012	6.48%
Actual IC ratio on distribution of earnings for the year 2011	6.66%

The expected IC ratio on distribution of earnings for the year 2012 considered income tax payable as at December 31, 2012.

27. EARNINGS PER SHARE

For the years ended December 31, 2012 and 2011, the amounts of earnings per share (EPS) before income tax and after income tax were as follows:

	2012						
	Amount				EPS		
	Income Before Tax	Income After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)	Shares (In Thousands)	Income Before Tax	Income After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)
Basic earnings per share							
Net income	$ 20,570,249	$ 18,939,822	$ 10,156,335	2,929,565	$ 7.02	$ 6.47	$ 3.47
Effect of dilutive potential Common shares							
Bonus to employee	-	-	-	7,720			
Employee stock warrants	-	-	-	40,660			
Diluted earnings per share							
Net income plus the effect of dilutive potential common shares	$ 20,570,249	$ 18,939,822	$ 10,156,335	2,977,945	$ 6.91	$ 6.36	$ 3.41

	2011						
	Amount				EPS		
	Income Before Tax	Income After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)	Shares (In Thousands)	Income Before Tax	Income After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)
Basic earnings per share							
Net income	$ 14,096,620	$ 12,890,537	$ 5,806,723	2,886,017	$ 4.88	$ 4.47	$ 2.01
Effect of dilutive potential Common shares							
Bonus to employee	-	-	-	6,399			
Employee stock warrants	-	-	-	47,286			
Diluted earnings per share							
Net income plus the effect of dilutive potential common shares	$ 14,096,620	$ 12,890,537	$ 5,806,723	2,939,702	$ 4.80	$ 4.38	$ 1.98

The Company presumes that the entire amount of the bonus will be settled in shares and the potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

If Pou Chen's common shares held by its subsidiaries were not accounted for as treasury stock, the pro-forma earnings per share for the years ended December 31, 2012 and 2011 would have been as follows:

	2012						
	Amount				EPS		
	Income Before Tax	Income After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)	Shares (In Thousands)	Income Before Tax	Income After Tax	Income After Tax (Attributed to Pou Chen's Stockholders)
Basic earnings per share							
Net income	$ 20,583,543	$ 18,953,116	$ 10,169,629	2,939,499	$ 7.00	$ 6.45	$ 3.46
Effect of dilutive potential Common shares							
Bonus to employee	-	-	-	7,720			
Employee stock warrants	-	-	-	40,660			
Diluted earnings per share							
Net income plus the effect of dilutive potential common shares	$ 20,583,543	$ 18,953,116	$ 10,169,629	2,987,879	$ 6.89	$ 6.34	$ 3.40
Basic earnings per share							
Net income	$ 14,108,898	$ 12,902,815	$ 5,819,001	2,896,251	$ 4.87	$ 4.46	$ 2.01
Effect of dilutive potential Common shares							
Bonus to employee	-	-	-	6,399			
Employee stock warrants	-	-	-	47,286			
Diluted earnings per share							
Net income plus the effect of dilutive potential common shares	$ 14,108,898	$ 12,902,815	$ 5,819,001	2,949,936	$ 4.78	$ 4.37	$ 1.97

28. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The fair value of nonderivative and derivative financial instruments as at December 31, 2012 and 2011 was summarized as follows:

Nonderivative Financial Instruments	2012 Carrying Value	2012 Fair Value	2011 Carrying Value	2011 Fair Value
Assets				
Cash and cash equivalents	$ 29,372,266	$ 29,372,266	$ 25,276,926	$ 25,276,926
Financial assets at fair value through profit of loss, current	494,330	494,330	707,743	707,743
Available-for-sale financial assets, current	12,119,802	12,119,802	10,745,285	10,745,285
Financial asset carried at cost, current	-	-	28,399	-
Notes and accounts receivable	28,087,586	28,087,586	23,198,380	23,198,380
Notes and accounts receivable from affiliates	193,182	193,182	748,762	748,762
Other receivables	3,756,199	3,756,199	3,882,001	3,882,001
Long-term investment as held for sale	48,613	48,613	-	-
Available-for-sale financial assets, noncurrent	515,195	515,195	460,759	460,759
Financial assets carried at cost, noncurrent	850,089	-	822,120	-
Investments accounted for by the equity method	40,126,284	37,547,792	40,998,524	35,775,489
Prepayments for investments	-	-	131,575	131,575
Refundable deposits	162,076	162,076	177,109	177,109
Liabilities				
Short-term loans	15,662,647	15,662,647	18,972,990	18,972,990
Short-term bills payable	2,465,191	2,465,191	2,818,143	2,818,143
Notes and accounts payable	10,655,846	10,655,846	14,418,406	14,418,406
Notes and accounts payable to affiliates	1,595,603	1,595,603	1,949,288	1,949,288
Other payables	19,584,324	19,584,324	15,216,504	15,216,504
Current portion of long-term liabilities	15,978,798	15,978,798	3,354,105	3,354,105
Long-term debt	36,808,563	36,808,563	48,981,374	48,981,374
Long-term payable	581,991	581,991	49,103	49,103
Guarantee deposits received	11,517	11,517	6,885	6,885

Derivative Financial Instruments	2012 Carrying Value	2012 Fair Value	2011 Carrying Value	2011 Fair Value
Forward exchange contracts (financial assets at fair value through profit or loss, current)	$ 90,051	$ 90,051	$ 6,804	$ 6,804
Exchange rate option contracts (financial assets at fair value through profit or loss, current)	33,901	33,901	-	-
JV Call option (financial assets at fair value through profit or loss, noncurrent)	-	-	677,040	677,040
Derivative embedded in Convertible Note (financial liabilities at fair value through profit or loss, current)	27,177	27,177	-	-
Exchange rate contracts (financial liabilities at fair value through profit or loss, current)	3,177	3,177	404,780	404,780
Exchange rate option contracts (financial liabilities at fair value through profit or loss, current)	9,566	9,566	27,309	27,309
Interest rate swap contracts (financial liabilities at fair value through profit or loss, current)	26,240	26,240	16,490	16,490
Cross currency swap contracts (financial liabilities at fair value through profit or loss, current)	2,569	2,569	-	-
Interest rate swap contracts (hedging derivative liabilities, current)	5,430	5,430	22,901	22,901
Interest rate swap contracts (hedging derivative liabilities, noncurrent)	-	-	11,450	11,450

The information about derivatives were designated and effective as hedging instruments as at December 31, 2012 and 2011 was summarized as follows:

December 31, 2012

Bank	Derivative Financial Instruments	Principal	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
China Trust Commercial Bank	Interest rate swap	$ 125,000	2013.05.16	2.480	0.887	$ (971)
China Trust Commercial Bank	"	125,000	2013.05.16	2.280	0.887	(847)
Citibank	"	125,000	2013.05.16	2.480	0.887	(971)
Citibank	"	125,000	2013.05.16	2.460	0.887	(959)
Citibank	"	125,000	2013.05.16	2.280	0.887	(847)
Citibank	"	125,000	2013.05.16	2.260	0.887	(835)
		750,000				(5,430)
Less current portion		(750,000)				5,430
		$ -				$ -

December 31, 2011

Bank	Derivative Financial Instruments	Principal	Maturity Date	Pay Rate (Fixed Rate %)	Received Rate (Floating Rate %)	Fair Value
China Trust Commercial Bank	Interest rate swap	$ 375,000	2013.05.16	2.48	0.861	$ (6,126)
China Trust Commercial Bank	"	375,000	2013.05.16	2.28	0.861	(5,380)
Citibank	"	375,000	2013.05.16	2.48	0.861	(6,122)
Citibank	"	375,000	2013.05.16	2.46	0.861	(6,047)
Citibank	"	375,000	2013.05.16	2.28	0.861	(5,375)
Citibank	"	375,000	2013.05.16	2.26	0.861	(5,301)
		2,250,000				(34,351)
Less current portion		(1,500,000)				22,901
		$ 750,000				$ (11,450)

Approaches and assumptions employed in assessing the fair value of financial instruments are summarized as follows:

a. The fair value of cash and cash equivalents, receivable, short-term loans, short-term bills payable, payable, refundable deposits, and guarantee deposits, approximates their carrying value due to the short-term maturities of these financial instruments.

b. The fair values of financial assets at fair value through profit or loss, and available-for-sale financial assets are quoted by market price. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

   Fair values of derivatives are based on their quoted prices in an active market. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

c. The fair values of investments accounted for by the equity method are based on their quoted prices in the active market. For those investments with no quoted market prices, their fair values are based on the net equity value in the financial report verified and certified by an independent accountant.

d. Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

e. The fair value of long-term debt and bonds payable is estimated based on the net present value of expected cash flows.

