Grape King Biotechnology Inc. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2013 and 2012 and Independent Accountants' Review Report

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

<u>English Translation of a Report Originally Issued in Chinese</u>

To Grape King Biotechnology Inc.

We have reviewed the accompanying consolidated balance sheets of Grape King Inc. and subsidiaries (the "Company") as of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012, and consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue the review report based on our reviews. As shown in the accompanying consolidated financial statements of subsidiaries, we did not review the financial statements of Pro-partner Inc. which were reviewed or audited by other independent accountants. Our reviews, insofar as it relates to the financial statements of Pro-partner Inc. are based solely on the reports of the other independent accountants. We did not review the financial statements of certain consolidated subsidiary with total assets of NT$1,604,144 thousand, NT$1,543,868 thousand, NT$1,259,909 thousand and NT$1,241,270 thousand, which represented 40.22%, 39.84%, 35.36% and 35.92% of the total consolidated assets as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, and the operating revenues of NT$604,795 thousand, 508,458 thousand, NT$1,785,025 thousand and NT$1,430,022 thousand, which represented 43.54%, 43.79%, 43.16% and 43.33% of the consolidated operating revenues, for the three-month and nine-month periods ended September 30, 2013 and 2012, respectively.

We conducted our reviews in accordance with the Statements of Auditing Standards No. 36, "Review of Financial Statements" of the Republic of China. A review is limited primarily to applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews and the reports of the other independent accountants, we are not aware of any material modifications or adjustments that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, “Interim Financial Reporting” and International Financial Reporting Standards No. 1, “First-time Adoption of IFRS” which are recognized by Financial Supervisory Commission of the Republic of China.

PKF Taiwan
CERTIFIED PUBLIC ACCOUNTANTS

November 11, 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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIOTECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

		September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012	
ASSETS	Notes	Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS									
Cash and cash equivalents	4. 6(1)	$ 675,242	16.93	$ 1,084,597	27.99	$ 899,433	25.24	$ 795,476	23.02
Financial assets at fair value through profit or loss	4. 6(2)	408,260	10.23	415,307	10.72	309,599	8.69	302,132	8.74
Notes receivable, net	4. 6(3)	6,482	0.16	15,689	0.40	24,498	0.69	36,908	1.07
Accounts receivable, net	4. 6(4)	80,125	2.01	106,470	2.75	97,546	2.74	93,610	2.71
Accounts receivable from related parties, net	4. 6(4). 7	14,740	0.37	17,257	0.45	34,958	0.98	9,320	0.27
Other receivables	4	651	0.02	1,018	0.03	732	0.02	1,193	0.03
Inventories, net	4. 6(5)	237,632	5.96	211,217	5.45	214,269	6.01	187,142	5.42
Prepayments	4. 6(9)	18,669	0.47	9,473	0.24	17,817	0.50	12,117	0.35
Other current assets	4. 6(9)	865	0.02	2,105	0.05	2,000	0.05	57,954	1.68
Total current assets		1,442,666	36.17	1,863,133	48.08	1,600,852	44.92	1,495,852	43.29
NONCURRENT ASSETS									
Financial assets carried at cost, noncurrent	4. 6(6)	12,274	0.31	20	—	20	—	20	—
Property, plant and equipment	4. 6(7). 8	1,773,185	44.45	1,576,028	40.67	1,582,580	44.41	1,566,114	45.32
Investment property, net	4. 6(8)	287,349	7.20	258,040	6.65	256,459	7.20	257,294	7.44
Intangible assets	4	—	—	—	—	—	—	186	0.01
Deferred tax assets	4. 6(15)	14,988	0.38	14,451	0.37	14,451	0.41	9,800	0.28
Other noncurrent assets	4. 6(9). 7	458,187	11.49	163,764	4.23	109,046	3.06	126,480	3.66
Total noncurrent assets		2,545,983	63.83	2,012,303	51.92	1,962,556	55.08	1,959,894	56.71
Total assets		$ 3,988,649	100.00	$ 3,875,436	100.00	$ 3,563,408	100.00	$ 3,455,746	100.00

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
GRAPE KING BIOTECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

		September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012	
LIABILITIES AND EQUITY	Notes	Amount	%	Amount	%	Amount	%	Amount	%
CURRENT LIABILITIES									
Short-term loans	6(10)	$ —	—	$ —	—	$ 55,200	1.55	$ 54,420	1.57
Notes payable		8,783	0.22	16,207	0.42	10,315	0.29	14,380	0.42
Accounts payable		86,577	2.17	72,010	1.86	85,705	2.40	58,440	1.69
Other payables	6(12)	745,584	18.69	757,551	19.55	579,806	16.27	591,790	17.13
Other payables to related parties	6(12). 7	1,635	0.04	1,838	0.05	1,317	0.04	5,563	0.16
Income tax payable	4. 6(15)	91,427	2.29	117,093	3.02	140,203	3.93	99,272	2.87
Provisions	4. 6(11)	1,212	0.03	501	0.01	2,404	0.07	1,055	0.03
Other current liabilities		39,030	0.98	14,388	0.37	20,642	0.58	13,732	0.40
Total current liabilities		974,248	24.42	979,588	25.28	895,592	25.13	838,652	24.27
NONCURRENT LIABILITIES									
Deferred tax liabilities	4. 6(15)	68,463	1.72	68,463	1.77	68,463	1.92	68,463	1.98
Other noncurrent liabilities									
Other long-term payables	6(12)	31,578	0.79	30,761	0.79	30,889	0.87	31,800	0.92
Accrued pension liabilities	4. 6(13)	67,393	1.69	68,807	1.78	67,698	1.90	68,225	1.97
Guarantee deposits reveived	7	4,230	0.11	7,090	0.18	7,090	0.20	7,090	0.21
Total other noncurrent liabilities		103,201	2.59	106,658	2.75	105,677	2.97	107,115	3.10
Total noncurrent liabilities		171,664	4.31	175,121	4.52	174,140	4.89	175,578	5.08
Total liabilities		1,145,912	28.73	1,154,709	29.80	1,069,732	30.02	1,014,230	29.35
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT									
Common stock	6(16)	1,302,350	32.65	1,302,350	33.60	1,302,350	36.55	1,302,350	37.69
Capital surplus, treasury stock transactions	6(16)	4,363	0.11	4,363	0.11	4,363	0.12	4,363	0.12
Retained earnings									
Legal capital reserve	6(16)	262,547	6.58	200,656	5.18	200,656	5.63	153,350	4.44
Special capital reserve	6(16)	74,671	1.87	—	—	739,432	—	—	—
Unappropriated earnings	6(15)(16)	865,645	21.71	904,044	23.33	—	20.75	734,500	21.25
Total retained earnings		1,202,863	30.16	1,104,700	28.51	940,088	26.38	887,850	25.69
Other components of equity		(666)	(0.02)	1,922	0.05	1,945	0.06	—	—
Equity attributable to shareholders of the parent		2,508,910	62.90	2,413,335	62.27	2,248,746	63.11	2,194,563	63.50
NONCONTROLLING INTERESTS	6(16)	333,827	8.37	307,392	7.93	244,930	6.87	246,953	7.15
Total equity		2,842,737	71.27	2,720,727	70.20	2,493,676	69.98	2,441,516	70.65
Significant contingencies and unrecognized contract commitments	9								
Total liabilities and equity		$ 3,988,649	100.00	$ 3,875,436	100.00	$ 3,563,408	100.00	$ 3,455,746	100.00

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIOTECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

		For the Three Months Ended September 30				For the Nine Months Ended September 30			
		2013		2012		2013		2012	
	Notes	Amount	%	Amount	%	Amount	%	Amount	%
NET OPERATING REVENUES	4. 6(19). 7	$ 1,389,154	100.00	$ 1,161,059	100.00	$ 4,136,030	100.00	$ 3,300,623	100.00
OPERATING COSTS		(149,926)	(10.79)	(149,144)	(12.85)	(484,992)	(11.73)	(418,976)	(12.69)
GROSS PROFIT		1,239,228	89.21	1,011,915	87.15	3,651,038	88.27	2,881,647	87.31
OPERATING EXPENSES	7								
Sales and marketing expenses		762,239	54.87	624,554	53.79	2,420,743	58.53	1,732,373	52.49
General and administrative expenses		91,064	6.55	107,304	9.24	255,308	6.17	380,531	11.53
Research and development expenses		26,470	1.91	16,122	1.39	58,131	1.40	61,698	1.87
Total operating expenses		(879,773)	(63.33)	(747,980)	(64.42)	(2,734,182)	(66.10)	(2,174,602)	(65.89)
OPERATING INCOME		359,455	25.88	263,935	22.73	916,856	22.17	707,045	21.42
NON-OPERATING INCOME AND EXPENSES									
Other revenue	6(20)	14,015	1.00	10,788	0.93	45,452	1.10	40,410	1.23
Other gain and loss	6(21)	(4,307)	(0.31)	(92)	(0.01)	17,270	0.41	(5,535)	(0.17)
Financial costs	6(22)	(25)	—	(461)	(0.04)	(103)	—	(1,383)	(0.04)
Total non-operating income and expenses		9,683	0.69	10,235	0.88	62,619	1.51	33,492	1.02
INCOME BEFORE INCOME TAX		369,138	26.57	274,170	23.61	979,475	23.68	740,537	22.44
INCOME TAX EXPENSE	4. 6(15)	(64,889)	(4.67)	(58,118)	(5.00)	(168,823)	(4.08)	(132,555)	(4.02)
NET INCOME		304,249	21.90	216,052	18.61	810,652	19.60	607,982	18.42
OTHER COMPREHENSIVE INCOME (LOSS)									
Exchange differences on translation of foreign operations	4	817	0.06	668	0.06	(3,118)	(0.07)	2,343	0.07
Income tax related to components of other comprehensive income	4. 6(15)	(139)	(0.01)	(113)	(0.01)	530	0.01	(398)	(0.01)
Total other comprehensive income (loss), net of tax		678	0.05	555	0.05	(2,588)	(0.06)	1,945	0.06
TOTAL COMPREHENSIVE INCOME		$ 304,927	21.95	$ 216,607	18.66	$ 808,064	19.54	$ 609,927	18.48
NET INCOME (LOSS) ATTRIBUTABLE TO:									
Shareholders of the parent		$ 205,910	14.82	$ 155,090	13.36	$ 580,032	14.02	$ 442,943	13.42
Noncontrolling interests		98,339	7.08	60,962	5.25	230,620	5.58	165,039	5.00
		$ 304,249	21.90	$ 216,052	18.61	$ 810,652	19.60	$ 607,982	18.42
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:									
Shareholders of the parent		$ 206,588	14.87	$ 155,645	13.41	$ 577,444	13.96	$ 444,888	13.48
Noncontrolling interests		98,339	7.08	60,962	5.25	230,620	5.58	165,039	5.00
		$ 304,927	21.95	$ 216,607	18.66	$ 808,064	19.54	$ 609,927	18.48
EARNINGS PER SHARE (NT$)									
Basic earnings per share	4. 6(17)	$ 1.58		$ 1.19		$ 4.45		$ 3.40	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIOTECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine-month periods ended September 30, 2013 and 2012

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Parent								
			Retained earnings			Other components of equity			
	Common Stock	Capital Surplus	Legal capital reserve	Special capital reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Total	Noncontrolling Interests	Total Equity
BALANCE, JANUARY 1, 2013	$ 1,302,350	$ 4,363	$ 200,656	$ 74,671	$ 829,373	$ 1,922	$ 2,413,335	$ 307,392	$ 2,720,727
Appropriations of prior year's earnings									
Legal capital reserve	—	—	61,891	—	(61,891)	—	—	—	—
Cash dividends to shareholders	—	—	—	—	(481,869)	—	(481,869)	(204,185)	(686,054)
Subtotal	1,302,350	4,363	262,547	74,671	285,613	1,922	1,931,466	103,207	2,034,673
Net income for the nine months ended September 30, 2013	—	—	—	—	580,032	—	580,032	230,620	810,652
Other comprehensive loss for the nine months ended September 30, 2013, net of tax	—	—	—	—	—	(2,588)	(2,588)	—	(2,588)
Total comprehensive income for the nine months ended September 30, 2013	—	—	—	—	580,032	(2,588)	577,444	230,620	808,064
BALANCE, SEPTEMBER 30, 2013	$ 1,302,350	$ 4,363	$ 262,547	$ 74,671	$ 865,645	$ (666)	$ 2,508,910	$ 333,827	$ 2,842,737
BALANCE, JANUARY 1, 2012	$ 1,302,350	$ 4,363	$ 153,350	$ —	$ 734,500	$ —	$ 2,194,563	$ 246,953	$ 2,441,516
Appropriations of prior year's earnings									
Legal capital reserve	—	—	47,306	—	(47,306)	—	—	—	—
Cash dividends to shareholders	—	—	—	—	(390,705)	—	(390,705)	(167,062)	(557,767)
Subtotal	1,302,350	4,363	200,656	—	296,489	—	1,803,858	79,891	1,883,749
Net income for the nine months ended September 30, 2012	—	—	—	—	442,943	—	442,943	165,039	607,982
Other comprehensive income for the nine months ended September 30, 2012, net of tax	—	—	—	—	—	1,945	1,945	—	1,945
Total comprehensive income for the nine months ended September 30, 2012	—	—	—	—	442,943	1,945	444,888	165,039	609,927
BALANCE, SEPTEMBER 30, 2012	$ 1,302,350	$ 4,363	$ 200,656	$ —	$ 739,432	$ 1,945	$ 2,248,746	$ 244,930	$ 2,493,676

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GRAPE KING BIOTECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine-month periods ended September 30, 2013 and 2012

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before tax	$ 979,475	$ 740,537
Adjustments for:		
Depreciation expense	90,798	84,486
Amortization expense	—	186
Bad debt expenses (reversal)	(2,893)	(9,627)
Net gain of financial assets at fair value through profit or loss	(2,488)	(5,190)
Interest expense	103	1,383
Interest revenue	(1,941)	(2,755)
Loss (gain) on disposal of property, plant and equipment	702	(1,016)
Gain on disposal of investment property	(913)	—
Changes in operating assets and liabilities:		
Notes receivable	9,207	15,410
Accounts receivable	31,755	(20,780)
Other receivables	441	395
Inventories	(26,415)	(27,127)
Prepayments	(9,818)	(2,598)
Other current assets	(310)	—
Other financial assets	1,550	56,094
Notes payable	(7,424)	(4,065)
Accounts payable	14,567	27,265
Other payables	(21,954)	(14,834)
Provisions	711	1,349
Advance receipts	11,809	2,345
Other current liabilities	12,833	4,565
Accrued pension liabilities	(1,414)	(527)
Cash generated from operations	1,078,381	845,496
Interest received	1,867	2,821
Interest paid	(103)	(1,383)
Income tax paid	(194,495)	(96,673)
Net cash provided by operating activities	885,650	750,261

(continued)

	For the Nine Months Ended September 30,	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(417,332)	(513,164)
Proceeds from disposal of financial assets at fair value through profit or loss	426,866	510,887
Acquisition of property, plant and equipment	(214,030)	(39,637)
Proceeds from disposal of property, plant and equipment	1,388	1,371
Refundable deposits paid	(8,863)	(462)
Refundable deposits refunded	455	2,963
Acquisition of investment property	(594)	—
Proceeds from disposal of investment property	1,864	—
Increase in prepayment for equipment	(94,364)	(60,102)
Increase in prepayment for land and building	(290,757)	—
Net cash used in investing activities	(595,367)	(98,144)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	—	780
Guarantee deposits received	151	—
Guarantee deposits refunded	(3,011)	—
Cash dividends	(686,054)	(557,767)
Net cash used in financing activities	(688,914)	(556,987)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(10,724)	8,827
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(409,355)	103,957
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,084,597	795,476
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 675,242	$ 899,433

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

Grape King Biotechnology Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
(Amounts in New Taiwan Dollars, Unless Specified Otherwise)
(Reviewed, Not Audited)

1. HISTORY AND ORGANIZATION

The consolidated financial statements incorporate the financial statements of Grape King Biotechnology Inc. and entities controlled by Grape King Biotechnology Inc. (its subsidiaries). The subsidiaries in the consolidated financial statements are Pro-partner Inc., Grape King International Investment Inc. (BVI) and Shanghai Grape King Enterprise Co., Ltd. Significant inter-company transactions and assets and liabilities arising from inter-company transactions are eliminated.

(1) General

Grape King Biotechnology Corporation (the Company) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) and started its operations in April, 1971. The Company merged with “China Fuso Seiko Pharmaceutical Industries Ltd.” in 1979 and was renamed as “Grape King Inc.”. In 1981, “Head Fancy Cosmetics Co. Ltd.” merged into “Grape King Inc”. On December 20, 1982, the Company, its shares were listed on the Taiwan Stock Exchange (TWSE). On June 12, 2002, the Company has obtained the approval to change its name to “Grape King Biotechnology Inc. ”The Company is engaged in the manufacturing and selling drink, healthful food, shampoo and medicine.

The Company’s and its subsidiaries’ headcounts amounted to 449, 374, 382 and 355, respectively, on September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012.

(2) The Subsidiaries in the Consolidated Financial Statements

Name of Investee	Main Businesses	Percentage of Ownership			
		September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Pro-partner Inc. (Pro-partner)	Selling and marketing	60%	60%	60%	60%
Grape King International Investment Inc.(B.V.I.) (GKBVI)	Investment activities	100%	100%	100%	100%
Shanghai Grape King Enterprise Co., Ltd. (Shanghai Grape King)	Manufacturing	100%	100%	100%	100%

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Board of Directors on November 11, 2013.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

(1) First Time Adoption of International Financial Reporting Standards

The Company and its subsidiaries (hereinafter referred to as the Consolidated Company) started to prepare consolidated financial statements in accordance with IFRSs at beginning of 2013. The consolidated balance sheet as of January 1, 2012 is the date of transition to IFRSs and the consolidated financial statements for the year ended December 31, 2013 was prepared in accordance with the significant accounting policies under 2010 edition of the IFRSs which approved by financial Supervisory Commission (hereinafter referred to as FSC) .The effect of the transition to IFRSs on the consolidated Company's consolidated financial statements is disclosed in Note 15.

