Test-Rite International Co., Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Test-Rite International Co., Ltd.

We have audited the accompanying consolidated balance sheets of Test-Rite International Co., Ltd. and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended (all expressed in thousands of New Taiwan dollars). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated 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 their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

March 28, 2013

Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2012		2011	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,881,727	8	$ 2,095,773	8
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	299,925	1	249,736	1
Available-for-sale financial assets, current (Notes 2 and 6)	-	-	2,141	-
Notes receivable (Notes 2 and 7)	5,207	-	39,343	-
Accounts receivable (Notes 2 and 7)	2,406,456	11	2,922,471	11
Other receivables (Note 8)	364,285	2	310,823	1
Other financial assets, current	599	-	613	-
Inventories (Notes 2 and 9)	4,840,887	21	5,928,469	21
Prepayments	547,474	2	915,460	3
Other current assets	129,729	1	260,980	1
Total current assets	10,476,289	46	12,725,809	46
LONG-TERM INVESTMENTS				
Long-term equity investments at equity method (Note 10)	-	-	1	-
Available-for-sale financial assets, noncurrent (Note 11)	-	-	30,450	-
Financial assets carried at cost, noncurrent (Note 12)	73,709	1	109,989	1
Bond investments without active market, noncurrent (Note 13)	50,000	-	50,000	-
Total long-term investments	123,709	1	190,440	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 14)				
Cost				
Land	527,853	2	664,663	3
Buildings and improvements	2,351,429	11	3,373,492	12
Machinery and equipment	70,472	-	921,239	3
Transportation equipment	59,256	-	106,930	-
Other equipment	8,542,764	38	8,587,202	31
Total cost	11,551,774	51	13,653,526	49
Revaluation increments	-	-	148,423	1
Less accumulated depreciation	(5,490,749)	(24)	(6,153,069)	(22)
Prepayments for property, plant and equipment	100,948	-	60,187	-
Property, plant and equipment, net	6,161,973	27	7,709,067	28
INTANGIBLE ASSETS (Note 2)				
Computer software cost	219,730	1	209,675	1
Goodwill	2,880,444	13	3,647,854	13
Deferred pension cost (Notes 2 and 22)	376	-	19,692	-
Other intangible assets	68,737	-	-	-
Total intangible assets	3,169,287	14	3,877,221	14
OTHER ASSETS (Notes 2 and 15)				
Refundable deposits paid	841,804	4	833,364	3
Deferred income tax assets, noncurrent (Note 27)	1,028,117	4	1,002,504	4
Other assets - others	829,543	4	1,224,003	4
Total other assets	2,699,464	12	3,059,871	11
TOTAL	$ 22,630,722	100	$ 27,562,408	100

	2012		2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank borrowings (Note 16)	$ 1,764,129	8	$ 3,397,071	12
Short-term bills payable (Note 17)	-	-	159,842	1
Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	21,085	-	33,755	-
Notes payable	18,372	-	21,100	-
Accounts payable	4,512,979	20	4,450,756	16
Income tax payable (Notes 2 and 27)	134,184	1	180,359	1
Other payables (Note 18)	2,147,951	9	1,860,066	7
Liability component of preferred stocks, current (Note 21)	-	-	335,361	1
Advance receipt	411,071	2	457,602	2
Current portion of long-term debt (Note 20)	200,000	1	-	-
Other current liabilities (Note 19)	405,890	2	582,137	2
Total current liabilities	9,615,661	43	11,478,049	42
LONG-TERM LIABILITIES				
Long-term debt (Note 20)	5,013,197	22	7,150,590	26
ESTIMATED LAND VALUE INCREMENT TAX PAYABLE	-	-	41,791	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 22)	85,667	-	291,829	1
Refundable deposits received	180,471	1	157,853	1
Deferred credit (Note 14)	939,154	4	1,173,942	4
Other liabilities - others	31,536	-	37,654	-
Total other liabilities	1,236,828	5	1,661,278	6
Total liabilities	15,865,686	70	20,331,708	74
EQUITY ATTRIBUTED TO STOCKHOLDERS OF THE PARENT				
Capital stock (Note 23)				
Common stock	5,219,555	23	5,074,228	18
Capital surplus				
Additional paid-in capital	689,395	3	689,395	2
Treasury stock transactions (Notes 2 and 25)	5,081	-	5,081	-
Retained earnings (Note 24)				
Legal reserve	805,210	4	744,159	3
Unappropriated earnings	706,129	3	610,508	2
Other adjustments of stockholders' equity				
Cumulative translation adjustments (Note 2)	109,560	-	133,069	1
Net loss not recognized as pension costs (Note 2)	(59,870)	-	(104,021)	-
Unrealized holding gain on available-for-sale financial assets (Note 2)	25	-	1,682	-
Unrealized revaluation increment	-	-	25,825	-
Treasury stock (Notes 2 and 25)	(729,124)	(3)	(437,139)	(2)
Total equity attributed to stockholders of the parent	6,745,961	30	6,742,787	24
MINORITY INTEREST	19,075	-	487,913	2
Total stockholders' equity	6,765,036	30	7,230,700	26
TOTAL	$ 22,630,722	100	$ 27,562,408	100

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2012		2011	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 2)	$ 35,247,274	100	$ 35,877,572	100
OPERATING COST	24,664,192	70	25,038,562	70
GROSS PROFIT	10,583,082	30	10,839,010	30
OPERATING EXPENSES	9,739,286	28	9,936,960	28
OPERATING INCOME	843,796	2	902,050	2
NONOPERATING INCOME AND GAINS				
Interest income	16,960	-	20,947	-
Investment income recognized under equity method (Notes 2 and 10)	6,798	-	-	-
Gain on disposal of property, plant and equipment	320	-	297	-
Gain on sale of investments, net	48,482	-	-	-
Foreign exchange gain, net	194,698	-	89,328	-
Gain on valuation of financial assets	-	-	37,641	-
Gain on valuation of financial liabilities	11,588	-	10,273	-
Others	194,986	1	304,529	1
Total nonoperating income and gains	473,832	1	463,015	1
NONOPERATING EXPENSES AND LOSSES				
Interest expense	193,299	1	210,536	1
Investment loss recognized under equity method (Notes 2 and 10)	-	-	2,789	-
Loss on disposal of property, plant and equipment	5,621	-	12,242	-
Loss on disposal of investments, net	-	-	3,437	-
Amortization of liability component of preferred stocks, noncurrent	5,229	-	8,365	-
Dividends paid on liability component of preferred stocks, noncurrent	8,726	-	14,000	-
Impairment loss	-	-	3,713	-
Investment loss	1,717	-	-	-
Loss on valuation of financial assets	164,356	-	-	-
Others	66,407	-	167,961	-
Total nonoperating expenses and losses	445,355	1	423,043	1

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2012		2011	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	$ 872,273	2	$ 942,022	2
INCOME TAX EXPENSE (Notes 2 and 27)	(122,033)	-	(128,917)	-
TOTAL CONSOLIDATED NET INCOME	$ 750,240	2	$ 813,105	2
ATTRIBUTED TO				
Parent company's stockholders	$ 689,537	2	$ 636,133	2
Minority interest	60,703	-	176,972	-
	$ 750,240	2	$ 813,105	2

	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE (Notes 2 and 23)				
Basic earnings per share before distribution to minority interest	$ 1.77	$ 1.52	$ 1.82	$ 1.57
Basic earnings per share attributed to parent company's stockholders		$ 1.40		$ 1.23
DILUTED EARNINGS PER SHARE (Notes 2 and 23)				
Diluted earnings per share before distribution to minority interest	$ 1.75	$ 1.51	$ 1.81	$ 1.56
Diluted earnings per share attributed to parent company's stockholders		$ 1.39		$ 1.22

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

		Capital Surplus		Retained Earnings		Other Adjustments of Stockholders' Equity						
	Capital Stock Common Stock	Additional Paid-in Capital	Treasury Stock Transactions	Legal Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Costs	Unrealized Holding Gain (Loss) on Available-for-sale Financial Assets	Unrealized Revaluation Increment	Treasury Stock	Minority Interest	Total
BALANCE, JANUARY 1, 2011	$ 5,164,228	$ 701,623	$ -	$ 706,610	$ 375,489	$ 84,896	$ (72,380)	$ (4,134)	$ -	$ (616,417)	$ 393,598	$ 6,733,513
Appropriation and distribution of 2010 net income (Note 23)												
Legal reserve	-	-	-	37,549	(37,549)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(337,436)	-	-	-	-	-	-	(337,436)
Treasury stock transfer to employees (Notes 2 and 25)	-	-	93,189	-	-	-	-	-	-	445,612	-	538,801
Acquisition of treasury stock (Notes 2 and 25)	-	-	-	-	-	-	-	-	-	(456,670)	-	(456,670)
Retirement of treasury stock (Note 25)	(90,000)	(12,228)	(88,108)	-	-	-	-	-	-	190,336	-	-
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	48,173	-	-	-	-	(8,528)	39,645
Net loss not recognized as pension costs	-	-	-	-	-	-	(31,641)	-	-	-	1,617	(30,024)
Unrealized valuation gain of available-for-sale financial assets	-	-	-	-	-	-	-	5,816	-	-	(52)	5,764
Land revaluation increment	-	-	-	-	-	-	-	-	25,825	-	13,032	38,857
Change in equity in investee's net assets	-	-	-	-	(26,129)	-	-	-	-	-	26,129	-
Minority interest	-	-	-	-	-	-	-	-	-	-	(114,855)	(114,855)
Total consolidated income for 2011	-	-	-	-	636,133	-	-	-	-	-	176,972	813,105
BALANCE, DECEMBER 31, 2011	5,074,228	689,395	5,081	744,159	610,508	133,069	(104,021)	1,682	25,825	(437,139)	487,913	7,230,700
Appropriation and distribution of 2011 net income (Note 23)												
Legal reserve	-	-	-	61,051	(61,051)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(387,538)	-	-	-	-	-	-	(387,538)
Stock dividends	145,327	-	-	-	(145,327)	-	-	-	-	-	-	-
Cumulative translation adjustments on long-term equity investments	-	-	-	-	-	(23,509)	-	-	-	-	(18,240)	(41,749)
Adjustment to net loss not recognized as pension costs due to disposal of investments	-	-	-	-	-	-	43,122	-	-	-	(1,617)	41,505
Net loss not recognized as pension cost	-	-	-	-	-	-	1,029	-	-	-	-	1,029
Unrealized valuation loss of available-for-sale financial assets	-	-	-	-	-	-	-	(1,657)	-	-	52	(1,605)
Adjustment to unrealized revaluation increment due to disposal of investments	-	-	-	-	-	-	-	-	(25,825)	-	(13,032)	(38,857)
Acquisition of treasury stock (Notes 2 and 25)	-	-	-	-	-	-	-	-	-	(291,985)	-	(291,985)
Minority interest	-	-	-	-	-	-	-	-	-	-	(496,704)	(496,704)
Total consolidated income for 2012	-	-	-	-	689,537	-	-	-	-	-	60,703	750,240
BALANCE, DECEMBER 31, 2012	$ 5,219,555	$ 689,395	$ 5,081	$ 805,210	$ 706,129	$ 109,560	$ (59,870)	$ 25	$ -	$ (729,124)	$ 19,075	$ 6,765,036

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

TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Total consolidated net income	$ 750,240	$ 813,105
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of deferred charges on long-term debt	-	300
Depreciation and amortization	815,325	989,960
Amortization of liability component of preferred stocks, noncurrent	5,229	8,365
Loss (gain) on valuation of financial assets	164,356	(37,641)
Gain on valuation of financial liabilities	(11,588)	(10,273)
Investment (gain) loss recognized under equity method	(6,798)	2,789
Net (gain) loss on disposal of available-for-sale financial assets, noncurrent	(3,348)	4,334
Impairment loss	-	3,713
Investment loss	1,717	-
Net loss on disposal of property, plant and equipment	5,170	11,810
Loss on abandoned property, plant and equipment	131	135
Amortization of unrealized gain on sale-leaseback	(234,788)	(234,788)
Compensation cost of employee stock options	-	54,239
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, current	(214,545)	387,270
Available-for-sale financial assets, current	1,935	-
Notes receivable	34,136	24,627
Accounts receivable	219,542	(800,016)
Other receivables	(53,462)	(31,559)
Other financial assets, current	14	(444)
Inventories	519,035	(1,192,739)
Prepayments	367,986	(154,423)
Deferred income tax assets, current	(9,923)	8,230
Other current assets	50,744	(66,215)
Deferred income tax assets, noncurrent	(25,613)	(110,324)
Other assets	338,284	(92,962)
Financial liabilities at fair value through profit or loss, current	(1,082)	28,794
Notes payable	(2,728)	4,830
Accounts payable	382,065	1,254,293
Income tax payable	(46,175)	29,575
Other payables	279,130	213,637
Advance receipt	(46,531)	372,758
Deferred income tax liabilities, current	(12,000)	12,000
Other current liabilities	(164,247)	161,101
Deferred income tax liabilities, noncurrent	-	262
Accrued pension cost	(186,846)	(6,119)
Other liabilities	207,089	(10,382)
Net cash provided by operating activities	3,122,454	1,638,242

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in available-for-sale financial assets, noncurrent	$ 30,458	$ 348
Proceeds from decreased capital stock of financial assets carried at cost, noncurrent	635	2,195
Acquisition of property, plant and equipment	(572,348)	(2,253,277)
Proceeds from disposal of property, plant and equipment	8,304	-
Increase in intangible assets	(68,737)	-
Increase in goodwill	(699,555)	(11,476)
(Increase) decrease in refundable deposits paid	(8,440)	11,413
Increase in deferred charges	(87,979)	(196,552)
Net cash used in investing activities	(1,397,662)	(2,447,349)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term bank borrowings	(1,275,677)	528,653
(Decrease) increase in short-term bills payable	(29,923)	118,842
Proceeds from long-term debt	7,504,155	4,600,590
Repayment of long-term debt	(9,442,595)	(3,122,698)
Increase in refundable deposits received	22,618	54,007
Payment of cash dividends	(387,538)	(337,436)
Proceeds from treasury stock transferred to employees	-	484,562
Acquisition of treasury stock	(291,985)	(456,670)
Decrease in minority interest	(116,678)	(114,855)
Net cash provided by (used in) financing activities	(4,017,623)	1,754,995
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(30,858)	38,615
NET CASH PROVIDED BY SALE OF TONG LUNG METAL INDUSTRY CO., LTD.	2,109,643	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(214,046)	984,503
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,095,773	1,111,270
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,881,727	$ 2,095,773
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	$ 190,654	$ 218,534
Income tax	$ 124,765	$ 186,949

