Pou Chen Corporation

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 balance sheets of Pou Chen Corporation (the "Company") as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As mentioned in Note 11 to the accompanying 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 11.05% ($10,003,861 thousand) and 10.83% ($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 14.78% ($1,621,633 thousand) and 13.27% ($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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of the Company and its subsidiaries for the years ended December 31, 2012 and 2011 (not accompanied herein) on which we have issued our report with a modified unqualified opinion, respectively, thereon dated March 27, 2013.

March 27, 2013

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 financial statements shall prevail.

POU CHEN CORPORATION

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

ASSETS	2012 Amount	%	2011 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 2,277,920	3	$ 202,213	-
Available-for-sale financial assets, current (Notes 2 and 6)	3,723,007	4	3,282,473	4
Notes receivable (Notes 2 and 7)	20,660	-	5,424	-
Notes receivable from affiliates (Notes 2, 7 and 29)	302	-	43,887	-
Accounts receivable (Notes 2 and 8)	91,536	-	87,975	-
Accounts receivable from affiliates (Notes 2, 8 and 29)	1,439,146	2	1,302,578	2
Other receivables (Note 29)	167,596	-	202,489	-
Inventories (Notes 2 and 9)	150,447	-	175,754	-
Other current assets	34,042	-	26,702	-
Total current assets	7,904,656	9	5,329,495	6
FUNDS AND LONG-TERM INVESTMENTS				
Financial assets carried at cost, noncurrent (Notes 2 and 10)	60,000	-	60,000	-
Investments accounted for by the equity method (Notes 2 and 11)	75,936,525	84	70,600,462	86
Investments in real estate (Notes 2 and 12)	299,685	-	187,371	-
Total funds and long-term investments	76,296,210	84	70,847,833	86
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 13 and 29)				
Cost	5,791,047	7	5,895,638	7
Revaluation increment	282,505	-	282,244	1
	6,073,552	7	6,177,882	8
Less accumulated depreciation	(2,423,189)	(3)	(2,396,524)	(3)
Prepayments for equipment	-	-	130	-
Property, plant and equipment	3,650,363	4	3,781,488	5
OTHER ASSETS (Notes 2 and 14)	2,635,635	3	2,622,511	3
TOTAL	$ 90,486,864	100	$ 82,581,327	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2012 Amount	%	2011 Amount	%
CURRENT LIABILITIES				
Short-term loans (Note 15)	$ 87,165	-	$ 3,750,000	4
Short-term bills payable (Note 16)	-	-	499,133	1
Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	28,809	-	16,998	-
Hedging derivative liabilities, current (Notes 2 and 28)	5,430	-	22,901	-
Notes payable	19,339	-	35,704	-
Notes payable to affiliates (Note 29)	38,182	-	25,843	-
Accounts payable	1,139,699	1	1,050,941	1
Accounts payable to affiliates (Note 29)	90,910	-	102,747	-
Income tax payable (Notes 2 and 26)	597,872	1	456,917	1
Other payables (Note 17)	923,511	1	753,835	1
Current portion of long-term liabilities (Note 18)	5,000,000	6	-	-
Deferred income tax liabilities, current (Notes 2 and 26)	678,727	1	461,366	1
Other current liabilities	33,990	-	23,057	-
Total current liabilities	8,643,634	10	7,199,442	9
LONG-TERM LIABILITIES				
Long-term debt (Note 18)	17,500,000	19	17,000,000	20
Hedging derivative liabilities, noncurrent (Notes 2 and 28)	-	-	11,450	-
Total long-term liabilities	17,500,000	19	17,011,450	20
RESERVE FOR LAND VALUE INCREMENT TAX (Note 13)	86,547	-	86,547	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 19)	954,581	1	779,728	1
Guarantee deposits received	3,452	-	3,452	-
Others (Notes 2 and 20)	52,177	-	90,762	-
Total other liabilities	1,010,210	1	873,942	1
Total liabilities	27,240,391	30	25,171,381	30
STOCKHOLDERS' EQUITY				
Capital stock (Note 21)	29,431,849	32	29,241,469	36
Capital surplus (Notes 2 and 23)	9,040,448	10	8,556,321	10
Retained earnings (Note 23)	29,228,074	32	22,895,905	28
Cumulative translation adjustments (Note 2)	(4,001,864)	(4)	(2,154,982)	(3)
Net loss not recognized as pension cost (Notes 2 and 19)	(259,786)	-	(114,235)	-
Unrealized loss on financial instruments (Note 2)	(173,440)	-	(993,798)	(1)
Unrealized revaluation increment	134,641	-	134,641	-
Treasury stock (Notes 2 and 24)	(153,449)	-	(155,375)	-
Total stockholders' equity	63,246,473	70	57,409,946	70
TOTAL	$ 90,486,864	100	$ 82,581,327	100

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

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

POU CHEN CORPORATION

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)	$ 10,933,455	100	$ 13,073,008	100
LESS SALES RETURNS AND ALLOWANCES	(16,680)	-	(21,009)	-
NET SALES AND REVENUES EARNED	10,916,775	100	13,051,999	100
COST OF GOODS SOLD (Note 29)	8,066,394	74	10,003,910	77
GROSS PROFIT	2,850,381	26	3,048,089	23
(UNREALIZED) REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS (Note 2)	(710)	-	2,341	-
REALIZED GROSS PROFIT	2,849,671	26	3,050,430	23
OPERATING EXPENSES				
Selling expenses	98,484	1	134,288	1
General and administrative expenses (Note 24)	1,710,942	16	1,826,740	14
Research and development expenses	942,833	8	879,826	7
Total operating expenses	2,752,259	25	2,840,854	22
INCOME FROM OPERATIONS	97,412	1	209,576	1
NON-OPERATING INCOME				
Interest income (Note 29)	5,470	-	11,476	-
Investment income recognized under equity method (Note 11)	11,814,297	108	5,740,188	44
Dividend income	137,728	1	144,516	1
Gain on disposal of property, plant and equipment and leased-out assets (Note 29)	4,540	-	5,528	-
Gain on disposal of investments (Note 11)	1,145	-	3,258	-
Foreign exchange gain, net	-	-	87,971	1
Rental income (Note 29)	168,791	1	166,013	1
Reversal of provision for doubtful accounts	600	-	1,024	-
Valuation gain on financial assets, net (Note 5)	1,561	-	-	-
Others	62,143	1	91,631	1
Total non-operating income	12,196,275	111	6,251,605	48