The fair value of financial instruments that used the quoted market price in active market or other method of valuation was summarized as follows:

	Quoted Market Price in Active Market		Other Method of Valuation	
	2012	**2011**	**2012**	**2011**
Assets				
Financial assets at fair value through profit or loss, current	$ 494,330	$ 707,743	$ 123,952	$ 6,804
Financial assets at fair value through profit or loss, noncurrent	-	-	27,177	677,040
Available-for-sale financial assets, current	12,119,802	10,745,285	-	-
Available-for-sale financial assets, noncurrent	515,195	460,759	-	-
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	41,552	448,579
Hedging derivative financial liabilities, current	-	-	5,430	22,901
Hedging derivative financial liabilities, noncurrent	-	-	-	11,450

As at December 31, 2012 and 2011, financial liabilities exposed to cash flow interest rate risk were $70,915,199 thousand and $74,126,612 thousand, respectively.

The Company recognized an unrealized adjustment of $789,691 thousand and $(2,234,688) thousand, respectively, in equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2012 and 2011.

Financial Risk Information

a. Market risk

The risk that the Company has on portfolios of marketable equity securities and open-ended mutual fund comes from changes in market price. If one percentage decline in market rate would cause the fair value of financial instruments to decline by $207,856 thousand and $182,622 thousand, respectively, as at December 31, 2012 and 2011.

b. Credit risk

Financial instruments are evaluated for credit risk which represents the potential loss that would be incurred by the Company if the counterparties or third parties breached the contracts. The risk factors include centralization of credit, components, contract figure, and accounts receivable. The Company requires significant clients to provide guarantees or other rights to reduce credit risk of the Company effectively.

c. Liquidity risk

The Company has the ability to meet its financial obligations; thus, liquidity risks virtually do not exist.

Financial assets at fair value through profit or loss and available-for-sale financial assets of the Company are saleable in active market; thus, they can be quickly and easily sold with price close to fair value.

d. Cash flow interest rate risk

The Company engaged in floating-interest-rate short-term and long-term borrowings. Therefore, cash flows are expected to fluctuate due to changes in market interest rates. If one percentage increase in market rate would cause the Company to increase its cash-out by $709,151 thousand and $741,266 thousand, respectively, in 2012 and 2011.

e. The purpose and strategies of financial risk management

The type, objective and strategy for derivative instruments held by the Company in 2011 and 2012 were as follows:

Type	Objective	Strategy
Hedging		
Interest rate swap contract	To hedge risks on interest rates	Reduce the effects of future cash flow related to interest rate by changing the money market linked floating rate liabilities transaction to fixed-rate transactions
Non-hedging		
Forward exchange contracts, exchange rate option contracts, cross currency swap contracts and interest rate swap contracts	To hedge risks on exchange rate and interest rate	Closely monitor and manage the risk of fluctuations in market price or cash flow
JV Call Option and Derivative embedded in Convertible Note	To hedge risks on exchange rate of foreign debts and receivables	Use of derivatives as hedging instruments which are measured at fair value, with subsequent offsetting changes in fair value, and evaluated regularly

29. RELATED PARTY TRANSACTIONS

Names and relationships of the related parties are as follows:

Name	Relationship
Ka Yuen Rubber Factory Limited (“Ka Yuen”)	The Company holds a 50.00% ownership interest
Twinways Investments Ltd. (“Twinways”)	The Company holds a 50.00% ownership interest
Hua Jian Industrial Holding Co., Ltd. (“Hua Jian”)	The Company holds a 50.00% ownership interest
Cohen Enterprises Inc. (“Cohen”)	The Company holds a 50.00% ownership interest
Bandwidth Trading Ltd. (“Bandwidth”)	The Company holds a 50.00% ownership interest
PT KA Yuen Indonesia (“PT KA Yuen”)	The Company holds a 50.00% ownership interest
Din Tsun Holding Co., Ltd. (“Din Tsun”)	The Company holds a 50.00% ownership interest
Pro Kingtex Industrial Co. (HK) Ltd. (“Pro Kingtex”)	Din Tsun holds a 70.00% ownership interest
Jombo Power Enterprises Limited (“Jombo Power”)	The Company holds a 50.00% ownership interest

(Continued)

Name	Relationship
Vietnam Tiong Liong Industrial Co., Ltd. ("Vietnam Tiong Liong")	The Company holds a 37.00% ownership interest
Pine Wood Industries Limited ("Pine Wood")	The Company holds a 37.00% ownership interest
Liberty Bell Investments Limited ("Liberty Bell")	The Company holds a 49.00% ownership interest
Oftenrich Holdings Ltd. ("Oftenrich")	The Company holds a 45.00% ownership interest
Yuen Foong Yu Paper (Dong Nai) Co., Ltd. ("Yuen Foong Yu")	The Company holds a 44.84% ownership interest
Intelligent Plus Ltd. ("Intelligent Plus")	The Company holds a 45.90% ownership interest
Prosperous Enterprises Ltd. ("Prosperous")	The Company holds a 30.00% ownership interest
San Fang Chemical Industry Co., Ltd. ("San Fang")	The Company holds a 44.72% ownership interest and director of the Company
Sheachang Enterprise Co., Ltd. ("Sheachang")	Related party in substance
Ruen Chen Investment Holding Co., Ltd. ("Ruen Chen")	The Company holds a 20.00% ownership interest
Dong Guan Pou Chien Shoe Materials Company Limited ("Dong Guan Pou Chien")	The Company holds a 49.00% ownership interest
Jilin Lingpao Sports Goods Company Limited ("Jilin Lingpao")	The Company holds a 50.00% ownership interest
Shaanxi Jixian Longyue Sports Goods Company Limited ("Shaanxi Jixian")	The Company holds a 50.00% ownership interest

(Concluded)

The Company's major transactions with the related parties were summarized as follows:

Sales

Sales to related parties for the years ended December 31, 2012 and 2011 were summarized as follows:

	2012		2011	
	Amount	**Percentage**	**Amount**	**Percentage**
Sheachang	$ 133,871	-	$ 186,906	-
Others	597,962	-	1,494,439	1
	$ 731,833	-	$ 1,681,345	1

Cost of Sales - Purchases and Cost of Processing

Purchases and cost of processing from related parties for the years ended December 31, 2012 and 2011 were summarized as follows:

	2012		2011	
	Amount	**Percentage**	**Amount**	**Percentage**
Ka Yuen	$ 4,708,447	2	$ 3,125,674	2
San Fang	1,534,432	1	1,308,084	1
Twinways	1,567,215	1	939,101	1
Others	2,583,818	1	2,618,386	2
	$ 10,393,912	5	$ 7,991,245	6

Accounts Receivable

Accounts receivable from affiliates as at December 31, 2012 and 2011 were summarized as follows:

	2012		2011	
	Amount	Percentage	Amount	Percentage
Notes receivable				
Sheachang	$ -	-	$ 43,684	43
Others	302	-	203	-
	302	-	43,887	43
Accounts receivable				
Others	213,003	1	725,444	3
Less allowance for doubtful accounts	(20,123)	-	(20,569)	-
	192,880	1	704,875	3
	$ 193,182		$ 748,762	

Notes and Accounts Payable

Notes and accounts payable to affiliates as at December 31, 2012 and 2011 were summarized as follows:

	2012		2011	
	Amount	Percentage	Amount	Percentage
Notes payable				
San Fang	$ 38,182	55	$ 25,843	22
Accounts payable				
Ka Yuen	689,148	6	881,928	5
Twinways	349,932	3	397,265	2
San Fang	153,615	1	212,316	1
Others	364,726	3	431,936	4
	1,557,421	13	1,923,445	12
	$ 1,595,603		$ 1,949,288	

Compensation of Directors, Supervisors and Management Personnel

Compensation of directors, supervisors and management personnel for the years ended December 31, 2012 and 2011 was as follows:

	2012	2011
Salaries (reward)	$ 161,799	$ 137,723
Incentives	119,529	80,722
Special compensation	6,232	5,852
Bonus	9,200	11,800
Pension cost	1,743	1,392
	$ 298,503	$ 237,489

Property Guarantees

Pou Chen has provided 820,000 thousand shares of Ruen Chen as collateral of the long-term loans made by Ruen Chen from banks. The maximum amount guaranteed by Pou Chen was set at $7,500,000 thousand.

Credit Guarantees

See Note 31 to the consolidated financial statements.

30. PLEDGED ASSETS

	2012	2011
Land for development	$ -	$ 1,426,222
Restricted assets - current (recorded under "other current assets")	-	64,604
Property, plant and equipment	-	117,104
Other intangible assets	-	515,038
Restricted assets - noncurrent (recorded under "other assets")	25,864	405,726
	$ 25,864	$ 2,528,694

Under the long-term loan agreement and operations, the above assets had been mortgaged as collateral.

31. COMMITMENTS AND CONTINGENCIES

Letters of Credit

Outstanding letters of credit of the Company as at December 31, 2012 were as follows:

U.S. dollars (in dollars)	$ 2,953,457
Euro dollars (in dollars)	397,197

Per the request from FSC and other authorities, Pou Chen guaranteed that the shares of Yue Yuen owned by its subsidiary, Wealthplus, for custody will not be disposed or pledged during the custody period from June 27, 2013 to June 27, 2021, in connection with the investment in Nan Shan Life Insurance Co., Ltd. through Ruen Chen.

Pou Yuen and Pou Yu Biotechnology (the "two companies") entered into project agreements with Institute for Information Industry ("III") and China Productivity Center ("CPC"), respectively. According to the project agreements, the two companies have to provide promissory notes to III and CPC as guarantee. In addition, Citibank and Australia and New Zealand Bank ("the banks") guarantee the two companies will accomplish such agreements; if the contracts are breached, the banks will convert the guarantee into a credit loan, otherwise the companies have to repay to the banks immediately.

As at December 31, 2012, the Company had guaranteed the payments of credit of related parties which amounted to $36,172,996 thousand as follows:

Related Parties	Amount of Credit of Subsidiary Guaranteed for Payment	Amount of Credit of Investment Company Guaranteed for Payment
Guaranteed by Pou Chen		
Wealthplus	$ 15,513,168	
Barits Development	5,471,200	
Pro Arch	450,000	
Pou Shine	1,600,000	
Pou Yuen Technology	1,592,672	
Pou Yii Development	400,000	
LNC Technology	44,698	
Pou Yu Biotechnology	5,593	
Ruen Chen		$ 7,500,000
Guaranteed by Yue Yuen		
Hua Jian		675,078
Cohen		823,266
Ka Yuen		129,189
Bandwidth		41,163
PT Ka Yuen		32,931
Din Tsun		16,465
Jumbo Power		164,653
Vietnam Tiong Liong		46,910
Pine Wood		220,306
Liberty Bell		290,448
Oftenrich		177,825
Yuen Foong Yu		147,661
Pro Kingtex		144,071
Intelligent Plus		60,461
Dong Guan Pou Chien		68,203
Jilin Lingpao		105,749
Shaanxi Jixian Longyue		145,404
Prosperous		305,882
	$ 25,077,331	$ 11,095,665

32. OPERATING SEGMENT FINANCIAL INFORMATION

The Company's reportable segments under SFAS No. 41 were summarized as follows:

- Manufacturing of footwear and apparel
- Retailing of sportswear and brand licensing business
- Others

Principles of measuring reportable segments, profit, assets and liabilities:

a. The significant accounting principles of each operating segment are the same as those stated in Note 2 to the consolidated financial statements. The Company's operating segment profit or loss represents the profit or loss earned by each segment. The profit or loss is controllable by segment managers and is the basis for assessment of segment performance.

b. Individual segment assets are disclosed as zero since those measures are not reviewed by the chief operating decision maker. Major liabilities are arranged based on the capital cost and deployment of the whole company, which are not controlled by individual segment managers.

1) Segment revenues and operating results:

	Segment Revenue		Segment Profit and Loss	
	Years Ended December 31		Years Ended December 31	
	2012	2011	2012	2011
Manufacturing of footwear and apparel	$ 210,950,453	$ 163,008,811	$ 31,290,425	$ 24,316,769
Retailing of sportswear and brand licensing business	60,705,042	42,352,901	1,986,399	2,157,505
Others	4,452,174	3,077,443	1,893,909	660,580
Total segment revenue	$ 276,107,669	$ 208,439,155	35,170,733	27,134,854
Administrative and support expenses			(19,276,157)	(15,663,258)
Interest income			485,677	383,096
Investment income recognized under the equity method			4,935,069	2,674,626
Dividend income			449,086	483,568
Gain on disposal of property, plant and equipment and leased-out assets			5,109	235,433
Gain on disposal of investments			74,631	49,117
Foreign exchange gain, net			786,274	1,321,968
Valuation on financial instruments			14,048	(1,081,611)
Others			2,216,542	830,099
Interest expense			(1,867,753)	(1,555,163)
Impairment loss			(2,048,198)	(575,993)
Others			(374,812)	(140,116)
Income before tax			$ 20,570,249	$ 14,096,620

2) Segment assets:

	2012	2011
Assets allocated to reportable segments	$ -	$ -
Assets used jointly by reportable segments	244,060,350	239,712,320
Consolidated assets	$ 244,060,350	$ 239,712,320

3) Export sales information:

The Company's export sales by geographical location for the years ended December 31, 2012 and 2011 amounted to $271,649,067 thousand and $203,146,504 thousand, respectively, were as follows:

	2012	2011
Asia	$ 115,112,524	$ 79,839,614
United States	94,696,447	72,837,832
Europe	54,881,656	45,399,827
Others	6,958,440	5,069,231
	$ 271,649,067	$ 203,146,504

4) Major customers:

Customers accounting for at least 10% net sales for the years ended December 31, 2012 and 2011 were as follows:

	2012		2011	
	Sales	Percentage %	Sales	Percentage %
Customers A	$ 61,210,017	22	$ 45,992,802	22
Customers B	43,661,220	16	33,901,812	16
	$ 104,871,237	38	$ 79,894,614	38

33. OTHERS

For the years ended December 31, 2012 and 2011, significant foreign currency financial assets and liabilities were as follows:

Unit: In Dollars of Foreign Currencies/In Thousands of New Taiwan Dollars

	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 2,183,649,162	29.040	$ 63,413,172	$ 1,869,910,428	30.275	$ 56,611,538
Investments accounted for by the equity method						
USD	750,629,482	29.040	21,798,280	743,630,454	30.275	22,513,412
Financial liabilities						
Monetary items						
USD	2,556,856,218	29.040	74,251,105	2,581,330,914	30.275	78,149,793