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2012	2011
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Translation adjustments on long-term equity investments	$ (5,031)	$ 1,030
Adjustment to net loss not recognized as pension cost due to disposal of investments	$ 43,122	$ -
Net loss not recognized as pension costs	$ 1,029	$ (30,024)
Unrealized (loss) gain on available-for-sale financial assets	$ (1,605)	$ 5,764
Transfer of long-term equity investments to deferred credits	$ (1,478)	$ 1,478
Current portion of long-term debt	$ 200,000	$ -
Land revaluation increment	$ -	$ 38,857
Adjustment to unrealized revaluation reserve due to disposal of investments	$ (38,857)	$ -
Retirement of treasury stock	$ -	$ 190,336
CASH PAID DURING THE YEAR FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment acquired	$ 581,103	$ 2,113,912
Add liabilities for acquisition of property, plant and equipment at the beginning of year	67,684	207,049
Deduct liabilities for acquisition of property, plant and equipment at the end of year	(76,439)	(67,684)
Cash paid during the year for acquisition of property, plant and equipment	$ 572,348	$ 2,253,277

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TEST-RITE INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

In 2012, at the date of disposal of subsidiary - Tong Lung Metal Industry Co., Ltd., the fair value of the assets and liabilities are summarized as follows:

	Amount
Cast	$ 160,986
Available-for-sale financial assets, current	1,863
Accounts receivable	296,473
Inventory	568,547
Other current assets	90,430
Financial assets carried at cost, noncurrent	33,223
Property, plant and equipment	1,242,691
Goodwill	1,470,222
Other assets	179,038
Short-term bank borrowings	(357,265)
Short-term bills payable	(129,919)
Accounts payable	(319,842)
Current portion of long-term debt	(339,543)
Other liabilities	(253,533)
Minority interest	(380,026)
Total cost of disposal of Tong Lung Metal Industry Co., Ltd.	2,263,345
Less: Balance of cash from Tong Lung Metal Industry Co., Ltd.	(160,986)
Add: Gain on disposal of subsidiary	7,284
Cash from disposal of Tong Lung Metal Industry Co., Ltd.	$ 2,109,643

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

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

1. ORGANIZATION AND OPERATIONS

Information of Parent Company

Test-Rite International Co., Ltd. ("Test-Rite") was established in August 1978.

Test-Rite is engaged mainly in the import and export of hand tools, auto parts, machinery, furniture, and various home appliances. Test-Rite's marketplaces are primarily located in the United States of America, Canada, Great Britain, France, Germany, Australia, etc.

The Taiwan Securities and Futures Commission approved in February 1993 Test-Rite's application for stock listing in the Taiwan Stock Exchange.

Information of Subsidiaries

Subsidiaries	Relationship with Parent Company	Main Business	Effective Holding (%)		Reasons for not Including in the Consolidated Financial Statement in 2012 and 2011
			2012.12.31	2011.12.31	
Fortune Miles Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Star Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Investment (B.V.I.) Co., Ltd.	Directly held 100.00%	Investment in various industries	100.00	100.00	
Test-Rite Retailing Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Trading Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
TRS Investment Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Pte. Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Product (Hong Kong) Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Int'l (Australia) Pty Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Vietnam Co., Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Canada Co., Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite (UK) Co., Ltd.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Test-Rite Development Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Upmaster Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	-	Acquisition in August 2012
Test-Rite Int'l (U.S.) Co., Ltd.	Directly and indirectly held 100.00%	Investment holding company	88.04	49.00	
B&S Link Co., Ltd. (Cayman)	Indirectly held 100.00%	Investment holding company	100.00	100.00	
Test-Rite Int'l (Thailand) Ltd.	Directly held 48.99% and controllable investee	Importation and exportation	48.99	48.99	
Lih Chiou Co., Ltd.	Directly held 100.00%	Investment holding company	100.00	100.00	
Lih Teh International Co., Ltd.	Directly held 100.00%	Logistics services	100.00	100.00	
B&S Link Co., Ltd.	Directly held 100.00%	Providing information software and electronic information	100.00	100.00	
Fusion International Distribution, Inc.	Directly held 100.00%	Importation and exportation	100.00	100.00	
Chung Cin Enterprise Co., Ltd.	Directly held 100.00%	Authorized builder to build dwelling, rental and sale of building	100.00	100.00	
Test-Rite Retail Co., Ltd.	Directly and indirectly held 100.00%	Sale of house decoration hardware and construction materials	100.00	100.00	

(Continued)

Subsidiaries	Relationship with Parent Company	Main Business	Effective Holding (%)		Reasons for not Including in the Consolidated Financial Statement in 2012 and 2011
			2012.12.31	2011.12.31	
Tong Lung Metal Industry Co., Ltd.	Directly and indirectly held 68.27%	The manufacture and sale of (1) various advanced lock, building metals parts and processed plastic goods (2) molding and tool machines and (3) kitchen and bathroom equipment (4) import and export business related to the aforementioned products	-	68.27	Disposal in August 2012
Hola Homefurnishings Co., Ltd.	Lih Chiou held 100.00%	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Homy Homefurnishings Co., Ltd.	Lih Chiou held 100.00%	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Freer Inc.	Lih Chiou held 100.00%	Sales of furniture, bedclothes, kitchen equipment and fixtures	100.00	100.00	
Tony Construction Co., Ltd.	Chung Chin Enterprise held 100.00%	Build and civil engineering	100.00	100.00	
Test Cin M&E Engineering Co., Ltd.	Chung Chin Enterprise held 100.00%	Mechanical and electronic engineering	100.00	100.00	
Chung Cin Interior Design Construction Co., Ltd.	Chung Chin Enterprise held 100.00%	Interior design	100.00	100.00	
Viet Han Co., Ltd.	Chung Chin Enterprise held 51.00%	Importation and exportation	51.00	51.00	
Test-Rite Home Service Co., Ltd.	Test-Rite Retail held 100.00%	Interior design	100.00	100.00	
Lucky International (Samoa) Ltd.	Tong Lung Metal Industry held 100%	Investment	-	68.27	Disposal in August 2012
Tong Lung (Philippines) Metal Industry Co., Inc.	Lucky International (Samoa) Ltd. held 100%	The manufacture and fabrication of various lock	-	68.27	Disposal in August 2012

(Concluded)

As of December 31, 2012 and 2011, Test-Rite and subsidiaries (collectively, the "Company") had 6,290 and 8,324 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail. However, the accompanying financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

The Company's significant accounting policies are summarized as follows:

Principle of Consolidation

The accompanying consolidated financial statements include the accounts of Test-Rite and its subsidiaries (see Note 1). All significant intercompany balances and transactions have been eliminated upon consolidation. For the information about the subsidiaries and reasons for not including in consolidated financial statements in 2012 and 2011, please see Note 1.

a. The subsidiaries not included in the consolidated financial statements for 2012 and 2011: All subsidiaries were included.

b. The difference in the fiscal period between parent company and subsidiaries: None.

c. Special risks of business operation of subsidiaries overseas: None.

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 bookkeeping currency 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 and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, sales discounts, allowance for loss on inventories, depreciation and impairment of property, plant and equipment, 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 intangible 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 and 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, Current

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 cost. 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.

Derivatives that are not subject to measurement under hedge accounting are classified as financial assets or financial liabilities at fair value through profit or loss. The positive fair values of derivatives are recognized as financial assets; negative fair values are recognized as financial liabilities.

Marketable securities are stated at the closing price at the balance sheet date. The fair value of open-end mutual fund, oversea mutual fund and REITs are the published fair value per unit at the balance sheet date. The fair value of bonds is determined by prices quoted by the Taiwan GreTai Securities Market.

Impairment of Accounts Receivable

On January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Company should be covered by SFAS No. 34. 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.

Factoring of Accounts Receivable

According to Statement of Financial Accounting Standards No. 33 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," a transfer of financial assets (all or a portion of a financial asset) in which the transferor surrenders control over those financial assets shall be accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by category, except where it may be appropriate to group similar or related categories. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Inventories are recorded using the moving average method; the allowance for inventory devaluation is established by examining the inventory aging and turnover ratio on the balance sheet date.

Real estate and construction in progress are stated at carrying cost or construction cost by construction project. Interest is capitalized during the construction period.

Constructions in progress and advance construction receipts related to the same construction should be netted. If the netted amount is a debit balance, then it should be recorded in construction in progress, whereas credit balance should be recorded in advance construction receipts.

Long-term Equity Investments at Equity Method

Investments in companies in which the Company's ownership interest is 20% or more, or where the Company can exercise significant influence, are accounted for using the equity method of accounting.

Under the equity method of accounting, the cost of investment is allocated to the assets and liabilities of the investee on the basis of their fair values at the date of investment, and the excess of the cost of the investment over the fair value of identifiable net assets, representing goodwill, is not amortized but tested for impairment annually.

If an investee company issues new shares and the Company does not purchase new shares proportionately, then the ownership percentage and the equity in net assets of the investee will be changed. Such difference will be adjusted in the additional paid-in capital and the long-term equity investments accounts. If the adjustment stated above is to debit the additional paid-in capital account and the balance of additional paid-in capital from long-term equity investments is not enough to be offset, retained earnings will be debited for the remaining amount.

If the Company's share of an investee company's losses equals to or exceeds the carrying amount of an investment accounted for under the equity method and the Company guarantees obligations of an investee company, or is otherwise committed to provide further financial support to an investee company, or an investee company's losses are temporary and there exists sufficient evidence showing imminent return to profitable operations, then the Company continues to recognize investment losses in proportion to the stock ownership percentage. Such credit balance on the book value of long-term equity investments is treated as a liability on the balance sheet.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets. After initial recognition, they are measured at fair value and the changes in fair value of available-for-sale financial assets are recorded as an adjustment to stockholders' equity. When the financial assets are derecognized, the related accumulated fair value changes are recognized in the profit or loss. All regular way purchase or sale of financial assets are recognized and derecognized on a trade date basis.

Marketable securities are stated at the closing price at the balance sheet date. Open-end mutual fund and REITs are stated at the published fair value per unit at the balance sheet date.

The recognition, derecognition and the fair value base of available-for-sale financial assets are similar to those of financial assets at FVTPL.

Cash dividends are accounted for as reductions of the carrying amount of the investment if they are received in the year of acquisition; otherwise, they are recognized as dividend revenue if received after the year of acquisition. Stock dividends are recorded as an increase in the number of shares and do not affect investment income or the carrying amount of the investment.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence showing that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss.

Financial Assets Carried at Cost

Equity instruments, including unlisted stocks, are measured by the original cost since their fair value cannot be reliably measured. The accounting treatment for dividends received is similar to that for available-for-sale financial assets.

An impairment loss is recognized if there is objective evidence of impairment and the impairment loss can not be reversed.

Bond Investments Without Active Market

Bond investments with fixed or determinable payments and with no quoted prices in an active market are carried at amortized cost using the effective interest method. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular way purchases or sales of financial assets are accounted for using a trade date basis.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures that would increase the value or extend the useful lives of the assets are capitalized. Interest is capitalized during the construction period.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is charged to non-operating income or expenses.

Depreciation is provided using the straight-line method over the estimated service lives of the assets. Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives.

Buildings and improvements	3-60 years
Machinery and equipment	2-20 years
Transportation equipment	3-5 years
Furniture, fixtures and office equipment	3-10 years
Leasehold improvements	3-20 years
Molds and tools	2-10 years
Other equipment	3-17 years

Impairment loss is recognized immediately for any significant decline in the value of property, plant and equipment. If the loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount should 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 immediately recognized as gain.

Intangible Assets

Computer software is amortized on the straight-line method over 3 to 5 years. Patents are amortized by the straight-line method over a five-year period.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, intangible assets, 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 treated as a deduction to the unrealized revaluation increment.

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 on 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 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.

Deferred Charges

Deferred charges are amortized on the straight-line method over 2 to 5 years.

Allowance for Indemnity Losses on Export

The indemnity losses on export sales should be estimated and expensed at the time of sale. Allowance for indemnity losses on export is debited when the indemnity losses are paid and indemnity losses paid in excess of the allowance for indemnity losses on export are charged to expense.

Convertible Preferred Stocks

Convertible preferred stocks should be accounted for in accordance with Statement of Financial Accounting Standards No. 36, "Financial Instruments: Recognition and Measurement." Embedded derivatives, such as conversion option and put option with economic characteristics and risks that are not closely related to the economic characteristics and risks of the host contract are separated from the host contract. Conversion option, giving stockholders contractual right to receive a fixed number of the Company's common stock for a fixed stated principal amount of the preferred stocks, is initially recognized at fair value as "capital surplus - conversion option." Put option is initially recognized as "financial liabilities at fair value through profit or loss." When fair value is subsequently measured, the changes in fair value are recognized in current income. The carrying value of host contract is measured at amortized cost using the effective interest rate method and recognized as "liability component of preferred stock;" the related interest expense is recognized in current income.

When the preferred stockholders exercise the conversion option, the Company shall adjust the carrying value of "financial liabilities at fair value through profit or loss" to fair value and "liability component of preferred stock" to amortized cost by the effective interest rate method. The aforesaid carrying value of the preferred stocks and put option is credited to capital stock accounts as well as "capital surplus - conversion option."

If the preferred stockholders can exercise put option within one near year after the balance sheet date, liability component of preferred stocks and the embedded derivative shall be classified as current liabilities. However, when the put option expires, unexercised liability component of preferred stocks and the embedded derivatives shall be reclassified to noncurrent liabilities.