(2) New, Revised or Amended Standards and Interpretations

A. Standards endorsed by the FSC but the effective dates have not yet been determined by the FSC, are not yet adopted by the Consolidated Company at the date of issuance of the Company's financial statements:

New, revised or amended standards and interpretations	Content	Effective Date Issued by IASB (Note2)
IFRS 9 (2009)	Financial Instruments (Issued in November,2009)	2015.1.1
Amendment to IAS 39 (Note 1)	Improvements to IFRSs 2009 - Amendment to IAS 39 (Issued in April,2009) With IFRS 9 of release, remove the related regulations about the classification and measurement of Financial Instruments. (Issued in November,2009)	2009.1.1 2010.1.1 2015.1.1

B. Standards or interpretations issued, revised or amended issued by IASB but not yet endorsed by the FSC, are not yet adopted by the Consolidated Company at the date of issuance of the Consolidated Company's financial statements:

New, revised or amended standards and interpretations	Content	Effective Date Issued by IASB (Note2)
Framework	Chapter I "Objective of financial reporting" and Chapter III "Qualitative characteristics of useful financial information" replace the "Framework for the Preparation and Presentation of Financial Statements" part of the contents. (Issued in September,2009)	2010.9

New, revised or amended standards and interpretations	Content	Effective Date Issued by IASB (Note2)
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters. (Issued in Janaury,2010)	2010.7.1
IFRS 1	Improvements to IFRSs (Issued in May, 2010) Accounting policy changes in the year of adoption. Revaluation basis as deemed cost. Use of deemed cost for operations subject to rate regulation	2011.1.1
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters. (issued in December, 2010)	2011.7.1
IFRS 1	Amendment for government loans (issued in March, 2012)	2013.1.1
IFRS 1	Annual Improvements to IFRSs 2009 – 2011 Cycle. (Issued in May, 2012) Permit the repeated application of IFRS 1. Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the date of transition to IFRSs.	2013.1.1
IFRS 3	Improvements to IFRSs (Issued in May, 2010) Transitional requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3. Measurement of non-controlling interests. Unreplaced and voluntarily replaced share-based payment awards.	2010.7.1

New, revised or amended standards and interpretations	Content	Effective Date Issued by IASB (Note2)
IFRS 7	Improvements to IFRSs (Issued in May, 2010) Financial Instruments: Disclosures	2011.1.1
IFRS 7	Disclosures - Transfers of Financial Assets (Issued in October, 2010)	2011.7.1
IFRS 7	Disclosures-offsetting Financial Assets and Financial Liabilities (Issued in December, 2011)	2013.1.1
IFRS 9	New requirements about classification and measurement of financial Liabilities. (Issued in October, 2010) Financial Instruments, incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities. (Issued in October, 2010)	2015.1.1
IFRS 10	Consolidated Financial Statements (Issued in May, 2011) Consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10 Consolidated Financial Statements.	2013.1.1
IFRS 10	Investment Entities (Issued in October, 2012)	2014.1.1
IFRS 11	Joint Arrangements (Issued in May, 2011) replaces the portion of IAS 31 "Interests In Joint Ventures".	2013.1.1
IFRS 12	Disclosure of Interests in Other Entities (Issued in May, 2011)	2013.1.1

New, revised or amended standards and interpretations	Content	Effective Date Issued by IASB (Note2)
IFRS 13	Fair Value Measurement (Issued in May, 2011)	2013.1.1
IAS 1	Improvements to IFRSs (Issued in May, 2010) Clarification of statement of changes in equity	2011.1.1
IAS 1	Presentation of Items of Other Comprehensive Income. (Issued in June, 2011)	2012.7.1
IAS 1	Annual Improvements to IFRSs 2009 – 2011 Cycle. (Issued in May, 2012) Clarification of the requirements for comparative information.	2013.1.1
IAS 12	Deferred Tax: Recovery of Underlying Assets. (Issued in December, 2010) IAS 12 replaces SIC-21 “Income Taxes—Recovery of Revalued Non-Depreciable Assets”	2012.1.1
IAS 16	Annual Improvements to IFRSs 2009 – 2011 Cycle. (Issued in May, 2012) Classification of servicing equipment.	2013.1.1
IAS 19	Employee Benefits (Issued in June, 2011)	2013.1.1
IAS 27	Separate Financial Statements (Issued in May, 2011) IAS 27 (2008) is superseded by IAS 27 Separate Financial Statements (2011) and IFRS 10 Consolidated Financial Statements.	2013.1.1

New, revised or amended standards and interpretations	Content	Effective Date Issued by IASB (Note2)
IAS 28	Investments in Associates and Joint Ventures (Issued in May, 2011) This version supersedes IAS 28 (2003) Investments in Associates.	2013.1.1
IAS 32	Offsetting Financial Assets and Financial Liabilities (Issued in December, 2011)	2014.1.1
IAS 32	Annual Improvements to IFRSs 2009 – 2011 Cycle. (Issued in May, 2012) Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes.	2013.1.1
IAS 34	Improvements to IFRSs (Issued in May, 2010) Significant events and transactions	2011.1.1
IAS 34	Annual Improvements to IFRSs 2009 – 2011 Cycle. (Issued in May, 2012) Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments.	2013.1.1
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets (Issued in May, 2013) If the recoverable amount of impaired assets is based on fair value less costs of disposal, the Company should also disclose the discount rate used.	2014.1.1

New, revised or amended standards and interpretations	Content	Effective Date Issued by IASB (Note2)
IAS 39	Financial Instruments: Recognition and Measurement (Issued in October, 2010), Derecognition of a financial asset and a financial liability. Novation of Derivatives and Continuation of Hedge Accounting (Issued in October, 2010)	2015.1.1
IFRIC 13	Improvements to IFRSs (Issued in May, 2010) The fair value of Customer Loyalty Programmes.	2011.1.1
IFRIC 20	Stripping Costs in the Production Phase of A Surface Mine (Issued in October, 2011)	2013.1.1
IFRIC 21	Levies(Issued in May, 2013) Guidance on accounting policies of a liability for a levy imposed by a government.	2014.1.1

Note1：According to IAS 39(2010), the requirement for Financial Instruments is to be replaced by IFRS 9. Because effective Date of IFRS 9 will be delay to January 1, 2015, the Company does not use IAS 39 2010 edition, but have to use IAS 39 2009 edition when first time adopting IFRSs in 2013.

Note2：The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

The Consolidated Company believes that the adoption of aforementioned new, revised or amended standards or interpretations which are not yet endorsed by the FSC or have been endorsed by the FSC but the effective dates have not yet been determined by the FSC will not have a significant effect on the Company's the financial statements in the period of initial application.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies of the Consolidated Company are listed below:

(1) Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting,” and IFRS 1, “First-time adoption of International Financial Reporting Standards,” (IFRS 1) endorsed by the FSC.

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. For liabilities, historical cost is generally based on the amount charged by obligations or the amount expected to be paid for debts.

(3) Basis of Consolidation

Subsidiaries are fully consolidated from the date of acquisition (the date on which the Company obtains control), and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(4) Classification of Current and Noncurrent Assets and Liabilities

Current assets are assets held for trading purposes or the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle. And the Company expects to realize the asset within twelve months after the reporting period. Or the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

Current liabilities are obligations incurred for trading purposes or the Company expects to settle the liability in normal operating cycle; or the liability is due to be settled within twelve months after the reporting period; or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. All other liabilities are classified as non-current.

(5) Foreign Currencies

The financial statements of each individual consolidated entity were expressed in the currency which reflected its primary economic environment (functional currency). All functional currency of the Company (include Pro-partner and GKBVI) are New Taiwan Dollars (NT$). Except Shanghai Grape King is Chinese Yuan (CNY). In preparing the consolidated financial statement, the operating results and financial positions of each consolidated entity are translated into NT$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The exchange differences at which time are recognized in profit or loss.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company’s foreign operations are translated into NT$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to noncontrolling interests as appropriate).

(6) Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks on changes in value resulting from changes in interest rates, including time deposits with original maturities of three months or less, commercial paper and re-purchase agreements.

(7) Inventories

Inventories are recorded at cost and adjusted to approximate weighted-average cost on the balance sheet date. About the calculation of product cost, Variable Factory Overhead allocated to actual production. Allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. However, when difference between the actual output and normal capacity is insignificant, allocation of fixed production may also base on the actual yield. If actual yield is extremely higher than normal capacity, allocation of fixed production would be base on the effective yield allocation. Inventories are valued at the lower of cost and net realizable value item by item. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. If the net realizable value of finished goods is expected to be equal to or higher than the costs, then raw materials used in production for the finished products will not be reduced to below cost. When the decline in the prices of raw materials but finished goods cost in excess of net realizable value, the raw material was reduced to net realizable value.

Deducted from the cost of inventories to net realizable value, the amount recognized as cost of goods sold. Remeasurement of the net realizable value of inventories in subsequent periods, if the circumstances that previously caused inventories to the net realizable value is lower than the cost factor has disappeared, or there is evidence of changing economic conditions leaving the net realizable value is increased, reverse the increase amount of net inventory realizable value in the range of the original deducted amount, and recognized in reduction of cost of goods sold.

(8) Property, Plant and Equipment

Property, plant and equipment for production or management purpose are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives: buildings - 10 to 60 years; machinery and equipment - 5 to 15 years; transportation equipment- 5 to 6 years; leasehold improvement - 3 to 46.5 years; and other Facilities - 3 to 15 years. When useful life of the main part is different from the property, plant and equipment, treat as a separate item. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(9) Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Unless another systematic approach is more representative of the time pattern in which economic benefits of leasing, rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Assets held under finance lease are initially recognized as assets of the Company at the fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as an obligation under finance lease.

Lease payments are apportioned between finance expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Financial costs are recognized in profit or loss.

(10) Investment Property

Investment property is property which is not held for use in the production or supply of goods or services or for administrative purposes at the end of each reporting period.

Investment properties are stated at original cost. Subsequent measurement of investment property is accounted for in accordance with the cost model. Depreciation is calculated on a straight-line basis over the estimated economic lives. Useful lives of buildings are 30 to 38 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

(11) Intangible Assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(12) Impairment

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit.

Goodwill is tested for impairment annually. Any impairment loss for goodwill is recognized directly in loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(13) Financial Instruments

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss and liabilities at fair value through profit or loss is recognized in profit or loss.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Fair value of financial instruments in an active market is quoted market price. Financial instruments that do not have a quoted market price in an active market should estimate its fair value with evaluation method.

All regular way purchases or sales are purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are comprised of financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets at “fair value through profit or loss “(FVTPL) are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain recognized in profit incorporating any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’ line item. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Derivatives that do not qualify for hedge accounting are classified as held for trading financial assets or financial liabilities. The fair value is positive, classified as a financial asset; fair value is negative, classified as financial liabilities.

B. Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

Held-to-maturity investments are initially recognized at fair values and taking into account any discount or premium on acquisition and fee or transaction costs. Subsequent to initial recognition, impairment and amortization of held-to-maturity investments are recognized in profit or loss.

If there is any objective evidence that the investment in the associate is impaired, the amount of impairment will be recognized in loss. In a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit to the extent that the carrying amount of the investment, at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

C. Financial assets carried at cost

Investments in equity instruments that do not have a listed market price in an active market and whose fair value cannot be reliably measured and derivatives those are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

If there is any objective evidence that the financial assets carried at cost in the associate is impaired, the amount of impairment will be recognized as impairment loss. Such impairment loss will not be reversed in subsequent periods.

D. Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are measured at amortized cost using the effective interest method.

At the balance sheet date receivables are assessed for impairment on an individual basis and collective basis. Receivables are 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 receivables, the estimated future cash flows of the receivables have been affected. For certain categories of receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period.

The amount of the impairment recognized is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of receivables is reduced through the use of an allowance account. The amount of the impairment is recognized in loss. For receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. The amount of the reversed impairment is recognized in profit.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt expenses.

E. Available-for-sale financial assets

Non-derivative financial assets and meet one of the following criteria are classified as available-for-sale financial assets:

a. Designated as available-for-sale
b. Are not classified as financial assets listed below:
   i. Financial assets at fair value through profit or loss;
   ii. Held-to-maturity financial assets;
   iii. Financial assets carried at cost;
   iv. Bond investments with no active market;
   v. Receivable.

Available-for-sale financial assets are initially recognized at fair values, the transaction costs are added to the fair value. Available-for-sale financial investments are subsequently measured at fair value. Changes in the carrying amount of Available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

If there is any objective evidence that the available-for-sale financial assets in the associate is impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss.

(14) Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(15) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and reduced for estimated customer returns, rebates and other similar allowances.

A. Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a. The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
b. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c. The amount of revenue can be measured reliably;
d. It is probable that the economic benefits associated with the transaction will flow to the Company; and
e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Since the receivables from revenue from the sale of goods are collectible within one year and such transactions are frequent, fair value of the receivables is equivalent to the nominal amount of the cash to be received.

B. Rendering of services and others

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

Revenue from technical services is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Dividend income from investments is recognized when the shareholder’s right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(16) Government Grants

A government grant is recognised only when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received.

The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognised as income in the period in which it is receivable.

Unrealized government grants are recognized in liabilities; a grant relating to income may be reported separately as other income.

(17) Retirement Benefit Costs

All regular employees are entitled to a defined benefit pension plan that is a monthly contribution pension. This plan provides pension benefits were based on years of service and average salary for six months before retirement calculation. The Company will make monthly contributions of 8% of these employees' monthly wages to the pension fund which is deposited under the committee's name in the Bank of Taiwan. Actual payment of employees pensions are paid from the pension fund first. If there is insufficient, the insufficient amount will be paid by the Company and recognised as expense in the period. However, the Labor Pension Act of the R.O.C. (the Act), which adopts a defined contribution plan, became effective on July 1, 2005. For those employees who choose to be subject to the Act, the Company will make monthly contributions of 6% of these employees' monthly wages to the employees' individual pension accounts.

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution. For defined benefit retirement plans, the cost of providing benefit is recognized based on actuarial calculations. Actuarial gains and losses are recognized in other comprehensive income in the period which they incur.

(18) Share-based Payment Arrangements

Transactions of the share-based payment arrangements for goods or services are recognized as cost when obtaining. The expense should be recognized as the goods or services are consumed. There are three settlements for payment, including equity-settled and cash-settled, as well as those where the entity or supplier has a choice of cash or equity instruments. The Company elected to take the optional exemption under IFRS 1 for the share-based payment transactions granted and vested before January 1, 2012(the date of transition to IFRSs).

(19) Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

Current income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; In respect of taxable temporary differences associated with investments in subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future. Those temporary differences won't be recognized as deferred tax. Additionally, it won't be recognized as deferred tax when the deferred tax liability arises from the initial recognition of goodwill. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities should be offset on the balance sheet only if the entity has the legal right to settle on a net basis and they are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

A deferred tax asset should be recognized for an unused tax loss carryforward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carryforwards can be utilised. The carrying amount of deferred tax assets should be reviewed and adjusted at the end of each reporting period.

(20) Earnings per Share

Basic earnings per share are computed by dividing net income by the weighted-average number of ordinary shares outstanding during the current reporting period. The calculation of basic and diluted EPS for all periods presented is adjusted retrospectively when the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue, or share split, or decreases as a result of a reverse share split. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.

(21) Bonus to Employees and Directors' and Supervisors' Remuneration

Employee bonus and liabilities incurred come from providing services by employee. The cost of the bonus to employees shall be recognized as expenses. The Company recognizes the expected cost of profit-sharing and bonus payments when, and only when, it has a legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the expected cost can be made.

The amount of the bonus to employees set aside in accordance with the provisions of the Articles of Association. The Company estimated amount of employee bonuses may be paid in accordance with the percentage prescribed in the Articles of Association and recognized as an expense in the accounting period that employees providing services. Moreover, if the amounts were modified by the shareholders' meeting in the following year, the adjustment will be regarded as a change in accounting estimate and will be reflected in the consolidated statement of income in the following year.

The accounting treatment for Directors' and Supervisors' remuneration is in accordance with same regulations of employee bonus.

(22) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). Operating segments' operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of the Company's consolidated financial statements requires management to make appropriate judgments of accounting policies, accounting assumptions and estimates that affect the reported.

Consolidated Company's assumptions and estimates are the best estimate which is based on the regulation of the IFRSs. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which, the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Impairment of Assets Other Than Goodwill

The Company measures impairment of assets which depends on subjective judgment, asset characteristics industry and cash flow in the future, during the impairment testing process. Any change in accounting estimates due to economic circumstances and business strategies might cause material impairment in the future.

The Company did not recognize any impairment loss on assets other than goodwill for the three months period and for the nine months ended September 30, 2013 and 2012, respectively.

(2) Deferred Tax Assets

Deferred tax assets should be recognized only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available. The management applies judgment and accounting estimates to evaluate the realization of deferred tax assets. Any change in global economy, industry environment and regulations might cause material adjustments to deferred tax assets.

As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the carrying amounts of deferred tax assets were NT$14,987,539, NT$14,451,591, NT$14,450,602, and NT$9,799,828, respectively.

(3) Valuation of Inventories

Inventories are stated at the lower of cost or net realizable value, and the Company use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period. The net realizable value of the inventory is mainly determined based on historical experience and assumptions of future demand within a specific time horizon. Therefore, any changes in the industry trends and other relevant factors could result in significant adjustments to the valuation of inventories.

As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the carrying amounts of inventories were NT$237,632,409, NT$211,217,407, NT$214,269,115, and NT$187,142,397, respectively.

(4) The Calculation of Accrued Pension Liabilities

When the Consolidated Company calculates the present value of the defined benefit obligation, management have to make appropriate judgments and estimates to determine the relevant assumptions of the actuarial valuation for the end date of each reporting period. The assumptions of the actuarial valuation are including Discount rate and expected rate of return on plan assets, etc. Any changes in assumptions of the actuarial valuation could result in significant adjustments to the amount of the defined benefit obligation.

As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the carrying amounts of accrued pension liabilities were NT$67,392,240, NT$68,806,659, NT$67,697,962, and NT$68,224,583, respectively.

(5) Valuation of Financial Instrument

For the assessment of recoverability of receivables and the allowance for doubtful accounts estimates, valuation of receivables is based on the customer's credit quality and situation of collecting payments, and is also based on the historical experience of the actual bad debts. If the expected future cash receipts are different from the original estimate, such difference will have an impact on the carrying amount of receivables and the allowance for doubtful accounts in the period that estimate change.

As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the carrying amounts of receivables were NT$101,345,972 (Net of allowance for doubtful accounts NT$2,977,461), NT$139,415,265 (Net of allowance for doubtful accounts NT$5,569,179), NT$157,001,279 (Net of allowance for doubtful accounts NT$2,973,798), and NT$139,837,422(Net of allowance for doubtful accounts NT$4,818,235).

(6) Bonus to Employees and Directors' and Supervisors' Remuneration

After taking into consideration income tax rate and the legal reserve and other factors, the Company accrued the bonus payable to employees and the remuneration payable to directors and supervisors at the end date of reporting period in accordance with the required percentage prescribed in the Articles of Association and based on the estimated full-year pre-tax profit.