34. PRE-DISCLOSURE OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

According to Rule No. 0990004943 issued by the FSC on February 2, 2010, the Company's pre-disclosure information regarding the adoption of International Financial Reporting Standards (IFRSs) was as follows:

a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC ("IFRSs"). To comply with this framework, the Company has set up a special project team and made a plan to adopt IFRSs. The main contents of the adoption plan, and schedule and status of execution as of December 31, 2012 were as follows:

Contents of Adoption Plan	Responsible Party	Status of Execution
Assessment phase		
• Setting up a project team and making a plan to adopt the IFRSs	Accounting division	Completed
• Processing the first phase internal training for employees	Accounting division	Completed
• Comparing and analyzing the difference between the existing accounting policies and IFRSs	Accounting division	Completed
• Assessing the adjustments to the existing accounting policies	Accounting division	Completed
• Assessing how to adopt IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Accounting division	Completed
• Assessing the adjustments to the information systems	Accounting division and information technology division	Completed
• Assessing the adjustments to the internal controls	Accounting division and internal audit division	Completed
Preparing phase		
• Deciding how to adjust existing accounting policies according to IFRSs	Accounting division	Completed
• Deciding how to adopt IFRS1 "First-time Adoption of International Financial Reporting Standards"	Accounting division	Completed
• Adjusting related information systems	Accounting division and information technology division	Completed
• Processing the second phase internal training for employees	Accounting division	Completed
• Adjusting internal controls	Accounting division and internal audit division	Completed

(Continued)

Contents of Adoption Plan	Responsible Party	Status of Execution
Implementing phase		
• Testing the operation of related information system	Information division	Completed
• Collecting materials and preparing to draw up the opening balance for balance sheet	Accounting division	Completed
• Drafting up the comparative financial statement according to IFRSs	Accounting division	Completed
• Drafting up financial reports according to IFRSs	Accounting division	In progress as planned

(Concluded)

b. The reconciliation of the effects of the Company's accounting policies under ROC GAAP and IFRSs was stated as follows:

Reconciliation of balance sheet as at January 1, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	Note
Current assets					Current assets	
Cash and cash equivalents	$ 25,276,926	$ (91,867)	$ -	$ 25,185,059	Cash and cash equivalents	2) a)
Financial assets at fair value through profit or loss, current	714,547	-	-	714,547	Financial assets at fair value through profit or loss, current	
Available-for-sale financial assets, current	10,745,285	-	-	10,745,285	Available-for-sale financial assets, current	
Financial assets carried at cost, current	28,399	-	-	28,399	Financial assets carried at cost, current	
-		91,867	-	91,867	Bond investments with no active market, current	2) a)
Notes and accounts receivable	23,198,380	-	-	23,198,380	Notes and accounts receivable	
Notes and accounts receivable from affiliates	748,762	-	-	748,762	Notes and accounts receivable from affiliates	
Other receivables	3,882,001	-	-	3,882,001	Other receivables	
Inventories	37,492,999	(1,426,222)	-	36,066,777	Inventories	2) b)
Noncurrent assets classified as held for sale	3,170,549	-	-	3,170,549	Noncurrent assets classified as held for sale	
Other current assets	7,167,596	160,796	-	7,328,392	Other current assets	2) c) and 2) d)
Total current assets	112,425,444	(1,265,426)	-	111,160,018	Total current assets	
Funds and long-term investments					Noncurrent assets	
Financial assets at fair value through profit or loss, noncurrent	677,040	-	-	677,040	Financial assets at fair value through profit or loss, noncurrent	
Available-for-sale financial assets, noncurrent	460,759	-	-	460,759	Available-for-sale financial assets, noncurrent	
Financial assets carried at cost, noncurrent	822,120	-	-	822,120	Financial assets carried at cost, noncurrent	
Investments accounted for by the equity method	40,988,524	-	(155,254)	40,833,270	Investments accounted for by the equity method	2) e) and 2) n)
Investments in real estate	186,123	(186,123)	-	-	-	2) b)
Prepayments for investment	131,575	-	-	131,575	Prepayments for investment	
Total funds and long-term investments	43,266,141	(186,123)	40,863	42,924,764		
Property, plant and equipment						
Land	2,182,938	73,713	-	2,256,651		2) f)
Buildings and improvements	54,470,445	(1,076,154)	-	53,394,291		2) b)
Machinery and equipment	41,827,446	62,083	-	41,889,529		2) g)
Transportation equipment	1,391,336	-	-	1,391,336		
Furniture, fixtures and office equipment	6,594,422	-	-	6,594,422		
Other equipment	150,915	25,651	-	176,566		2) i)
Revaluation increment	293,323	-	-	293,323		
Cost and revaluation increment	106,910,825	(914,707)	-	105,996,118		
Less accumulated depreciation	(47,465,693)	352,410	-	(47,113,283)		2) b),)2) g) and 2) i)
Less accumulated impairment	(7,150)	(1,474)	-	(8,624)		2) g)
Construction in progress and prepayments for equipment	4,672,257	(460,172)	-	4,212,085		2) h)
Property, plant and equipment, net	64,110,239	(1,023,943)	-	63,086,296	Property, plant and equipment, net	
-	-	3,037,127	-	3,037,127	Investment property	2) b)
Intangible assets						
Goodwill	7,831,554	-	-	7,831,554	Goodwill	
Other intangible assets	9,352,235	(5,963,164)	-	3,389,071	Other intangible assets	2) d)
Total intangible assets	17,183,789	(5,963,164)	-	11,220,625		

(Continued)