(Continued)

POU CHEN CORPORATION

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

	2012		2011	
	Amount	**%**	**Amount**	**%**
NON-OPERATING EXPENSES				
Interest expense	$ 361,969	3	$ 298,252	2
Loss on disposal of property, plant and equipment and leased-out assets (Note 29)	2,486	-	902	-
Foreign exchange loss, net	45,482	-	-	-
Impairment loss (Notes 2 and 11)	843,299	8	-	-
Valuation loss on financial liabilities, net (Note 5)	11,001	-	30,939	-
Others	60,314	1	66,421	1
Total non-operating expenses	1,324,551	12	396,514	3
INCOME BEFORE INCOME TAX	10,969,136	100	6,064,667	46
INCOME TAX EXPENSE (Notes 2 and 26)	(812,801)	(7)	(257,944)	(2)
NET INCOME	$ 10,156,335	93	$ 5,806,723	44

	2012		2011	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
BASIC EARNINGS PER SHARE (Notes 2 and 27)	$ 3.74	$ 3.47	$ 2.10	$ 2.01
DILUTED EARNINGS PER SHARE (Notes 2 and 27)	$ 3.68	$ 3.41	$ 2.06	$ 1.98

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

	2012	2011
NET INCOME	$ 10,169,629	$ 5,819,001

	2012		2011	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
BASIC EARNINGS PER SHARE (Notes 2 and 27)	$ 3.74	$ 3.46	$ 2.10	$ 2.01
DILUTED EARNINGS PER SHARE (Notes 2 and 27)	$ 3.68	$ 3.40	$ 2.06	$ 1.97

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

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

POU CHEN CORPORATION

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	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)	$ 53,105,169
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 22)	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 treasury 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
Net income for 2011	-	-	-	-	-	-	-	-	5,806,723	-	-	-	-	-	5,806,723
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)	57,409,946
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 22)	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 treasury stock resold by the 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
Net income for 2012	-	-	-	-	-	-	-	-	10,156,335	-	-	-	-	-	10,156,335
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)	$ 63,246,473

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

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

POU CHEN CORPORATION

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 10,156,335	$ 5,806,723
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	260,127	296,084
Amortization	23,003	36,060
Impairment loss	843,299	-
Reversal of bad debts	(600)	(1,024)
Investment income recognized under equity method	(11,814,297)	(5,740,188)
Cash dividends received from investees under equity method	3,248,157	4,717,912
Unrealized (realized) gross profit from inter-affiliate transactions	710	(2,341)
Net gain on disposal of property, plant and equipment and leased-out assets	(2,054)	(4,626)
Valuation gain on financial assets	(1,561)	-
Valuation loss on financial liabilities	11,001	30,939
Compensation cost of treasury stock transfer to employees	-	257,635
Gain on disposal of investments	(1,145)	(3,258)
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss, current	2,371	(11,584)
Notes receivable	(15,236)	(3,401)
Notes receivable from affiliates	43,585	(38,116)
Accounts receivable	(2,961)	7,556
Accounts receivable from affiliates	(136,568)	463,657
Other receivables	34,893	46,415
Inventories	25,307	138,217
Other current assets	(3,724)	16,257
Deferred income tax asset, noncurrent	(4,972)	(4,696)
Income tax prepayment	3,467	-
Notes payable	(16,365)	(2,650)
Notes payable to affiliates	12,339	(22,948)
Accounts payable	88,758	(615,551)
Accounts payable to affiliates	(11,837)	(100,696)
Income tax payable	140,955	25,626
Other payables	162,600	108,585
Deferred income tax liabilities, current	217,361	11,476
Other current liabilities	10,933	(2,109)
Accrued pension cost	29,302	28,221
Net cash provided by operating activities	3,303,183	5,438,175

(Continued)

POU CHEN CORPORATION

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

	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments accounted for by the equity method	$ (324,398)	$ (8,517,171)
Proceeds from reduction of capital from investments accounted for by the equity method	599,000	76,961
Cash dividends from reduction of capital surplus from investments accounted for by the equity method	316,901	-
Proceeds from disposal of investments accounted for by the equity method	742,401	50,547
Increase in financial assets carried at cost, noncurrent	-	(60,000)
Acquisitions of property, plant and equipment	(155,956)	(93,830)
Acquisitions of real estate	(112,314)	-
Acquisitions of leased assets	(1,057)	(914)
Proceeds from disposal of property, plant and equipment	9,696	18,119
Proceeds from disposal leased assets	-	25,378
(Increase) decrease in refundable deposits	(98)	96
Increase in deferred charges	(10,697)	(54,454)
Net cash provided by (used in) investing activities	1,063,478	(8,555,268)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(3,662,835)	(89,000)
(Decrease) increase in short-term bills payable	(499,133)	499,133
Increase in long-term debt	5,500,000	4,875,000
Cash dividends	(3,824,166)	(3,480,523)
Execution of employee stock warrants	195,180	243,910
Transfer treasury stock to employees	-	938,087
Net cash (used in) provided by financing activities	(2,290,954)	2,986,607
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,075,707	(130,486)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	202,213	332,699
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,277,920	$ 202,213
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest (excluding interest capitalized)	$ 354,431	$ 267,995
Income tax	$ 457,480	$ 225,538
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 5,000,000	$ -
Unrealized gain (loss) on available-for-sale financial assets	$ 440,534	$ (298,376)