As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the carrying amounts of the bonus payable to employees and the remuneration payable to directors and supervisors were NT$117,800,354, NT$110,524,734, NT$81,861,391, and NT$89,200,169.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and Cash Equivalents

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Cash on hand	$ 3,096,955	$ 2,509,576	$ 2,196,151	$ 1,808,281
Check deposits	1,207,095	159,436	152,134	87,422
Demand deposits	561,101,093	923,241,638	757,568,373	654,361,850
Time deposits (with original maturities less than three months)	–	78,800,000	59,589,930	59,235,474
Repurchase agreements collateralized by corporate bonds	109,836,762	79,886,738	79,926,918	79,983,268
Amounts of the balance sheet	675,241,905	1,084,597,388	899,433,506	795,476,295
Less: bank overdrafts	–	–	–	–
Amounts of the cash flow statement	$ 675,241,905	$ 1,084,597,388	$ 899,433,506	$ 795,476,295

Cash and cash equivalents listed above does not provided pledged or restricted use.

(2) Financial Assets at Fair Value through Profit or Loss, Current

A. Non-derivative financial assets held for trading were as follows:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Beneficiary's certificates				
Monetary fund	$ 405,000,000	$ 395,000,000	$ 245,000,000	$ 180,000,000
Stock funds	–	–	49,085,968	69,085,968
Balanced funds	–	21,839,908	31,387,009	56,387,009
Private Fund	–	–	–	24,783,706
Subtotal	405,000,000	416,839,908	325,472,977	330,256,683
Valuation adjustments	3,260,496	(1,533,057)	(15,874,114)	(28,124,907)
Total	$ 408,260,496	$ 415,306,851	$ 309,598,863	$ 302,131,776

B. The Company recognized net gain of financial assets at fair value through profit or loss in the amount of NT$785,415 and NT$2,993,347 for the three-month periods ended September 30, 2013 and 2012, respectively; and of NT$2,487,593 and NT$5,190,360 for the nine-month periods ended September 30, 2013 and 2012, respectively.

(3) Notes Receivable, Net

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Non-related parties	$ 6,481,562	$ 11,189,104	$ 15,497,715	$ 17,356,049
Other	–	4,500,000	9,000,000	19,551,596
Subtotal	–	15,689,104	24,497,715	36,907,645
Less: allowance for doubtful accounts	–	–	–	–
Net	$ 6,481,562	$ 15,689,104	$ 24,497,715	$ 36,907,645

Please refer to Note 6(4).

(4) Accounts Receivable, Net

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Related parties	$ 14,739,521	$ 17,256,638	$ 34,957,872	$ 9,319,983
Non-related parties	83,102,350	112,038,702	100,519,490	98,428,029
Subtotal	97,841,871	129,295,340	135,477,362	107,748,012
Less: allowance for doubtful accounts	(2,977,461)	(5,569,179)	(2,973,798)	(4,818,235)
Net	$ 94,864,410	$ 123,726,161	$ 132,503,564	$ 102,929,777

The Company's credit period for the sale of goods is 75 days average. Notes and accounts receivable are non-interest bearing. The aging analysis of unimpaired receivables is as follows：

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Neither past due nor impaired	$ 21,221,083	$ 49,362,624	$ 59,455,587	$ 56,105,594

The aging analysis of impaired receivables is as follows：

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Neither past due	$ 83,102,350	$ 91,754,634	$ 100,519,490	$ 77,665,221
Within 90 days	—	3,867,186	—	10,884,842
Total	$ 83,102,350	$ 95,621,820	$ 100,519,490	$ 88,550,063

Movement of the allowance for doubtful accounts：

	Nine months ended September 30	
	2013	2012
Beginning balance	$ 5,569,179	$ 4,818,235
Provision (reversal)	(2,892,695)	(2,627,213)
Effect of exchange rate changes	300,977	782,776
Ending balance	$ 2,977,461	$ 2,973,798

(5) Inventories, Net

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Raw materials	$ 84,176,817	$ 89,148,792	$ 90,901,070	$ 90,747,183
Supplies	28,856,017	16,321,362	21,293,491	18,493,461
Half-finished Parts	10,170,866	16,008,516	3,874,027	9,956,427
Work in process	38,206,403	32,735,294	49,813,660	31,515,081
Finished goods	102,756,080	82,460,349	77,779,545	71,181,166
Consigned merchandise	11,854,232	12,171,903	11,975,913	11,724,637
Merchandise	—	5,829	5,829	144,843
Gifts inventories	481,466	82,519	82,519	286,274
Inventories in transit	401,544	385,348	680,585	26,510
Total	276,903,425	249,319,912	256,406,639	234,075,582
Less: allowance for inventory valuation losses	(39,271,016)	(38,102,505)	(42,137,524)	(46,933,185)
Net	$ 237,632,409	$ 211,217,407	$ 214,269,115	$ 187,142,397

Contents which the Company recognized for costs of inventories in expenses is as follows:

	Nine months ended September 30	
	2013	2012
Gains on inventory value recoveries	$ —	$ (3,802,728)
Inventory loss on retirement	9,895,608	3,802,728
Gains on physical inventory	(2,159,341)	(402,343)
Net	$ 7,736,267	$ (402,343)

For the nine months ended September 30, 2012, provision for inventory has been scrapped, resulting in gains on inventory value recoveries NT$ 3,802,728.

(6) Financial Assets Carried at Cost, Non-current

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unlisted companies				
Hsin Tung Yang Co., Ltd.	$ 20,000	$ 20,000	$ 20,000	$ 20,000
Fu-sheng International Inc. (Samoa)	12,254,190	—	—	—
Total	12,274,190	20,000	20,000	20,000
Less: Accumulated impairment	—	—	—	—
Net	$ 12,274,190	$ 20,000	$ 20,000	$ 20,000

Some of stocks should be classified as available-for-sale financial assets according to investment intentions. Those investment targets' fair value cannot be reliably measured, because they do not have a listed market price in an active market, industry information of similar companies and relative financial information of investee companies are not available. Therefor those stocks were classified as "financial assets carried at cost".

(7) Property, Plant and Equipment

The detail of Property, plant and equipment, the beginning and ending balances are as follows:

	Cost					
	As of January 1, 2013	Additions	Disposals	Reclassification	Exchange effect	As of September 30, 2013
Land	$ 741,875,000	$ 116,751,715	$ —	$ (4,486,697)	$ —	$ 854,140,018
Land Improvements	985,750	940,000	—	—	—	1,925,750
Buildings	801,954,651	65,866,607	(285,322)	14,436,778	9,947,275	891,919,989
Machinery and equipment	964,523,698	13,669,430	(19,760,856)	37,558,449	8,045,185	1,004,035,906
Transportation equipment	12,250,915	281,000	(3,635,674)	—	147,845	9,044,086
Leasehold improvement	3,859,499	169,238	—	—	96,596	4,125,333
Other Facilities	184,288,866	16,351,987	(2,398,393)	14,737,319	676,223	213,656,002
Total	$ 2,709,738,379	$ 214,029,977	$ (26,080,245)	$ 62,245,849	$ 18,913,124	$ 2,978,847,084

	Cost					
	As of January 1, 2012	Additions	Disposals	Reclassification	Exchange effect	As of September 30, 2012
Land	$ 741,875,000	$ —	$ —	$ —	$ —	$ 741,875,000
Land Improvements	985,750	—	—	—	—	985,750
Buildings	794,514,573	11,263,907	(1,845,406)	760,000	(8,787,710)	795,905,364
Machinery and equipment	888,967,413	22,304,239	(18,598,933)	65,436,335	(6,741,115)	951,367,939
Transportation equipment	12,305,549	69,912	—	—	(124,546)	12,250,915
Leasehold improvement	3,941,581	—	—	—	(82,082)	3,859,499
Other Facilities	174,325,190	5,999,358	(117,000)	1,123,182	(569,018)	180,761,712
Total	$ 2,616,915,056	$ 39,637,416	$ (20,561,339)	$ 67,319,517	$ (16,304,471)	$ 2,687,006,179

	Accumulated depreciation					
	As of January 1, 2013	Additions	Disposals	Reclassification	Exchange effect	As of September 30, 2013
Land Improvements	$ 877,162	$ 60,305	$ —	$ —	$ —	$ 937,467
Buildings	337,359,330	25,107,254	(94,193)	(4,986,184)	2,642,380	360,028,587
Machinery and equipment	657,027,446	47,859,687	(18,845,099)	—	6,979,147	693,021,181
Transportation equipment	9,363,155	659,283	(2,878,474)	—	113,105	7,257,069
Leasehold improvement	1,193,656	282,069	—	—	32,450	1,508,175
Other Facilities	127,889,697	15,188,808	(2,173,167)	1,364,080	639,890	142,909,308
Total	$ 1,133,710,446	$ 89,157,406	$ (23,990,933)	$ (3,622,104)	$ 10,406,972	$ 1,205,661,787

	Accumulated depreciation					
	As of January 1, 2012	Additions	Disposals	Reclassification	Exchange effect	As of September 30, 2012
Land Improvements	$ 822,870	$ 40,719	$ —	$ —	$ —	$ 863,589
Buildings	309,354,931	23,878,064	(1,810,191)	—	(2,150,778)	329,272,026
Machinery and equipment	622,807,466	42,898,729	(18,297,855)	—	(5,664,275)	641,744,065
Transportation equipment	8,414,256	776,423	—	—	(88,111)	9,102,568
Leasehold improvement	848,450	278,427	—	—	(25,809)	1,101,068
Other Facilities	108,552,478	15,777,533	(97,500)	—	(1,890,974)	122,341,537
Total	$ 1,050,800,451	$ 83,649,895	$ (20,205,546)	$ —	$ (9,819,947)	$ 1,104,424,853

	As of			
	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Land	$ 854,140,018	$ 741,875,000	$ 741,875,000	$ 741,875,000
Land Improvements	988,283	108,588	122,161	162,880
Buildings	531,891,402	464,595,321	466,633,338	485,159,642
Machinery and equipment	311,014,725	307,496,252	309,623,874	266,159,947
Transportation equipment	1,787,017	2,887,760	3,148,347	3,891,293
Leasehold improvement	2,617,158	2,665,843	2,758,431	3,093,131
Other Facilities	70,746,694	56,399,169	58,420,175	65,772,712
Total	$ 1,773,185,297	$ 1,576,027,933	$ 1,582,581,326	$ 1,566,114,605

Please refer to Note 8 for property, plant and equipment pledged as collateral.

(8) Investment Property, Net

Investment Property in the amount of detail and the beginning and ending balances is as follows:

	Land	Buildings	Total	Accumulated depreciation	Accumulated impairment	Net
As of January 1, 2013	$ 254,476,466	$ 14,113,627	$ 268,590,093	$ 10,549,933	$ —	$ 258,040,160
Additions	—	593,664	593,664	—	—	593,664
Depreciation	—	—	—	1,640,718	—	(1,640,718)
Disposals	(951,073)	—	(951,073)	—	—	(951,073)
Reclassification	4,486,697	31,342,500	35,829,197	4,986,184	—	30,843,013
Exchange effect	—	564,921	564,921	100,729	—	464,192
As of September 30, 2013	$ 258,012,090	$ 46,614,712	$ 304,626,802	$ 17,277,564	$ —	$ 287,349,238
As of January 1, 2012	$ 254,476,466	$ 12,413,765	$ 266,890,231	$ 9,596,363	$ —	$ 257,293,868
Depreciation	—	—	—	836,150	—	(836,150)
As of September 30, 2012	$ 254,476,466	$ 12,413,765	$ 266,890,231	$ 10,432,513	$ —	$ 256,457,718

A. Items on investment property measured under the cost model after recognition.

B. Land listed in investment property is including with NT$5,600,000 of agricultural land received from debtor to settled the overdue debts. In addition, the land trusts registered its ownership in the Company’s chairman Mr. Tseng, Shui-Chao and opened NT$5,600,000 guaranteed notes to the Company as security measures.

C. Based of the appraisal report issued by external independent Professional Appraisal Company at June 21, 2012, announcement of the present value of land and housing standard prices at September 30, 2013, or neighborhood similar assets’ relevant transaction prices recorded in net real estate transactions database, fair value of the investment property is estimated to be NT$303,106,582. Therefore, as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 only, there is no impairment of the investment property.

D. The Company recognized rental income for the three-month ended September 30, 2013 and 2012 are NT$3,311,875 and NT$3,847,206, respectively; and for nine-month ended September 30, 2013 and 2012 are NT$9,323,924 and NT$10,001,748, respectively. Investment property that generated rental income have direct operating expenses for the three-month ended September 30, 2013 and 2012 are NT$955,727 and NT$205,716, respectively; and for nine-month ended September 30, 2013 and 2012 are NT$2,493,241 and NT$1,125,411, respectively. Investment property which did not generate rental income had no direct operating expenses.

E. Items on investment property are not pledged.

(9) Prepayments and Other Assets

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Prepayment for purchase	$ 4,136,505	$ 191,767	$ 3,290,737	$ 2,061,269
Prepaid rents of land	56,589,322	55,901,747	56,347,773	59,505,615
Prepayment for equipment	81,537,906	74,646,964	32,340,505	41,865,157
Prepayment for land and building	290,756,667	—	—	—
Other prepaid expenses	13,097,432	7,602,367	12,742,273	8,215,400
Refundable deposits	13,285,450	4,876,969	5,282,369	5,923,052
Long-term notes	—	—	—	3,000,000
Overdue receivable	37,113,739	35,926,894	35,743,293	36,844,930
Less: allowance for doubtful accounts	(37,113,739)	(35,926,894)	(35,743,293)	(37,678,632)
Prepayment for investment	—	12,254,190	—	—
Other financial assets	2,310,000	3,860,000	3,860,000	61,814,000
Other noncurrent assets-other	16,008,000	16,008,000	15,000,000	15,000,000
Total	$ 477,721,282	$ 175,342,004	$ 128,863,657	$ 196,550,791
Current portion	$ 19,534,269	$ 11,578,232	$ 19,817,108	$ 70,071,048
Noncurrent portion	458,187,013	163,763,772	109,046,549	126,479,743
Total	$ 477,721,282	$ 175,342,004	$ 128,863,657	$ 196,550,791

Overdue receivables were accounts receivables more than a year and those receivables has been fully provided allowance for doubtful accounts.

(10) Short-term Loans

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Employees loan	$ —	$ —	$ 55,200,000	$ 54,420,000
Annual interest rate	—	—	3%	3%
Maturity date	—	—	—	—
Collateral	—	—	—	—

(11) Provisions

	Nine months ended September 30	
	2013	2012
Beginning balance	$ 500,567	$ 1,054,370
Provision	4,133,344	3,831,491
Payment	(3,421,463)	(2,482,032)
Ending balance	$ 1,212,448	$ 2,403,829

Provisions are accumulated unused compensated absences which were estimated based on historical experience and management judgment. It would be recognized as a reduction of salary expense when employees take absences.

(12) Other Payables

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Accrued expenses				
Distributor bonus	$ 472,857,025	$ 489,599,879	$ 389,701,521	$ 390,828,637
Salaries and bonuses	39,644,994	59,738,676	54,928,296	46,829,670
Profit sharing to employees	97,000,806	89,396,842	66,635,384	72,513,706
Remuneration of directors and supervisors	21,255,832	21,127,892	15,226,007	16,686,463
Other	75,769,879	50,458,275	34,745,718	37,915,735
Subtotal	706,528,536	710,321,564	561,236,926	564,774,211
Other payable				
Payables on Equipment	56,407,036	44,988,400	35,708,401	38,926,794
Business Tax Payable	15,827,888	30,456,730	13,284,223	23,767,035
Other	33,583	4,383,651	1,782,842	1,685,211
Subtotal	72,268,507	79,828,781	50,775,466	64,379,040
Total	$ 778,797,043	$ 790,150,345	$ 612,012,392	$ 629,153,251
Current portion	$ 747,218,933	$ 759,389,492	$ 581,123,768	$ 597,352,903
Noncurrent portion	31,578,110	30,760,853	30,888,624	31,800,348
Total	$ 778,797,043	$ 790,150,345	$ 612,012,392	$ 629,153,251

(13) Retirement Benefit Plans

A. According to the Labor Standards Law, the Factories Act and the Labor Pension Act, the Company formulate pension plan for the regular employees.

a. Defined benefit plans

When the worker attains the age of fifty-five and has worked for fifteen years, or the worker has worked for more than twenty-five years, or worker attains the age of sixty and has worked for ten years, may apply for voluntary retirement, pension benefits based on their working years and average salary of six months before retirement. They would be given to two payment cardinality of base wage for each year of service, and provided one payment cardinality of base wage each year of service after exceeding fifteen years, but the maximum shall be forty-five units. But any fraction of a year which is equal to or more than six months shall be counted as one year of service, but any fraction of a year which is less than six months shall be counted as a half a year of service. If the employees be ordered to retire due to mental handicap or physical disability which is caused during the performance of their duties and in capable of work, they would be provided by plus a twenty percent of foregoing the payment cardinality. The employees who select the applicable provisions of the Labor Pension Act pension provision, attains the age of fifty-five and has worked for fifteen years, but work less than 15 years seniority, should be invited to a lump sum pension.

b. Defined contribution plans

The Labor Pension Act of the R.O.C. (the Act) which became effective on July 1, 2005 is a defined contribution plan. Employees can elect to be applied the relevant pension rules under the Labor Standards Law of the R.O.C., the monthly contributions are equal to 6% of each employees' monthly salary and appropriated to employees’ pension accounts. For employees who choose to apply the old pension system, the pension fund deposited at the Bank of Taiwan in an administered pension fund.