If the put option expires without exercise, the carrying amount of the put option is reclassified to capital surplus if the market value of convertible share is higher than the strike price; otherwise, the put option shall be credited or charged to current income.

Retirement Plan

Pension cost under a defined benefit plan is determined by actuarial valuations. If the amount contributed to the plan assets by the employer is less than the net pension cost, then the difference shall be recognized as an accrued pension liability; and if the amount contributed is larger, then the difference shall be recognized as a prepaid pension cost. If the amount of additional liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net benefit obligation, then the deferred pension cost account shall be charged; if the amount of additional liability exceeds the sum, the excess shall be charged to the net loss not yet recognized as net pension cost account.

Curtailment or settlement gains or losses of the defined benefit plan are recognized as part of the net periodic pension cost for the year.

Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Treasury Stock

Treasury stock is Test-Rite's own stock acquired according to the Stock Exchange Law. When Test-Rite does not dispose or write off these stocks, their cost is listed as a deduction of stockholders' equity.

When treasury stock is retired, the capital surplus - additional paid-in capital account and capital stock account should be debited according to the ratio of the retired treasury shares to the total issued shares. If the book value of the treasury stock being retired exceeds the sum of its aggregate par value and capital surplus - additional paid-in capital, the excess is debited to capital surplus from treasury stock transactions. If the capital surplus is not enough for debiting purposes, the difference is debited to unappropriated retained earnings. If the book value of the treasury stock being retired is less than the sum of its aggregate par value and capital surplus - additional paid-in capital, the difference is credited to the capital surplus from treasury stock transactions.

Treasury stocks transferred to employees on or after January 1, 2008 are accounted for under Statement of Financial Accounting Standards No. 39 (SFAS No. 39) and Interpretation 2007-266 both issued by the ARDF; accordingly, the Company recognized the value of the reserved shares as an expense. Employee stock options granted are accounted for under SFAS No. 39, which provides that the value of equity instruments granted shall be measured at fair value. And the fair value is based on external pricing experts' calculation of fair value of the equity instruments using the applicable pricing model.

Test-Rite measures the fair value of employee stock option granted by Black-Scholes Model. The inputs to the model are the best available estimate of exercise price, expected life, grant-date share price, expected volatility, expected dividend yield and risk-free interest rate. The grant date is cash dividends date. If the date of cash dividends should be approved by the Board of Directors, the grant date is the date of directors' meeting.

Test-Rite adopted the provisions of Statement of Financial Accounting Standards No. 30 "Accounting for Treasury Stock."

Income Tax

The consolidated income tax of the Company is the summary of the income tax of the consolidated entities. The Company adopted the provisions of Statement of Financial Accounting Standards No. 22, "Accounting for Income Tax," which require asset and liability approach to financial accounting and reporting for income tax. Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred income tax assets and liabilities.

Under the Amended Income Tax Law of the ROC, undistributed earnings of holding company are subject to 10% additional income tax. Such tax is to be reported as income tax expense in the following year when the decision to retain the earnings is made by the stockholders in their meeting.

Earnings Per Share

Basic earnings per share is computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is the amount of earnings (or loss) attributable to each share of common stock under the assumption that all dilutive potential common shares have been converted, exercised or that all contingently issuable shares have been issued.

Revenue Recognition

Sales are recognized when title of the products and the risks of ownership are transferred to customers, primarily upon shipment.

Service income is recognized when services have been rendered and the collectability can be reasonably assured.

If the construction period for a long-term contract is more than one year, the percentage-of-completion method is required when estimates of construction profits are reasonably determinable, otherwise the completed-contract method is required. The percentage of completion is measured by the ratio of costs already incurred to the estimated total costs to complete the project. If the construction period is shorter than one year, construction profit is recognized when the contract is completed. If a contract is estimated to bear a loss prior to completion, the full amount of the loss should be recognized immediately.

Reclassifications

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

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include loans and receivables originated by the Company under the scope of SFAS No. 34. This accounting change did not have any effect on the Company's consolidated financial statements for the year ended December 31, 2012.

Operating Segments

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the Company that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." For this accounting change, the Company restated the segment information as of and for the year ended December 31, 2011 to conform to the disclosures as of and for the year ended December 31, 2012.

4. CASH AND CASH EQUIVALENTS

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

	2012	2011
Cash on hand	$ 18,719	$ 28,399
Petty cash	28,847	27,240
Checking deposits	29,258	25,971
Savings deposits	987,242	1,149,998
Foreign currency deposits	697,947	814,396
Time certificates of deposit	97,572	25,298
Cash equivalents	22,142	24,471
	$ 1,881,727	$ 2,095,773

As of December 31, 2011, the time certificates of deposit of Tong Lung of $2,415 thousand, pledged as collaterals for purchases of raw materials were reclassified to refundable deposits paid.

As of December 31, 2012 and 2011, the time certificates of deposit of Tony Construction of $13,134 thousand and $24,860 thousand, respectively, pledged as collaterals for warranties of construction were reclassified to refundable deposits paid.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2012	2011
Financial assets held for trading - current		
Equity securities listed in open market	$ 85,676	$ 7,358
Open-end funds	96,687	80,472
Corporate bonds	64,508	11,127
Offshore mutual funds	52,764	-
Receivable on short selling stocks	290	490
Receivable on forward contracts, net	-	150,289
	$ 299,925	$ 249,736
Financial liabilities held for trading - current		
Payable on forward contracts, net	$ 20,795	$ 11,975
Payable on short selling stocks	290	490
Put option on convertible preferred stocks (see Note 21)	-	19,950
Metal commodity futures contracts	-	1,340
	$ 21,085	$ 33,755

The Company entered into derivative contracts during the years ended December 31, 2012 and 2011 to manage exposures to exchange rate and interest rate fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS, CURRENT

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

	2012	2011
Equity securities listed in open market	$ -	$ 1,521
Beneficiary certificate of domestic funds	-	620
	$ -	$ 2,141

7. NOTES AND ACCOUNTS RECEIVABLE

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

	2012	2011
Non-related parties		
Notes receivable	$ 5,207	$ 39,343
Less allowance for doubtful accounts	-	-
	5,207	39,343
Accounts receivable	2,446,694	2,972,278
Less allowance for doubtful accounts	(40,238)	(49,807)
	2,406,456	2,922,471
	$ 2,411,663	$ 2,961,814

Test-Rite concluded an accounts receivable factoring agreement with Taishin International Bank. The agreement declared that the bank has no right of further recourse against Test-Rite. According to the agreement, the bank should pay 90% of the proceeds to Test-Rite at the time of sale. Test-Rite only has to be responsible for loss that resulted from business disputes.

Test-Rite Int'l (U.S.) concluded accounts receivable factoring agreement with Taipei Fubon Bank in 2012, the agreement declared that the bank has no right of further recourse against Test-Rite Int'l (U.S.). Test-Rite Int'l (U.S.) only has to be responsible for loss that resulted from business disputes.

As of December 31, 2012 and 2011, the accounts receivable factoring was summarized as follows:

(Unit: US$ in Dollars; NT$ in Thousands)

Counterparties	Balance at Beginning of Year	Factoring During the Year	Amounts Collected During the Year	Balance at End of Year (Note 1)	Balance at End of Year of Advances Received	Interest Rates on Advances Received (%)	Retention for Factoring	Credit Line	Collateral
2012									
Taishin International Bank	$ 22,507 (Note 2)	$ 46,524 (Note 3)	$ 55,389 (Note 4)	$ - (Note 5)	$ - (Note 6)	-	$ - (Note 7)	US$ 6,200,000	US$ 620,000
Taipei Fubon Bank	$ 356,819 (Note 8)	$ 1,605,193 (Note 9)	$ 1,962,012 (Note 10)	$ - (Note 11)	$ - (Note 12)	-	$ - (Note 13)	-	-
2011									
Taishin International Bank	$ 56,523 (Note 2)	$ 46,524 (Note 3)	$ 79,649 (Note 4)	$ 23,398 (Note 5)	$ 21,058 (Note 6)	2.10	$ 2,340 (Note 7)	US$ 6,200,000	US$ 620,000
Taipei Fubon Bank	$ 273,616 (Note 8)	$ 3,207,293 (Note 9)	$ 3,109,957 (Note 10)	$ 370,952 (Note 11)	$ 296,761 (Note 12)	60 days Libor+1.4%	$ 74,191 (Note 13)	-	-

Note 1: Balance at end of year of factored receivables had been derecognized as accounts receivable.
Note 2: US$772,475; US$1,866,058.
Note 3: US$1,128,587; US$1,535,946.

Note 4: US$1,901,062; US$2,629,529.
Note 5: US$772,475.
Note 6: US$695,228.
Note 7: US$77,247.
Note 8: US$12,246,670; US$9,033,200.
Note 9: US$55,093,105; US$105,886,207.
Note 10: US$67,339,775; US$102,672,737.
Note 11: US$12,246,670.
Note 12: US$9,797,336.
Note 13: US$2,449,334.

The above credit lines may be used on a revolving basis.

Retention for factoring was reported under other receivables (see Note 8).

8. OTHER RECEIVABLES

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

	2012	2011
Retention for factoring (see Note 7)	$ -	$ 76,531
Commissions receivable	30,807	30,177
Value added tax refunds receivable	21,662	22,320
Receivables from related parties (see Note 28)	1,798	5,400
Others	310,018	176,395
	$ 364,285	$ 310,823

Receivables from related parties include amounts related to operating expense payments made by Test-Rite on behalf of its affiliates.

Others mainly include miscellaneous expenses paid by Test-Rite on behalf of its suppliers.

9. INVENTORIES

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

	2012	2011
Merchandise - retail	$ 3,351,533	$ 3,606,406
Merchandise - trade	1,362,443	1,589,063
Raw materials	-	389,106
Work-in-process	-	144,882
Finished goods	-	74,414
Merchandise - manufacturing	-	59,004
Construction in progress	126,911	65,594
	$ 4,840,887	$ 5,928,469

As of December 31, 2012 and 2011, the allowance for inventory devaluation was $86,974 thousand and $73,625 thousand, respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2012 and 2011 was $22,703,295 thousand and $23,483,065 thousand, respectively. The operating cost included reversal of inventory devaluation in the amount of $9,972 thousand and loss on physical inventory count in the amount of $57,211 thousand for the year ended December 31, 2012; the operating cost included reversal of inventory devaluation in the amount of $5,135 thousand and loss on physical inventory count in the amount of $72,341 thousand for the year ended December 31, 2011.

Merchandise - retail is the inventories of TR Retailing and Test-Rite Retail.

Merchandise - trade is the inventories of Test-Rite, TR Trading, TR Canada, TR Development, Test-Rite Int'l (U.S.), Test Cin M&E Engineering and Chung Cin Enterprise.

Raw materials, work-in-process, finished goods and merchandise - manufacturing are the inventories of Tong Lung.

Construction in progress is the inventories of Tony Construction, Test Cin M&E Engineering, Chung Cin Interior Design Construction, Test-Rite Home Service and Viet Han.

10. LONG-TERM EQUITY INVESTMENTS AT EQUITY METHOD

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

	2012			2011	
	Original Accumulated Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
At equity method					
Test-Rite Int'l (Mexico) Ltd.	$ -	$ -	-	$ 1	49.00

Equities in (loss) earnings of TR Mexico for the years ended December 31, 2012 and 2011 were summarized as follows:

	2012	2011
TR Mexico	$ 6,798	$ (2,789)

TR Mexico was dissolved, and the dissolution date was December 31, 2012. However, the registration procedures of the liquidation was not completed on December 31, 2012.

11. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

	December 31, 2012		December 31, 2011
	Original Accumulated Cost	Carrying Value	Carrying Value
Hwa Jan International Co., Ltd. (Samoa)	$ 9,849	$ 8,857	$ 9,208
TEPRO	430	336	343
Grandcathy Venture Capital Co., Ltd.	40,000	40,000	40,000
NCTU Springl Technology Capital Co., Ltd.	1,855	1,855	4,032

(Continued)

	December 31, 2012		December 31, 2011
	Original Accumulated Cost	Carrying Value	Carrying Value
Yuan Chuang Co., Ltd.	$ 1,579	$ 1,579	$ 1,755
Techgains Pan-Pacific Co., Ltd.	19,191	18,212	18,558
Quartz Frequency Technology Co., Ltd.	750	750	750
Taiwan Finance Co., Ltd.	2,120	2,120	2,120
Nucom International Co., Ltd.	-	-	27,400
Yieh United Steel Co., Ltd.	-	-	3,920
Shanghai Commercial & Saving Bank, Ltd.	-	-	1,903
	$ 75,774	$ 73,709	$ 109,989

(Concluded)

The Company's financial assets carried at cost do not have a quoted market price in an active market and their fair value could not be reliably measured. Therefore, the above equity investments were carried at cost and evaluated for impairment loss periodically.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

	2012	2011
Trusted funds of real estate	$ -	$ 30,000
Unrealized gain on available-for-sale financial assets	-	450
	$ -	$ 30,450

13. BOND INVESTMENTS WITHOUT ACTIVE MARKET, NONCURRENT

	December 31, 2012			December 31, 2011	
	Original Accumulated Cost	Carrying Value	Ownership Percentage %	Carrying Value	Ownership Percentage %
Subordinated bond of Ta Chong Bank	$ 50,000	$ 50,000	-	$ 50,000	-

Subordinated bond of Ta Chong Bank: The face value per unit is $10,000 thousand and the total value is $50,000 thousand; the issuance date is November 27, 2006; interest rate is 5.5% for the first ten years and is increased to 6.5% from the eleventh year if the bonds have not been redeemed. Interest is paid annually.