(Continued)

POU CHEN CORPORATION

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

	2012	2011
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 dividend received by subsidiaries	$ 13,294	$ 12,278
Adjustment of stockholder's equity from treasury stock resold by the subsidiaries	$ 6,269	$ -
Translation adjustments on foreign long-term equity investments	$ (1,846,882)	$ 2,408,831
Adjustments on capital surplus from treasury stock transfer to employees	$ -	$ 109,681
CASH PAID DURING THE YEAR FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT		
Fair value of property, plant and equipment acquired	$ 163,032	$ 98,424
Add payables for acquisitions of property, plant and equipment at beginning of year	15,922	11,328
Less payables for acquisitions of property, plant and equipment at end of year	(22,998)	(15,922)
Cash paid during the year for acquisitions of property, plant and equipment	$ 155,956	$ 93,830

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

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

1. ORGANIZATION AND OPERATIONS

Pou Chen Corporation (the "Company") was incorporated in the Republic of China ("ROC") in September 1969. The Company is located in Changhwa County, Taiwan, and currently has one factory and nine trade departments. The Company's business activities include manufacturing and sales of various kinds of shoes, and import and export of related products and materials. The Company also invests significantly in shoes and electronics industries to diversify its business operation. As a result, investment income has become the Company's major source of revenue.

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 Hong Kong Exchange and Clearing Limited.

In January 1990, the Company started to trade its stocks on the Taiwan Stock Exchange.

As at December 31, 2012 and 2011, there were 3,084 and 3,060 employees of the Company, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting policies are summarized as follows:

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. Shareholders' 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 shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

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

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

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

Accounting Estimates

Under above guidelines, law 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, bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

Current/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 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.

Cash Equivalents

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 year. 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 shareholders' 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 shareholders' equity. The amount recognized in shareholders' equity is recognized in profit or loss in the same year or years 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 shareholders' 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 shareholders' equity. The amount recognized in shareholders' 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 fair values that cannot 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 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-out 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 unless the asset is carried at a revalued amount, in which case the impairment loss is first treated as a deduction to the unrealized revaluation increment and any remaining loss is charged to earnings.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized 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 ("CGU(s)") 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 and work-in-process 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 standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Investments Accounted for by the Equity Method

Investments in which the Company 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.

Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee. Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee; however, if the Company has control over the investee, all the profits are eliminated.

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 shareholders 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 shareholders 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.

Property, Plant, 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 property, plant and equipment 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	5-7 years
Transportation equipment	5 years
Furniture, fixtures and office equipment	3-5 years
Other equipment	5 years

Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives. Depreciation of 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 any unrealized revaluation increment of an item 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.

Deferred Charges

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

Pension Cost

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

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 shareholders 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 shareholders' 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.

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.

3. EFFECT OF CHANGE 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 financial statements for the year ended December 31, 2011.

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	$ 2,119	$ 2,020
Banks deposits	1,860,801	200,193
Cash equivalent - repurchase agreements collateralized by bonds	415,000	-
	$ 2,277,920	$ 202,213

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS, CURRENT

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

	2012	2011
Interest rate swap contracts	$ 26,240	$ 16,490
Cross currency swap contracts	2,569	-
Exchange rate option contracts	-	508
	$ 28,809	$ 16,998

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

a. The information of interest rate swap contracts as at December 31, 2012 and 2011 was 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)

b. 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)

c. The information about exchange rate option contracts as at December 31, 2011 was summarized as follows:

Item	Type	Buy/Sell	Premium Amount	Contract Amount	Fair Value
Exchange rate option contracts	Put	Sell	$1,974	US$9,000,000	$(508)

d. The fair value of derivative financial instruments is based on the evaluation provided by the trading banks. For the years ended December 31, 2012 and 2011, the net loss of the financial instruments at fair value through profit or loss was $9,440 thousand and 30,939 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	$ 3,165,188	$ 3,712,200	$ 3,268,950
Taiwan Paiho Limited	10,381	10,802	13,517
Global Brands Manufacture Ltd.	10	5	6
	$ 3,175,579	$ 3,723,007	$ 3,282,473

7. NOTES RECEIVABLE

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

	2012	2011
Notes receivable	$ 20,660	$ 5,424
Less allowance for doubtful accounts	-	-
	20,660	5,424
Notes receivable from affiliates (Note 29)	302	43,887
Less allowance for doubtful accounts	-	-
	302	43,887
	$ 20,962	$ 49,311

8. ACCOUNTS RECEIVABLE

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

	2012	2011
Accounts receivable	$ 92,298	$ 89,337
Less allowance for doubtful accounts	(762)	(1,362)
	91,536	87,975

(Continued)

	2012	2011
Accounts receivable from affiliates (Note 29)	$ 1,439,146	$ 1,302,578
Less allowance for doubtful accounts	-	-
	1,439,146	1,302,578
	$ 1,530,682	$ 1,390,553

(Concluded)

9. INVENTORIES

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

	2012	2011
Raw materials	$ 100,485	$ 112,036
Supplies	2,465	1,104
Work-in-process	2,776	7,284
Finished goods	35,569	49,698
Merchandise	9,152	5,632
	$ 150,447	$ 175,754

As of December 31, 2012 and 2011, the allowance for inventory devaluation was $81,000 thousand and $60,000 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2012 and 2011 was $8,066,394 thousand and $10,003,910 thousand, which included $21,000 thousand and $33,000 thousand write-down of inventories, respectively.

10. 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
Zhi Yuen Venture Capital Corporation	$ 60,000	$ 60,000
DTE Technology Corp.	-	-
	$ 60,000	$ 60,000

The stocks mentioned above do not have public offering, active market and reliable fair values; thus, they are carried at cost. Due to the operation loss of DTE Technology Corp., the Company had assessed the unrecoverable amount of investment cost, and recognized its impairment loss $50,000 thousand.