B. The actuarial assumptions of defined benefit plans, expenses recognized, composition of the defined benefit obligation, present value of the defined benefit obligation changes, defined benefit plan assets at fair value changes and the composition percentage of the plan assets at fair value are as follow：

a. The actuarial assumptions of defined benefit plans

	Nine month ended September 30	
	2013	2012
Weighted-average discount rate	1.40~1.50%	1.55~1.75%
Expected rate of return on plan assets	1.20~1.75%	1.20~2.00%
Assumed rate of increase in future compensation	1.50~3.00%	1.50~3.00%

The principal actuarial assumptions of defined benefit plan are as follows:

i. Discount rate: Using interest rates of government bonds with expected maturities similar to pension obligations.

ii. Expected rate of return: Expected rate of return on assets were based on historical return trends and analysts' forecast of the markets about the assets for the duration of the relevant obligations, and with reference to the Labor Pension Fund Supervisory interested in the utilization of the Labor Pension Fund case, in consideration of not less than the minimum income of 2-year deposit interest rate in local bank by the estimated revenue impact.

iii. Rate of salary adjustment: It was decided by comprehensive consideration of past salary adjustment position, future inflation, employee seniority, promotion and other relevant factors.

b. Defined benefit plan expense recognized

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Current service cost	$ 480,878	$ 539,961	$ 1,442,633	$ 1,619,884
Interest cost	320,747	370,258	962,241	1,110,772
Projected return on plan assets	(75,961)	(84,622)	(227,882)	(253,865)
Net pension cost	$ 725,664	$ 825,597	$ 2,176,992	$ 2,476,791

c. The composition of the defined benefit obligation

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Present value of defined benefit obligation	$ (81,052,601)	$ (86,393,390)	$ (84,525,595)	$ (85,424,005)
Fair value of plan assets	13,660,361	17,586,731	16,827,633	17,199,422
Plan surplus (deficit)	(67,392,240)	(68,806,659)	(67,697, 962)	(68,224,583)
Unamortized prior service cost	—	—	—	—
Defined benefit obligation recognized	$ (67,392,240)	$ (68,806,659)	$ (67,697,962)	$ (68,224,583)

d. Changes of present value of the defined benefit obligation

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Beginning balance	$ 83,538,946	$ 84,981,373	$ 86,393,390	$ 85,424,005
Current service cost	480,878	539,961	1,442,633	1,619,884
Interest cost	320,747	370,258	962,241	1,110,772
Payment	(3,287,970)	(1,365,997)	(7,745,663)	(3,629,066)
Ending balance	$ 81,052,601	$ 84,525,595	$ 81,052,601	$ 84,525,595

e. Changes of defined benefit plan assets at fair value

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Beginning balance	$ 15,559,615	$ 17,105,576	$ 17,586,731	$ 17,199,422
Projected return on plan assets	75,961	84,622	227,882	253,865
Provision	824,685	836,847	2,514,528	2,563,998
Payment	(2,799,900)	(1,199,412)	(6,668,780)	(3,189,652)
Ending balance	$ 13,660,361	$ 16,827,633	$ 13,660,361	$ 16,827,633

f. The composition percentage of the plan assets at fair value

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Bank deposits	100%	100%	100%	100%

g. Present value of defined benefit obligation, the fair value of plan assets and experience adjustments

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Present value of defined benefit obligation	$ (81,052,601)	$ (86,393,390)	$ (84,525,595)	$ (85,424,005)
Fair value of plan assets	13,660,361	17,586,731	16,827,633	17,199,422
Plan surplus (deficit)	$ (67,392,240)	$ (68,806,659)	$ (67,697,962)	$ (68,224,583)
Experience adjustments on plan liabilities	$ —	$ 2,299,925	$ —	$ (6,208,318)
Experience adjustments on plan assets	$ —	$ (152,430)	$ —	$ (153,805)

C. Pension expenses under the defined contribution plan for the three months ended September 30, 2013 and 2012 are NT$2,858,741 and NT$2,259,886, respectively. Pension expenses under the defined contribution plan for the nine months ended September 30, 2013 and 2012 are NT$8,016,870 and NT$6,353,373, respectively. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 for the outstanding amount was NT$2,162,284, NT$1,347,712, NT$1,891,540 and NT$ 1,133,065, which amount was paid after the end of the reporting period.

D. The above pension information is containing the Company, Pro-partner and Shanghai Grape King, but subsidiaries GKBVI did not hire employees, appointed to provide services by the Company.

(14) Operating Lease

Future minimum lease payments of non-cancellable operating leases are as following:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Within 1 year	$ 28,593,668	$ 2,952,000	$ 2,172,000	$ 2,172,000
One to five years	65,989,408	1,560,000	—	—
Total	$ 94,583,076	$ 4,512,000	$ 2,172,000	$ 2,172,000

The lease contracts listed above are rental expense for leased warehouse and operations center.

Future minimum lease amount received of non-cancellable operating leases are as following:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Within 1 year	$ 3,742,095	$ 3,691,430	$ 3,537,805	$ 3,691,430

The rental contracts listed above are rental income for investment property and operating leases.

(15) Tax

For the nine month ended September 30, 2013 and 2012 to the Company and Pro-partner, the profit-seeking enterprise income tax rate of 17%, the Income Basic Tax Act rates were 12% and 10%, Shanghai Grape King income tax rate was 25%, GKBVI is no income tax for the period losses. Deferred tax assets and liabilities related to informatics and income tax and income tax payable adjusted are as follows:

A. Compositions and movements of deferred tax assets and liabilities are as follow:

	Three months ended September 30, 2013			
	Beginning balance	Recognized in profit or loss	Foreign exchange differences	Ending balance
Temporary difference				
Pension	$ 7,668,730	$ (99,842)	$ –	$ 7,568,888
Unrealized intercompany profits	1,477,795	(380,692)	–	1,097,103
Allowance for Bad Debts	231,390	59,201	–	290,591
Unrealized Provision for employee benefits	483,439	(277,323)	–	206,116
Exchange differences on translation of foreign operations	5,963,793	–	(138,952)	5,824,841
Unrealized revaluation	(68,463,273)	–	–	(68,463,273)
Deferred tax income(expenses)		$ (698,656)	$ (138,952)	
Deferred tax assets (liabilities), net	$ (52,638,126)			$ (53,475,734)
Deferred tax assets	$ 15,825,147			$ 14,987,539
Deferred tax liabilities	$ 68,463,273			$ 68,463,273

	Three months ended September 30, 2012			
	Beginning balance	Recognized in profit or loss	Foreign exchange differences	Ending balance
Temporary difference				
Pension	$ 7,651,175	$ (32,315)	$ –	$ 7,618,860
Unrealized intercompany profits	1,176,809	(261,115)	–	915,694
Allowance for Bad Debts	217,265	–	–	217,265
Unrealized Provision for employee benefits	229,543	179,107	–	408,650
Exchange differences on translation of foreign operations	5,403,749	–	(113,616)	5,290,133
Unrealized revaluation	(68,463,273)	–	–	(68,463,273)
Deferred tax income(expenses)		$ (114,323)	$ (113,616)	
Deferred tax assets (liabilities), net	$ (53,784,732)			$ (54,012,671)
Deferred tax assets	$ 14,678,541			$ 14,450,602
Deferred tax liabilities	$ 68,463,273			$ 68,463,273

	Nine months ended September 30, 2013			
	Beginning balance	Recognized in profit or loss	Foreign exchange differences	Ending balance
Temporary difference				
Pension	$ 7,809,606	$ (240,718)	$ —	$ 7,568,888
Unrealized intercompany profits	1,050,422	46,681	—	1,097,103
Allowance for Bad Debts	211,713	78,878	—	290,591
Unrealized Provision for employee benefits	85,096	121,020	—	206,116
Exchange differences on translation of foreign operations	5,294,754	—	530,087	5,824,841
Unrealized revaluation	(68,463,273)	—	—	(68,463,273)
Deferred tax income(expenses)		$ 5,861	$ 530,087	
Deferred tax assets (liabilities), net	$ (54,011,682)			$ (53,475,734)
Deferred tax assets	$ 14,451,591			$ 14,987,539
Deferred tax liabilities	$ 68,463,273			$ 68,463,273

	Nine months ended September 30, 2012			
	Beginning balance	Recognized in profit or loss	Foreign exchange differences	Ending balance
Temporary difference				
Pension	$ 2,819,321	$ 4,799,539	$ —	$ 7,618,860
Unrealized intercompany profits	1,031,974	(116,280)	—	915,694
Allowance for Bad Debts	260,125	(42,860)	—	217,265
Unrealized Provision for employee benefits	—	408,650	—	408,650
Exchange differences on translation of foreign operations	5,688,408	—	(398,275)	5,290,133
Unrealized revaluation	(68,463,273)	—	—	(68,463,273)
Deferred tax income(expenses)		$ 5,049,049	$ (398,275)	
Deferred tax assets (liabilities), net	$ (58,663,445)			$ (54,012,671)
Deferred tax assets	$ 9,799,828			$ 14,450,602
Deferred tax liabilities	$ 68,463,273			$ 68,463,273

B. Items that unrecognized as deferred tax assets and liabilities:

	As of			
	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unrecognized deferred tax assets				
Loss carry-forward	$ 6,714,114	$ 3,570,162	$ 5,898,084	$ 2,587,333
Temporary difference				
Foreign investment loss	53,524,358	59,461,352	58,702,075	53,547,670
Bad debts overrun	9,146,241	9,528,840	8,882,245	9,829,428
Allowance for inventory valuation losses	8,161,003	7,868,875	7,868,875	8,117,099
Deferred depreciation expense recognized	5,296,696	5,107,098	5,107,098	5,268,202
Total	$ 82,842,412	$ 85,536,327	$ 86,458,377	$ 79,349,732

As of September 30, 2013, the unutilized accumulated losses for the consolidated company were as follows:

	Subsidiaries in Mainland China	
Occurred year	Unutilized accumulated loss	Expiration Year
2012	$ 16,759,945	2017
Nine months ended September 30, 2013	10,096,513	2018
Total	$ 26,856,458	

C. Income tax recognized in profit or loss

Compositions of the income tax expenses recognized in current profit or loss are as follows:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Current income tax	$ 64,189,649	$ 47,578,182	$ 173,516,136	$ 133,687,486
Adjustments in respect of current income tax of prior periods	–	10,425,080	(4,687,370)	3,916,851
Deferred tax (income) expense	698,656	114,323	(5,861)	(5,049,049)
Income tax expense recognized in profit or loss	$ 64,888,305	$ 58,117,585	$ 168,822,905	$ 132,555,288

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Accounting profit before tax from continuing operations	$ 369,136,576	$ 274,170,257	$ 979,474,425	$ 740,534,644
Tax of accounting profit before tax at statutory tax rate	$ 87,829,483	$ 61,403,451	$ 225,395,603	$ 167,976,252
10% surtax on undistributed retained earnings	—	—	7,514,196	3,505,053
Permanent differences				
Investment gain-domestic	(25,076,331)	(15,569,426)	(58,808,084)	(42,084,854)
(Loss) gain on financial assets at fair value through profit or loss	(133,522)	(508,869)	(422,892)	(882,361)
Others	—	(188,667)	(145,237)	(5,030,058)
Temporary difference				
Investment loss (gain)- foreign	2,268,675	2,556,016	(23,311)	5,154,405
Adjustments in respect of current income tax of prior periods	—	10,425,080	(4,687,370)	3,916,851
Income tax expense recognized in profit or loss	$ 64,888,305	$ 58,117,585	$ 168,822,905	$ 132,555,288

	As of			
	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Current income tax	$ 173,516,136	$ 180,904,938	$ 133,687,486	$ 146,306,446
Add: beginning balance of income tax payable	117,092,655	99,272,166	99,272,166	67,826,364
Less: Prepaid and withholding taxes	(87,957,786)	(70,320,512)	(247,493)	(21,639,201)
To pay income tax payable for beginning balance	(106,460,201)	(96,425,788)	(96,425,788)	(93,221,443)
To pay current income tax payable	(76,934)	—	—	—
Income tax adjustments on prior years	(4,687,370)	3,661,851	3,916,851	—
Income tax payable- ending	$ 91,426,500	$ 117,092,655	$ 140,203,222	$ 99,272,166

D. Income tax expense recognized in other comprehensive income

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Exchange differences on translation of foreign operations	$ 138,952	$ 113,616	$ (530,087)	$ 398,275

E. Income tax returns for all the fiscal years up to 2011 have been assessed and approved by the R.O.C. Tax Authority.

F. Imputation credit information

a. Balances of imputation credit accounts

	As of			
	September 30 ,2013	December 31, 2012	September 30, 2012	January 1, 2012
Grape King	$ 63,555,369	$ 75,375,627	$ 52,902,004	$ 50,110,889
Pro-partner	$ 10,544,216	$ 58,019,921	$ 10,410,889	$ 44,931,162

b. Estimated (actual) earnings creditable ratio

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Grape King	21.93%	20.67%	21.93%	20.67%
Pro-partner	20.48%	20.48%	20.48%	20.48%

Creditable ratio for three months and nine months end September 30, 2013 was estimated ratio for 2013.

Creditable ratio for three months and nine months end September 30, 2012 was actual ratio for 2012.

G. Undistributed earnings information

	As of							
	September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012	
1998 to 2009	$	127,424,682	$	127,424,682	$	127,424,682	$	127,424,682
After 2010		738,220,702		776,619,695		612,007,927		607,075,512
Total	$	865,645,384	$	904,044,377	$	739,432,609	$	734,500,194

(16) Equity

A. Capital Stock

The Company started its operations in April, 1971, at the beginning the amount of original paid-in capital was NT$500,000. After several subsequently recapitalization cash capital and surplus, the Company had 150 million common shares authorized to be issued as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, respectively, and 130,235,040 shares was issued as of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, respectively, each at a par value of NT$10.

B. Capital surplus

According to the Company Law, the Company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss. The Company may pursuant to a resolution to be adopted by a shareholders' meeting, distribute its capital reserve which is generated by the issuance of new shares at a premium and incurred from endowments received, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. When the capital surplus from issuance of new shares at a premium used to appropriate cash dividend or capitalized within a certain percentage of the Company’s paid-in capital, the percentage shall not exceed the limits prescribed in relevant laws.

As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the Company's capital surplus NT$4,363,484 were all from treasury stock transactions.

C. Legal reserve

A company, when allocating its surplus profits after having paid all taxes and dues, shall first set aside ten percent of said profits as legal reserve. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

D. Special reserve

According to the requirements of the FSC, the company appropriated the net reduction in other stockholders’ equity into special capital reserve. The reduced amount of special capital reserve can be reversed back into retained earnings if stockholders’ equity increases in subsequent period.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012, on the first-time adoption of IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Company’s use of exemptions under IFRS 1. Amounts of subsequent reversals pertaining to the net reduction of other shareholders’ equity resulting from use, disposition or reclassification of related assets shall qualify for additional distributions based on the original proportion of special reserve.

E. Retained earnings

Grape King and Pro-partner settlement, if any earnings after payment of all taxes and dues should be offset prior years’ operation losses, such as the remaining balance in the legal reserve set aside 10%, the press another aside special regulations reserve, then the balance together with the previous year the number of accumulated undistributed earnings, but depending on business conditions retain some discretion and after the distribution the following proportions:

Item	Grape King	Pro-partner
a. Dividends and bonus	87%	90%
b. Employees' bonuses	11%	5%
c. Directors' and supervisors' remuneration	2%	5%

Grape King's distribution dividends to shareholder, employee bonuses and remuneration to directors and supervisors in the amounts of NT$390,705,120, NT$49,399,498 and NT$8,981,727 in cash, respectively, had been approved by the board meeting held on March 21, 2012 and Shareholders' meeting held on June 13, 2012. The aforementioned approved amount has no difference with the same amount had been charged against earnings of 2011.

Pro-partner's distribution dividends to shareholder, employee bonuses and remuneration to directors in the amounts of NT$417,655,749, NT$23,114,208 and NT$23,114,208 in cash, respectively, had been approved by the board meeting held on March 14, 2012 and the shareholders in its meeting held on April 18, 2012.

The Company's distribution dividends to shareholder, employee bonuses and remuneration to directors and supervisors in the amounts of NT$481,869,648, NT$60,926,047 and NT$11,077,463 in cash, respectively, had been approved by the board meeting held on March 26, 2013 and Shareholders' meeting held on June 17, 2013. The aforementioned approved amount has no difference with the same amount had been charged against earnings of 2012.

The information about the 2013 appropriations of the Company's distribution dividends to shareholder, employee bonuses and remuneration to directors and supervisors is available at the Market Observation Post System website.

Pro-partner's distribution dividends to shareholder, employee bonuses and remuneration to directors in the amounts of NT$510,462,329, NT$28,351,287 and NT$28,351,287 in cash, respectively, had been approved by board meeting held on March 14, 2013 and shareholders' meeting held on April 25, 2013. The aforementioned approved amount has no difference with the same amount had been charged against earnings of 2012.

Grape King and Pro-partner accrued employee bonuses and remuneration to directors and supervisors for the three-month periods and nine-month periods ended September 30, 2013 and 2012 were as follow:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Employees' bonuses				
Grape King	$ 23,053,099	$ 13,173,199	$ 64,219,347	$ 46,106,198
Pro-partner	12,292,368	7,620,316	28,738,762	20,529,186
Total	$ 35,345,467	$ 20,793,515	$ 92,958,109	$ 66,635,384
Directors' and Supervisors' remuneration				
Grape King	$ 4,191,473	$ 2,395,127	$ 11,676,245	$ 8,382,945
Pro-partner	12,292,368	7,620,317	28,738,761	20,529,186
Total	$ 16,483,841	$ 10,015,444	$ 40,415,006	$ 28,912,131

The above estimated the amounts of the employee bonuses and remunerations to director, according to earnings plan of the Company's management, by the ratio of Articles of Incorporation and recognized as current payroll expenses, if the difference between the estimation and the resolution of the stockholders' meeting will be recognized in profit or loss of the subsequent year.

According to the Shanghai Grape King's articles of association, Shanghai Grape King's should pay of the taxes in time and appropriate from net income to the reserve fund, employee bonus and welfare fund in accordance with the relevant laws and regulations of the People's Republic of China. The extraction ratio determined by the Board. However, extraction ratio of the reserve fund should not less than 10% of net income. When the total amount has reached 50% of the registered capital, it can no longer be extracted. The profit after paying income tax and extraction of the various funds, distribution of profits is once a year. If there are any prior year losses, it must be made up before distribution. Undistributed profits of the previous year can be incorporated with profit for the year and distributed according to the proportion of funded.

F. Dividend Policy

Grape King's earnings distribution should be compatible with the overall business environment, industry growth policy and long-term financial planning. The policy for dividend distribution should reflect the operating performance, continues to expand the scale of capital and business in diversification, than the stock dividend and cash dividend in half for the principle, and depending on the fund requirements and the degree of dilution for earnings per share, as appropriate, to adjust ratio of the cash dividend.