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs: Presentation Difference	Effect of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Note
Other assets						
Leased-out assets	$ 779,310	$ (779,310)	$ -	$ -	-	2) b)
Refundable deposits	177,109	-	-	177,109	Refundable deposits	
Deferred charges	710,641	(710,641)	-	-	-	2) i)
-	-	5,799,588	-	5,799,588	Long-term prepayments for rental	2) d)
Deferred income tax assets, noncurrent	218,562	2,780	-	221,342	Deferred income tax assets	2) c)
Others	841,085	1,089,112	(5,268)	1,924,929	Others	2) b) and 2) f)-2) j)
Total other assets	2,726,707	5,401,529	(5,268)	8,122,968		
Total	$ 239,712,320	$ -	$ (160,522)	$ 239,551,798	Total	
Current liabilities					Current liabilities	
Short-term loans	$ 18,972,990	$ -	$ -	$ 18,972,990	Short-term loans	
Short-term bills payable	2,818,143	-	-	2,818,143	Short-term bills payable	
Financial liabilities at fair value through profit or loss, current	448,579	-	-	448,579	Financial liabilities at fair value through profit or loss, current	
Hedging derivative liabilities, current	22,901	-	-	22,901	Hedging derivative liabilities, current	
Notes and accounts payable	14,418,406	-	-	14,418,406	Notes and accounts payable	
Notes and accounts payable to affiliates	1,949,288	-	-	1,949,288	Notes and accounts payable to affiliates	
Income tax payable	1,054,772	-	-	1,054,772	Income tax payable	
Other payables	15,216,504	-	-	15,216,504	Other payables	
Progressive billings in excess of construction in progress	59,260	-	-	59,260	Progressive billings in excess of construction in progress	
-	-	-	59,002	59,002	Provision, current	2) k)
Current portion of long-term liabilities	3,354,105	-	-	3,354,105	Current portion of long-term liabilities	
Noncurrent liabilities classified as held for sale	1,167,101	-	-	1,167,101	Noncurrent liabilities classified as held for sale	
Other current liabilities	2,958,333	(461,366)	-	2,496,967	Other current liabilities	2) c)
Total current liabilities	62,440,382	(461,366)	59,002	62,038,018	Total current liabilities	
Long-term liabilities					Long-term liabilities	
Long-term debt	48,981,374	-	-	48,981,374	Long-term debt	
Hedging derivative liabilities, noncurrent	11,450	-	-	11,450	Hedging derivative liabilities, noncurrent	
Long-term payable	49,103	-	-	49,103		
Total long-term liabilities	49,041,927	-	-	49,041,927	Total long-term liabilities	
Reserve for land value increment tax	86,547	(86,547)	-	-	-	2) l)
Other liabilities					Other liabilities	
Accrued pension cost	779,728	-	310,431	1,090,159	Accrued pension cost	2) j)
Guarantee deposits received	6,885	-	-	6,885	Guarantee deposits received	
Deferred income tax liability, noncurrent	1,041,884	547,913	-	1,589,797	Deferred income tax liability	2) c) and 2) l)
Others	11,412	-	-	11,412	Others	
Total other liabilities	1,839,909	547,913	310,431	2,698,253	Total other liabilities	
Total liabilities	113,408,765	-	369,433	113,778,198	Total liabilities	
Equity attributable to stockholders of the parent					Equity attributable to stockholders of the parent	
Capital stock	29,241,469	-	-	29,241,469	Capital stock	
Capital surplus					Capital surplus	
Additional paid-in capital of common stock	812,890	-	-	812,890	Additional paid-in capital of common stock	
Additional paid-in capital of bonds conversion	1,447,492	-	-	1,447,492	Additional paid-in capital of bonds conversion	
Treasury stock	1,575,523	-	-	1,575,523	Treasury stock	
Long-term equity investments	4,720,416	-	(4,720,416)	-	-	2) e)
Retained earnings	22,895,905	134,641	1,523,458	24,554,004	Retained earnings	1), 2) e) and 2) j)-2) m)
Other equity					Other equity	
Cumulative translation adjustments	(2,154,982)	-	2,154,982	-	Foreign currency translation reserve	2) m)
Net loss not recognized as pension cost	(114,235)	-	114,235	-	-	2) j)
Unrealized loss on financial instruments	(993,798)	-	52,952	(940,846)	Unrealized loss on financial instruments	2) e) and 2) n)
Unrealized revaluation increment	134,641	(134,641)	-	-	-	2) l)
Treasury stock	(155,375)	-	(39,414)	(194,789)	Treasury stock	2) n)
Equity attributable to stockholders of the parent	57,409,946	-	(914,203)	56,495,743	Equity attributable to stockholders of the parent	
Minority interest	68,893,609	-	384,248	69,277,857	Noncontrolling interests	2) e)
Total stockholders' equity	126,303,555	-	(529,955)	125,773,600	Total stockholders' equity	
Total	$ 239,712,320	$ -	$ (160,522)	$ 239,551,798	Total	

(Concluded)

1) Special reserve at date of transition to IFRSs

Under Rule No. 1010012865 issued by the FSC on April 6, 2012, (a) the total amount of cumulative translation adjustments and unrealized revaluation increments credited to retained earnings or (b) the IFRS-adoption net credit adjustments to retained earnings, whichever is lower, should be reclassified to special reserve. Upon the use, disposal or reclassification of the related asset, the special reserve is reversed to retained earnings on a proportionate basis.

Following the abovementioned rule, the Company reclassified to special reserve the amount of $134,641 thousand representing the unrealized revaluation increments of $134,641 thousand.

2) The Company should establish accounting policies in compliance with IFRSs. The descriptions of material reconciliation items on IFRSs transition from ROC GAAP as of January 1, 2012 were as follows:

a) The classification of time deposit with maturities over three months

Under ROC GAAP, time deposits which would be cancellable but without any loss of principal are classified as “cash”. Under IFRSs, time deposit with no quoted prices in an active market shall be classified as “bond investments with no active market”. Following the above rule, the amount reclassified from cash to bond investments with no active market was $91,867 thousand.

b) The classification of investment property

Under ROC GAAP, the leased-out assets are classified as “property, plant and equipment” or “other assets”. Under IFRSs, property held by the owner to earn rentals, or for capital appreciation, or both is classified as “investment property”. Following the above rule, the Company reclassified to investment property the amount of $3,037,127 thousand, consisting of land for development of $1,426,222 thousand, investments in real estate of $186,123 thousand, property, plant and equipment of $640,218 thousand, leased-out assets of $779,310 thousand and other assets of $5,254 thousand.

c) The classification of deferred tax assets and liabilities

Under ROC GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent asset or liability. Following the above rule, deferred income tax asset reclassified from current to noncurrent was $2,780 thousand; deferred income tax liability reclassified from current to noncurrent was $461,366 thousand.

Under ROC GAAP, if the available evidence indicates the probability that a portion or all of the deferred tax assets will not be realized, then an appropriate amount of valuation allowance should be provided. Under IFRSs, allowance for deferred tax asset is not allowed.

d) The classification of land-use rights

Under ROC GAAP, land-use rights are recorded as “intangible assets”. Under IFRSs, land-use rights should be recorded as “prepayment” in accordance with IAS No. 17, “Lease”. Following the above rule, the amounts reclassified from “other intangible assets” to “prepayment” were $5,963,164 thousand, consisting of current portion of $163,576 thousand, and noncurrent portion of $5,799,588 thousand.

e) Adjustment to capital surplus

In addition, if the investing company subscribes for additional shares of an investee at a percentage different from its existing ownership percentage that results in a decrease in the investing company's holding percentage in the investee, the resulting carrying amount of the investment in the investee differs from the amount of its share in the investee's equity. Under ROC GAAP, the investing company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to "capital surplus". Under IFRSs, such transaction is deemed a disposal, and aforementioned difference is recognized in earnings accordingly.

On the date of transition to IFRSs, the capital surplus which does not qualify in the definition of IFRSs or Company Art should be adjusted.

Following the above rule, the IFRS-adoption adjustments decreased the investments accounted for by the equity method by $175,386 thousand capital surplus by $4,720,416 thousand, and unrealized loss on financial instruments by $6,594 thousand, and increased retained earnings by $4,167,376 thousand and noncontrolling interests by $384,248 thousand.

f) The classification of land held by trustee

Under ROC GAAP, land held by trustee is recorded as "other assets". Under IFRSs, land held by trustee should be recorded as "property, plant and equipment" according to their nature. Following the above rule, the amount reclassified from other assets to property, plant and equipment was $73,713 thousand.

g) The classification of idle assets

Under ROC GAAP, idle assets are classified under "other assets". Under IFRSs, idle assets are classified as "property, plant and equipment" according to their nature. Following the above rule, the amounts reclassified from other assets to property, plant and equipment, were the cost of $62,083 thousand, accumulated depreciation of $60,609 thousand, and accumulated impairment of $1,474 thousand.

h) The classification of prepayments for equipment

Under ROC GAAP, prepayments for equipment are classified under "property, plant and equipment". Under IFRSs, prepayments for equipment are classified as "long-term prepayment" according to their nature. Following the above rule, the amount reclassified from property, plant and equipmen to long-term prepayment (recorded under "other assets") was $460,172 thousand.

i) The classification of deferred charges

Under ROC GAAP, deferred charges are classified under "other assets". Under IFRSs, deferred charges are classified as "prepayment" according to their nature. Following the above rule, adjustments decreased deferred charges by $710,641 thousand, and increased property, plant and equipment by $2,734 thousand and long-term prepayment (recorded under "other assets") by $707,907 thousand.

j) Employee benefits - pension cost

Under ROC GAAP, the Company had previously applied actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation. Under IFRSs, the above-mentioned unrecognized transition obligation should be recognized as deduction of retained earnings.

In addition, under ROC GAAP, the actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees. Under IFRSs, the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income in accordance with IAS No. 19, “Employee Benefits”.