11. 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 Investment Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Wealthplus	$ 295,429	$ 53,881,817	100.00	$ 49,062,979	100.00
Win Fortune	3,230	1,443,357	100.00	1,298,536	100.00
Windsor Entertainment	500,000	86,932	100.00	87,624	100.00
Pou Shine	1,124,667	2,170,412	100.00	1,046,993	100.00
Pan Asia Insurance Services	3,000	9,932	100.00	6,373	100.00
Barits Development	1,836,345	5,187,939	99.47	4,419,237	99.47
Pou Yuen Technology	966,449	228,107	97.82	229,798	97.80
Pro Arch International	2,443,485	-	96.32	-	96.32
LNC Technology	384,976	375,371	77.00	377,688	76.96
Techview International	380,115	-	30.00	-	30.00
Ruen Chen	9,000,000	10,003,861	20.00	8,939,565	20.00
Pou Yii	40,320	108,483	15.00	91,209	15.00
Elitegroup Computer	4,301,796	2,425,310	12.63	3,629,320	12.63
Wang Yi	7,700	15,004	7.82	17,254	7.82
Ming Wang	-	-	-	833,811	100.00
Proshine Healthcare	-	-	-	40,836	100.00
Vistas Design	-	-	-	7,311	100.00
Yun Yang	-	-	-	128,592	91.15
Right and Great Asia-Pacific	-	-	-	383,336	70.00
	$ 21,287,512	$ 75,936,525		$ 70,600,462	

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
Wealthplus	$ 8,945,829	$ 4,783,138
Win Fortune	182,068	103,851
Windsor Entertainment	(692)	(2,835)
Pou Shine	(81,311)	47,764
Pan Asia Insurance Services	5,803	2,494
Barits Development	390,065	45,129
Pou Yuen Technology	29,549	81,522
Pro Arch International	33,030	(217,571)
LNC Technology	3,070	3,426
Ruen Chen	1,621,633	805,060
Pou Yii	3,064	3,319
Elitegroup Computer	46,078	53,269
Wang Yi	7,417	9,815
Ming Wang	40,960	38,173
Proshine Healthcare	(596)	(1,438)
Vistas Design	63	(661)
Yun Yang	3,350	3,457
Right and Great Asia-Pacific	584,917	(17,724)
	$ 11,814,297	$ 5,740,188

Wealthplus Holdings Limited ("Wealthplus") and Win Fortune Investments Limited ("Win Fortune"), wholly-owned subsidiaries of the Company, were incorporated in the British Virgin Islands. These two companies primarily invest in companies which are engaged in the design and sale of footwear and electronic peripheral products.

The primary income of Wealthplus and Win Fortune is the investment income recognized under equity method from Yue Yuen. Yue Yuen is listed on Hong Kong Exchange and Clearing Limited. Yue Yuen originally had its accounting year from October 1 of the preceding year to September 30 of the year. On May 30, 2012, Yue Yuen's board of directors resolved to change its accounting year to calendar year effective from 2012. Accordingly, Yue Yuen's financial year of 2012 covered a period of fifteen months, which were from October 1, 2011 to December 31, 2012.

The Company effectively holds 49.98% ownership in Yue Yuen through Wealthplus and Win Fortune. Therefore, in 2012 and 2011, Wealthplus and Win Fortune accounted for their investment income recognized under equity method from Yue Yuen based on the information of the period from October 1, 2011 to December 31, 2012 and October 1, 2010 to September 30, 2011, respectively.

The primary income (loss) of Wealthplus and Win Fortune in 2012 and 2011 was summarized as follows:

	Wealthplus		**Win Fortune**	
	2012	**2011**	**2012**	**2011**
Equity in earnings of Yue Yuen	$ 8,973,523	$ 6,218,051	$ 192,488	$ 133,381
Equity in earnings of other overseas investees	123,536	(1,075,173)	-	-
Others	(151,230)	(359,740)	(10,420)	(29,530)
	$ 8,945,829	$ 4,783,138	$ 182,068	$ 103,851

Because of 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 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.

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 that the three companies be merged as 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. As at December 31, 2012, 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.

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.

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. In 2012 and 2011, the Company purchased 8 thousand shares for $231 thousand and 350 thousand shares for $3,499 thousand, respectively, from non-related parties.

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 had outstanding common stock of $1,000 thousand. It is primarily engaged in real estate development business. Because the book value of the investment as at December 31, 2012 and 2011 were negative, the Company reclassified $20,412 and $59,707 thousand to other liabilities, respectively. Please see Note 20 to the financial statements for the relevant information.

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, the Company received the returned capital of $76,961 thousand, with 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. In August 2011, the Company sold 5,070 thousand shares for $50,547 thousand to non-related parties, with a gain of $901 thousand. In August 2012, the Company purchased 17 thousand shares for $167 thousand from non-related parties.

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

Ruen Chen Investment Holding Co., Ltd. was established in November 2010. The Company 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 the Company 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, the Company 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 financial statements for the relevant information.

Pou Yii Development Co., Ltd. ("Pou Yii") was established in October 1996, with an outstanding common stock of $525,000 thousand at December 31, 2012, and is primarily engaged in constructing buildings, selling and renting apartments, real estate investment analysis and consulting services.

Elitegroup Computer Systems Co., Ltd. ("Elitegroup Computer") is engaged in designing, manufacturing and sale of computer peripheral equipment. 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 12.12% to 12.63%. Elitegroup Computer had outstanding common stock of $11,831,937 thousand as at December 31, 2012. The shares of Elitegroup Computer are listed on the Taiwan Stock Exchange Corporation. The Company recognized impairment loss in the amount of $843,299 thousand after appropriate assessment in 2012.

Wang Yi Construction Co., Ltd. ("Wang Yi") was established in May 1984, with an outstanding common stock of $77,000 thousand at December 31, 2012, and is primarily engaged in management and investment in construction projects.

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.