G. Others

The exchange differences arising from the translation of foreign operation's net assets from its functional currency to Grape King's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

H. Non-controlling interests

Changes in non-controlling interests were as follows:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Beginning balance	$ 235,488,099	$ 183,967,171	$ 307,391,648	$ 246,952,744
Attributable to non-controlling interests:				
Cash dividend	—	—	(204,184,928)	(167,062,296)
Net gain	98,338,285	60,961,915	230,619,664	165,038,638
Ending balance	$ 333,826,384	$ 244,929,086	$ 333,826,384	$ 244,929,086

(17) Earnings per Share

A. Earnings per share-basic

	Three months ended September 30, 2013				
	Amount (Numerator)		Shares	EPS (In Dollars)	
	Before Income Tax	After Income Tax	(Denominator)	Before Income Tax	After Income Tax
Net income attributable to common shareholders of the parent	$ 250,670,892	$ 205,909,986	130,235,040	$ 1.92	$ 1.58

	Three months ended September 30, 2012				
	Amount (Numerator)		Shares	EPS (In Dollars)	
	Before Income Tax	After Income Tax	(Denominator)	Before Income Tax	After Income Tax
Net income attributable to common shareholders of the parent	$ 200,751,622	$ 155,090,757	130,235,040	$ 1.54	$ 1.19

	Nine months ended September 30, 2013				
	Amount (Numerator)		Shares	EPS (In Dollars)	
	Before Income Tax	After Income Tax	(Denominator)	Before Income Tax	After Income Tax
Net income attributable to common shareholders of the parent	$ 701,659,217	$ 580,031,856	130,235,040	$ 5.39	$ 4.45

	Nine months ended September 30, 2012				
	Amount (Numerator)		Shares	EPS (In Dollars)	
	Before Income Tax	After Income Tax	(Denominator)	Before Income Tax	After Income Tax
Net income attributable to common shareholders of the parent	$ 541,733,022	$ 442,943,718	130,235,040	$ 4.16	$ 3.40

Weighted-average number of ordinary shares was calculated as follows:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Issue of ordinary shares at beginning	130,235,040	130,235,040	130,235,040	130,235,040
Weighted-average number of ordinary shares at ending	130,235,040	130,235,040	130,235,040	130,235,040

B. Earnings per share-diluted

The Cost of the bonus to employees and directors' and supervisors' remuneration shall be recognized as expense rather than distributing earning. If the Company may settle the bonus of employees by issuing shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect.

The Company recognize to amounts of employee bonus for three-month period ended September 30, 2013 and 2012, and for the nine-month period ended September 30, 2013 and 2012, if issuing stock, the number of shares to be issued were 106,168 shares, 104,196 shares, 470,471 shares and 692,285 shares, respectively. Impact on EPS is minimal, therefore diluted EPS shall be disregarded.

(18) Personnel Expenses, Depreciation and Amortization

Function / Expense Item	Three months ended September 30, 2013			Three months ended September 30, 2012		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salaries	$ 23,257,398	$ 81,943,437	$ 105,200,835	$ 20,614,261	$ 61,063,888	$ 81,678,149
Insurance	2,090,499	5,771,651	7,862,150	1,256,347	2,265,248	3,521,595
Pension cost	2,248,954	1,335,451	3,584,405	1,827,036	1,258,447	3,085,483
Other	1,050,498	1,506,810	2,557,308	856,214	1,300,442	2,156,656
Depreciation	20,424,577	9,234,351	29,658,928	19,790,253	8,118,926	27,909,179
Amortization	—	—	—	—	61,904	61,904

Expense Item \ Function	Nine months ended September 30, 2013			Nine months ended September 30, 2012		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary	$ 66,801,915	$ 284,950,552	$ 351,752,467	$ 53,895,353	$ 231,969,353	$ 285,864,706
Insurance	6,819,261	11,795,605	18,614,866	4,106,594	5,838,380	9,944,974
Pension cost	5,164,590	5,029,272	10,193,862	3,995,241	4,834,923	8,830,164
Other	2,917,129	7,479,218	10,396,347	2,229,677	6,188,321	8,417,998
Depreciation	64,141,031	26,657,093	90,798,124	57,703,441	26,782,604	84,486,045
Amortization	—	—	—	—	185,714	185,714

(19) Net Operating Revenue

The analysis of the Company’s net revenue was as follows:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Sale of goods	$ 1,368,749,505	$ 1,134,370,976	$ 4,058,570,584	$ 3,241,830,536
Provide Service	17,092,844	22,660,054	67,954,833	47,952,894
Rental Income	3,311,875	3,847,206	9,323,924	10,001,748
Other	—	180,952	180,952	838,094
Total	$ 1,389,154,224	$ 1,161,059,188	$ 4,136,030,293	$ 3,300,623,272

(20) Other Revenue

The analysis of the Company’s other revenue was as follows:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Interest income of bank deposits	$ 493,595	$ 842,576	$ 1,929,217	$ 2,417,498
Interest income of others	—	79,520	11,430	337,561
Gain on reversal of bad debts	276,769	691,517	2,892,695	9,627,213
Others	13,244,194	9,174,673	40,618,053	28,028,571
Total	$ 14,014,558	$ 10,788,286	$ 45,451,395	$ 40,410,843

(21) Other Gain and Loss

The analysis of the Company's other gain and loss was as follows:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Net gains(losses) on disposal of property, plant and equipment	$ 54,291	$ —	$ (701,761)	$ 1,015,636
Net gains on disposal of investment property	—	—	913,249	—
Net foreign exchange gains (losses)	(4,811,556)	(3,085,061)	14,935,815	(11,740,183)
Gains on financial assets at net fair value through profit or loss	785,415	2,993,347	2,487,593	5,190,360
Others	(335,642)	(588)	(365,063)	(821)
Total	$ (4,307,492)	$ (92,302)	$ 17,269,833	$ (5,535,008)

(22) Finance Costs

The analysis of the Company's finance costs was as follows:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Interest expense on loans from employees	$ —	$ 414,000	$ —	$ 1,247,967
Imputed interest expense on deposit	24,968	46,750	102,993	135,336
Total	$ 24,968	$ 460,750	$ 102,993	$ 1,383,303

The capitalized interest amounts of the consolidated company for three-month period and nine-month period ended September 30, 2013 and 2012 are NT$ 0.

(23) Other Information of Net Income

The Company's net income has deducted the following items:

	Three months ended September 30		Nine months ended September 30	
	2013	2012	2013	2012
Impairment loss of financial assets				
Accounts receivable	$ —	$ —	$ —	$ —
Depreciation and amortization expenses				
Property, plant and equipment	$ 28,987,388	$ 27,703,463	$ 89,157,406	$ 83,649,895
Investment Property	671,540	205,716	1,640,718	836,150
Intangible assets	—	61,904	—	185,714
Total	$ 29,658,928	$ 27,971,083	$ 90,798,124	$ 84,671,759
Research and development costs expensed as incurred	$ 26,470,215	$ 16,122,275	$ 58,131,313	$ 61,698,961
Employee benefits expenses				
Post-employment benefits				
Defined contribution plans	$ 2,858,741	$ 2,259,886	$ 8,016,870	$ 6,353,373
Defined benefit plans	725,664	825,597	2,176,992	2,476,791
Subtotal	3,584,405	3,085,483	10,193,862	8,830,164
Salaries and bonuses	105,200,865	81,678,149	351,752,497	285,864,706
Total	$ 108,785,270	$ 84,763,632	$ 361,946,359	$ 294,694,870

(24) Financial Instruments

A. Categories of financial instruments

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Financial assets				
Carried at amortized cost				
Cash and cash equivalents	$ 675,241,905	$ 1,084,597,388	$ 899,433,506	$ 795,476,295
Notes and accounts receivables	101,345,972	139,415,265	157,001,279	139,837,422
Other receivables	650,551	1,017,856	732,562	1,193,502
Refundable deposits	13,285,450	4,876,969	5,282,369	5,923,052
Long-term notes and accounts receivable	—	—	—	2,166,298
Others	2,310,000	3,860,000	3,860,000	61,814,000
Subtotal	792,833,878	1,233,767,478	1,066,309,716	1,006,410,569
FVTPL				
Financial assets at fair value through profit or loss	408,260,496	415,306,851	309,598,863	302,131,776
Carried at cost				
Financial assets measured at cost	12,274,190	20,000	20,000	20,000
Total	$ 1,213,368,564	$ 1,649,094,329	$ 1,375,928,579	$ 1,308,562,345

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Financial liabilities				
Carried at amortized cost				
Short-term loans	$ —	$ —	$ 55,200,000	$ 54,420,000
Notes and accounts payable	95,359,718	88,216,852	96,019,911	72,819,720
Other payables	747,218,933	759,389,492	581,123,768	597,352,903
Long-term payables	31,578,110	30,760,853	30,888,624	31,800,348
Guarantee deposits	4,230,200	7,089,600	7,089,600	7,089,600
Total	$ 878,386,961	$ 885,456,797	$ 770,321,903	$ 763,482,571

B. Financial risk management objectives and policies

The Company’s risk management objective is to manage the foreign currency risk, interest rate risk, credit risk and liquidity risk related to its operating activities. The Company is committed to identify, assess and avoid market uncertainty, in order to reduce the potential adverse effects on company's financial performance.

The Company seeks to minimize the effects of these risks by using derivative financial instruments and non-derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company’s policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

C. Market risk

Owing to operations, the Company is exposed to the market risks arising from changes in foreign exchange rates, interest rates. The Company flexibly adjusts its own funds and bank borrowings for operations to manage the market risk.

a. Foreign currency risk

The Company’s exposure to the risk of changes in foreign exchange rates relates primarily to the Company’s investments in foreign subsidiaries. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company’s profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. When NTD strengthens/weakens against USD by 10%, the profit for the three-month periods and for the nine-month ended September 30, 2013 and 2012 is decreased/increased by NT$1,208,639, NT$2,633,819, NT$1,208,639 and NT$2,633,819, respectively.

b. Interest Rate Risk

Interest rate risk refers to changes in market interest rates lead to the risk of change in financial instruments’ fair value and to the risk of cash flow fluctuations. The Company's interest rate risk is including the two mentioned above.

The interest rate sensitivity analysis is based on interest rate risk exposure of non-derivative financial instruments at the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the three-month periods and for the nine-month ended September 30, 2013 and 2012 is decreased/increased by NT$140,275, NT$189,392, NT$420,826 and NT$568,176, respectively.

c. Other price risk

The Company does not have any significant other price risk.

D. Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company only trades with approved and creditworthy third parties to reduce the risk of financial loss. It is the Company’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, credit exposure and counterparty credit are monitored on an ongoing basis, and continued commitment to diversify customer base and expand our overseas markets, which consequently minimizes the Company’s exposure to customer concentration. There is no concentration of credit risk of a single customer for the three-month period ended September 30, 2013 and 2012, and for the nine-month period ended September 30, 2013 and 2012, either. Therefore, the credit risk is insignificant.

The counterparty of liquidity and derivative financial instruments is certain banks which have high credit ratings of international credit rating agencies, so the credit risk and concentration risk is also insignificant.

E. Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid marketable securities and adequate bank loans.

The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity:

	September 30, 2013			
	Less than 6 months	6 to 12 months	1 to 2 years	Total
Carried at amortized cost				
Notes payable	$ 8,782,950	$ －	$ －	$ 8,782,950
Accounts payable	86,576,768	－	－	86,576,768
Other payables	614,458,379	132,760,554	－	747,218,933
Long-term payables	－	－	31,578,110	31,578,110
Total	$ 709,818,097	$ 132,760,554	$ 31,578,110	$ 874,156,761

	December 31, 2012			
	Less than 6 months	6 to 12 months	1 to 2 years	Total
Carried at amortized cost				
Notes payable	$ 16,206,797	$ －	$ －	$ 16,206,797
Accounts payable	72,010,055	－	－	72,010,055
Other payables	648,864,758	110,524,734	－	759,389,492
Long-term payables	－	－	30,760,853	30,760,853
Total	$ 737,081,610	$ 110,524,734	$ 30,760,853	$ 878,367,197

	September 30, 2012			
	Less than 6 months	6 to 12 months	1 to 2 years	Total
Carried at amortized cost				
Short-term loans	$ 55,200,000	$ —	$ —	$ 55,200,000
Notes payable	10,314,888	—	—	10,314,888
Accounts payable	85,705,023	—	—	85,705,023
Other payables	487,202,810	93,920,958	—	581,123,768
Long-term payables	—	—	30,888,624	30,888,624
Total	$ 638,422,721	$ 93,920,958	$ 30,888,624	$ 763,232,303

	January 1, 2012			
	Less than 6 months	6 to 12 months	1 to 2 years	Total
Carried at amortized cost				
Short-term loans	$ —	$ 54,420,000	$ —	$ 54,420,000
Notes payable	14,380,023	—	—	14,380,023
Accounts payable	58,439,697	—	—	58,439,697
Other payables	508,152,734	89,200,169	—	597,352,903
Long-term payables	—	—	31,800,348	31,800,348
Total	$ 580,972,454	$ 143,620,169	$ 31,800,348	$ 756,392,971

F. Fair value of financial instruments

a. Fair value of financial instruments carried at amortized cost

The management of the Company believes that the carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

b. Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

i. The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

ii. The fair values of derivative instruments are calculated using quoted prices provided by bank.

iii. The fair values of investments in equity without quoted price are determined in accordance with market approach or generally accepted pricing models based on discounted cash flow analysis.

c. Fair value measurements recognized in the consolidated balance sheet.

The Company holds financial assets at fair value through profit or loss which fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Financial assets at fair value through profit or loss				
Beneficiary's certificates	$ 408,260,496	$ 415,306,851	$ 309,598,863	$ 302,131,776

G. Foreign exchange rate influence on significant foreign assets and liabilities

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Significant assets and liabilities denominated in foreign currencies. The exchange rates used to translate assets and liabilities denominated in foreign currencies are disclosed as follows:

	September 30, 2013			December 31, 2012		
	Foreign Currency		Exchange Rate	Foreign Currency		Exchange Rate
Impact on Net Income						
Financial Assets						
Cash and bank deposits	USD	$ 925,335	29.570	USD	$ 167,579	29.040
Financial Liabilities						
Long-term payables	USD	516,597	29.570	USD	494,034	29.040

	September 30, 2012			January 1, 2012		
	Foreign Currency		Exchange Rate	Foreign Currency		Exchange Rate
Impact on Net Income						
Financial Assets						
Cash and bank deposits	USD	$ 1,393,101	29.295	USD	$ 2,134,783	30.275
Financial Liabilities						
Long-term payables	USD	494,034	29.295	USD	494,034	30.275

(25) Capital Management

The objective of Company’s capital management is maintaining a good capital structure and to ensure the ability to operate continuously, in order to provide returns to stockholders and the interests of other related parties, while maintaining the primal capital structure to reduce costs of capital. The Company's capital structure management strategies were based on the industry size of the Company and its subsidiaries, industry's future growth, product roadmaps, and changes in the external environment and other factors. The Company plans the required capacity and the necessary plant and equipment to achieve this capacity and the corresponding capital expenditure according to those strategies. Then the Company calculates the required working capital and cash, based on industry characteristics, and estimate the possible product margins, operating margin and cash flow. In order to determine the most appropriate of the Company's capital structure, taking into consideration cyclical fluctuations in industrial, product life cycle and other risk factors.

As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the debt ratios of the Consolidated Company are listed below:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Total liabilities	$ 1,145,911,559	$ 1,154,708,008	$ 1,069,731,946	$ 1,014,228,979
Total capital	$ 3,988,648,879	$ 3,875,436,455	$ 3,563,408,628	$ 3,455,746,198
Debt ratio	28.73%	29.80%	30.02%	29.35%

7. RELATED-PARTY TRANSACTIONS

(1) Name and Relationship of Related Parties

Name and Relationship of Related Parties are listed below:

Name of Related Parties	Relationship with the Company
International Handy Golf Center Corp. (For short Handy)	Same Chairperson
Lai-Fwu Ltd. (For short Lai-Fwu)	Related Party in Substance
Bo-En-Neng Biomedical Inc. (Formerly known as Bo-En-Neng International Development Co., Ltd.) (For short Bo-En-Neng)	The Bo-En-Neng’s chairman is the director’s relative within the second degree of kinship
Po-Shing Enterprise Co., Ltd. (For short Po-Shin)	The Po-Shin’s chairman is the director’s relative within the second degree of kinship
Jih-Pao Ltd. (For short Jih-Pao)	The chairman is the director of Pro-partner (Note 1)
Po-Lin Ltd. (For short Po-Lin)	The chairman is the director of Pro-partner
Ying-Zhen Enterprise Co., Ltd. (For short Ying-Zhen)	The chairman is Pro-partner supervisor’s relative within the second degree of kinship (Note 2)
Pro-partner Science Technology and Humanity Foundation (For short Pro-partner Fundation)	Paid Fund is established by Pro-partner

Name of Related Parties	Relationship with the Company
Chang, Chih-Sheng	Supervisor
Tseng, Sheng-Yang	The Director’s relative within the second degree of kinship
Tseng, Jang-Yue	The Director’s relative within the second degree of kinship
Tseng, Mei-Jing	The Director of Pro-partner

Note 1：After re-election of Pro-partner’s directors and Supervisor, Jih-Pao has not been considered as related parties since June 3, 2012. Significant transactions are only exposed to June 2, 2012.

Note 2：After re-election of Pro-partner’s directors and Supervisor, Ying-Zhen was considered as a related party since June 3, 2012. Disclosure of significant transactions is starting from January 1, 2012.

(2) Significant Transactions Related Parties

Intercompany balances and transactions between the Company and its subsidiaries, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of transactions between the Company and other related parties:

A. Revenue from sale of goods

a. Amount of transactions

	Three Months Ended September 30		Nine Months Ended September 30	
Related Parties	2013	2012	2013	2012
Lai-Fwu	$ 22,205,369	$ 24,974,720	$ 62,936,079	$ 71,752,626
Po-Shin	323,600	486,960	927,320	789,600
Ying-Zhen	15,360	20,280	44,160	43,200
Jih-Pao	—	—	—	24,000
Total	$ 22,544,329	$ 25,481,960	$ 63,907,559	$ 72,609,426

Lai-Fwu Ltd. is manufacturer's agent for beverage products of the Company. The sales price was determined through mutual agreement based. The collection periods for domestic sales to related parties were month-end 90~120 days.

Po-Shin, Ying-Zhen and Jih-Pao are Multi-level marketing (MLM) members of subsidiary Pro-partner. The sales prices and payment terms are the same as with the general membership.

b. Outstanding balance (Recorded as accounts receivable from related parties)

Related Parties	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Lai-Fwu	$ 14,739,521	$ 17,256,638	$ 34,957,872	$ 8,715,838
Bo-En-Neng	—	—	—	604,145
Total	$ 14,739,521	$ 17,256,638	$ 34,957,872	$ 9,319,983

B. Revenue from rental assets

a. Amount of transactions

	Three Months Ended September 30		Nine Months Ended September 30	
Related Parties	2013	2012	2013	2012
Lai-Fwu	$ 900,000	$ 900,000	$ 2,700,000	$ 2,700,000
Po-Shin	—	—	11,429	11,429
Po-Lin	3,809	—	3,809	—
Handy	17,143	17,143	51,429	51,429
Pro-partner Fundation	—	—	11,429	11,429
Total	$ 920,952	$ 917,143	$ 2,778,096	$ 2,774,287

The rental price to the above related parties and surrounding rental prices were similar. The collection of rental receivables was monthly receipts or collecting the full year payment at the beginning of each year.

b. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, all balances had been settled.