14. PROPERTY, PLANT AND EQUIPMENT

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

	2012			2011
	Original Cost	**Accumulated Value**	**Carrying Value**	**Carrying Value**
Land	$ 527,853	$ -	$ 527,853	$ 813,086
Buildings and improvements	2,351,429	250,229	2,101,200	2,983,910
Machinery and equipment	70,472	43,789	26,683	115,612
Transportation equipment	59,256	34,614	24,642	39,346
Furniture, fixtures and office equipment	799,711	588,462	211,249	97,481
Leasehold improvements	6,513,899	3,747,165	2,766,734	2,990,563
Molds and tools	11,931	5,811	6,120	68,552
Other equipment	1,217,223	820,679	396,544	540,330
Prepayments for property, plant and equipment	100,948	-	100,948	60,187
	$ 11,652,722	$ 5,490,749	$ 6,161,973	$ 7,709,067

As of December 31, 2012 and 2011, the cost of the leased-out land of Test-Rite was $267,519 thousand and $267,519 thousand and the carrying value of leased-out buildings and improvements was $225,494 thousand and $234,757 thousand, respectively.

Test-Rite sold a real property and leased it back immediately in consideration of business strategies. Based on generally accepted accounting principles, the profit from the sale and leaseback is required to be deferred and recognized evenly during the lease term. Test-Rite recorded $2,347,885 thousand unrealized gain, which is amortized over a 10-year lease term. For the years ended December 31, 2012 and 2011, the amortization of unrealized gain was $234,788 thousand, which was treated as a reduction of rental cost. As of December 31, 2012 and 2011, the unrealized gain was $1,173,942 thousand and $1,408,731 thousand, respectively, which were recorded: The current portion of $234,789 thousand as other current liabilities and the noncurrent portion of $939,153 thousand and $1,173,942 thousand, respectively, as other liabilities - deferred credit.

The owner of the property mentioned above leased to Test-Rite had sold the building to Tsai Wang Enterprise, a related party of Test-Rite, on September 7, 2011. Thus, Tsai Wang Enterprise became the lessor of the building. There were no major differences as to the principal terms of lease contract between the renewal and the original. Rental of $280,642 and $87,548 thousand, respectively, before amortization of unrealized gain, was paid to the related party.

As of December 31, 2012 and 2011, the carrying values of property, plant and equipment of Tong Lung, Jiashan Te-Cheng Wood Industrial, Test-Rite Business Development, and TR Thailand, pledged as collaterals to banks to secure short-term and long-term debts were as follows (see Note 29):

	2012	2011
Land	$ -	$ 247,665
Buildings and improvements	-	156,116
	$ -	$ 403,781

15. OTHER ASSETS

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

	2012	2011
Deferred tax asset, noncurrent (see Note 27)	$ 1,028,117	$ 1,002,504
Refundable deposits paid	841,804	833,364
Prepaid pension cost (see Note 2)	54,632	40,862
Deferred charges (see Note 2)	306,268	381,070
Others	468,643	802,071
	$ 2,699,464	$ 3,059,871

16. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings as of December 31, 2012 and 2011 consisted of the following:

	2012		2011	
	Interest Rate %	Amount	Interest Rate %	Amount
Unsecured loans	1.11-6.60	$ 1,764,129	0.75-7.216	$ 3,291,316
Secured loans	-	-	6.405	105,755
		$ 1,764,129		$ 3,397,071

As of December 31, 2011, secured loan of $105,755 thousand was secured by the buildings and improvement of Jiashan Te-Cheng Wood Industrial (see Note 29).

17. SHORT-TERM BILLS PAYABLE

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

	2012		2011	
	Interest Rate %	Amount	Interest Rate %	Amount
Commercial paper, unsecured	-	$ -	0.782-1.038	$ 159,842

18. OTHER PAYABLES

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

	2012	2011
Accrued expenses	$ 1,205,924	$ 1,229,728
Payables for purchase of property, plant and equipment	76,439	67,684
Other notes payable	31,662	19,826
Bonuses payable to employees	56,430	53,452
Bonuses payable to directors and supervisors	30,718	30,829
Others	746,778	458,547
	$ 2,147,951	$ 1,860,066

19. OTHER CURRENT LIABILITIES

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

	2012	2011
Unrealized gain on sale-leaseback (see Note 14)	$ 234,788	$ 234,789
Accrued VAT payable	18,105	19,498
Receipts under custody	23,266	22,302
Allowance for indemnity losses on exports (see Note 2)	51,017	53,026
Others	78,714	252,522
	$ 405,890	$ 582,137

20. LONG-TERM DEBT

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

	2012		2011
	Interest Rate	Amount	Amount
First Commercial Bank's Syndicate Loan			
Unsecured loan from June 24, 2011 to June 24, 2016. The authorized credit line of $2,000 million. Interest is paid monthly. The principal due in 7 semi-annual installments with first installment due on June 24, 2013.	1.6168	$ 2,000,000	$ 2,000,000
Unsecured loan from July 12, 2012 to June 24, 2016, June 27, 2011 to June 24, 2016, and October 16, 2012 to January 16, 2013. The authorized credit line of $4,000 million may be used on revolving basis for a period until June 24, 2016.	1.0714-2.1343	1,311,120	2,150,590
Unsecured loan from June 22, 2012 to June 22, 2017. The first and second installments are due after three and four years from the star of the loan period each for payment of 30 percent of the principal. The remaining principal is due on June 22, 2017. Interest is paid monthly.	1.75	500,000	-
Taiwan Business Bank's Syndicate Loan			
Unsecured loan from October 26, 2009 to October 26, 2014 and October 16, 2012 to January 16, 2013. The authorized credit line is $2,160,000 thousand, principal due on October 26, 2014. In 2012, the Company paid the principal of $700,000 in advance.	1.9863-2.1343	902,077	1,200,000
Bank SinoPac Co., Ltd.			
Unsecured loan from June 18, 2012 to June 18, 2015. Interest is paid monthly, principal due on June 18, 2015.	1.529	500,000	500,000

(Continued)

	2012		2011
	Interest Rate	Amount	Amount
Taishin International Bank			
Unsecured loan from September 19, 2012 to September 19, 2014 and June 20, 2011 to June 20, 2013. Interest is paid monthly. In March 2012, the Company paid the principal in full in advance.	-	$ -	$ 300,000
Jihsun Bank			
Unsecured loan from December 29, 2011 to July 1, 2013. Interest is paid monthly. In January 2012, the Company paid the principal in full in advance.	-	-	200,000
Taiwan Business Bank			
Unsecured loan from November 22, 2010 to November 22, 2014. Principal is paid in 12 quarterly payments starting from February 15, 2013. Interest is paid monthly. In March 2012, the Company paid the principal in full in advance.	-	-	500,000
Shanghai Commercial & Savings Bank			
Unsecured loan from November 22, 2010 to November 22, 2014. Principal is paid in 8 quarterly payments starting from February 21, 2013. Interest is paid monthly. In March 2012, the Company paid the principal in full in advance.	-	-	300,000
Less current portion		(200,000)	-
		$ 5,013,197	$ 7,150,590

(Concluded)

Test-Rite promised to maintain the following financial covenants according to the loan agreements:

First Commercial Bank Syndicated Loan

a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to 1.

b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.

c. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.

d. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than $5,200,000 thousand.

e. The calculations of the ratios are based on Test-Rite financial statements for the year ended December 31.

Bank SinoPac Co., Ltd.

a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Total Liabilities to Total Assets of not more than 2 to 1. (Total liabilities should exclude other current liabilities and other liabilities - deferred credit that resulted from sale-leaseback.)

b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Current Liabilities of not less than 1 to 1.

c. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 2.5 to 1.

d. Minimum Tangible Net Worth, Test-Rite shall maintain Tangible Net Worth of not less than $5,200,000 thousand.

e. The calculations of the ratios are based on Test-Rite financial statements for the year ended December 31.

According to the loan agreement, Test-Rite Retail promised to maintain certain financial covenants as follows:

a. Total Liabilities Ratio, Test-Rite shall maintain a ratio of Bank Loans and Bills Payable to Tangible Assets of not more than 2 to 1.

b. Current Ratio, Test-Rite shall maintain a ratio of Current Assets to Short-Term Bank Loans and Short-Term Bills Payable of not less than 1 to 1.

c. EBITDA Ratio, Test-Rite shall maintain a ratio of EBITDA to interest expense of greater than 3 to 1.

d. The calculations of the ratios are based on Test-Rite Retail financial statements for the year ended December 31.

See Note 29 for collaterals on bank borrowings.

See Note 30 for guarantees on bank borrowings.

21. LIABILITY COMPONENT OF PREFERRED STOCKS - NONCURRENT

	2012	2011
Private placement of liability component of series B preferred stocks	$ -	$ 335,361

Private Placement of Liability Component of Preferred Stocks

On October 6, 2008, Tong Lung decided to issue series B convertible preferred stocks to buy back series A preferred stocks (October 24, 2003-October 23, 2008.) There were 8,750,000 shares of series B preferred stocks (with par value of NT$10.00 per share) issued to local entities at forty dollars per share and on October 8, 2008, total proceeds from this issuance amounting to $350,000 thousands had been collected. Terms and conditions, which were stated in Tong Lung’s shareholders’ meeting on June 19, 2008, were summarized as follows:

a. Issue period: The convertible preferred stocks will be due five years from the issuance date (from October 8, 2008 to October 7, 2013.)

b. Dividends: The dividends for the convertible preferred stocks are 4% per annum. The dividends will be paid out in cash after earnings proposition is approved. When the preferred stocks are not held for one full year, at year end, dividends will be adjusted accordingly.

c. Conversion ratio: One share of preferred stock can be converted to one share of common stock of the Issuer.

d. Converting preferred stocks to common stocks of the Issuer

1) Converting preferred stocks, in whole but not in part: From the issuance date to 120 days prior to the maturity date, preferred stockholders shall require the Issuer in preferred stockholders' meeting, held upon preferred stockholders' request, to repurchase all preferred stocks.

2) Converting preferred stocks, in whole or in part: The preferred stocks are convertible, in whole or in part, at any time during the conversion period from the issuance date to 120 days prior to the maturity date. At the end of the conversion period, if potential converted preferred stocks are less than 15% in principal amount of preferred stocks originally outstanding, the conversion will not take effect. The preferred stockholders will then be notified by the security agent to retrieve their stocks and related documents.

e. Paying the dividends in arrears

1) After a year that the Issuer carries a net loss or does not have sufficient earnings for distribution, the dividends in arrears is accumulated and paid out the next year prior to distribution to common stockholders. Ways of handling dividends in arrears of preferred stocks, which are redeemed by the Issuer and converted to common stocks of the Issuer by stockholders, are specified in (2) and (3), respectively:

2) Preferred stocks redeemed by the Issuer: Dividends in arrears are calculated up to the date when the preferred stocks are redeemed by the Issuer.

3) Preferred stocks converted to common stocks by preferred stockholders: Dividends in arrears shall be paid in cash with no interests on the first dividend grant date subsequent to the date of conversion. In the case that the Issuer is prohibited by regulation to pay the dividends, the Issuer should pay such dividends in arrears with no interest to the stockholders on the first dividend grant date subsequent to the date when the regulation is lifted.

f. Redemption of preferred stock prior to the maturity date

On the First to Tenth of April, July and December during the period from 3 years after the issuance date to 90 days prior to the maturity date, the convertible preferred stocks shall be redeemed, in whole or in part, at forty dollars per share plus any dividends in arrears.

g. Mandatory conversion prior to the maturity date

The Issuer may redeem the convertible preferred stocks, in whole or in part, if at least 95% in principal amount of preferred stocks have already been redeemed or converted.

h. Maturity date

Unless previously redeemed or converted, the preferred stocks will be redeemed at forty dollars per share. After the conversion, the converting preferred stockholders shall be registered in its common stockholders' ledger.

i. Special reserve

The Issuer shall maintain a certain percentage of special reserve as provision for future series B convertible preferred stock redemption. Cash, not less than the amount which shall be transferred to special reserve, has to be saved in the bank as time certificates of deposit with restriction as to withdrawal. The restriction is lifted when the Issuer has reserved enough amount of special reserve required.

In accordance with SFAS No. 36, "Financial Instruments: Disclosure and Presentation," the Company divided preferred stocks into conversion option and put option, which are recognized as equity and liability, respectively. Equity component of preferred stocks which is recorded under minority interest amounted to $25,690 thousand. Liability component of preferred stocks is charged to embedded derivatives and liabilities. As of December 31, 2011, embedded derivatives which are measured at fair value amounted to $19,950 thousand; liabilities which do not belong to derivatives financial instruments amounted to $335,361 thousand.

At the request of Public Tender Offeror-Stanley Chiro International Ltd., Tong Lung decided to redeem all the series B convertible preferred stock according to Article 158 of the Company Law of the Republic of China. On May 18, 2012, Tong Lung had received the letter of consent from the stockholders of the series B convertible preferred stock. And after the completion date of the Tender Offer period and upon the fulfillment of the tender offer conditions and requirements, on August 14, 2012, Tong Lung had convened a board meeting to approve the redemption of the whole convertible preferred stock for $371,000 thousand. The redemption is on August 31, 2012.

22. RETIREMENT PLAN

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

Test-Rite, Chung Cin Enterprise, Test-Rite Retail, Tong Lung, Tony Construction, Test Cin M&E and Chung Cin Interior Design have a defined benefit pension plan under the Labor Standards Law (LSL) covering all employees. The pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. Except for Test-Rite Retail, which contributes amounts equal to 2% of total monthly salaries and wages, and Tong Lung, which contributes amounts equal to 7% of total monthly salaries and wages, other companies contribute amounts equal to 4% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name.