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, the Company received $40,289 thousand after completing the liquidation in December 2012.

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, the Company received $7,328 thousand after completing the liquidation in September 2012.

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

The Right and Great Asia-Pacific Realty Development Co., Ltd. ("Right and Great Asia-Pacific") was established in March 2008, with an outstanding common stock of $600,000 thousand at June 30, 2012, and is primarily engaged in real estate development and investing activities. The Company purchased 18,000 thousand shares from non-related party for the total amount of $324,000 thousand in March and June 2012. Accordingly, the Company'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, the Company received $694,784 thousand after the liquidation of Right and Great Asia-Pacific in December 2012.

12. INVESTMENT IN REAL ESTATE

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

	2012	2011
Land	$ 299,685	$ 187,371

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

13. PROPERTY, PLANT AND EQUIPMENT

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

	2012				2011
	Cost	Revaluation Value	Accumulated Value	Carrying Value	Carrying Value
Land	$ 993,087	$ 238,745	$ -	$ 1,231,832	$ 1,188,384
Buildings and improvements	3,643,484	43,760	1,481,920	2,205,324	2,365,490
Machinery equipment	508,220	-	387,839	120,381	114,892
Transportation equipment	224,129	-	179,464	44,665	44,704
Furniture, fixtures and office equipment	352,060	-	314,913	37,147	54,690
Other equipment	70,067	-	59,053	11,014	13,198
Prepayments for equipment	-	-	-	-	130
	$ 5,791,047	$ 282,505	$ 2,423,189	$ 3,650,363	$ 3,781,488

The Company recorded land value increment in 1987 and 1991 to reflect the appraised value 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, the Company 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.

14. OTHER ASSETS

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

	2012	2011
Leased-out assets		
Cost and revaluation increment	$ 2,829,657	$ 2,665,697
Less accumulated depreciation	(452,131)	(315,661)
	2,377,526	2,350,036
Refundable deposits	9,876	9,778
Deferred charges	40,874	56,797
Deferred income tax assets, noncurrent (Note 26)	128,438	123,466
Land held by trustee	73,713	73,713
Others - land and buildings for sale	5,208	5,254
Temporary tax payments (Note 26)	-	3,467
	$ 2,635,635	$ 2,622,511

The Company leased its building to related party - Pou Chien Chemical Co., Ltd. and non-related party - Taiwan McDonald's, etc. Additionally, the Company rented part of Pou Chen International Building to related party - Windsor Entertainment. Rent income is determined by the rental space and local leasing market price.

Three parcels of land located in Changhwa County were purchased by the Company 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 the Company. 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".

15. 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	1.034	$ 87,165	0.95-1.09	$ 3,750,000

16. 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
Unsecured bills	-	$ -	0.82	$ 500,000
Less discount on short-term bills payable		-		(867)
		$ -		$ 499,133

17. OTHER PAYABLES

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

	2012	2011
Employee bonus payable (Note 23)	$ 260,700	$ 161,307
Salary and wages payable	202,369	202,070
Compensation due to directors and supervisors (Note 23)	119,529	80,722
Interest payable	51,258	44,328
Payables on machinery and equipment	22,998	15,922
Other accrued expenses	266,657	249,486
	$ 923,511	$ 753,835

18. LONG-TERM DEBT

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

	2012	2011
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 between 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
	22,500,000	17,000,000
Less current portion	(5,000,000)	-
	$ 17,500,000	$ 17,000,000

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.

19. PENSION PLAN

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. Such pension costs were $56,094 thousand and $53,430 thousand for the years ended December 31, 2012 and 2011, respectively.

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. The Company recognized pension costs of $57,849 thousand and $56,779 thousand for the years ended December 31, 2012 and 2011, respectively.

Information about the defined benefit plan was as follows:

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

	2012	2011
Service cost	$ 22,079	$ 23,553
Interest cost	27,542	27,736
Expected return on plan assets	(7,473)	(8,457)
Amortization of net transition asset	(874)	(1,875)
Amortization of pension loss	16,575	15,822
	$ 57,849	$ 56,779

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	$ (512,324)	$ (451,461)
Nonvested benefits	(744,079)	(687,569)
Accumulated benefit obligation	(1,256,403)	(1,139,030)
Additional benefits at future salaries	(254,797)	(238,082)
Projected benefit obligation	(1,511,200)	(1,377,112)
Plan assets at fair value	301,822	359,302
Projected benefit obligation in excess of plan assets	(1,209,378)	(1,017,810)
Net transition asset not yet recognized	-	(874)
Net pension loss not yet recognized	514,583	353,191
Additional pension liability	(259,786)	(114,235)
Accrued pension cost	$ (954,581)	$ (779,728)
Vested benefit	$ 608,783	$ 547,994

c. Actuarial assumptions as of December 31, 2012 and 2011 was as follows:

	2012	2011
Weighted-average discount rate	1.88%	2.00%
Assumed rate of increase in salary	2.00%	2.00%
Expected rate of return on plan assets	1.88%	2.00%

	Year Ended December 31	
	2012	2011
d. Contributions to the fund	$ 28,546	$ 28,558
e. Payments from the fund	$ 89,098	$ 81,785

20. OTHER LIABILITIES, OTHER

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

	2012	2011
Unrealized gross profit from inter-affiliate transactions	$ 31,765	$ 31,055
Others (Note 11)	20,412	59,707
	$ 52,177	$ 90,762

21. CAPITAL STOCK

The Company'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

The Company'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. The Company'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, the Company'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.

22. EMPLOYEE STOCK OPTION PLANS

As at July 15, 2002, the board of directors of the Company 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 the Company'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, the Company 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 rest of 299 units were expired in August 2012.

Additionally, as at November 6, 2007, the Company 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 the Company 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 units of employee stock warrants issued in 2007 were $20.20 and 149,392,469 units, respectively, as at December 31, 2012.