C. Sales and marketing expenses - commission expense

a. Amount of transactions

Related Parties	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
Ying-Zhen	$ 1,980,983	$ 1,950,848	$ 6,010,936	$ 5,770,497
Po-Shin	94,401	102,766	317,487	316,709
Jih-Pao	—	—	—	15,294,791
Total	$ 2,075,384	$ 2,053,614	$ 6,328,423	$ 21,381,997

Po-Shin, Ying-Zhen and Jih-Pao are MLM members of subsidiary Pro-partner. The calculation and payment terms are the same as with the general membership in accordance with the regulations of Business Manual.

b. Outstanding balance (Recorded as Other payables to related parties)

Related Parties	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Ying-Zhen	$ 1,603,726	$ 1,801,164	$ 1,283,177	$ —
Po-Shin	31,531	37,332	34,244	30,889
Jih-Pao	—	—	—	5,531,928
Total	$ 1,635,257	$ 1,838,496	$ 1,317,421	$ 5,562,817

c. Balances of Guarantee for transactions (Recorded as guarantee deposits)

Related Parties	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Ying-Zhen	$ 300,000	$ 300,000	$ 300,000	$ —

D. Sales and marketing expenses - promotional gifts

Related Parties	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
Po-Lin	$ 543,000	$ —	$ 543,000	$ —

E. General and administrative expenses - rental expense

a. Amount of transactions

	Three Months Ended September 30		Nine Months Ended September 30	
Related Parties	2013	2012	2013	2012
Chang, Chih-Sheng	$ 270,000	$ 270,000	$ 810,000	$ 810,000
Tseng, Jang-Yue	270,000	270,000	810,000	810,000
Tseng, Mei-Jing	195,000	130,000	585,000	130,000
Tseng, Sheng-Yang	1,000	3,000	9,000	9,000
Total	$ 736,000	$ 673,000	$ 2,214,000	$ 1,759,000

The rental price to the above related parties and surrounding rental prices were similar. The rental payment was paid monthly or paid the full year payment at the beginning of each year.

b. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, all balances have been settled.

c. Balances of Guarantee for transactions (Recorded as refundable deposits)

Related Parties	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Tseng, Mei-Jing	$ 130,000	$ 130,000	$ 130,000	$ —

F. General and administrative expenses - incentive expense

a. Amount of transactions

	Three Months Ended September 30		Nine Months Ended September 30	
Related Parties	2013	2012	2013	2012
Ying-Zhen	$ 123,500	$ —	$ 236,500	$ 225,800
Jih-Pao	—	—	—	225,800
Total	$ 123,500	$ —	$ 236,500	$ 451,600

Ying-Zhen and Jih-Pao are MLM members of subsidiary Pro-partner. The calculation and payment terms are the same as with the general membership in accordance with the regulations of Associate Member contest approaches.

b. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, all balances have been settled.

G. General and administrative expenses – donations

	Three Months Ended September 30		Nine Months Ended September 30	
Related Parties	2013	2012	2013	2012
Pro-partner Foundation	$ —	$ —	$ 300,000	$ —

H. Compensation of key management personnel

The compensation to directors and other key management personnel were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Short-term benefits	$ 24,897,550	$ 20,187,623	$ 72,615,522	$ 62,123,977
Post-employment benefits	106,167	114,239	340,077	314,939
Other long-term benefits	—	—	—	—
Termination benefits	—	—	—	—
Share-based payments	—	—	—	—
Total	$ 25,003,717	$ 20,301,862	$ 72,955,599	$ 62,438,916

Short-term benefits include salaries and bonus.

8. ASSETS PLEDGED AS COLLATERAL

Cost or carrying amount of assets which have been collateral for loans and performance guarantee are listed below:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Land	$ 180,335,928	$ 180,335,928	$ 180,335,928	$ 180,698,068
Buildings	210,629,636	164,646,413	178,842,545	183,907,836
Other financial assets-				
Pledged time deposits	2,310,000	3,860,000	3,860,000	3,860,000
Total	$ 393,275,564	$ 348,842,341	$ 363,038,473	$ 368,465,904

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Significant contingent liabilities and unrecognized commitments of the Company as of September 30, 2013 were as follows:

(1) The Company made notes payable that provided guarantees on loans amounting to NT$ 100,100,000.

(2) The Company had unused letters of credit amounted to USD111,108, JPY23,751,000 and GBP 30,024.

(3) For the project “Development of lactic acid bacteria product to mitigate Alcoholic liver injury”, the Company signed the contract “Biotechnology research and development achievements in industry technology promotion program commissioned Contract” with Industrial Development Bureau, Ministry of Economic Affairs (IDB) in March, 2013. The program implementation period is from April 1 to November 15, 2013. The outlay for the project will be contributed NT$900,000 from IDB and NT$3,100,000 from the Company. A result of the joint project, the Company had provided time deposits of NT$ 450,000 pledged to the Hua Nan bank. And the bank issued “Performance Bond Guarantee” to ensure implementation of the contract.

(4) For operations, the company and Pro-partner signed the vehicle leasing contract with Jih Sun International Leasing & Finance Co., Ltd.. The period of contract is from 18 July, 2013 to 17 July, 2016. The amount of monthly lease payments are NT$548,571.

(5) For operations, Pro-partner establish operational bases by leasing office in Taipei, Taoyuan, Hsinchu, Fengyuan, Taichung and Kaohsiung. In addition Pro-partner would purchase their Taipei center office building this year. These operating leases which are subsisting as of September, 30, 2013 are listed below:

Operation Sites	Lessor	The lease period		The amount of monthly prices
Taoyuan City	Taoyuan Irrigation Association	2010.8.9-2013.11.8	$	180,000
Hsinchu City	Tsai,Fu-Ching	2013.10.1-2015.9.30		110,584
Fengyuan Dist.	Lin,Fen-Ling	2011.6.1-2014.5.31		70,000
Taichung City	Pu-Lin Ltd.	2007.11.1-2027.11.1		220,300
Taichung City	Pu-Lin Ltd.	2010.4.1-2030.3.31		129,143
Taipei City	Tseng, Mei-Jing	2012.8.1-2015.7.31		65,000
Taipei City	Uni-President Enterprises Corporation	2013.5.1-2018.4.30		531,540
Taichung City	Po, I-Hsuan	2013.3.1-2016.2.29		30,000
Zhongli City	Tseng, Sheng-Yang	2013.1.1-2015.12.31		1,000

(6) Pro-partner has a litigation pending cases with a violation of Copyright Act and the Health Food Control Act. CHANG-HUO Law Firm has been commissioned to initiate legal proceedings to the Taiwan Taichung District Court. According to the assessment of counsel, it will not cause damage or reduce the Pro-partner's profits in the circumstances.

(7) The Company signed “Building and Land Scheduled Trading Contract “with non-related parties at August 5, 2013. Such contract is for the purchase, including land in Taipei's Neihu District, the land on which the building under construction and car parking spaces. Expected to be completed and delivered not later than December 31, 2014. The total amount of the contract is NT$ 285,610,000. As of September 30, 2013, the outstanding amount was NT$ 259,910,000.

(8) Pro-partner to signed “Building and Land Scheduled Trading Contract “with non-related parties at August 5, 2013. Such contract is for the purchase, including land in Taipei's Neihu District, the land on which the building under construction and car parking spaces. Expected to be completed and delivered not later than December 31, 2014. The total amount of the contract is NT$ 2,964,880,000. As of September 30, 2013, the outstanding amount was NT$ 2,698,040,000.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

None.

13. ADDITIONAL DISCLOSURES

(1) The following are additional disclosures for the Company as required by the R.O.C. Securities and Futures Bureau:

A. Financing provided to others for the nine-month period ended September 30, 2013: Please see Table 1 attached;

B. Endorsement/Guarantee provided to others for the nine-month period ended September 30, 2013: None;

C. Securities held as of September 30, 2013: Please see Table 2 attached;

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$100 million or 20 percent of the capital stock for the nine-month period ended September 30, 2013: None;

E. Acquisition of individual real estate with amount exceeding the lower of NT$100 million or 20 percent of the capital stock for the nine-month period ended September 30, 2013: Please see Table 3 attached;

F. Disposal of individual real estate with amount exceeding the lower of NT$100 million or 20 percent of the capital stock for the nine-month period ended September 30, 2013: None;

G. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock for the nine-month period ended September 30, 2013: Please see Table 4 attached;

H. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock as of September 30, 2013: None;

I. Information about the derivative instruments transaction: None;

J. The business relationship between the parent and the subsidiaries and between each subsidiary, and significant transactions between them: Please see Table 8 attached.

(2) <u>Information of the Company's investees</u>

A. Information of investees over which the Company exercises significant influence: Please see Table 6 attached.

B. The following are additional disclosures for the Company's investees as required by the R.O.C. Securities and Futures Bureau for the nine-month period ended September 30, 2013 or as of September 30, 2013:

a. Financing provided to others: Please see Table 1 attached.

b. Endorsement/Guarantee provided to others: None.

c. Securities held: Please see Table 2 attached.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$100 million or 20 percent of the capital stock: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$100 million or 20 percent of the capital stock: Please see Table 3 attached.

f. Disposal of individual real estate with amount exceeding the lower of NT$100 million or 20 percent of the capital stock: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20 percent of the capital stock: Please see Table 4 attached.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20 percent of capital stock: Please see Table 5 attached.

i. Information about the derivative instruments transaction: None.

(3) Information on Investment in Mainland China

A. The investee in Mainland China and its information: Please see Table 7 attached.

B. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: None.

14. OPERATING SEGMENT INFORMATION

The Company determined its operating segments based on business activities with discrete financial information regularly reported through the Company’s internal reporting protocols to the Company’s chief operating decision maker. The Company is organized into business units based on its marketing channels and services. As of September 30, 2013, the Company had the following segments: distributors, dealers, OEM（Original Equipment Manufacturer） and others.

Reportable segment information for the three-month periods and nine-month periods ended September 30, 2013 and 2012 are as follows:

	For the three-month period ended September 30, 2013					
	Distributors	Dealers	OEM	Others	Adjustment and elimination	Consolidated
Segment revenues	$ 1,277,628,102	$ 65,383,098	$ 34,563,870	$ 11,579,154	$ —	$ 1,389,154,224
Segment profit (loss)	403,650,218	(3,143,286)	(16,409,166)	(15,310,639)	349,449	369,136,576
Segment assets	2,061,254,219	338,373,314	513,144,394	346,007,342	729,869,610	3,988,648,879
Segment liabilities	890,214,032	79,085,856	89,023,565	17,912,385	69,675,721	1,145,911,559
Capital expenditure	163,817,759	119,055,319	42,457,075	25,731,786	—	351,061,939
Depreciation and amortization	18,694,679	4,816,381	5,720,053	427,815	—	29,658,928

	For the three-month period ended September 30, 2012					
	Distributors	Dealers	OEM	Others	Adjustment and elimination	Consolidated
Segment revenues	$ 1,009,038,311	$ 97,555,219	$ 43,378,646	$ 11,087,012	$ —	$ 1,161,059,188
Segment profit (loss)	266,874,529	16,603,707	(8,334,350)	(3,506,226)	2,532,597	274,170,257
Segment assets	1,848,921,160	425,641,706	572,019,106	343,436,686	373,389,970	3,563,408,628
Segment liabilities	745,623,190	95,678,508	81,681,280	75,881,866	70,867,102	1,069,731,946
Capital expenditure	25,538,443	13,928,841	4,860,961	2,594,391	—	46,922,636
Depreciation and amortization	15,530,328	5,535,157	5,959,455	946,143	—	27,971,083

	For the nine-month period ended September 30, 2013					
	Distributors	Dealers	OEM	Others	Adjustment and elimination	Consolidated
Segment revenues	$ 3,735,289,185	$ 245,109,542	$ 116,499,862	$ 39,131,704	$ —	$ 4,136,030,293
Segment profit (loss)	974,311,489	24,101,091	(1,965,816)	(18,945,941)	1,973,602	979,474,425
Segment assets	2,061,254,219	338,373,314	513,144,394	346,007,342	729,869,610	3,988,648,879
Segment liabilities	890,214,032	79,085,856	89,023,565	17,912,385	69,675,721	1,145,911,559
Capital expenditure	380,318,746	138,137,444	50,001,578	31,287,149	—	599,744,917
Depreciation and amortization	55,602,633	15,074,722	16,706,452	3,414,317	—	90,798,124

	For the nine-month period ended September 30, 2012					
	Distributors	Dealers	OEM	Others	Adjustment and elimination	Consolidated
Segment revenues	$ 2,864,311,640	$ 289,908,544	$ 105,363,107	$ 41,039,981	$ —	$ 3,300,623,272
Segment profit (loss)	716,270,434	49,563,421	(28,761,391)	(341,877)	3,807,057	740,537,644
Segment assets	1,848,921,160	425,641,706	572,019,106	343,436,686	373,389,970	3,563,408,628
Segment liabilities	745,623,190	95,678,508	81,681,280	75,881,866	70,867,102	1,069,731,946
Capital expenditure	54,040,867	28,863,356	10,595,624	6,239,103	—	99,738,950
Depreciation and amortization	46,483,859	16,732,066	17,653,317	3,802,517	—	84,671,759

Note：1. Pre-tax segment profit (loss) dose not include net gain (loss) on valuation of financial assets and interest expense.

2. Segment assets dose not include financial assets at fair value through profit or loss, deferred tax assets, prepayment for equipment, other financial assets and other noncurrent assets-other of golf card ,etc.

3. Segment liabilities dose not include short-term loans and deferred tax liabilities.

15. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Basis of preparation for financial information under IFRSs

In 2013, the Company prepares the first consolidated financial statements under IFRSs. As the basis of the preparation, the Company not only follows the significant accounting policies stated in Note 4 but also applies to the regulations under IFRS 1 “First-time Adoption of International Financial Standards”.

(2) Exemptions applied in accordance with IFRS 1

IFRS 1 “First-time Adoption of International Financial Standards” establishes the procedures for the Company’s first consolidated financial statements prepared 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); IFRS 1 provided some of optional exceptions, the Company adopted and summarized as follows:

A. Employee benefits

The Company elected to recognize all cumulative actuarial gains and losses in retained earnings as of the date of transition to IFRSs. In addition, the Company elected to apply the exemption disclosure requirement provided by IFRS 1, in which the amounts of present value of defined benefit obligations, the fair value of plan assets, the surplus or deficit in the plan and the experience adjustments are determined for each accounting period prospectively from the transition date.

B. Share-based payment

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

C. Cumulative translation differences

The Company elected to reset the accumulated balances of exchange differences resulting from translating the financial statements of a foreign operation to zero at the date of transition to IFRSs.

D. Business combinations

The Company elected not to apply IFRS 3, "Business Combinations," retrospectively to business combinations occurred before January 1, 2012.

E. Deemed cost

The Company elected to recognize the revalued amount became deemed cost of some land under the previous GAAP at January 1, 2012. Other property, plant and equipment and investment property are measured with the cost model in accordance with IFRSs, and the retroactive application of the relevant provisions.

(3) Difference between IFRSs and R.O.C. GAAP

A. Significant differences of recognition and measurement

Accounting Issues	Description of Differences
Functional currency	a. Under the R.O.C. GAAP, the Company did not have to determine the functional currency, since that is not a foreign company. After the transition to IFRSs, in accordance with the provisions of IAS 21 that requires all entities included in the report should determine its functional currency. b. In consolidated entity, the investment holding subsidiary, whose functional currency is U.S. dollars, determined its functional currency in accordance with the provisions of R.O.C. GAAP. After the transition to IFRSs, its functional currency should be determined to be NT dollars according to IAS 21. Therefore, the investment holding subsidiary's functional currency are remeasured as NT dollars at the transition date.
Employee Benefits	a. Under the R.O.C. GAAP, after actuarial valuation of defined benefit obligation, the Company recognized the actuarial gains and losses with corridor approach. The Company evaluates the actuarial valuation of defined benefit obligation in accordance with the provisions of IAS 19 and recognizes all actuarial gains and losses in other comprehensive income at the date of transition to IFRSs. b. When the Company evaluated the actuarial valuation of defined benefit obligation under the R.O.C. GAAP, the unrecognized net transition obligations were amortized over the average remaining service period of employees whose were expected to receive pensions. After the transition to IFRSs, the unrecognized net transition obligations will no longer be amortized. c. Under the R.O.C. GAAP, the discount rate of actuarial valuation for defined benefit obligation were setting in considering about Long-term averages of interest rates which are used by pension fund custodian institution and high security maturity fixed income laid ROI that were expected to subsist to the due date of pension payment. However, IAS 19 requires the Company to determine the rate used to discount employee benefits with reference to market yields of balance sheet date on high quality corporate bonds or government bonds which have the same currency and expected period.

Accounting Issues	Description of Differences
	d. Under the R.O.C. GAAP the Company recognized the cost of employee benefits in the form of compensated absences at the end of reporting periods when actually used. After the transition to IFRSs, Company have to recognize the expected cost of employee benefits in the form of accumulated compensated absences during the period of service.

B. Significant differences of presentation and disclosure

Accounting Issues	Description of Differences
Idle assets	Under the R.O.C. GAAP, the Company's idle assets were recognized in other assets. After the transition to IFRSs, idle assets originally recognized in other assets will be reclassified in investment property or property, plant and equipment.
Income tax	a. Under R.O.C. GAAP, a deferred income tax asset or liability should be classified as current or noncurrent in accordance with the classification of the related asset or liability for financial reporting. However, a deferred income tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent on the basis of the expected length of time before it is realized or settled. By contrast, under IFRSs, a deferred income tax asset or liability is always classified as noncurrent in accordance with the provisions of IAS 12.
	b. Under R.O.C. GAAP, deferred tax assets are recognized in full but are reduced by a valuation allowance account if there is evidence showing that a portion of or all the deferred tax assets will not be realized. However, under IFRSs, an entity recognizes only to the extent that it is highly probable that taxable profits will be available against which the deferred tax assets can be used; thus, a valuation allowance account is not used.