	2012	2011
Service cost	$ 3,739	$ 11,275
Interest cost	6,346	16,186
Actual return on plan assets	(146)	(161)
Expected return on plan assets	(5,033)	(8,346)
Amortization of net transitional obligation	(1,492)	11,448
Amortization of pension loss	6,689	3,461
	$ 10,103	$ 33,863

The following table sets forth the actuarial assumptions and plan's status as of December 31, 2012 and 2011:

	2012	2011
Weighted-average discount rate	1.88%-2.00%	2.00%-2.25%
Expected rate of return on plan assets	1.88%-2.00%	2.00%-2.25%
Assumed rate of increase in salary	2.50%-3.00%	1.25%-2.75%
Actuarial present value of benefit obligation		
Vested benefits	$ (47,640)	$ (247,738)
Nonvested benefits	(178,121)	(357,493)
Accumulated benefit obligation	(225,761)	(605,231)
Additional benefits at future salaries	(84,296)	(140,647)
Projected benefit obligation	(310,057)	(745,878)
Plan assets at fair value	247,897	411,578
Projected benefit obligation in excess of plan assets	(62,160)	(334,300)
Net transition asset not yet recognized	(19,336)	(15,267)
Net pension loss not yet recognized	110,723	245,988
Additional pension liability	-	14,131
Accrued pension cost	(59,886)	(141,827)
	(30,659)	(231,275)
Prepaid pension cost (included in other assets)	(54,632)	(40,862)
Deferred pension cost	(376)	(19,692)
Accrued pension liability (included in other liabilities)	$ (85,667)	$ (291,829)

23. CAPITAL STOCK

Test-Rite's capital stock as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Registered capital		
Share (thousand shares)	750,000	660,000
Par value (in dollars)	$ 10	$ 10
Capital	$ 7,500,000	$ 6,600,000
Issued capital		
Share (thousand shares)	521,956	507,423
Par value (in dollars)	$ 10	$ 10
Capital	$ 5,219,555	$ 5,074,228

Test-Rite's outstanding capital stock as of January 1, 2012, amounted to $5,074,228 thousand. On August 2012, transferred from retained earnings to capital stock were $145,327 thousand. Consequently, as of December 31, 2012, Test-Rite's capital stock were increased to $5,219,555 thousand consisting of 521,955,558 outstanding common shares with a par value of NT$10.00 per share.

Test-Rite's outstanding capital stock as of January 1, 2011, amounted to $5,164,228 thousand. On October 11, 2011, the board of directors decided to retire treasury stock of $90,000 thousand and decrease the capital. Consequently, as of December 31, 2011, Test-Rite's capital stock decreased to $5,074,228 thousand consisting of 507,422,872 outstanding common shares with a par value of NT$10.00 per share.

In the stockholders' meetings on June 18, 2012 and June 17, 2011, the stockholders decided to distribute retained earnings for 2011 and 2010 as follows:

	2011	
	Distributions of Earnings	**Dividends Per Share (In Dollars)**
Legal reserve	$ 61,051	$ -
Cash dividends	387,538	0.80
Stock dividends	145,327	0.30

	2010	
	Distributions of Earnings	**Dividends Per Share (In Dollars)**
Legal reserve	$ 37,549	$ -
Cash dividends	337,436	0.665

The amounts of the bonus to employees and the bonus to directors and supervisors approved in 2011 were $43,956 thousand and $10,989 thousand and the related amounts accrued in 2011 were $42,674 thousand and $10,669 thousand or differences of $1,282 thousand and $320 thousand, respectively. The amounts of the bonus to employees and the bonus to directors and supervisors approved in 2010 were $27,035 thousand and $6,759 thousand and the related amounts accrued in 2010 were $28,800 thousand and $7,300 thousand or differences of $1,765 thousand and $541 thousand, respectively. The differences in 2011 and 2010 were not material and had been adjusted in profit and loss for the years ended December 31, 2012 and 2011, respectively.

For the years ended December 31, 2012 and 2011, the amounts of earnings per share were calculated as follows:

	2012						
	Amounts (Numerator)				**EPS (NT$)**		
	Income Before Tax Include Minority	**Income After Tax Include Minority**	**Parent Co. Stockholders Income After Tax**	**Shares (Denominator)**	**Income Before Tax Include Minority**	**Income After Tax Include Minority**	**Parent Co. Stockholders Income After Tax**
Basic earnings per share							
Net income to stockholders of common stock	$ 872,273	$ 750,240	$ 689,537	493,689,891	$ 1.77	$ 1.52	$ 1.40
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	3,355,414			
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	$ 872,273	$ 750,240	$ 689,537	497,045,305	$ 1.75	$ 1.51	$ 1.39

	2011						
	Amounts (Numerator)				**EPS (NT$)**		
	Income Before Tax Include Minority	**Income After Tax Include Minority**	**Parent Co. Stockholders Income After Tax**	**Shares (Denominator)**	**Income Before Tax Include Minority**	**Income After Tax Include Minority**	**Parent Co. Stockholders Income After Tax**
Basic earnings per share							
Net income to stockholders of common stock	$ 942,022	$ 813,105	$ 636,133	517,347,225	$ 1.82	$ 1.57	$ 1.23
The effects of dilutive potential ordinary shares							
Bonus to employees	-	-	-	2,637,325			
Diluted earnings per share							
Net income to stockholders of common stock and the effects of potential ordinary shares	$ 942,022	$ 813,105	$ 636,133	519,984,550	$ 1.81	$ 1.56	$ 1.22

The Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year. Bonuses to employees shall be recognized as expense after the adoption of Interpretation 96-052. Therefore, the weighted-average number of common shares outstanding in the calculation of basic and diluted EPS shall not be adjusted retroactively for the increase in common shares outstanding from stock issuance for employee's bonuses.

The basic earnings per share of 2011 was adjusted retroactively for the distribution of stock dividends in 2012.

The appropriations of 2013 earnings had been proposed by the board of directors on March 28, 2013. The proposed appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 68,954	$ -
Cash dividends	526,055	1.08
Stock dividends	-	-

The appropriations of 2012 earnings and the amounts of bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting scheduled for June 17, 2013.

Regarding the 2011 and 2010 retained earnings proposition by the board of directors and the approval of the stockholders, please refer to the Market Observation Post System ("MOPS") of the Taiwan Stock Exchange.

For the years ended December 31, 2012 and 2011, the bonus to employees was $49,200 thousand and $42,674 thousand, respectively, and the remuneration to directors and supervisors was $12,100 thousand and $10,669 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 8% and 2%, respectively, of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' 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 stockholders' meeting.

24. RETAINED EARNINGS

According to the Company Law of the Republic of China and Test-Rite's Articles of Incorporation, 10% of Test-Rite's earnings, after paying tax and offsetting deficit, if any, shall first be appropriated as legal reserve. The remaining balance, if any, shall be distributed in the following order:

a. Bonus to directors and supervisors - 2%, and

b. Bonus to employees - at least 2% or more,

c. The remainder shall then be allocated in accordance with the resolution of the stockholders in their annual meeting.

The dividend policy is designed for the Company to achieve its business plan and at the same time, maintain stockholders' benefits. Distribution is made through stock dividends, common stocks from capital surplus and cash dividends. Cash dividends shall not be less than 10% of total distribution. However, if cash dividends per share are less than NT$0.1, stock dividends could be distributed instead of cash dividends.

25. TREASURY STOCK

The changes in treasury stock for the years ended December 31, 2012 and 2011 were summarized as follows (in shares):

Purpose	2012.1.1	Increase	Decrease	2012.12.31
To transfer to employees	20,698,000	14,170,000	-	34,868,000

Purpose	2011.1.1	Increase	Decrease	2011.12.31
To transfer to employees	32,480,000	20,698,000	32,480,000	20,698,000

As of December 31, 2012 and 2011, the treasury stock of Test-Rite was $729,124 thousand and $437,139 thousand, respectively, which was purchased back by Test-Rite.

Test-Rite should transfer all shares purchased back in lump sum or from time to time to employees, including those of subsidiaries in which Test-Rite holds directly or indirectly more than one half of the total number of voting shares, within three years from the buyback date.

Since some of the shares, purchased back by Test-Rite from time to time for the purpose of transferring to employees, were not transferred within the legal maturity (three years from the buyback date), Test-Rite retired 9,000,000 shares of them and got the retirement approval from Ministry of Economic Affairs (MOEA) in November 2011.

Test-Rite transferred to employees 23,480 thousand treasury shares amounting to $484,562 thousand in 2011. Based on Interpretation 2007-266 issued by the Accounting Research and Development Foundation, employee stock options granted during the year ended December 31, 2012 were priced using the Black-Scholes model, and compensation cost of $54,239 thousand (recorded as salary expense) was recognized in 2012. In 2011, the difference of $93,189 thousand was recorded as capital surplus - treasury stock transactions, including compensation cost of $54,239 thousand and the difference of $484,562 thousand between the transferred value of $484,562 thousand and the book value of $445,612 thousand of the treasury shares granted.

As of December 31, 2011, information regarding Test-Rite's share-based payment was summarized below:

a. As of December 31, 2011, Test-Rite's share-based payment was as follows:

Type of Arrangement	Grant Date	Number of Options Granted	Contract Period	Grant Condition	Turnover Rates for This Year	Estimated Turnover Rate
Treasury stock transfer to employees	January 4, 2011	23,480,000	-	Immediate	-	-

b. Detail information about employee stock options described above was as follows:

	Year Ended December 31, 2011	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance, beginning of year	-	$ -
Options granted	23,480	20.70
Additional options granted from stock dividends or adjustment for options granted	-	-
Options forfeited	-	-
Options exercised	(23,480)	20.70
Expired options invalidated	-	-
Balance, end of year	-	

c. Options granted were priced at estimated fair market value using Black-Scholes pricing model and the inputs to the model were as follows:

Type of Arrangement	Grant Date	Grant-date Share Price (NT$)	Exercise Price (NT$)	Expected Volatility	Option Life (Years)	Expected Dividend Yield	Risk-free Interest Rate	Fair Value Per Unit (NT$)
Treasury stock transfer to employees	January 4, 2011	$23.00	$20.70	28.75%	-	-	0.67%	$2.31

According to the Stock Exchange Law of the ROC, the shares of treasury stock should not be over 10% of Test-Rite's issued and outstanding shares and the amount of treasury stock should not be over the total of retained earnings and realized additional paid-in capital. The highest numbers of shares of treasury stock that Test-Rite held as of December 31, 2012 and 2011 were 34,868,000 shares and 32,480,000 shares. The total amounts were $729,124 thousand and $616,417 thousand pursuant to the law.

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

26. PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

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

Function / Expense Item	2012			2011		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses						
Salaries	$ 241,543	$ 3,045,583	$ 3,287,126	$ 487,666	$ 3,257,077	$ 3,744,743
Labor insurance and health insurance	15,394	235,568	250,962	29,267	233,148	262,415
Pension cost	15,601	138,800	154,401	30,935	124,807	155,742
Others	12,528	262,197	274,725	30,393	223,738	254,131
Depreciation expenses	83,260	569,284	652,544	105,935	751,644	857,579
Amortization expenses	1,656	161,125	162,781	3,625	128,756	132,381

27. INCOME TAX

The components of income tax expense for the year ended December 31, 2012 were as follows:

Tax expenses from entities generating net income	$ 221,491
Tax credits from entities generating net loss	(95,424)
Additional 10% income tax on unappropriated earnings	1,700
Additional income tax under the Alternative Minimum Tax Act	410
Adjustment to deferred tax asset and valuation allowance	6
Adjustment to prior years' tax expenses	(6,150)
Income tax expense	$ 122,033

The tax effects of deductible temporary differences that gave rise to deferred tax assets as of December 31, 2012 were as follows:

Losses carryforward	$ 41,987
Investment loss recognized under the equity method	484,762
Other temporary differences	563,087
Unrealized exchange gains	(12,080)
Difference between financial and tax	(6,687)
Valuation gain on financial instruments	(800)
	1,070,269
Less valuation allowance	(4,080)
Net deferred tax assets	$ 1,066,189
Deferred tax assets, current (included in other current assets)	$ 38,635
Deferred tax assets, noncurrent (included in other assets)	1,028,117
Deferred tax liabilities, noncurrent (included in other liabilities)	(563)
	$ 1,066,189

Current income tax for the year ended December 31, 2012 and income tax payable as of December 31, 2012 were reconciled as follows:

Income tax expense at statutory rate	$ 363,202
Decrease in tax resulting from other adjustments of permanent difference	
Current tax expense	(141,711)
Provision for deferred income tax assets	221,491
Others	(25,362)
Income tax payable	196,129
Less prepayments and withholdings in 2012	(90,717)
Add estimated 10% income tax on 2011 undistributed earnings	1,700
Add income tax payable at January 1, 2012	27,072
Income tax payable as of December 31, 2012	$ 134,184

The reported prepaid income tax and withholdings of $29,433 thousand as of December 31, 2012 were income tax prepayments in 2012 and prior years.

Losses carryforwards of Lih Chiou, Test-Rite Home Service and Tong Lung as of December 31, 2012 for income tax purposes were summarized as follows:

Year Expired	Amount
2013	$ 320
2019	5,440
2020	11,691
2021	10,226
2022	14,310
	$ 41,987

The information of Test-Rite about Imputation Credit ("IC") on the undistributed earnings as of December 31, 2012 was summarized as follows:

IC on undistributed earnings as of December 31, 2012	$ 464,111
Undistributed earnings generated on and after January 1, 1998	$ 706,129
Actual IC ratio on distributed earnings in 2012	20.48%
Expected IC ratio on distribution of earnings in 2013	20.48%

The income tax returns of Test-Rite for years through 2010 have been examined and approved by the tax authority. The tax authority assessed an additional income tax payable because Test-Rite did not obtain legal evidence for commission expenses and others which Test-Rite reported on its 2006 to 2009 income tax returns. And the tax authority assessed an additional income tax payable because Test-Rite 's profit from the sale and leaseback including the income earned from sale of land shall not be exempted which Test-Rite reported on its 2010 income tax returns. Test-Rite did not agree with the decision so it filed an appeal to the tax authority. Test-Rite does not expect the result of the appeal will generate any significant loss to the Company based on its previous experience. Therefore, Test-Rite decided not to record the disputed tax payable on its book.

28. RELATED PARTY TRANSACTIONS

Names and relationships of the related parties are outlined as follows:

Name	Relationship
Test-Rite Int'l (Mexico) Ltd. ("TR Mexico")	Parent company with 49.00% ownership interest. Dissolved in December 2012. The liquidation was not completed yet.
Judy Lee	Chairman of Test-Rite
Li-Heng Lee	Related party in substance
Tony Ho	Related party in substance
Quality Master Investment Co., Ltd. ("Quality Master")	Related party in substance
Up Master Investment Co., Ltd. ("Up Master")	Related party in substance
X-Cel Relationship Management Co., Ltd.	Related party in substance
Tsai Wang Enterprise Co., Ltd. ("Tsai Wang")	Related party in substance
Li Xiong Co., Ltd.	Up Master with 100.00% ownership interest

Rental Income

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

	2012		2011	
	Amount	**%**	**Amount**	**%**
Others	$ 176	-	$ 201	-

The Company’s rental income from related parties is according to market price and the rental income is received monthly.