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

Employee Stock Warrants	2012 Number of Stock Purchasable (Thousand Shares)	2012 Weighted-average Exercise Price (NT$)	2011 Number of Stock Purchasable (Thousand Shares)	2011 Weighted-average Exercise Price (NT$)
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 the Company's outstanding and exercisable stock warrants was as follows:

	Stock Warrants Outstanding			Stock Warrants Exercisable	
Range of Exercise Price (NT$)	Number of Stock Purchasable (Thousand Shares)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT$)	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 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	$ 10,156,335	$ 5,700,756
Basic earnings per share (in dollars)	$ 3.47	$ 1.98

In the aforementioned employee stock warrant plan, the Company 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, 2008
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

23. RETAINED EARNINGS

Under the Company Law of the ROC and the Company'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 the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

The appropriations of earnings for 2011 and 2010 had been approved in the shareholders' meetings on June 15, 2012 and 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 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 remuneration to directors and supervisors of $63,309 thousand for 2010 were approved in the stockholders' meeting 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 on 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.

24. TREASURY STOCK

The changes in treasury stock 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 the Company 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. The Company 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 277 shares adjustment of the subsidiaries' ownership in 2011, the subsidiaries held 10,233,805 shares of the Company's common stock, respectively, as at December 31, 2011, at cost of $155,375 thousand in total.

After the subsidiaries - Wealthplus and Top Score Investments Limited resold the Company'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 the Company's common stock at cost of $153,449 thousand in total.

25. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses for the years ended December 31, 2012 and 2011 were summarized as follows:

Function / Category	2012				2011			
	Operating Cost	**Operating Expenses**	**Non-operating Expenses**	**Total**	**Operating Cost**	**Operating Expenses**	**Non-operating Expenses**	**Total**
Personnel expense								
Salaries	$ 92,876	$ 1,767,521	$ -	$ 1,860,397	$ 130,404	$ 1,743,698	$ -	$ 1,874,102
Labor insurance and health insurance	7,456	141,714	-	149,170	10,795	131,244	-	142,039
Pension cost	3,307	110,636	-	113,943	5,379	104,830	-	110,209
Others	2,991	46,152	-	49,143	3,125	47,444	-	50,569
Depreciation expenses	17,086	186,962	56,079	260,127	18,850	217,148	60,086	296,084
Amortization expenses	-	23,003	-	23,003	1,230	34,830	-	36,060

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	$ 433,018	$ 617,039
10% additional income tax on undistributed earnings	155,730	74,011
Adjustment of deferred tax asset (liabilities) and valuation allowance	222,063	(491,192)
Adjustment of prior year's income tax expense	1,990	58,086
Income tax expense, net	$ 812,801	$ 257,944

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

	2012	2011
Deferred income tax assets (liabilities)		
Unrealized pension expenses	$ 119,715	$ 114,734
Unrealized inventory devaluation losses	13,770	10,200
Unrealized impairment losses	8,500	8,500
Unrealized exchange gain	(2,457)	(3,467)
Unrealized investment income under equity method from foreign subsidiaries	(691,152)	(469,090)
Others	1,335	1,223
Deferred income tax liabilities, net	(550,289)	(337,900)
Deferred income tax assets, noncurrent	128,438	123,466
Deferred income tax liabilities, current	$ (678,727)	$ (461,366)

The Company's current income tax 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%	$ 1,864,753	$ 1,030,993
Dividend income remitted overseas	39,065	216,345
Dividend income - tax free	(23,414)	(24,568)
Loss from investees which decreased capital to offset accumulated deficit	(41,921)	(111,202)
Investment income recognized under equity method	(1,317,279)	(506,738)
Others	(88,186)	12,209
Income tax payable	433,018	617,039
Provision (reversal) for deferred income tax assets (liabilities)		
Loss carryforwards	-	(56,155)
Others	9,674	(6,773)
Income tax payable	442,692	554,111
Add 10% additional income tax on undistributed earnings	155,730	74,011
Add adjustments for prior year's tax	-	48,637
Less investment tax credit	-	(218,699)
Less temporary tax payment	(550)	(1,143)
Income tax payable, end of year	$ 597,872	$ 456,917

The income tax returns for the years through 2009 had been examined and approved by the tax authority.

The information of the 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 earnings per share (EPS) before income tax and after income tax were as follows:

	2012				
	Amounts			EPS	
	Before Income Tax	After Income Tax	Shares (In Thousands)	Before Income Tax	After Income Tax
Basic earnings per share					
Net income attributed to shareholders of common shares	$10,969,136	$10,156,335	2,929,565	$ 3.74	$ 3.47
Effect of dilutive potential common shares					
Bonus to employees	-	-	7,720		
Employee stock warrants	-	-	40,660		
Diluted earnings per share					
Net income attributed to shareholders of common shares plus the effect of dilutive potential common shares	$10,969,136	$10,156,335	2,977,945	$ 3.68	$ 3.41

	2011				
	Amounts			EPS	
	Before Income Tax	After Income Tax	Shares (In Thousands)	Before Income Tax	After Income Tax
Basic earnings per share					
Net income attributed to shareholders of common shares	$ 6,064,667	$ 5,806,723	2,886,017	$ 2.10	$ 2.01
Effect of dilutive potential common shares					
Bonus to employees	-	-	6,399		
Employee stock warrants	-	-	47,286		
Diluted earnings per share					
Net income attributed to shareholders of common shares plus the effect of dilutive potential common shares	$ 6,064,667	$ 5,806,723	2,939,702	$ 2.06	$ 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.