(4) Effect of Transition to IFRSs

After transition to IFRSs, the effect on the Company's consolidated balance sheets as of January 1, 2012 (the transition date), September 30, 2012 and December 31, 2012 as well as the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2012 and for the year ended December 31, 2012, is stated as follows:

A. Reconciliation of consolidated balance sheet as of January 1, 2012

Consolidated Balance Sheet as of January 1, 2012

Unit: New Taiwan Dollar

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current Assets					Current Assets	
Cash and cash equivalents	$ 853,430,295	$ —	$ (57,954,000)	$ 795,476,295	Cash and cash equivalents	b
Financial assets at fair value through profit or loss	302,131,776	—	—	302,131,776	Financial assets at fair value through profit or loss	
Notes receivable	36,907,645	—	—	36,907,645	Notes receivable	
Accounts receivable	102,929,777	—	—	102,929,777	Accounts receivable	
Other receivables	1,193,502	—	—	1,193,502	Other receivables	
Inventories	187,142,397	—	—	187,142,397	Inventories	
Prepayments	10,276,669	—	1,840,379	12,117,048	Prepayments	e
Deferred tax assets	1,031,974	—	(1,031,974)	—	—	a
	—		57,954,000	57,954,000	Other financial assets	b
Total current assets	1,495,044,035	—	808,405	1,495,852,440	Total current assets	
Funds and long-term investments					Noncurrent assets	
Financial assets carried at cost	20,000	—	—	20,000	Financial assets carried at cost	
Fixed Assets, net	1,640,648,202	—	(74,533,597)	1,566,114,605	Property, plant and equipment	c.e
—	—	—	257,293,868	257,293,868	Investment property	c.d
Intangible assets						
Land use right	61,367,394	—	(61,367,394)	—	—	e
—	—	—	185,714	185,714	Franchise	c
Total intangible assets	61,367,394	—	(61,181,680)	185,714	—	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Other assets					Other noncurrent assets	
Deferred tax assets	8,767,854	—	1,031,974	9,799,828	Deferred tax assets	a
—	—	—	41,865,157	41,865,157	Prepayment for equipments	c
Idled assets	186,935,723	—	(186,935,723)	—	—	d
Deferred charges	36,013,640	—	(36,013,640)	—	Deferred charges	c
—	—	—	57,665,236	57,665,236	Long-term prepaid rents	e
Other assets- other	26,949,350	—	—	26,949,350	Other noncurrent assets-other	
Total other assets	258,666,567	—	(122,386,996)	136,279,571	Subtotal other noncurrent assets	
				1,959,893,758	Total noncurrent assets	
Total	$ 3,455,746,198	$ —	$ —	$ 3,455,746,198	Total	
Current liabilities					Current liabilities	
Short-term loans	$ 54,420,000	$ —	$ —	$ 54,420,000	Short-term loans	
Notes payable	14,380,023	—	—	14,380,023	Notes payable	
Accounts payable	58,439,697	—	—	58,439,697	Accounts payable	
Income Tax Payable	99,272,166	—	—	99,272,166	Income tax payable	
Accrued expenses	564,774,211	—	(564,774,211)	—	—	f
Other payables	32,578,692	—	564,774,211	597,352,903	Other payables	f
Advance receipts	4,923,177	—	—	4,923,177	Advance receipts	
—	—	1,054,370	—	1,054,370	Provisions	g
Other current liabilities	8,808,839	—	—	8,808,839	Other current liabilities-other	
Total current liabilities	837,596,805	1,054,370	—	838,651,175	Total current liabilities	
Long-term liabilities					Noncurrent liabilities	
Long-term payables	31,800,348	—	—	31,800,348	Long-term payables	
Reserves						
Reserve for land revaluation increment tax	68,463,273	—	(68,463,273)	—		a
Other liabilities						
Deferred tax liabilities	—	—	68,463,273	68,463,273	Deferred tax liabilities	a
Accrued pension liabilities	39,452,719	28,771,864	—	68,224,583	Accrued pension liabilities	g
Guarantee deposits	7,089,600	—	—	7,089,600	Guarantee deposits	
Total other liabilities	46,542,319	28,771,864	68,463,273	143,777,456		
				175,577,804	Total noncurrent liabilities	
Total liabilities	984,402,745	29,826,234	—	1,014,228,979	Total liabilities	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Stockholders' equity					Equity	
Common stock	1,302,350,400	–	–	1,302,350,400	Common stock	
Capital surplus, treasury stock transactions	4,363,484	–	–	4,363,484	Capital surplus, treasury stock transactions	
Retained earnings					Retained earnings	
Legal capital reserve	153,350,397	–	–	153,350,397	Legal capital reserve	
Unappropriated earnings	659,829,172	74,671,022	–	734,500,194	Unappropriated earnings	g.h.i
Total retained earnings	813,179,569	74,671,022	–	887,850,591	Total retained earnings	
Adjusting items in stockholders' equity					Other components of equity	
Cumulative translation adjustments	3,263,208	(3,263,208)	–	–	Exchange differences on translation of foreign operations	h
Net loss not recognized as pension cost unrecognized net loss	(10,411,737)	10,411,737	–	–		g
Unrealized revaluation increments	111,081,655	(111,081,655)	–	–		i
Total adjusting items in stockholders' equity	103,933,126	(103,933,126)	–	–	Total other components of equity	
Total stockholder's equity of parent company	2,223,826,579	(29,262,104)	–	2,194,564,475	Total equity attributable to shareholders of the parent	
Minority interests	247,516,874	(564,130)	–	246,952,744	Noncontrolling interests	g
Total Stockholders' equity	2,471,343,453	(29,826,234)	–	2,441,517,219	Total equity	
Total	$ 3,455,746,198	$ –	$ –	$ 3,455,746,198	Total	

Notes to the reconciliation of the significant differences as January 1, 2012:

a. Classifications of Deferred tax asset/liability

Under IFRSs, a deferred tax asset or liability are classified as noncurrent and disclosed in balance sheet respectively. As of January 1, 2012, the amounts reclassified from deferred tax assets to noncurrent assets were NT$1,031,974.

Under IFRSs, if the Company elects to apply the IFRS 1 exemption and measure the revalued land using the carrying amount determined under R.O.C. GAAP as its deemed cost, the related reserve for land value incremental tax should be classified as deferred tax liabilities. As of January 1, 2012, the amounts reclassified from reserve for land revaluation increment tax to deferred tax liabilities- land revaluation increment tax were NT$68,463,273.

b. Classifications of cash and cash equivalents

As of January 1, 2012, time deposits with maturity of more than three months held by the Company were NT$57,954,000. The amounts were reclassified from cash and cash equivalents to others financial assets- current.

c. Classifications of Property, plant and equipment

The deferred charges, which were classified as other assets under R.O.C. GAAP, were reclassified based on their nature under IFRSs. As of January 1, 2012, deferred charges were reclassified to property, plant and equipment of NT$35,827,926, and intangible assets of NT$185,714, and the Company reclassified its property, plant and equipment to investment property based on their nature under IFRSs. As of January 1, 2012, the amounts were NT$70,358,145.

The Company reclassified its prepayment for equipments to other noncurrent assets according to the code table of IFRSs accounting item by TWSE. As of January 1, 2012, the amounts were NT$41,865,157.

d. Classifications of idled assets

Idled assets, which were classified as other assets under R.O.C. GAAP, were reclassified as investment property based on their nature under IFRSs. As of January 1, 2012, the amounts reclassified from idled assets to investment property were NT$186,935,723.

e. Classifications of land use right

Land use right, which were classified as intangible assets under R.O.C. GAAP, were reclassified based on their nature under IFRSs. As of January 1, 2012, land use right were reclassified to prepaid rents of NT$1,840,379, long-term prepaid rents of NT$57,665,236, and property, plant and equipment of NT$1,861,779.

f. Classifications of accrued expenses

The Company reclassified its accrued expenses to other payables according to the code table of IFRSs accounting item by TWSE. As of January 1, 2012, the amounts were NT$564,774,211.

g. Employee benefits

The Company has recognized the expected cost of employee benefits in the form of accumulated compensated absences payable in accordance with IFRSs. At the end of reporting periods the total amount was NT$1,054,370, and with the reduction in the same amount of retained earnings.

At the transition date, the Company and its subsidiaries performed the actuarial valuation of pension liabilities in accordance with the requirements of IFRSs and elected to apply the exemption disclosure requirement provided by IFRS 1, in which the amounts of the unrecognized actuarial gains and losses would be adjusted to zero. Thus accrued pension liabilities were increasing by NT$28,771,864; net loss not recognized as pension cost was adjusted for a decrease of NT$10,411,737; retained earnings and non-controlling interests were adjusted for a decreased of NT$38,619,471 and NT$564,130, respectively.

h. Functional currency

The investment holding subsidiary's functional currency was determined to be NT dollars. At the transition date, the Company elected to apply the exemption disclosure requirement provided by IFRS 1, in which the amounts of exchange differences on translation of financial statements, NT$3,263,208 would be adjusted to zero. Retained earnings were adjusted for increases of same amount.

i. Classification of unrealized revaluation reserve

The Company reclassified its unrealized revaluation reserve to retained earnings in accordance with the requirements of IFRSs for the opening balance at the transition date. The amount of the classification was NT$111,081,655.

B. Reconciliation of consolidated balance sheet as of September 30, 2012

Consolidated Balance Sheet as of September 30, 2012

Unit: New Taiwan Dollar

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current Assets					Current Assets	
Cash and cash equivalents	$ 899,433,506	$ –	$ –	$ 899,433,506	Cash and cash equivalents	
Financial assets at fair value through profit or loss	309,598,863	–	–	309,598,863	Financial assets at fair value through profit or loss	
Notes receivable	24,497,715	–	–	24,497,715	Notes receivable	
Accounts receivable	132,503,564	–	–	132,503,564	Accounts receivable	
Other receivables	732,562	–	–	732,562	Other receivables	
Inventories	214,269,115	–	–	214,269,115	Inventories	
Prepayments	16,033,010	–	1,784,098	17,817,108	Prepayments	d
Deferred tax assets	1,115,073	–	(1,115,073)	–	–	a
Restricted current assets	2,000,000	–	–	2,000,000	Other financial assets	
Total current assets	1,600,183,408	–	669,025	1,600,852,433	Total current assets	
Funds and long-term investments					Noncurrent assets	
Financial assets carried at cost	20,000	–	–	20,000	Financial assets carried at cost	
Fixed Assets, net	1,656,710,258	–	(74,129,932)	1,582,580,326	Property, plant and equipment	b.d
–	–	–	256,458,718	256,458,718	Investment property	b.c
Intangible assets						
Land use right	58,110,643	–	(58,110,643)	–	–	d
Total intangible assets	58,110,643	–	(58,110,643)	–	–	
Other assets					Other noncurrent assets	
Deferred tax assets	10,579,329	2,756,200	1,115,073	14,450,602	Deferred tax assets	a.f.g
–	–	–	32,340,505	32,340,505	Prepayment for equipments	b
Idled assets	186,935,723	–	(186,935,723)	–	–	c
Deferred charges	25,970,698	–	(25,970,698)	–	Deferred charges	b
–	–	–	54,563,675	54,563,675	Long-term prepaid rents	d
Other assets- other	22,142,369	–	–	22,142,369	Other noncurrent assets-other	
Total other assets	245,628,119	2,756,200	(124,887,168)	123,497,151	Subtotal other noncurrent assets	
				1,962,556,195	Total noncurrent assets	
Total	$ 3,560,652,428	$ 2,756,200	$ –	$ 3,563,408,628	Total	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current liabilities					Current liabilities	
Short-term loans	$ 55,200,000	$ —	$ —	$ 55,200,000	Short-term loans	
Notes payable	10,314,888	—	—	10,314,888	Notes payable	
Accounts payable	85,705,023	—	—	85,705,023	Accounts payable	
Income Tax Payable	140,203,222	—	—	140,203,222	Income tax payable	
Accrued expenses	559,919,505	—	(559,919,505)	—	—	e
Other payables	21,204,263	—	559,919,505	581,123,768	Other payables	e
Advance receipts	7,268,516	—	—	7,268,516	Advance receipts	
—	—	2,403,829	—	2,403,829	Provisions	f
Other current liabilities	13,373,241	—	—	13,373,241	Other current liabilities-other	
Total current liabilities	893,188,658	2,403,829	—	895,592,487	Total current liabilities	
Long-term liabilities					Noncurrent liabilities	
Long-term payables	30,888,624	—	—	30,888,624	Long-term payables	
Reserves						
Reserve for land revaluation increment tax	68,463,273	—	(68,463,273)	—		a
Other liabilities						
Deferred tax liabilities	—	—	68,463,273	68,463,273	Deferred tax liabilities	a
Accrued pension liabilities	40,204,792	27,493,170	—	67,697,962	Accrued pension liabilities	f
Guarantee deposits	7,089,600	—	—	7,089,600	Guarantee deposits	
Total other liabilities	47,294,392	27,493,170	68,463,273	143,250,835		
				174,139,459	Total noncurrent liabilities	
Total liabilities	1,039,834,947	29,896,999	—	1,069,731,946	Total liabilities	
Stockholders' equity					Equity	
Common stock	1,302,350,400	—	—	1,302,350,400	Common stock	
Capital surplus, treasury stock transactions	4,363,484	—	—	4,363,484	Capital surplus, treasury stock transactions	
Retained earnings					Retained earnings	
Legal capital reserve	200,656,580	—	—	200,656,580	Legal capital reserve	
Unappropriated earnings	673,615,293	65,817,316	—	739,432,609	Unappropriated earnings	f.g.h
Total retained earnings	874,271,873	65,817,316	—	940,089,189	Total retained earnings	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Adjusting items in stockholders' equity					Other components of equity	
Cumulative translation adjustments	(6,237,371)	8,181,894	–	1,944,523	Exchange differences on translation of foreign operations	g
Net loss not recognized as pension cost unrecognized net loss	(10,411,737)	10,411,737	–	–		f
Unrealized revaluation increments	111,081,655	(111,081,655)	–	–		h
Total adjusting items in stockholders' equity	94,432,547	(92,488,024)	–	1,944,523	Total other components of equity	
Total stockholder's equity of parent company	2,275,418,304	(26,670,708)	–	2,248,747,596	Total equity attributable to shareholders of the parent	
Minority interests	245,399,177	(470,091)	–	244,929,086	Noncontrolling interests	f
Total Stockholders' equity	2,520,817,481	(27,140,799)	–	2,493,676,682	Total equity	
Total	$ 3,560,652,428	$ 2,756,200	$ –	$ 3,563,408,628	Total	

Notes to the reconciliation of the significant differences as September 30, 2012:

a. Classifications of Deferred tax asset/liability

Under IFRSs, a deferred tax asset or liability are classified as noncurrent and disclosed in balance sheet respectively. As of September 30, 2012, the amounts reclassified from deferred tax assets to noncurrent assets were NT$1,115,073.

Under IFRSs, if the Company elects to apply the IFRS 1 exemption and measure the revalued land using the carrying amount determined under R.O.C. GAAP as its deemed cost, the related reserve for land value incremental tax should be classified as deferred tax liabilities. As of September 30, 2012, the amounts reclassified from reserve for land revaluation increment tax to deferred tax liabilities- land revaluation increment tax were NT$68,463,273.

b. Classifications of Property, plant and equipment

The deferred charges, which were classified as other assets under R.O.C. GAAP, were reclassified based on their nature under IFRSs. As of September 30, 2012, deferred charges were reclassified to property, plant and equipment of NT$25,970,698.

And the Company reclassified its property, plant and equipment to investment property based on their nature under IFRSs. As of September 30, 2012, the amounts were NT$69,522,995.

The Company reclassified its prepayment for equipments to other noncurrent assets according to the code table of IFRSs accounting item by TWSE. As of September 30, 2012, the amounts were NT$32,340,505.

c. Classifications of idled assets

Idled assets, which were classified as other assets under R.O.C. GAAP, were reclassified as investment property based on their nature under IFRSs. As of September 30, 2012, the amounts reclassified from idled assets to investment property were NT$186,935,723.

d. Classifications of land use right

Land use right, which were classified as intangible assets under R.O.C. GAAP, were reclassified based on their nature under IFRSs. As of September 30, 2012, land use right were reclassified to prepaid rents of NT$1,784,098, long-term prepaid rents of NT$54,563,675, and property, plant and equipment of NT$1,762,870.

e. Classifications of accrued expenses

The Company reclassified its accrued expenses to other payables according to the code table of IFRSs accounting item by TWSE. As of September 30, 2012, the amounts were NT$559,919,505.

f. Employee benefits

The Company has recognized the expected cost of employee benefits in the form of accumulated compensated absences payable in accordance with IFRSs. At the end of reporting periods the total amount was NT$2,403,829. Thus a retained earnings decreased by NT$1,995,179; and deferred tax assets increased by NT$408,650, respectively.

At the transition date, the Company and its subsidiaries performed the actuarial valuation of pension liabilities in accordance with the requirements of IFRSs and elected to apply the exemption disclosure requirement provided by IFRS 1, in which the amounts of the unrecognized actuarial gains and losses would be adjusted to zero. Thus accrued pension liabilities were increasing by NT$27,493,170; net loss not recognized as pension cost was adjusted for a decrease of NT$10,411,737; deferred tax assets increased by NT$4,549,766; retained earnings and non-controlling interests were adjusted for a decreased of NT$32,885,050 and NT$470,091, respectively.

g. Functional currency

The investment holding subsidiary's functional currency was determined to be NT dollars. At the transition date, the Company elected to apply the exemption disclosure requirement provided by IFRS 1, in which the amounts of exchange differences on translation of financial statements, NT$3,263,208 would be adjusted to zero. Retained earnings were adjusted for increases of same amount.

The investment holding subsidiary's functional currencies are remeasured as NT dollars at the transition date. Thus cumulative translation differences increased by NT$11,445,102; retained earnings and deferred tax assets were adjusted for a decreased of NT$13,647,318 and NT$2,202,216, respectively.

h. Classification of unrealized revaluation reserve

The Company reclassified its unrealized revaluation reserve to retained earnings in accordance with the requirements of IFRSs for the opening balance at the transition date. The amount of the classification was NT$111,081,655.