Under ROC GAAP, the excess of the accumulated benefit obligation over the pension plan assets at the balance sheet date would be recognized as minimum pension liability. On the date of transition to IFRSs, the above-mentioned minimum pension liability should be reversed.

Following the above-mentioned rule, the IFRS-adoption adjustments decreased deferred pension cost by $5,268 thousand, net loss not recognized as pension cost by $114,235 thousand, and retained earning by $429,934 thousand, and accrued pension cost increased by $310,431 thousand.

k) Employee benefits - accumulating compensated absences

Under ROC GAAP, there was no accounting standard for accumulating compensated absences. Under IFRSs, accumulating compensated absences are recognized as salary expense attributing to services rendered by employees during that period. Following the above rule, “provision, current” was adjusted for an increase of $59,002 thousand, retained earnings was adjusted for a decrease of $59,002 thousand.

l) Revaluation of property, plant and equipment

Under ROC GAAP, the Company recorded land value increment to reflect the appraised value published by the government. Reserve for land value increment tax, payable upon sale of land, is presented under “reserve for land value increment tax”. Under IFRSs, the Company elected to use ROC GAAP revaluation of some items of property as deemed cost, and the unrealized revaluation increment was deemed zero at the date of transition to IFRSs.

Following the above-mentioned rule, the Company reclassified to retained earnings the amount of $134,641 thousand, consisting of “unrealized revaluation increment” of $134,641 thousand. The IFRS-adoption adjustments to “reserve for land value increment tax”, in the amount of $86,547 thousand was reclassified to “deferred income tax, noncurrent”.

m) Cumulative translation adjustments

The Company’s cumulative translation differences for all foreign operations were deemed zero at the date of transition to IFRSs, and the cumulative translation differences were recognized in retained earnings on that date. Following the above rule, the Company reclassified to retained earnings the amount of $2,154,982 thousand, consisting of cumulative translation adjustments of $2,154,982 thousand.

n) Under ROC GAAP, if a subsidiary holds its parent`s stocks, the parent should account for the stocks as treasury stocks. In the first-time adoption of SFAS No. 30, the recorded cost of the stock is based on its carrying value as of January 1, 2012. Under IFRSs, the amounts of treasury stock should be recorded on the original cost of stock. Following the above rule, the IFRS-adoption adjustments increased treasury stocks by $39,414 thousand, investment accounted for by the equity method by $20,132 thousand and unrealized gain or loss on financial instrument by $59,546.

c. The reconciliation of the effects of the Company's current accounting policies under ROC GAAP and IFRSs was as follows:

Reconciliation of balance sheet as at December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	Note
Current assets					Current assets	
Cash and cash equivalents	$ 29,372,266	$ (517,641)	$ -	$ 28,854,625	Cash and cash equivalents	2) a)
Financial assets at fair value through profit or loss, current	618,282	-	-	618,282	Financial assets at fair value through profit or loss, current	
Available-for-sale financial assets, current	12,119,802	-	-	12,119,802	Available-for-sale financial assets, current	
-	-	517,641	-	517,641	Bond investments with no active market, current	
Notes and accounts receivable	28,087,586	-	-	28,087,586	Notes and accounts receivable	
Notes and accounts receivable from affiliates	193,182	-	-	193,182	Notes and accounts receivable from affiliates	
Other receivables	3,756,199	-	-	3,756,199	Other receivables	2) a)
Inventories	39,059,387	-	-	39,059,387	Inventories	
Long-term equity investments as held for sale	48,613	-	-	48,613	Noncurrent assets as held for sale	
Other current assets	7,110,132	155,929	-	7,266,061	Other current assets	2) b) and 2) c)
Total current assets	120,365,449	155,929	-	120,521,378	Total current assets	
Funds and long-term investments					Noncurrent assets	
Financial assets at fair value through profit or loss, noncurrent	27,177	-	-	27,177	Financial assets at fair value through profit or loss, noncurrent	
Available-for-sale financial assets, noncurrent	515,195	-	-	515,195	Available-for-sale financial assets, noncurrent	
Financial assets carried at cost, noncurrent	850,089	-	-	850,089	Financial assets carried at cost, noncurrent	
Investments accounted for by the equity method	40,126,284	-	(264,291)	39,861,993	Investments accounted for by the equity method	2) d) and 2) m)
Investments in real estate	298,437	(298,437)	-	-	-	2) e)
Total funds and long-term investments	41,817,182	(298,437)	(264,291)	41,254,454		
Property, plant and equipment						
Land	2,223,693	73,713	-	2,297,406		2) f)
Buildings and improvements	59,293,541	(904,109)	-	58,389,432		2) e)
Machinery and equipment	41,138,084	6,293	-	41,144,377		2) e)
Transportation equipment	1,394,557	-	-	1,394,557		
Furniture, fixtures and office equipment	6,740,845	-	-	6,740,845		
Other equipment	208,658	24,220	-	232,878		2) h)
Revaluation increment	293,323	-	-	293,323		
Cost and revaluation increment	111,292,701	(799,883)	-	110,492,818		
Less accumulated depreciation	(51,073,187)	317,396	-	(50,755,791)		2) e) and 2) h)
Less accumulated impairment	(6,685)	-	-	(6,685)		
Construction in progress and prepayments for equipment	1,850,629	(339,710)	-	1,510,919		2) g)
Property, plant and equipment, net	62,063,458	(822,197)	-	61,241,261	Property, plant and equipment, net	
-	-	1,598,532	-	1,598,532	Investment property	2) e)
Intangible assets						
Goodwill	8,380,759	-	-	8,380,759	Goodwill	
Other intangible assets	9,400,538	(5,505,895)	-	3,894,643	Other intangible assets	2) c)
Total intangible assets	17,781,297	(5,505,895)	-	12,275,402		
Other assets						
Leased-out assets	736,926	(736,926)	-	-	-	2) e)
Refundable deposits	162,076	-	-	162,076	Refundable deposits	
Deferred charges	599,895	(599,895)	-	-	-	2) h)
-	-	5,348,266	-	5,348,266	Long-term prepayments for rental	2) c)
Deferred income tax assets, noncurrent	272,705	1,700	-	274,405	Deferred income tax assets	2) b)
Others	261,362	858,923	(6,413)	1,113,872	Others	2) e)-2) i)
Total other assets	2,032,964	4,872,068	(6,413)	6,898,619		
Total	$ 244,060,350	$ -	$ (270,704)	$ 243,789,646	Total	
Current liabilities					Current liabilities	
Short-term loans	$ 15,662,647	$ -	$ -	$ 15,662,647	Short-term loans	
Short-term bills payable	2,465,191	-	-	2,465,191	Short-term bills payable	
Financial liabilities at fair value through profit or loss, current	41,552	-	-	41,552	Financial liabilities at fair value through profit or loss, current	
Hedging derivative liabilities, current	5,430	-	-	5,430	Hedging derivative liabilities, current	
Notes and accounts payable	10,655,846	-	-	10,655,846	Notes and accounts payable	
Notes and accounts payable to affiliates	1,595,603	-	-	1,595,603	Notes and accounts payable to affiliates	
Income tax payable	1,196,063	-	-	1,196,063	Income tax payable	
Other payables	19,584,324	-	-	19,584,324	Other payables	
-	-	-	59,900	59,900	Provision, current	2) j)
Current portion of long-term liabilities	15,978,798	-	-	15,978,798	Current portion of long-term liabilities	
Other current liabilities	3,963,351	(678,727)	-	3,284,624	Other current liabilities	2) b)
Total current liabilities	71,148,805	(678,727)	59,900	70,529,978	Total current liabilities	
Long-term liabilities					Long-term liabilities	
Long-term debt	36,808,563	-	-	36,808,563	Long-term debt	
Long-term payable	581,991	-	-	581,991	Long-term payable	
Total long-term liabilities	37,390,554	-	-	37,390,554	Total long-term liabilities	
Reserve for land value increment tax	86,547	(86,547)	-	-	-	2) k)