If the Company'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				
	Amounts			EPS	
	Before Income Tax	After Income Tax	Shares (In Thousands)	Before Income Tax	After Income Tax
Basic earnings per share					
Net income attributed to shareholders of common shares	$10,982,430	$10,169,629	2,939,499	$ 3.74	$ 3.46
Effect of dilutive potential common shares					
Bonus to employees	-	-	7,720		
Employee stock warrants	-	-	40,660		
Diluted earnings per share					
Net income attributed to shareholders of common shares plus the effect of dilutive potential common shares	$10,982,430	$10,169,629	2,987,879	$ 3.68	$ 3.40

(Continued)

	2012				
	Amounts			EPS	
	Before Income Tax	After Income Tax	Shares (In Thousands)	Before Income Tax	After Income Tax
Basic earnings per share					
Net income attributed to shareholders of common shares	$ 6,076,945	$ 5,819,001	2,896,251	$ 2.10	$ 2.01
Effect of dilutive potential common shares					
Bonus to employees	-	-	6,399		
Employee stock warrants	-	-	47,286		
Diluted earnings per share					
Net income attributed to shareholders of common shares plus the effect of dilutive potential common shares	$ 6,076,945	$ 5,819,001	2,949,936	$ 2.06	$ 1.97

(Concluded)

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		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	$ 2,277,920	$ 2,277,920	$ 202,213	$ 202,213
Available-for-sale financial assets, current	3,723,007	3,723,007	3,282,473	3,282,473
Notes and accounts receivable	112,196	112,196	93,399	93,399
Note and accounts receivable from affiliates	1,439,448	1,439,448	1,346,465	1,346,465
Other receivables	167,596	167,596	202,489	202,489
Investments accounted for by the equity method	75,936,525	75,347,603	70,600,462	68,308,428
Financial assets carried at cost, noncurrent	60,000	-	60,000	-
Refundable deposits	9,876	9,876	9,778	9,778
Liabilities				
Short-term loans	87,165	87,165	3,750,000	3,750,000
Short-term bills payable	-	-	499,133	499,133
Notes and accounts payable	1,159,038	1,159,038	1,086,645	1,086,645
Notes and accounts payable to affiliates	129,092	129,092	128,590	128,590
Other payables	923,511	923,511	753,835	753,835
Current portion of long-term liabilities	5,000,000	5,000,000	-	-
Long-term debt	17,500,000	17,500,000	17,000,000	17,000,000
Guarantee deposits received	3,452	3,452	3,452	3,452

Derivative Financial Instruments	2012 Carrying Value	2012 Fair Value	2011 Carrying Value	2011 Fair Value
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	-	-
Exchange rate option contracts (financial liabilities at fair value through profit or loss, current)	-	-	508	508
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 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
Chinatrust Commercial Bank	Interest rate swap	$ 125,000	2013.05.16	2.480	0.887	$ (971)
Chinatrust 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
Chinatrust Commercial Bank	Interest rate swap	$ 375,000	2013.05.16	2.480	0.861	$ (6,126)
Chinatrust Commercial Bank	〃	375,000	2013.05.16	2.280	0.861	(5,380)
Citibank	〃	375,000	2013.05.16	2.480	0.861	(6,122)
Citibank	〃	375,000	2013.05.16	2.460	0.861	(6,047)
Citibank	〃	375,000	2013.05.16	2.280	0.861	(5,375)
Citibank	〃	375,000	2013.05.16	2.260	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, payable, short-term loans, refundable deposits, and guarantee deposits received, approximates their carrying value due to the short-term maturities of these financial instruments.

b. The fair values of financial instruments 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 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				
Available-for-sale financial assets, current	$ 3,723,007	$ 3,282,473	$ -	$ -
Liabilities				
Financial liabilities at fair value through profit or loss, current	-	-	28,809	16,998
Hedging derivative liabilities, current	-	-	5,430	22,901
Hedging derivative liabilities, noncurrent	-	-	-	11,450

As at December 31, 2012 and 2011, financial liabilities exposed to cash flow interest rate risk were $22,587,165 thousand and $21,249,133 thousand, respectively.

Financial Risk Information

a. Market risk

   The risk that the Company has on portfolios of marketable equity securities comes from changes in market price. If one percentage decline in market rate would cause the fair value of financial instruments to decline by $50,668 thousand and $42,317 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 $225,872 thousand and $212,491 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 2012 and 2011 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 money market linked floating rate liabilities transactions to fixed-rate transactions
Non-hedging		
Forward exchange contracts, exchange rate option contracts, cross currency swap contracts and interest rate swap contracts	To manage risks on exchange rate and interest rate	Closely monitor and manage the risk of fluctuations in market price or cash flow

29. RELATED PARTY TRANSACTIONS

Names and relationships of the related parties are as follows:

Name	Relationship
Wealthplus Holdings Limited ("Wealthplus")	The Company holds a 100% ownership interest
Pou Shine Investments Co., Ltd. ("Pou Shine")	The Company holds a 100% ownership interest
Pou Yuen Technology Co., Ltd. ("Pou Yuen Technology")	The Company holds a 97.82% ownership interest
Barits Development Corporation ("Barits Development")	The Company holds a 99.47% ownership interest
Song Ming Investments Co., Ltd. ("Song Ming")	Barits Development holds a 100% ownership interest
Pou Yii Development Co., Ltd. ("Pou Yii")	The Company and Song Ming hold a 75.00% ownership interest
Pro Arch International Development Enterprise Inc. ("Pro Arch International")	The Company holds a 96.32% ownership interest
Yue Yuen Industrial (Holdings) Limited ("Yue Yuen")	The Company indirectly holds a 49.98% ownership interest
Sheachang Enterprise Corp. ("Sheachang")	Related party in substance
Windsor Entertainment Co., Ltd. ("Windsor Entertainment")	The Company holds a 100% ownership interest
Pou Chien Chemical Co., Ltd. ("Pou Chien Chemical")	Yue Yuen indirectly holds a 100% ownership interest
Yue Dean Technology Corp. ("Yue Dean")	Yue Yuen indirectly holds a 100% ownership interest
San Fang Chemical Industry Co., Ltd. ("San Fang")	Pou Chien and Yue Dean are its directors
Platinum Long John Co., Ltd. ("Platinum Long John")	Yue Yuen indirectly holds a 48.76% ownership interest
Pou Yu Biotechnology Co., Ltd. ("Pou Yu Biotechnology")	Wealthplus indirectly holds a 69.44% ownership interest
LNC Technology Co., Ltd. ("LNC Technology")	The Company holds a 77.00% ownership interest
Ruen Chen Investment Holding Co., Ltd. ("Ruen Chen")	The Company holds a 20.00% ownership interest
The Right and Great Asia-Pacific Realty Development Co., Ltd. ("Right and Great Asia-Pacific")	The Company holds a 100.00% ownership interest (the Company have dissolved in December 2012)