Service Income

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

	2012		2011	
	Amount	**%**	**Amount**	**%**
Others	$ 960	5	$ 960	5

Rent Expense

See Note 14.

Selling, General and Administrative Expenses - Commission Expenses

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

	2012		2011	
	Amount	**%**	**Amount**	**%**
TR Mexico	$ 2,979	2	$ 17,503	9

Commission expenses to related parties are based on gross profit while commission expenses to non-related parties are based on selling prices.

Refundable Deposits Paid

Refundable deposits paid from related parties for the years ended December 31, 2012 and 2011 was as follows:

	2012		2011	
	Amount	**%**	**Amount**	**%**
Tsai Wang	$ 125,000	15	$ 125,000	15

Due from Related Parties

Due from related parties as of December 31, 2012 and 2011 was as follows:

	2012		2011	
	Amount	**%**	**Amount**	**%**
Advances for related parties				
TR Mexico	$ 1,798	100	$ 5,400	100

Due to Related Parties

Due to related parties as of December 31, 2012 and 2011 was as follows:

	2012		2011	
	Amount	%	Amount	%
Accrued commission expenses				
TR Mexico	$ -	-	$ 1,394	3

Endorsements or Guarantees

Endorsements or guarantees that Test-Rite provided to its business related legal entities and subsidiaries were summarized in Note 30.

As of December 31, 2012, short-term bank borrowings of $454,521 thousand were guaranteed by Tony Ho and Judy Lee. Short-term bank borrowings of $58,272 thousand were guaranteed by Judy Lee and $10,000 thousand were guaranteed by Tony Ho.

As of December 31, 2011, short-term bank borrowings of $502,814 thousand were guaranteed by Tony Ho and Judy Lee. Short-term bank borrowings of $60,580 thousand were guaranteed by Judy Lee.

As of December 31, 2012, long-term debt of $3,519,760 thousand was guaranteed by Judy Lee.

As of December 31, 2011, long-term debt of $300,000 thousand was guaranteed by Tony Ho and Judy Lee. Long-term debt of $5,650,590 thousand was guaranteed by Judy Lee.

Compensation of Directors, Supervisors and Management Personnel

	Years Ended December 31	
	2012	2011
Salaries	$ 160,895	$ 184,222
Incentives	15,397	10,753
Bonuses	25,062	21,432
	$ 201,354	$ 216,407

Compensation of directors, supervisors and management personnel for 2012 was estimated according to the order of making appropriations from net income regulated by the Company’s Articles of Incorporation. The appropriations of earnings for 2012 have not been approved in the shareholders’ meeting. The information about the compensation of directors and management personnel is available in the annual report for stockholders’ meeting.

The compensation of directors, supervisors and management personnel for the year ended December 31, 2011 included the bonuses appropriated from earnings for 2010 which had been approved by the stockholders in their meeting held in 2011. Please refer to annual report for stockholders’ meeting for more details.

29. PLEDGED ASSETS

Assets pledged for various purposes as of December 31, 2012 and 2011 were summarized as follows:

	2012	2011
Time deposits (see Note 4)	$ 13,134	$ 27,275
Land (see Note 14)	-	247,665
Buildings and improvements (see Note 14)	-	156,116
	$ 13,134	$ 431,056

30. COMMITMENTS AND CONTINGENCIES

Letter of Credit

Test-Rite's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2012 were US$219 thousand.

Test-Rite's outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2011 were US$2,844 thousand and NT$1,300 thousand.

Endorsements/guarantees provided: As of December 31, 2012 and 2011, endorsements or guarantees that the Company provided to its business related legal entities and subsidiaries were summarized as follows:

	2012		2011	
Standby letters of credit				
TR Products	US$	9,000	US$	1,375
Test-Rite Business Development	US$	3,000	US$	3,000
Energy Retailing	US$	2,000	US$	2,500
Hola Shanghai Retail & Trading Ltd.	US$	1,000	US$	3,000
Hola Shanghai Retail & Trading	US$	-	US$	8,000
Light Up Shanghai Retailing	EUR	-	EUR	255
Endorsements				
TR Products	US$	18,103	US$	20,699
TR Trading & TR Retailing	US$	12,500	US$	17,500
Hola Shanghai Retail & Trading	US$	8,500	US$	13,500
Test-Rite Business Development	US$	5,000	US$	5,000
TR Pte.	US$	2,000	US$	-
TR GI	EUR	1,000	EUR	1,000
TR Thailand	US$	400	US$	400
TR Canada	CAD	60	CAD	30

As of December 31, 2012, Test-Rite Retail's outstanding letters of credit for purchase of inventory amounted to approximately US$153 thousand and EUR73 thousand.

As of December 31, 2012, Test-Rite Retail has import duty relief on temporary admission, coupon execution guarantee and CPC Corporation guarantee rendered by banks for approximately $86,850 thousand.

31. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Nominal Amount and Credit Risk

The forward exchange contracts and cross-currency swap contracts as of December 31, 2012 and 2011 were summarized below:

Financial Instruments	Type	2012 Nominal Amount	2012 Credit Risk	2011 Nominal Amount	2011 Credit Risk
Non-trading purpose					
Forward exchange	Sale	US$ 176,900	$ -	US$ 204,930	$ -
	Buy	US$ 169,900	-	US$ 146,000	-
	Sale	EUR 3,282	-	EUR 5,957	-

Market Risk

For a derivative designated as hedging instrument, the gain or loss derived from the fluctuation of interest rate or exchange rate is to be offset by the loss or gain on the hedged item attributable to the risk being hedged and thus, the market risk is insignificant.

Liquidity Risk and Cash Flow Risk

Foreign exchange rates embedded in the derivative contracts are fixed at the inception and thus, cash flow risks are insignificant.

The exchange gains on the sale or purchase of derivative financial instruments of $254,391 thousand and $72,241 thousand for the years ended 2012 and 2011, respectively, were recorded under nonoperating income and gains - foreign exchange gain, net.

Fair Value of Financial Instruments

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

	2012 Carrying Value	2012 Fair Value	2011 Carrying Value	2011 Fair Value
Assets				
Cash and cash equivalents	$ 1,881,727	$ 1,881,727	$ 2,095,773	$ 2,095,773
Financial assets at fair value through profit or loss, current	299,925	299,925	99,447	99,447
Available-for-sale financial assets, current	-	-	2,141	2,141
Notes receivable	5,207	5,207	39,343	39,343
Accounts receivable	2,406,456	2,406,456	2,922,471	2,922,471
Other receivables	364,285	364,285	310,823	310,823
Other financial assets, current	599	599	613	613
Long-term equity investments at equity method	-	-	1	-
Available-for-sale financial assets, noncurrent	-	-	30,450	30,450

(Continued)

	2012		2011	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets carried at cost, noncurrent	$ 73,709	$ 73,709	$ 109,989	$ 109,989
Bond investments without active market, noncurrent	50,000	50,000	50,000	50,000
Refundable deposits paid	841,804	841,804	833,364	833,364
Liabilities				
Short-term bank borrowings	1,764,129	1,764,129	3,397,071	3,397,071
Short-term bills payable	-	-	159,842	159,842
Financial liabilities at fair value through profit or loss, current	290	290	490	490
Notes payable	18,372	18,372	21,100	21,100
Accounts payable	4,512,979	4,512,979	4,450,756	4,450,756
Other payables	2,147,951	2,147,951	1,860,066	1,860,066
Current portion of long-term debt	200,000	200,000	-	-
Other financial liabilities, current	69,122	69,122	72,524	72,524
Long-term debt	5,013,197	5,013,197	7,150,590	7,150,590
Other financial liabilities, noncurrent	180,471	180,471	157,853	157,853

(Concluded)

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

	2012		2011	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets at fair value through profit or loss, current	$ -	$ -	$ 150,289	$ 150,289
Financial liabilities at fair value through profit or loss, current	(20,795)	(20,795)	(13,315)	(13,315)
Put option on convertible preferred stock	-	-	(19,950)	(19,950)

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

a. Financial instruments classified as current assets and liabilities will mature within a short period of time. Therefore, they should be recognized at fair value. Fair value recognition can be applied to financial instruments including cash and cash equivalents, notes receivable, accounts receivable, short-term bank borrowings, short-term bills payable, notes payable, accounts payable, and other financial instruments, etc.

b. If the price of marketable securities is obtainable, they should be measured at fair value. Otherwise, other information can be used to estimate these financial securities’ fair value.

c. Fair value of long-term debts is estimated using the present value of future cash flows discounted by the interest rates the company may obtain for similar loans.

d. The fair value of derivative financial instruments is the amount which the Company expects to receive or pay if the Company stops the contracts according to the agreement at the balance sheet date. Generally, the amounts included unrealized gain or loss on outstanding contracts and most of them have reference value from financial organizations.

Fair Value Measurement of Financial Assets and Liabilities

	Market Value	Other Estimation Method	Total
Assets			
Financial assets at fair value through profit or loss, current	$ 299,925	$ -	$ 299,925
Liabilities			
Financial liabilities at fair value through profit or loss, current	290	20,795	21,085

32. OPERATING LEASE

The agreement on lease of land, buildings and improvements which Test-Rite entered into with related party, Tsai Wang, required Test-Rite to pay guarantee deposit of $125,000 thousand, which was recorded under “refundable deposits paid”.

A list of rent expense for the next 5 years and the present value of rentals of 2017 as of December 31, 2012 was as follows:

Period	Amount
2013	$ 289,819
2014	298,513
2015	307,468
2016	316,693
2017	326,193
	$ 1,538,686

The lease agreement which Test-Rite entered into with non-related parties required Test-Rite to collect guarantee deposit of $60 thousand, which was recorded under “refundable deposits received.” A list of rent revenue for the next 5 years and present value of rentals of 2017 as of December 31, 2012 was as follows:

Period	Amount
2013	$ 421
2014	421
2015	245
2016	186
2017 (present value $52 thousand)	62
	$ 1,335

As lessor under lease agreements entered into with non-related parties, Chung Cin Enterprise collected guarantee deposit of $20,310 thousand, which was recorded under “refundable deposits received.” A list of rent revenue for the next 5 years and the present value of rentals from 2018 to 2025 as of December 31, 2012 was as follows:

Period	**Amount**
2013	$ 55,178
2014	32,851
2015	12,830
2016	4,973
2017	3,267
2018-2022 (present value $11,683 thousand)	14,561
2023-2025 (present value $4,931 thousand)	6,898
	$ 130,558

As lessee under agreements entered into for lease of land, buildings and improvements with non-related parties, Chung Cin Enterprise paid guarantee deposit of $22,051 thousand, which was recorded under “refundable deposits paid”. A list of rent expense for the next 5 years and the present value of rentals from 2018 to 2025 as of December 31, 2012 was as follows:

Period	**Amount**
2013	$ 32,364
2014	33,585
2015	34,223
2016	34,905
2017	36,258
2018-2021 (present value $173,372 thousand)	190,067
2022-2025 (present value $94,994 thousand)	109,270
	$ 470,672

As lessee, TR U.S. entered into sale-leaseback agreement of equipment, warehouse, and showroom facilities with non-related parties. A list of rent expense for future years as of December 31, 2012 was summarized as follows:

Period	**Amount**
2013	$ 68,231
2014	72,180
2015	70,103
2016	52,965
2017	51,518
2018-2019	4,293
	$ 319,290

TR U.S. entered into patent license agreement with non-related parties. A list of royalty expense for the next 3 years as of December 31, 2012 was summarized as follows:

Period	Amount
2013	$ 21,547
2014	4,813
2015	2,073
	$ 28,433

Hola Shanghai Retail & Trading entered into lease agreement for office premises with non-related parties. A list of rent expense for the next 5 years and the present value of rentals from 2018 to 2028 as of December 31, 2012 was as follows:

Period	Amount
2013	$ 539,994
2014	571,573
2015	566,184
2016	485,749
2017	463,771
2018-2022 (present value $1,256,022 thousand)	1,403,827
2023-2027 (present value $291,800 thousand)	364,518
2028 (present value $$36,004 thousand)	50,269
	$ 4,445,885

Test-Rite Retail's lease agreement for office premises with non-related parties required Test-Rite Retail to pay guarantee deposit of $461,854 thousand, which was recorded under "refundable deposits paid". A list of rent expense for the next 5 years and the present value from 2018 to 2042 as of December 31, 2012 was as follows:

Period	Amount
2013	$ 938,423
2014	951,912
2015	972,697
2016	751,344
2017	637,611
2018-2022 (present value $2,487,350 thousand)	2,730,641
2023-2027 (present value $666,265 thousand)	771,981
2028-2032 (present value $152,744 thousand)	191,482
2033-2037 (present value $81,739 thousand)	109,959
2038-2042 (present value $11,314 thousand)	15,839
	$ 8,071,889

The information of significant foreign-currency financial assets and liabilities as of December 31, 2012 and 2011 was summarized as follows:

(Unit: Foreign Currencies/New Taiwan Dollars in Thousands)

	2012			2011		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**	**Foreign Currencies**	**Exchange Rate**	**New Taiwan Dollars**
Financial assets						
Monetary items						
USD	$ 45,280	29.136	$ 1,319,265	$ 84,640	30.29	$ 2,563,748
EUR	1,481	38.4025	56,890	1,821	39.16	71,318
GBP	381	46.7544	17,830	556	46.7035	25,974
RMB	275,880	4.6597	1,285,516	223,300	4.806	1,073,178
SGD	2,710	23.7449	64,347	3,170	23.2849	73,824
Nonmonetary items						
USD	175,900	29.136	5,125,022	167,500	30.29	5,073,575
EUR	3,282	38.4025	126,019	5,957	39.16	233,257
Financial liabilities						
Monetary items						
USD	69,746	29.136	2,032,120	136,174	30.29	4,124,723
EUR	2,226	38.4025	85,502	615	39.16	24,071
RMB	552,986	4.6597	2,576,747	666,486	4.455	2,968,927
Nonmonetary items						
USD	169,900	29.136	4,950,206	144,437	30.29	4,374,986

33. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company's reportable segments under SFAS No. 41 are therefore as follows:

A Segment - retail segment
B Segment - trading segment
C Segment - manufacturing segment
D Segment - construction segment

Segment Revenue and Results

The analysis of the Company’s revenue and results from continuing operations by reportable segment for the years ended December 31, 2012 and 2011 was as follows:

	2012					
	A Segment	**B Segment**	**C Segment**	**D Segment**	**Adjustment and Elimination**	**Total**
Net sales	$ 20,365,537	$ 18,933,498	$ 2,062,048	$ 1,601,462	$ (7,715,271)	$ 35,247,274
Cost of sales	(13,203,261)	(14,866,799)	(1,651,115)	(1,362,391)	6,419,374	(24,664,192)
Gross profit	7,162,276	4,066,699	410,933	239,071	(1,295,897)	10,583,082
Operating expenses	(6,739,198)	(3,916,031)	(248,082)	(151,738)	1,315,763	(9,739,286)
Operating income	$ 423,078	$ 150,668	$ 162,851	$ 87,333	$ 19,866	843,796
Nonoperating income and gains						473,832
Nonoperating expenses and losses						(445,355)
Income before income tax						$ 872,273

	2011					
	A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	Total
Net sales	$ 20,674,374	$ 19,959,927	$ 3,169,467	$ 2,323,527	$(10,249,723)	$ 35,877,572
Cost of sales	(13,461,860)	(15,852,757)	(2,619,286)	(2,019,748)	8,915,089	(25,038,562)
Gross profit	7,212,514	4,107,170	550,181	303,779	(1,334,634)	10,839,010
Operating expenses	(6,860,730)	(3,849,415)	(382,627)	(149,563)	1,305,375	(9,936,960)
Operating income	$ 351,784	$ 257,755	$ 167,554	$ 154,216	$ (29,259)	902,050
Nonoperating income and gains						463,015
Nonoperating expenses and losses						(423,043)
Income before income tax						$ 942,022

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2012 and 2011.

Segment Assets and Liabilities

The analysis of the Company's assets and liabilities by reportable segment as of December 31, 2012 and 2011 was as follows:

	2012					
	A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	Total
Assets	$ 9,597,196	$ 15,255,817	$ -	$ 1,531,943	$ (3,754,234)	$ 22,630,722
Liabilities	$ 6,211,865	$ 11,835,448	$ -	$ 409,720	$ (2,591,347)	$ 15,865,686

	2011					
	A Segment	B Segment	C Segment	D Segment	Adjustment and Elimination	Total
Assets	$ 11,995,285	$ 15,716,245	$ 3,039,985	$ 1,718,798	$ (4,907,905)	$ 27,562,408
Liabilities	$ 8,450,934	$ 13,253,062	$ 1,829,139	$ 588,981	$ (3,790,408)	$ 20,331,708

All intercompany transactions have been eliminated upon consolidation for the years ended December 31, 2012 and 2011.

Geographical Information

The Company operates in two principal geographical areas - Asia and America. The Company's revenue from continuing operations from external customers and information about its noncurrent assets by geographical location were detailed below:

	Revenue from External Customers		Noncurrent Assets	
	Year Ended December 31		Year Ended December 31	
	2012	2011	2012	2011
Asia	$ 30,427,712	$ 31,072,591	$ 12,155,322	$ 13,609,786
America	4,451,594	4,384,891	-	-
Europe	336,770	419,752	-	-
Australia and others	31,198	338	-	-
	$ 35,247,274	$ 35,877,572	$ 12,155,322	$ 13,609,786

Noncurrent assets excluded those classified as financial instruments, deferred pension cost and deferred income tax assets.

Major Customer

No individual customer accounted for at least 10% of consolidated revenue in 2012 and 2011.

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

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

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

Plan Item	Responsible Division	Plan Progress
1) Establish the IFRSs taskforce	IFRSs taskforce and accounting division	Finished
2) Set up a work plan for IFRSs adoption	IFRSs taskforce and accounting division	Finished
3) Complete the identification of GAAP differences and impact	IFRSs taskforce and accounting division	Finished
4) Complete the identification of consolidated entities under IFRSs	IFRSs taskforce and accounting division	Finished
5) Evaluate optional exemptions under IFRS based on IFRS 1	IFRSs taskforce and accounting division	Finished
6) Complete modification to the IT systems	IFRSs taskforce and IT division	Finished
7) Complete modification to the internal controls	IFRSs taskforce and internal audit division	Finished
8) Determine IFRSs accounting policies	IFRSs taskforce and accounting division	Finished
9) Select optional exemptions under IFRS based on IFRS 1	IFRSs taskforce and accounting division	Finished
10) Complete the preparation of opening date balance sheet under IFRSs	IFRSs taskforce and accounting division	Finished
11) Prepare comparative financial information under IFRSs for 2012	IFRSs taskforce and accounting division	Finished

(Continued)

Plan Item	Responsible Division	Plan Progress
12) Complete modification to the relevant internal controls (including financial reporting process and information systems)	IFRSs taskforce and internal audit division	Finished

(Concluded)

b. The material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

1) Reconciliation of the consolidated balance sheet on January 1, 2012 were as follows:

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Explanation
Current assets					Current assets	
Cash and cash equivalents	$ 2,095,773	$ -	$ (2,000)	$ 2,093,773	Cash and cash equivalents	5) g)
Financial assets at fair value through profit or loss - current	249,736	-	-	249,736	Financial assets measured at fair value through profit and loss - current	
Available-for-sale financial assets - current	2,141	-	-	2,141	Available-for-sale financial assets - current	
Notes receivable	39,343	-	-	39,343	Notes receivable	
Accounts receivable	2,922,471	-	30,090	2,952,561	Accounts receivable	5) d)
Other receivables	310,823	-	-	310,823	Other receivables	
Other financial assets - current	613	-	2,000	2,613	Other financial assets - current	5) g)
Inventories	5,928,469	-	-	5,928,469	Inventories	
Prepayments	915,460	-	-	915,460	Prepayments	
Other current assets	260,980	-	(28,712)	232,268	Other current assets	5) a)
Total current assets	12,725,809	-	1,378	12,727,187	Total current assets	
Fund and investment					Noncurrent assets	
Long-term equity investments at equity method	1	-	-	1	Investments accounted for by the equity method	
Available-for-sale financial assets - noncurrent	30,450	-	-	30,450	Available-for-sale financial assets - noncurrent	
Financial assets carried at cost - noncurrent	109,989	-	-	109,989	Financial assets measured at fair value through profit and loss - noncurrent	
Bond investments without active market, noncurrent	50,000	-	-	50,000	Bond investments without active market, noncurrent	
Total long-term investments	190,440	-	-			
Property, plant and equipment, net	7,709,067	34,855	-	7,743,922	Property, plant and equipment, net	4) e)
Intangible assets						
Computer software cost	209,675	-	-	209,675	Computer software	
Goodwill	3,647,854	-	-	3,647,854	Goodwill	
Deferred pension cost	19,692	(19,692)	-			5) c)
Total intangible assets	3,877,221	(19,692)	-			
Other assets						
Refundable deposits paid	833,364	-	-	833,364	Refundable deposits	
Deferred income tax assets - noncurrent	1,002,504	-	28,712	1,031,216	Deferred income tax assets - noncurrent	5) a)
Other assets - other	1,224,003	-	-	1,224,003	Other assets	
Total other assets	3,059,871	-	28,712	14,880,474	Total noncurrent assets	
Total assets	$ 27,562,408	$ 15,163	$ 30,090	$ 27,607,661	Total assets	
Current liabilities					Current liabilities	
Short-term bank borrowings	$ 3,397,071	$ -	$ -	$ 3,397,071	Short-term bank borrowings	
Short-term bills payable	159,842	-	-	159,842	Short-term bills payable	
Financial liabilities at fair value through profit or loss - current	33,755	-	-	33,755	Financial liabilities measured at fair value through profit and loss - current	
Notes payable	21,100	-	-	21,100	Notes payable	
Accounts payable	4,450,756	-	-	4,450,756	Accounts payable	
Income tax payable	180,359	-	-	180,359	Income tax payable	
Other payables	1,860,066	23,107	-	1,883,173	Other payable	5) b)
Liability component of preferred stocks - current	335,361	-	-	335,361	Liability component of preferred stocks - current	
Advance receipt	457,602	197,870	-	655,472	Advance receipt	5) f)
Other current liabilities	582,137	(184,789)	18,090	415,438	Other current liabilities	5) a), 5) d), 5) e)
Total current liabilities	11,478,049	36,188	18,090	11,532,327	Total current liabilities	
Long-term liabilities					Noncurrent liabilities	
Long-term debt	7,150,590	-	-	7,150,590	Long-term debts	
Estimated land value increment tax payable	41,791	-	(41,791)	-		5) h)
Other liabilities						
Accrued pension cost	291,829	114,936	-	406,765	Accrued pension cost	5) c)
Refundable deposits	157,853	-	-	157,853	Refundable deposits	
Deferred credit	1,173,942	(923,942)	-	250,000	Deferred credit	5) e)
Other liabilities - others	37,654	49,233	53,791	140,678	Other liabilities	4) e), 5) a), 5) h)
Total other liabilities	1,661,278	(759,773)	53,791	8,105,886	Total other liabilities	
Total liabilities	20,331,708	(723,585)	30,090	19,638,213	Total liabilities	

(Continued)

R.O.C. GAAP Item	R.O.C. GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Explanation
Equity attributable to stockholders of the parent					Stockholders' equity	
Capital					Capital	
Common stock	$ 5,074,228	$ -	$ -	$ 5,074,228	Common stock	
Capital surplus					Capital surplus	
Additional paid-in capital	689,395	-	-	689,395	Additional paid-in capital	
Treasury stock transactions	5,081	-	-	5,081	Treasury stock transactions	
Retained earnings					Retained earnings	
Legal reserve	744,159		-	744,159	Legal reserve	
Unappropriated earnings	610,508	815,801	-	1,426,309	Unappropriated earnings	4) b), 4) c), 4) d), 4) e), 5) b), 5) c), 5) e), 5) f)
Others					Others	
Cumulative translation adjustments	133,069	(133,069)	-	-		4) d)
Net loss not recognized as pension costs	(104,021)	104,021	-	-		5) c)
Unrealized holding gain on available-for-sale financial assets	1,682	-	-	1,682	Unrealized holding gain on available-for-sale financial assets	
Unrealized revaluation increment	25,825	(25,825)	-	-		4) b)
Treasury stock	(437,139)	-	-	(437,139)	Treasury stock	
Total equity attributable to stockholders of the parent	6,742,787	760,928	-	7,503,715	Total equity attributable to stockholders of the parent	
Minority interest	487,913	(22,180)	-	465,733	Minority interests	
Total stockholders' equity	7,230,700	738,748	-	7,969,448	Total stockholders' equity	
Total liabilities and stockholders' equity	$ 27,562,408	$ 15,163	$ 30,090	$ 27,607,661	Total liabilities and stockholders' equity	

(Concluded)

2) Reconciliation of consolidated balance sheet as of December 31, 2012

R.O.C. GAAP Item	R.O.C. GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Explanation
Current assets					Current assets	
Cash and cash equivalents	$ 1,881,727	$ -	$ -	$ 1,881,727	Cash and cash equivalents	
Financial assets at fair value through profit or loss - current	299,925	-	-	299,925	Financial assets measured at fair value through profit and loss - current	
Notes receivable	5,207	-	-	5,207	Notes receivable	
Accounts receivable	2,406,456	-	1,822	2,408,278	Accounts receivable	5) d)
Other receivables	364,285	-	-	364,285	Other receivables	
Other financial assets - current	599	-	-	599	Other financial assets - current	
Inventories	4,840,887	-	-	4,840,887	Inventories	
Other prepayments	547,474	-	-	547,474	Other prepayments	
Other current assets	129,729	-	(38,635)	91,094	Other current assets	5) a)
Total current assets	10,476,289	-	(36,813)	10,439,476	Total current assets	
Fund and investment						
Financial assets carried at cost - noncurrent	73,709	-	-	73,709	Financial assets measured at fair value through profit and loss - noncurrent	
Bond investments without active market - noncurrent	50,000	-	-	50,000	Bond investments without active market - noncurrent	
Total long-term investments	123,709	-	-			
Property, plant and equipment, net	6,161,973	33,699	-	6,195,672	Property, plant and equipment, net	4) e)
Intangible assets						
Computer software cost	219,730	-	-	219,730	Computer software cost	
Goodwill	2,880,444	(699,555)	-	2,180,889	Goodwill	5) i)
Deferred pension cost	376	(376)	-	-		5) c)
Other intangible assets	68,737	(68,737)	-	-		5) i)
Total intangible assets	3,169,287	(768,668)	-			
Other assets						
Refundable deposits paid	841,804	-	-	841,804	Refundable deposits paid	
Deferred income tax assets - noncurrent	1,028,117	-	38,635	1,066,752	Deferred income tax assets - noncurrent	5) a)
Other assets - other	829,543	-	-	829,919	Other assets	
Total other assets	2,699,464	-	-	11,458,099	Total noncurrent assets	
Total assets	$ 22,630,722	$ (734,969)	$ 1,822	$ 21,897,575	Total assets	
Current liabilities					Current liabilities	
Short-term bank borrowings	$ 1,764,129	$ -	$ -	$ 1,764,129	Short-term bank borrowings	
Financial liabilities at fair value through profit or loss - current	21,085	-	-	21,085	Financial liabilities measured at fair value through profit and loss - current	
Notes payable	18,372	-	-	18,372	Notes payable	
Accounts payable	4,512,979	-	-	4,512,979	Accounts payable	
Income tax payable	134,184	-	-	134,184	Income tax payable	
Other payables	2,147,951	16,796	-	2,164,747	Other payables	5) b)
Advance receipt	411,071	193,002	-	604,073	Advance receipt	5) f)
Current portion of long-term debt	200,000	-	-	200,000	Current portion of long-term debt	
Other current liabilities	405,890	(184,789)	1,822	222,923	Other current liabilities	5) a), 5) d), 5) e)
Total current liabilities	9,615,661	25,009	1,822	9,642,492	Total current liabilities	