(Continued)

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs: Presentation Difference	Effect of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Note
Other liabilities					Other liabilities	
Accrued pension cost	$ 954,581	$ -	$ 332,084	$ 1,286,665	Accrued pension cost	2) i)
Guarantee deposits received	11,517	-	-	11,517	Guarantee deposits received	
Deferred income tax liability, noncurrent	1,226,853	765,274	-	1,992,127	Deferred income tax liability	2) b) and 2) k)
Others	11,412	-	-	11,412	Others	
Total other liabilities	2,204,363	765,274	332,084	3,301,721	Total other liabilities	
Total liabilities	110,830,269	-	391,984	111,222,253	Total liabilities	
Equity attributable to stockholders of the parent					Equity attributable to stockholders of the parent	
Capital stock	29,431,849	-	-	29,431,849	Capital stock	
Capital Surplus					Capital Surplus	
Additional paid-in capital of common stock	817,690	-	-	817,690	Additional paid-in capital of common stock	
Additional paid-in capital of bonds conversion	1,447,492	-	-	1,447,492	Additional paid-in capital of bonds conversion	
Treasury stock	1,591,414	-	-	1,591,414	Treasury stock	
Long-term equity investments	5,183,852	-	(4,742,343)	441,509	Long-term equity investments	2) d)
Retained earnings	29,228,074	134,641	1,321,196	30,683,911	Retained earnings	1), 2) d) and 2) i)-2) l)
Other Equity					Other Equity	
Cumulative translation adjustments	(4,001,864)	-	2,158,245	(1,843,619)	Foreign currency translation reserve	2) d) and 2) l)
Net loss not recognized as pension cost	(259,786)	-	259,786	-	-	2) i)
Unrealized loss on financial instruments	(173,440)	-	(8,715)	(182,155)	Unrealized loss on financial instruments	2) d) and 2) m)
Unrealized revaluation increment	134,641	(134,641)	-	-	-	2) k)
Treasury stock	(153,449)	-	(35,279)	(188,728)	Treasury stock	2) m)
Equity attributable to stockholders of the parent	63,246,473	-	(1,047,110)	62,199,363	Equity attributable to stockholders of the parent	
Minority interest	69,983,608	-	384,422	70,368,030	Noncontrolling interests	2) d) and 2) i)
Total stockholders' equity	133,230,081	-	(662,688)	132,567,393	Total stockholders' equity	
Total	$ 244,060,350	$ -	$ (270,704)	$ 243,789,646	Total	

(Concluded)

Reconciliation of the income statement for the year ended December 31, 2012

ROC GAAP Item	ROC GAAP Amount	Effect of Transition to IFRSs: Presentation Difference	Effect of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Note
Sales revenues	$ 276,107,669	$ -	$ -	$ 276,107,669	Sales revenues	
Cost of goods sold	210,876,766	(48,282)	-	210,828,484	Cost of goods sold	2) n)
Gross profit	65,230,903	48,282	-	65,279,185	Gross profit	
Operating expenses					Operating expenses	
Research and development expenses	22,827,783	-	-	22,827,783	Research and development expenses	
General and administrative expenses	19,276,157	-	(25,249)	19,250,908	General and administrative expenses	2) i) and 2) j)
Selling expenses	7,232,387	-	-	7,232,387	Selling expenses	
Total operating expenses	49,336,327	-	(25,249)	49,311,078	Total operating expenses	
Income from operations	15,894,576	48,282	25,249	15,968,107	Income from operations	
Non-operating income					Non-operating income	
Interest income	485,677	-	-	485,677	Interest income	
Investment income recognized under equity method	4,935,069	-	13,140	4,948,209	Investment income recognized under equity method	2) d)
Dividend income	449,086	-	-	449,086	Dividend income	
Gain on disposal of property, plant and equipment and lease-out assets	48,080	-	-	48,080	Gain on disposal of property, plant and equipment and lease-out assets	
Gain on disposal of investments	74,631	-	161,519	236,150	Gain on disposal of investments	2) d)
Foreign exchange gains	786,274	-	-	786,274	Foreign exchange gains	
Valuation gain on financial liabilities	412,166	-	-	412,166	Valuation gain on financial liabilities	
Others	2,216,542	-	-	2,216,542	Others	
Total non-operating income	9,407,525	-	174,659	9,582,184	Total non-operating income	
Non-operating expenses					Non-operating expenses	
Interest expense	1,867,753	-	-	1,867,753	Interest expense	
Loss on disposal of property, plant and equipment and leased-out assets	42,971	-	-	42,971	Loss on disposal of property, plant and equipment and leased-out assets	
Impairment loss	2,048,198	-	-	2,048,198	Impairment loss	
Valuation loss on financial assets	398,118	-	-	398,118	Valuation loss on financial assets	
Others	374,812	-	61,662	436,474	Others	2) d)
Total non-operating expenses	4,731,852	-	61,662	4,793,514	Total non-operating expenses	
Income before income tax	20,570,249	48,282	138,246	20,756,777	Income before income tax	
Income tax expense	(1,630,427)	(48,282)	-	(1,678,709)	Income tax expense	2) n)
Consolidated net income	$ 18,939,822	$ -	$ 138,246	19,078,068	Consolidated net income	
				(1,843,619)	Exchange differences on translating foreign operations	
				758,691	Unrealized loss on financial instruments	
				$ 17,993,140	Total comprehensive income for the period	

1) Special reserve at date of transition to IFRSs

Under Rule No. 1010012865 issued by the FSC on April 6, 2012, (a) the total amount of cumulative translation adjustments and unrealized revaluation increments credited to retained earnings or (b) the IFRS-adoption net credit adjustments to retained earnings, whichever is lower, should be reclassified to special reserve. Following the above rule, the Company reclassified to special reserve the amount of $134,641 thousand representing the unrealized revaluation increments of $134,641 thousand.

2) The Company should establish accounting policies in compliance with IFRSs. The descriptions of material reconciliation items on IFRSs transition as of December 31, 2012, were as follow:

a) The classification of time deposit with maturities over three months

Under ROC GAAP, time deposits which would be cancellable but without any loss of principal are classified as “cash”. Under IFRSs, time deposit with no quoted prices in an active market shall be classified as “bond investments with no active market, current”. Following the above rule, the amount reclassified from cash to bond investments with no active market, current was $517,641 thousand.

b) The classification of deferred tax assets and liabilities

Under ROC GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent asset or liability. Following the above rule, deferred income tax asset reclassified from current to noncurrent was $1,700 thousand; deferred income tax liability reclassified from current to noncurrent was $678,727 thousand.

Under ROC GAAP, if the available evidence indicates the probability that a portion or all of the deferred tax assets will not be realized, then an appropriate amount of valuation allowance should be provided. Under IFRSs, allowance for deferred tax asset is not allowed.

c) The classification of land-use rights

Under ROC GAAP, land-use rights are recorded as “intangible assets”. Under IFRSs, land-use rights should be recorded as “prepayment” in accordance with IAS No. 17, “Lease”. Following the above rule, the amounts reclassified from “other intangible assets” to “prepayment” were $5,505,895 thousand, consisting of current portion of $157,629 thousand, and noncurrent portion of $5,348,266 thousand.

d) Adjustment to capital surplus

In addition, if the investing company subscribes for additional shares of an investee at a percentage different from its existing ownership percentage that results in a decrease in the investing company’s holding percentage in the investee, the resulting carrying amount of the investment in the investee differs from the amount of its share in the investee’s equity. Under ROC GAAP, the investing company records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to “capital surplus”. Under IFRSs, such transaction is deemed a disposal, and aforementioned difference is recognized in earnings accordingly.

On the date of transition to IFRSs, the capital surplus which does not qualify in the definition of IFRSs or Company Art should be adjusted.