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

Sales and Technical Service Income

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

	2012		2011	
	Amount	**Percentage**	**Amount**	**Percentage**
Yue Yuen	$ 10,271,720	94	$ 12,038,584	92
Sheachang	133,871	1	186,906	1
Others	81,975	1	85,224	1
	$ 10,487,566	96	$ 12,310,714	94

The price and collection terms for both related parties and unrelated parties are similar.

In April 1997, the Company entered into a technical service agreement with Yue Yuen. According to the agreement, the service fees that the Company will receive from Yue Yuen are determined by:

a. For products developed by the Company and sold by Yue Yuen, 0.5% of net sales invoice amounts.

b. For materials, machines and other goods purchased, inspected and arranged for shipment through the Company from Taiwan suppliers, 1% of supplier's invoice amounts.

c. For materials, machines and other goods purchased from Taiwan or overseas directly by Yue Yuen through sourcing services provided by the Company, 0.5% of the supplier's invoice amounts.

Cost of Sales - Purchases

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

	2012		2011	
	Amount	**Percentage**	**Amount**	**Percentage**
San Fang	$ 451,284	6	$ 376,272	4
Platinum Long John	400,275	5	368,608	4
Yue Yuen	220,926	3	544,677	6
Others	2,487	-	4,400	-
	$ 1,074,972	14	$ 1,293,957	14

The purchase price and payment terms for both related parties and unrelated parties are similar.

Rent Income

Rent income from related parties for the years ended December 31, 2012 and 2011 was summarized as follows:

	2012		2011	
	Amount	Percentage	Amount	Percentage
Windsor Entertainment	$ 108,135	64	$ 108,002	65
Pou Chien Chemical	13,900	8	14,391	9
Others	30,882	19	27,814	16
	$ 152,917	91	$ 150,207	90

Notes and Accounts Receivable

Notes and 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	89
Others	302	1	203	-
	302	1	43,887	89
Accounts receivable				
Yue Yuen	1,382,790	90	1,231,606	89
Others	56,356	4	70,972	5
	1,439,146	94	1,302,578	94
	$ 1,439,448		$ 1,346,465	

Notes and Accounts Payable

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

	2012		2011	
	Amount	Percentage	Amount	Percentage
Notes payable				
San Fang	$ 38,182	66	$ 25,843	42
Accounts payable				
Platinum Long John	46,147	4	31,574	3
San Fang	29,121	2	18,738	2
Yue Yuen	14,845	1	51,789	4
Others	797	-	646	-
	90,910	7	102,747	9
	$ 129,092		$ 128,590	

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)	$ 30,372	$ 19,953
Incentives	119,529	80,722
Special compensation	4,842	5,852
Bonus	9,200	11,800
Pension cost	1,743	1,392
	$ 165,686	$ 119,719

Financing to Related Parties (Recorded under "Other Receivables")

The Company's financing to related parties for the years ended December 31, 2012 and 2011 was as follows:

	2012			
	Maximum Balance	Ending Balance	Interest Rate Range	Interest Income
Right and Great Asia-Pacific	$ 22,600	$ -	2.68%	$ 213

	2011			
	Maximum Balance	Ending Balance	Interest Rate Range	Interest Income
Right and Great Asia-Pacific	$ 17,000	$ 17,000	2.68%	$ 92

Property Transactions

The Company sold partial properties to related parties for the year ended December 31, 2011 was as follows:

	2011			
	Item	Carrying Value	Selling price	Gain (Loss) on Disposal
Windsor Entertainment	Machinery equipment	$ 16	$ 17	$ 1
	Furniture, fixtures and office equipment	3,667	6,046	2,379
	Other equipment	3,922	4,590	668
	Leased-out assets	25,383	25,378	(5)
		$ 32,988	$ 36,031	$ 3,043

Property Guarantees

The Company 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 the Company was set at $7,500,000 thousand.

Credit Guarantees

See Note 30.

30. COMMITMENTS AND CONTINGENCIES

Letters of Credit

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

U.S. dollars (in dollars)	$ 79,740

Per the request from FSC and other authorities, the Company guaranteed that the shares of Yue Yuen owned by the Company's 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.

As at December 31, 2012 the Company had guaranteed the payments of credit of related parties as follows:

Related Party	Amount
Wealthplus	$ 15,513,168
Barits Development	5,471,200
Pro Arch International	450,000
Pou Shine	1,600,000
Pou Yuen Technology	1,592,672
Pou Yii	400,000
LNC Technology	44,698
Pou Yu Biotechnology	5,593
Ruen Chen	7,500,000
	$ 32,577,331

31. OPERATING SEGMENT FINANCIAL INFORMATION

The Company presented its segment information in the consolidated financial statements.

32. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The significant foreign-currency financial assets and liabilities were as follows:

	December 31					
	2012			2011		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
Financial assets						
Monetary items						
USD	$ 113,176,771	29.04	$ 3,286,653	$ 56,294,612	30.275	$ 1,704,319
Investment accounted for by the equity method						
USD	1,905,134,435	29.04	55,325,174	1,688,284,708	30.275	50,361,515
Financial liabilities						
Monetary items						
USD	2,149,504	29.04	62,423	2,732,675	30.275	82,732

33. 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 disclosed the information regarding the adoption of International Financial Reporting Standards (IFRSs) in the 2012 consolidated financial statements.