(Continued)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Explanation
Long-term liabilities	$ 5,013,197	$ -	$ -	$ 5,013,197	Noncurrent liabilities	
Other liabilities						
Accrued pension cost	85,667	44,042	-	129,709	Accrued pension cost	5) c)
Refundable deposits received	180,471	-	-	180,471	Refundable deposits received	
Deferred credit	939,154	(739,153)	-	200,001	Deferred credit	5) e)
Other liabilities - other	31,536	51,300	-	82,836	Other liabilities	4) e), 5) a), 5) h)
Total other liabilities	1,236,828	(643,811)	-	5,606,214	Total other liabilities	
Total liabilities	15,865,686	(618,802)	1,822	15,248,706	Total liabilities	
Stockholders' equity					Stockholders' equity	
Capital					Capital	
Common stock	5,219,555	-	-	5,219,555	Common stock	
Capital surplus					Capital surplus	
Additional paid-in capital	685,395	-	-	689,395	Additional paid-in capital	
Treasury stock transactions	5,081	-	-	5,081	Treasury stock transactions	
Retained earnings					Retained earnings	
Legal reserve	805,210	-	-	805,210	Legal reserve	
Unappropriated earnings	706,129	(42,968)	-	663,161	Unappropriated earnings	4) b), 4) c), 4) d), 4) e), 5) b), 5) c), 5) e), 5) f)
Others					Others	
Cumulative translation adjustments	109,560	(133,069)	-	(23,509)	Cumulative translation adjustments	4) d)
Net loss not recognized as pension costs	(59,870)	59,870	-	-		5) c)
Unrealized holding loss on available-for-sale financial asset	25	-	-	25	Unrealized holding loss on available-for-sale financial asset	
Treasury stock	(729,124)	-	-	(729,124)	Treasury stock	
Total equity attributable to stockholders of the parent	6,745,961	(116,167)	-	6,629,794	Total equity attributable to stockholders of the parent	
Minority interest	19,075	-	-	19,075	Minority interest	
Total stockholders' equity	6,765,036	(116,167)	-	6,648,869	Total stockholders' equity	
Total liabilities and stockholders' equity	$ 22,630,722	$ (734,969)	$ 1,822	$ 21,897,575	Total liabilities and stockholders' equity	

(Concluded)

3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Explanation
Net operating revenue	$ 35,247,274	$ 4,868	$ -	$ 35,252,142	Net operating revenue	5) f)
Operating cost	24,664,192	184,789	-	24,848,981	Operating cost	5) e)
Gross profit	10,583,082	(179,921)	-	10,403,161	Gross profit	
Operating expenses	9,739,286	3,558	-	9,742,844	Operating expenses	4) e), 5) b), 5) c)
Operating income	843,796	(183,479)	-	660,317	Operating income (loss)	
Nonoperating income and gains					Nonoperating income and gains	
Interest income	16,960	-	-	16,960	Interest income	
Investment gain recognized under equity method	6,798	-	-	6,798	Investment gain recognized under equity method	
Gain on disposal of property, plant and equipment	320	-	-	320	Gain on disposal of property, plant and equipment	
Gain on sale of investments, net	48,482	-	-	48,482	Gain on sale of investments, net	
Foreign exchange gain, net	194,698	-	-	194,698	Foreign exchange gain, net	
Gain on valuation of financial liabilities	11,588	-	-	11,588	Gain on valuation of financial liabilities	
Others	194,986	-	-	194,986	Others	
Total non-operating income	473,832	-	-	473,832	Total non-operating income	
Nonoperating expenses and loss					Nonoperating expenses and loss	
Interest expenses	193,299	2,067	-	195,366	Interest expenses	4) e)
Loss on disposal of property, plant, and equipment	5,621	-	-	5,621	Loss on disposal of property, plant, and equipment	
Amortization of liability component of preferred stocks - noncurrent	5,229	-	-	5,229	Amortization of liability component of preferred stocks - noncurrent	
Dividends paid on liability component of preferred stocks - noncurrent	8,726	-	-	8,726	Dividends paid on liability component of preferred stocks - noncurrent	
Loss on valuation of financial assets	164,356	-	-	164,356	Loss on valuation of financial assets	
Reverse split loss	1,717	-	-	1,717	Others	
Others	66,407	-	-	66,407	Others	
Total non-operating expenses	445,355	2,067	-	447,422	Total non-operating expenses	
Provision for income tax	872,273	(185,546)	-	686,727	Income before income tax	
Income tax expense	(122,033)	-	-	(122,033)	Provision for income tax	
Total consolidated net income	$ 750,240	$ (185,546)	$ -	$ 564,494	Total consolidated net income	
				$ (23,509)	Cumulative translation adjustments	
				(6,823)	Pension cost and actuarial losses of defined benefit	
				(1,657)	Unrealized loss on financial instruments	
				$ 532,705	Total comprehensive gain	

4) Exemptions from IFRSs 1

IFRS 1, “First-time Adoption of International Financial Reporting Standards,” established the procedures for the preparation of the Company’s first consolidated financial statements in accordance with IFRSs. According to IFRS 1, the Company is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs (January 1, 2012; the transition date); except for optional exemptions to such retrospective application provided under IFRSs 1. The main optional exemptions the Company adopted are summarized as follows:

a) Business combinations

The Company elected not to apply IFRS 3, “Business Combinations,” retrospectively to business combinations that occurred before the date of transition to IFRSs. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations, related assets and liabilities adopted in business combinations, and noncontrolling interests remain the same compared with those under R.O.C. GAAP as of December 31, 2011. This optional exemption is also applicable to the investments in associates.

b) Fair value or revaluation amount as deemed cost

The Company revalued parts of its land in accordance with R.O.C. GAAP and used the revalued amount as the deemed cost at the date of transition to IFRS. The rest of the property, plant and equipment will be accounted in accordance with IFRSs using the cost model and relevant provisions will be applied retroactively.

The amount of unrealized revaluation increment reclassified to retained earnings on December 31, 2012 and January 1, 2011 was $25,825 thousand.

c) Employee benefits

The Company reclassified all unrecognized accumulated actuarial profit and loss concerning employee benefits plan to retained earnings at the date of transition to IFRSs.

d) Cumulative translation differences

The Company elected to set to zero its cumulative translation adjustments in stockholders’ equity by reclassifying the amount to retained earnings at the date of transition to IFRS.

The Company adopted optional exemptions in accordance with IFRS and reclassified cumulative translation adjustments of $133,069 thousand to retained earnings.

e) Property, plant and equipment costs included decommissioning liabilities

At the date of transition to IFRSs, the Company adopted IAS 37, "Provisions, contingent liabilities and contingent assets" which required to measure decommissioning liabilities, and the provision is included in liabilities and in the cost of the relevant assets. Related accumulated depreciation of the assets is adjusted at the date of transition to IFRSs.

As of December 31, 2012 and January 1, 2012, the amount of decommissioning liabilities of the Company amounted to $51,300 thousand and $49,233 thousand, respectively; recognized decommissioned assets amounted to $33,699 thousand and $34,855 thousand, respectively. In addition, for the year ended December 31, 2012, depreciation expense and interest expense increased by $1,156 thousand and $2,067 thousand, respectively.

f) Share-based payment

The Company elected to take the optional exemption from applying IFRS 2, “Share-based Payment,” retrospectively for the shared-based payment transactions granted and vested before January 1, 2012.

5) Notes to the reconciliation of the significant differences:

The Company-specific areas of possible material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

a) Under R.O.C. GAAP, 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. In accordance with IAS No. 12, “Income Taxes,” deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

In addition, under R.O.C. GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent asset or liability.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were $38,635 thousand and $28,712 thousand, deferred income tax liabilities to noncurrent liabilities were $0 thousand and $12,000 thousand, respectively.

b) Short-term employee benefits under R.O.C. GAAP are not expressly stipulated and usually recorded when paid. After the date of transition to IFRS, it is recognized as an expense when employees provided services to increase their paid vacation.

As of December 31, 2012 and January 1, 2012, the Company increased accounts payable by $16,796 thousand and $23,107 thousand for short-term employee benefits. In addition, for the year ended December 31, 2012, the Company increased “operating expenses - general and administrative” by $8,189 thousand.

c) According to SFAS No. 18, the unrecognized transition obligation at the first adoption of SFAS No. 18, “Accounting for Pension,” should be amortized over the expected remaining working lives of employees. On the date of transition to IFRSs, the retained earnings should be adjusted for unrecognized transition obligation.

Under R.O.C. GAAP, when using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees. Under IAS No. 19, “Employee Benefits,” the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

As of December 31, 2012 and January 1, 2012, the Company performed the actuarial valuation under IAS No. 19, “Employee Benefits,” and recognized the valuation difference directly to retained earnings under the requirement of IFRS 1; accrued pension cost was adjusted for an increase of $44,042 thousand and $114,936 thousand, respectively. Deferred pension cost was adjusted for a decrease of $376 thousand and $19,692 thousand, respectively. Net loss not recognized as pension costs was adjusted for an increase of $59,870 thousand and $104,021 thousand, respectively. Pension cost and actuarial losses of defined benefit for the year ended December 31, 2012 was also adjusted for a decrease of $$5,787 thousand and $6,823 thousand, respectively.

d) Under R.O.C. GAAP, provisions for estimated sales returns and others are recognized as a reduction in revenue in the period, the related revenue is recognized based on historical experience. Allowance for sales returns and others is recorded as a deduction in accounts receivable. Under IFRSs, the allowance for sales returns and others is a present obligation with uncertain timing and an amount that arises from past events and is therefore reclassified as provisions (classified under current liabilities) in accordance with IAS No. 37, "Provisions, Contingent Liabilities and Contingent Assets."

   As of December 31, 2012 and January 1, 2012, the amounts reclassified from allowance for sales returns and others to provisions were $1,822 thousand and $30,090 thousand, respectively.

e) Under R.O.C. GAAP, when the nature of the lessee's sale and leaseback transaction is operating lease, the profit from the sale and leaseback is required to be recognized and deferred evenly during the lease term. The present value of total rental is compared to the fair value of sold asset; excess of present value of rental is immediately recognized as loss and excess of fair value is the deferred amount. Under IFRSs, if the sale price is fair value, the sale and leaseback should be recognized immediately to the profit or loss; sale price is higher than the fair value should be deferred and expect to be amortized over lease term.

   As of December 31, 2012 and January 1, 2012, the Company adjusted to reduce unrealized gain in the amount of $923,942 thousand and $1,108,731 thousand, respectively. In addition, for the year ended December 31, 2012, the amortization increased the lease costs by $184,789 thousand.

f) Under R.O.C. GAAP, when the reward points are generated, the liabilities and marketing costs should be estimated and recognized. Under IFRSs, part of the sales revenue is reward point revenue; fair value of sales of goods and reward point is the basis in calculating the revenue; when the convertible obligation actually materialized or failed, the related award points should be recognized as revenue.

   As of December 31, 2012 and January 1, 2012, deferred reward points revenues were $193,002 thousand and $197,870 thousand, respectively. In addition, for the year ended December 31, 2012, due to the realized convertible obligations, revenue was recognized for $4,868 thousand.

g) Under R.O.C. GAAP, the term "Cash and cash equivalents" used in the financial statements includes cash on hand, demand deposits, check deposits, time deposits that are cancellable but without any loss of principal and negotiable certificates of deposit that are readily salable without any loss of principal. However, under IFRSs, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. An investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Some certificates of deposit the Company held had maturity of more than three months from the date of investment; therefore, they were reclassified from cash and cash equivalents to other financial assets.

   As of December 31, 2012 and January 1, 2012, the amounts reclassified from cash and cash equivalents to other financial assets were $0 thousand and $2,000 thousand, respectively.

h) By the Guidelines Governing the Preparation of Financial Reports by Securities Issuers for land revaluation increment tax payable should be classified as long-term liabilities. According to IFRS, if an entity elected to use the revaluation amount of land as the deemed cost under its first-time adoption of IFRS, the related reserve for land revaluation increment tax must be reclassified into deferred income tax liabilities - land value increment tax.

As of December 31, 2012 and January 1, 2012, the amount of reserve for land revaluation increment tax reclassified to deferred income tax liabilities - noncurrent was $0 thousand and $41,791 thousand, respectively.

i) Under R.O.C. GAAP, the acquisition cost of investment is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as other tangible assets and goodwill. Under IFRSs, changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions, and the adjustment is debited to capital surplus, but if the capital surplus recognized from long-term investments is insufficient, the shortage is debited to retained earnings. As of December 31, 2012, retained earnings were adjusted for a decrease of $768,292 thousand, other tangible assets were adjusted for a decrease of $68,737 thousand and goodwill was adjusted for a decrease of $699,555 thousand.

6) Special reserve recognized at the date of transition

According to Rule No. 1010012865 issued by the Financial Supervisory Commission (FSC) on April 6, 2012, in the first-time adoption of IFRSs, the Company is required to record special reserve equal to the total amount of unrealized revaluation increments and cumulative translation differences under stockholders' equity reclassified to retained earnings in accordance with IFRS 1; however, if the amount of the credit adjustments to retained earnings at the date of transition to IFRSs is smaller than the total amount of unrealized revaluation increments and cumulative translation differences, only the amount of the credit adjustments to retained earnings is reclassified to special reserve. The special reserve is reversed proportionately when using, disposing and reclassifying the related assets. As of January 1, 2012, the amount appropriated to special reserve from cumulative translation differences transferred to retained earnings at the date of first-time adoption of IFRSs was $158,894 thousand. For the year ended December 31, 2012, the special reserve reversed on the disposal of the assets was $148,098 thousand.

c. The Company's aforementioned assessment is based on the 2010 version of IFRSs translated by the ARDF and on the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by the FSC on December 22, 2011. However, the assessment result may be impacted as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with IFRSs. Actual results may differ from these assessments.