Following the above rule, as of January 1, 2012 the IFRS-adoption adjustments decreased the investments accounted for by the equity method by $175,386 thousand capital surplus by $4,720,416 thousand, and unrealized loss on financial instruments by $6,594 thousand, and increased retained earnings by $4,167,376 thousand and noncontrolling interests by $384,248 thousand.

As of December 31, 2012 the IFRS-adoption adjustments decreased the investments accounted for by the equity method by $111,426 thousand, capital surplus by $21,927 thousand, retained earnings by $69,120 thousand and unrealized gain or loss on financial instruments by $59,921 thousand, and increased cumulative translation adjustments by $3,263 thousand, gain on disposal of investments by $161,519 thousand, investment income recognized under equity method by $13,140 thousand, other expense by $61,662 thousand, noncontrolling interests income by $76,914 thousand and noncontrolling interests by $196 thousand.

e) The classification of investment property

Under ROC GAAP, the leased-out assets are classified as "property, plant and equipment" or "other assets". Under IFRSs, property held by the owner to earn rentals, or for capital appreciation, or both is classified as "investment property". Following the above rule, the Company reclassified to investment property and decreased investments in real estate by $298,437 thousand, property, plant and equipment by $557,961 thousand, leased-out assets by $736,929 thousand and other assets by $5,208 thousand, and increased investment property by $1,598,532 thousand.

f) The classification of land held by trustee

Under ROC GAAP, land held by trustee is recorded as "other assets". Under IFRSs, land held by trustee should be recorded as "property, plant and equipment" according to their nature. Following the above rule, the amount reclassified from other assets to property, plant and equipment was $73,713 thousand.

g) The classification of prepayments for equipment

Under ROC GAAP, prepayments for equipment are classified under "property, plant and equipment". Under IFRSs, prepayments for equipment are classified as "long-term prepayment" according to their nature. Following the above rule, the amount reclassified from property, plant and equipmen to long-term prepayment (recorded under "other assets") was $339,710 thousand.

h) The classification of deferred charges

Under ROC GAAP, deferred charges are classified under "other assets". Under IFRSs, deferred charge are classified as "prepayment" and "property, plant and equipment" according to their nature. Following the above rule, adjustments decreased deferred charges by $599,895 thousand, and increased property, plant and equipment by $1,761 thousand and long-term prepayment (record undrer "other assets") by $598,134 thousand.

i) Employee benefits - pension cost

Under ROC GAAP, the Company had previously applied actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation. Under IFRSs, the above-mentioned unrecognized transition obligation should be recognized as deduction of retained earnings.

In addition, under ROC GAAP, the actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees. Under IFRSs, the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income in accordance with IAS No. 19, “Employee Benefits”.

Under ROC GAAP, the excess of the accumulated benefit obligation over the pension plan assets at the balance sheet date would be recognized as minimum pension liability. On the date of transition to IFRSs, the above-mentioned minimum pension liability should be reversed.

Following the above-mentioned rule, as of January 1, 2012 the IFRS-adoption adjustments decreased deferred pension cost by $5,268 thousand, net loss not recognized as pension cost by $114,235 thousand, and retained earnings by $429,934 thousand, accrued pension cost increased by $310,138 thousand.

As of December 31, 2012 the IFRS-adoption adjustments decreased general and administrative expenses by $26,147 thousand, deferred pension cost by $1,145 thousand, retained earnings by $194,496 thousand, and noncontrolling interests by $22 thousand, and increased accrued pension cost by $21,653 thousand, net loss not recognized as pension cost by $145,551 thousand, and noncontrolling interests income by $22 thousand.

j) Employee benefits - accumulating compensated absences

Under ROC GAAP, there was no accounting standard for accumulating compensated absences. Under IFRSs, accumulating compensated absences are recognized as salary expense attributing to services rendered by employees during that period. Following the above rule, “provision, current” was adjusted for an increase by $59,002 thousand, retained earnings was adjusted for an decrease of $59,002 thousand. For the year ended December 31, 2012, general and administrative expenses were increased by $898 thousand.

k) Revaluation of property, plant and equipment

Under ROC GAAP, the Company recorded land value increment to reflect the appraised value published by the government. Reserve for land value increment tax, payable upon sale of land, is presented under “reserve for land value increment tax”. Under IFRSs, the Company elected to use ROC GAAP revaluation of some items of property as deemed cost, and the unrealized revaluation increment was deemed zero at the date of transition to IFRSs.

Following the above-mentioned rule, the Company reclassified to retained earnings the amount of $134,641 thousand, consisting of “unrealized revaluation increment” of $134,641 thousand. The IFRS-adoption adjustments to “reserve for land value increment tax”, in the amount of $86,547 thousand was reclassified to “deferred income tax, noncurrent”.

l) Cumulative translation adjustments

The Company’s cumulative translation differences for all foreign operations were deemed zero at the date of transition to IFRSs, and the cumulative translation differences were recognized in retained earnings on that date. Following the above rule, the Company reclassified to retained earnings the amount of $2,154,982 thousand, consisting of cumulative translation adjustments of $2,154,982 thousand as of January 1, 2012.

m) Under ROC GAAP, if a subsidiary holds its parent`s stocks, the parent should account for the stocks as treasury stocks. In the first-time adoption of SFAS No. 30, the recorded cost of the stock is based on its carrying value as of January 1, 2012. Under IFRSs, the amounts of treasury stock should be recorded on the original cost of stock. Following the above rule, as of January 1, 2012 the IFRS-adoption adjustments increased treasury stocks by $39,414 thousand, investment accounted for by the equity method by $20,132 thousand and unrealized gain or loss on financial instrument by $59,546.

The subsidiaries resold the treasury stocks in 2012. As of December 31, 2012, the IFRS-adoption adjustments decreased treasury stock by $4,135 thousand and unrealized gain or loss on financial instrument by $1,746 thousand, and increased investment accounted for by the equity method by $2,398 thousand.

n) The classification of the land value increment tax

Under ROC GAAP, the land value increment tax is classified under “cost of goods sold”. Under IFRSs, the land value increment tax is classified under “income tax expense” in accordance with IAS No. 12, “Income Taxes”. Following the above rule, the amount reclassified from cost of goods sold to income tax expense was $48,282 thousand for the year ended December 31, 2012.

c. An entity applying IFRSs for the first time to its consolidated financial statements should follow IFRS 1 “First-time Adoption of International Financial Reporting Standards.” Under IFRS 1, the Company should establish accounting policies in compliance with IFRSs and retrospectively apply those accounting policies to prepare an initial balance sheet as of January 1, 2012, the date of transition to IFRSs. IFRS 1 grants limited exemptions from these retrospectively applied policies in specified areas. The Company elected the following exemptions:

1) Business combinations

The Company elected not to apply IFRS 3 “Business Combinations” retrospectively to past business combinations (i.e., those occurred before January 1, 2012). Thus, goodwill, other assets, liabilities and noncontrolling interests related to past business combinations were recorded in accordance with previous GAAP. This exemption was also applied to the investments in associates.

2) Deemed costs

The Company elected to use ROC GAAP revaluation of some items of property at the date of transition to IFRSs as deemed cost at the date of the revaluation. The Company used the cost model on the subsequent measurement of other property, plant and equipment and intangible assets and adopted related requirements retrospectively.

3) Employee benefits

The Company elected to recognize all cumulative actuarial gains and losses in retained earnings at the date of transition to IFRSs.

4) Cumulative translation differences

The Company’s cumulative translation differences for all foreign operations were deemed zero at the date of transition to IFRSs, and the cumulative translation differences were recognized in retained earnings on that date.

d. The Company prepared the above assessments in accordance with (a) the 2010 version of IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the requirements of IFRSs. Actual results may differ from these assessments.