C. Reconciliation of consolidated balance sheet as of December 31, 2012

Consolidated Balance Sheet as of December 31, 2012

Unit: New Taiwan Dollar

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current Assets					Current Assets	
Cash and cash equivalents	$ 1,084,597,388	$ –	$ –	$ 1,084,597,388	Cash and cash equivalents	
Financial assets at fair value through profit or loss	415,306,851	–	–	415,306,851	Financial assets at fair value through profit or loss	
Notes receivable	15,689,104	–	–	15,689,104	Notes receivable	
Accounts receivable	123,726,161	–	–	123,726,161	Accounts receivable	
Other receivables	1,017,856	–	–	1,017,856	Other receivables	
Inventories	211,217,407	–	–	211,217,407	Inventories	
Prepayments	7,688,867	–	1,784,099	9,472,966	Prepayments	e
Deferred tax assets	1,262,135	–	(1,262,135)	–	–	a
Other current assets	2,105,266	–	–	2,105,266	Other current assets	
Total current assets	1,862,611,035	–	521,964	1,863,132,999	Total current assets	
Funds and long-term investments					Noncurrent assets	
Financial assets carried at cost	20,000	–	–	20,000	Financial assets carried at cost	
Prepayments for long-term investments in stocks	12,254,190	–	(12,254,190)	–	–	c
Total funds and long-term investments	12,274,190	–	(12,254,190)	20,000		
Fixed Assets, net	1,697,398,052	–	(121,370,119)	1,576,027,933	Property, plant and equipment	b.e
–		–	258,040,160	258,040,160	Investment property	d
Intangible assets						
Land use right	57,650,627	–	(57,650,627)	–	–	e

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Other assets					Other noncurrent assets	
Deferred tax assets	5,987,649	7,201,807	1,262,135	14,451,591	Deferred tax assets	a.g.h
–		–	74,646,964	74,646,964	Prepayment for equipments	b
Idled assets	186,935,723	–	(186,935,723)	–	–	d
–		–	54,117,649	54,117,649	Long-term prepaid rents	e
Deferred charges	22,632,403	–	(22,632,403)	–	–	b
–		–	12,254,190	12,254,190	Prepayments investments in stocks	c
Other assets- other	22,744,969	–	–	22,744,969	Other noncurrent assets- other	
Total other assets	238,300,744	7,201,807	(67,287,188)	178,215,363	Subtotal other noncurrent assets	
				2,012,303,456	Total noncurrent assets	
Total	$ 3,868,234,648	$ 7,201,807	$ –	$ 3,875,436,455	Total	
Current liabilities					Current liabilities	
Notes payable	$ 16,206,797	$ –	$ –	$ 16,206,797	Notes payable	
Accounts payable	72,010,055	–	–	72,010,055	Accounts payable	
Income Tax Payable	117,092,655	–	–	117,092,655	Income tax payable	
Accrued expenses	710,321,564	–	(710,321,564)	–	–	f
Other payables	49,067,928	–	710,321,564	759,389,492	Other payables	f
Advance receipts	5,922,015	–	–	5,922,015	Advance receipts	
–	–	500,567	–	500,567	Provisions	g
Other current liabilities	8,466,042		–	8,466,042	Other current liabilities- other	
Total current liabilities	979,087,056	500,567	–	979,587,623	Total current liabilities	
Long-term liabilities					Noncurrent liabilities	
Long-term payables	30,760,853	–	–	30,760,853	Long-term payables	
Reserves						
Reserve for land revaluation increment tax	68,463,273	–	(68,463,273)	–	–	a
Other liabilities						
Deferred tax liabilities	–	–	68,463,273	68,463,273	Deferred tax liabilities	a
Accrued pension liabilities	40,884,820	27,921,839	–	68,806,659	Accrued pension liabilities	g
Guarantee deposits	7,089,600	–	–	7,089,600	Guarantee deposits	
Total other liabilities	47,974,420	27,921,839	68,463,273	144,359,532		
				175,120,385	Total noncurrent liabilities	
Total liabilities	1,126,285,602	28,422,406	–	1,154,708,008	Total liabilities	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Stockholders' equity					Equity	
Common stock	1,302,350,400	–	–	1,302,350,400	Common stock	
Capital surplus, treasury stock transactions	4,363,484	–	–	4,363,484	Capital surplus, treasury stock transactions	
Retained earnings					Retained earnings	
Legal capital reserve	200,656,580	–	–	200,656,580	Legal capital reserve	
Unappropriated earnings	840,719,659	63,324,718	–	904,044,377	Unappropriated earnings	g.h.i
Total retained earnings	1,041,376,239	63,324,718	–	1,104,700,957	Total retained earnings	
Adjusting items in stockholders' equity					Other components of equity	
Cumulative translation adjustments	(14,509,771)	16,431,729	–	1,921,958	Exchange differences on translation of foreign operations	h
Net loss not recognized as pension cost unrecognized net loss	(10,578,925)	10,578,925	–	–	–	g
Unrealized revaluation increments	111,081,655	(111,081,655)	–	–	–	i
Total adjusting items in stockholders' equity	85,992,959	(84,071,001)	–	1,921,958	Total other components of equity	
Total stockholder's equity of parent company	2,434,083,082	(20,746,283)	–	2,413,336,799	Total equity attributable to shareholders of the parent	
Minority interests	307,865,964	(474,316)	–	307,391,648	Noncontrolling interests	g
Total Stockholders' equity	2,741,949,046	(21,220,599)	–	2,720,728,447	Total equity	
Total	$ 3,868,234,648	$ 7,201,807	$ –	$ 3,875,436,455	Total	

Notes to the reconciliation of the significant differences as December 31, 2012:

a. Classifications of Deferred tax asset/liability

Under IFRSs, a deferred tax asset or liability are classified as noncurrent and disclosed in balance sheet respectively. As of December 31, 2012, the amounts reclassified from deferred tax assets to noncurrent assets were NT$1,262,135.

Under IFRSs, if the Company elects to apply the IFRS 1 exemption and measure the revalued land using the carrying amount determined under R.O.C. GAAP as its deemed cost, the related reserve for land value incremental tax should be classified as deferred tax liabilities. As of December 31, 2012, the amounts reclassified from reserve for land revaluation increment tax to deferred tax liabilities- land revaluation increment tax were NT$68,463,273.

b. Classifications of Property, plant and equipment

The deferred charges, which were classified as other assets under R.O.C. GAAP, were reclassified based on their nature under IFRSs. As of December 31, 2012, deferred charges were reclassified to property, plant and equipment. The amount was NT$22,632,403.

The Company reclassified its property, plant and equipment to investment property based on their nature under IFRSs. As of December 31, 2012, the amounts were NT$71,104,437.

The Company reclassified its prepayment for equipments to other noncurrent assets according to the code table of IFRSs accounting item by TWSE. As of December 31, 2012, the amounts were NT$74,646,964.

c. Classifications of prepayment for investment

The Company reclassified its prepayment for investment to other noncurrent assets according to the code table of IFRSs accounting item by TWSE. As of December 31, 2012, the amounts were NT$12,254,190.

d. Classifications of idled assets

Idled assets, which were classified as other assets under R.O.C. GAAP, were reclassified as investment property based on their nature under IFRSs. As of December 31, 2012, the amounts reclassified from idled assets to investment property were NT$186,935,723.

e. Classifications of land use right

Land use right, which were classified as intangible assets under R.O.C. GAAP, were reclassified based on their nature under IFRSs. As of December 31, 2012, land use right were reclassified to prepaid rents of NT$1,784,099, long-term prepaid rents of NT$54,117,649, and property, plant and equipment of NT$1,748,879.

f. Classifications of accrued expenses

The Company reclassified its accrued expenses to other payables according to the code table of IFRSs accounting item by TWSE. As of December 31, 2012, the amounts were NT$710,321,564.

g. Employee benefits

The Company has recognized the expected cost of employee benefits in the form of accumulated compensated absences payable in accordance with IFRSs. At the end of reporting periods the total amount was NT$500,567. Thus a retained earnings decreased by NT$415,471; and deferred tax assets increased by NT$85,096, respectively.

At the transition date, the Company and its subsidiaries performed the actuarial valuation of pension liabilities in accordance with the requirements of IFRSs and elected to apply the exemption disclosure requirement provided by IFRS 1, in which the amounts of the unrecognized actuarial gains and losses would be adjusted to zero. Thus accrued pension liabilities were increasing by NT$27,921,839; net loss not recognized as pension cost was adjusted for a decrease of NT$10,578,925; deferred tax assets increased by NT$4,977,329; retained earnings and non-controlling interests were adjusted for a decreased of NT$33,049,119 and NT$474,316, respectively.

h. Functional currency

The investment holding subsidiary's functional currency was determined to be NT dollars. At the transition date, the Company elected to apply the exemption disclosure requirement provided by IFRS 1, in which the amounts of exchange differences on translation of financial statements, NT$3,263,208 would be adjusted to zero. Retained earnings were adjusted for increases of same amount.

The investment holding subsidiary's functional currencies are remeasured as NT dollars at the transition date. Thus cumulative translation differences and deferred tax assets increased by NT$19,694,937 and NT$2,139,382, respectively; retained earnings were adjusted for a decreased of NT$17,555,555.

i. Classification of unrealized revaluation reserve

The Company reclassified its unrealized revaluation reserve to retained earnings in accordance with the requirements of IFRSs for the opening balance at the transition date. The amount of the classification was NT$111,081,655.

D. Reconciliation of consolidated statement of comprehensive income for the three months ended September 30, 2012

Consolidated Statement of Comprehensive Income for the three months ended September 30, 2012

Unit: New Taiwan Dollar

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Operating revenues					Operating revenues	
Sales	$ 1,137,104,329	$ –	$ –	$ 1,137,104,329	Sales	
Less: sales returns and discounts	(2,733,353)	–	–	(2,733,353)	Less: sales returns and discounts	
Net sales	1,134,370,976	–	–	1,134,370,976	Net sales	
Service income	22,660,054	–	–	22,660,054	Service income	
Rental income	3,847,206	–	–	3,847,206	Rental income	
Other operating income	180,952	–	–	180,952	Other operating income	
Net operating revenues	1,161,059,188	–	–	1,161,059,188	Net operating revenues	
Operating costs					Operating costs	
Cost of sales	124,557,559	–	–	124,557,559	Cost of sales	
Processing costs	24,456,730	–	–	24,456,730	Processing costs	
Other operating costs	129,770	–	–	129,770	Other operating costs	
Total operating costs	(149,144,059)	–	–	(149,144,059)	Total operating costs	
Gross profit	1,011,915,129	–	–	1,011,915,129	Gross profit	
Operating expenses					Operating expenses	
Sales and marketing expenses	624,554,124	–	–	624,554,124	Sales and marketing expenses	
General and administrative expenses	106,676,361	627,346	–	107,303,707	General and administrative expenses	a
Research and development expenses	16,122,275	–	–	16,122,275	Research and development expenses	
Total operating expenses	(747,352,760)	(627,346)	–	(747,980,106)	Total operating expenses	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Operating income	264,562,369	(627,346)	–	263,935,023	Operating income	
Non-operating income and gains					Non-operating income and expenses	
Interest income	922,096	–	–	922,096	Other revenue	
Gains on disposal of properties	–	–	–	–	Other gain and loss	
Gains on valuation of financial asset	2,993,347	–	–	2,993,347	Other gain and loss	
Foreign exchange gain, net	5,145,872	(8,230,933)	–	(3,085,061)	Other gain and loss	b
Gains on bad debt recoveries	691,517	–	–	691,517	Other revenue	
Miscellaneous income	9,174,673	–	–	9,174,673	Other revenue	
Subtotal	18,927,505	(8,230,933)	–			
Non-operating expenses and losses						
Interest expense	460,750	–	–	(460,750)	Financial costs	
Miscellaneous expenses	588	–	–	(588)	Other gain and loss	
Subtotal	(461,338)	–	–			
				10,235,234	Total non-operating income and expenses	
Income before income tax	283,028,536	(8,858,279)	–	274,170,257	Income before income tax	
Income tax expense	(58,242,120)	(124,535)	–	(58,117,585)	Income tax expense	a.b
Net income	$ 224,786,416	$ (8,733,744)	–	216,052,672	Net income	
					Other comprehensive income (loss)	
				554,715	Exchange differences on translation of foreign operations	
				$ 216,607,387	Total comprehensive income	

Notes to the reconciliation of the significant differences for the three months ended September 30, 2012.

a. Employee benefits

The Company has recognized the expected cost of employee benefits in the form of accumulated compensated absences payable in accordance with IFRSs. Thus Payroll expenses increased by NT$1,053,576; and income tax expense decreased by NT$179,107, respectively.

At the transition date, the Company and its subsidiaries performed the actuarial valuation of pension liabilities in accordance with the requirements of IFRSs. Thus pension expense decreased by NT$426,230; and income tax expense increased by NT$777,540, respectively.

b. Functional currency

The investment holding subsidiary's functional currency was determined to be NT dollars. Thus exchange loss increased by NT$8,230,933; and income tax expense decreased by NT$722,968, respectively.

E. Reconciliation of consolidated statement of comprehensive income for the nine months ended September 30, 2012

Consolidated Statement of Comprehensive Income for the nine months ended September 30, 2012

Unit: New Taiwan Dollar

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Operating revenues					Operating revenues	
Sales	$ 3,249,468,003	$ –	$ –	$ 3,249,468,003	Sales	
Less: sales returns and discounts	(7,637,467)	–	–	(7,637,467)	Less: sales returns and discounts	
Net sales	3,241,830,536	–	–	3,241,830,536	Net sales	
Service income	47,952,894	–	–	47,952,894	Service income	
Rental income	10,001,748	–	–	10,001,748	Rental income	
Other operating income	838,094	–	–	838,094	Other operating income	
Net operating revenues	3,300,623,272	–	–	3,300,623,272	Net operating revenues	
Operating costs					Operating costs	
Cost of sales	363,515,620	–	–	363,515,620	Cost of sales	
Processing costs	55,027,343	–	–	55,027,343	Processing costs	
Other operating costs	432,848	–	–	432,848	Other operating costs	
Total operating costs	(418,975,811)	–	–	(418,975,811)	Total operating costs	
Gross profit	2,881,647,461	–	–	2,881,647,461	Gross profit	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Operating expenses					Operating expenses	
Sales and marketing expenses	1,732,372,883	—	—	1,732,372,883	Sales and marketing expenses	
General and administrative expenses	380,459,740	70,765	—	380,530,505	General and administrative expenses	a
Research and development expenses	61,698,961	—	—	61,698,961	Research and development expenses	
Total operating expenses	(2,174,531,584)	(70,765)	—	(2,174,602,349)	Total operating expenses	
Operating income	707,115,877	(70,765)	—	707,045,112	Operating income	
Non-operating income and gains					Non-operating income and expenses	
Interest income	2,755,059	—	—	2,755,059	Other revenue	
Gains on disposal of properties	1,015,636	—	—	1,015,636	Other gain and loss	
Gain on valuation of financial assets	5,190,360	—	—	5,190,360	Other gain and loss	
Foreign exchange gain, net	2,049,095	(13,789,278)	—	(11,740,183)	Other gain and loss	b
Gains on bad debt recoveries	9,627,213	—	—	9,627,213	Other revenue	
Miscellaneous income	28,028,571	—	—	28,028,571	Other revenue	
Subtotal	48,665,934	(13,789,278)	—			
Non-operating expenses and losses						
Interest expense	1,383,303	—	—	(1,383,303)	Financial costs	
Miscellaneous expenses	821	—	—	(821)	Other gain and loss	
Subtotal	(1,384,124)	—	—			
				33,492,532	Total non-operating income and expenses	
Income before income tax	754,397,687	(13,860,043)	—	740,537,644	Income before income tax	
Income tax expense	(137,655,664)	(5,100,376)	—	(132,555,288)	Income tax expense	a.b
Net income	$ 616,742,023	$ (8,759,667)	—	607,982,356	Net income	
					Other comprehensive income (loss)	
				1,944,523	Exchange differences on translation of foreign operations	
				$ 609,926,879	Total comprehensive income	

Notes to the reconciliation of the significant differences for the nine months ended September 30, 2012.

a. Employee benefits

The Company has recognized the expected cost of employee benefits in the form of accumulated compensated absences payable in accordance with IFRSs. Thus Payroll expenses increased by NT$1,349,459; and income tax expense decreased by NT$408,650, respectively.

At the transition date, the Company and its subsidiaries performed the actuarial valuation of pension liabilities in accordance with the requirements of IFRSs. Thus pension expense decreased by NT$1,278,694; and income tax expense decreased by NT$217,378, respectively.

b. Functional currency

The investment holding subsidiary's functional currency was determined to be NT dollars. Thus exchange loss increased by NT$13,789,278; and income tax expense decreased by NT$4,474,348, respectively.

F. Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012

Consolidated Statement of Comprehensive Income for the year ended December 31, 2012

Unit: New Taiwan Dollar

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Operating revenues					Operating revenues	
Sales	$ 4,532,897,011	$ –	$ –	$ 4,532,897,011	Sales	
Less: sales returns and discounts	(12,742,341)	–	–	(12,742,341)	Less: sales returns and discounts	
Net sales	4,520,154,670	–	–	4,520,154,670	Net sales	
Processing fees income	76,379,392	–	–	76,379,392	Processing fees income	
Other operating income	15,184,647	–	–	15,184,647	Other operating income	
Net operating revenues	4,611,718,709	–	–	4,611,718,709	Net operating revenues	
Operating costs					Operating costs	
Cost of sales	501,882,679	–	–	501,882,679	Cost of sales	
Processing costs	81,087,531	–	–	81,087,531	Processing costs	
Other operating costs	562,618	–	–	562,618	Other operating costs	
Total operating costs	(583,532,828)	–	–	(583,532,828)	Total operating costs	
Gross profit	4,028,185,881	–	–	4,028,185,881	Gross profit	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Operating expenses					Operating expenses	
Sales and marketing expenses	2,447,355,279	7,487	—	2,447,362,766	Sales and marketing expenses	a
General and administrative expenses	536,811,279	(2,266,215)	—	534,545,064	General and administrative expenses	a
Research and development expenses	77,653,678	—	—	77,653,678	Research and development expenses	
Total operating expenses	(3,061,820,236)	2,258,728	—	(3,059,561,508)	Total operating expenses	
Operating income	966,365,645	2,258,728	—	968,624,373	Operating income	
Non-operating income and gains					Non-operating income and expenses	
Interest income	3,460,268	—	—	3,460,268	Other revenue	
Gains on disposal of properties	1,015,636	—	—	1,015,636	Other gain and loss	
Exchange gain, net	5,967,092	(17,372,064)	—	(11,404,972)	Other gain and loss	b
Gain on valuation of financial assets	6,252,552	—	—	6,252,552	Other gain and loss	
Gains on bad debt recoveries	7,000,000	—	—	7,000,000	Other revenue	
Miscellaneous income	42,601,858	—	—	42,601,858	Other revenue	
Subtotal	66,297,406	(17,372,064)	—			
Non-operating expenses and losses						
Interest expense	1,838,604	—	—	(1,838,604)	Financial costs	
Miscellaneous expenses	946	—	—	(946)	Other gain and loss	
Subtotal	(1,839,550)	—	—			
				47,085,792	Total non-operating income and expenses	
Income before income tax	1,030,823,501	(15,113,336)	—	1,015,710,165	Income before income tax	
Income tax expense	(184,400,306)	4,686,476	—	(179,713,830)	Income tax expense	a.b
Net income	$ 846,423,195	$ (10,426,860)	—	835,996,335	Net income	
					Other comprehensive income (loss)	
				1,921,958	Exchange differences on translation of foreign operations	b
				(982,309)	Actuarial loss from defined benefit pension	a
				$ 836,935,984	Total comprehensive income	

Notes to the reconciliation of the significant differences for the year ended December 31, 2012.

a. Employee benefits

The Company has recognized the expected cost of employee benefits in the form of accumulated compensated absences payable in accordance with IFRSs. Thus payroll expenses decreased by NT$553,803; and income tax expense decreased by NT$85,096, respectively.

At the transition date, the Company and its subsidiaries performed the actuarial valuation of pension liabilities in accordance with the requirements of IFRSs. Thus pension expense decreased by NT$1,704,925; income tax expense decreased by NT$4,784,871; and actuarial losses of defined benefit plans increased by NT$939,649, respectively.

b. Functional currency

The investment holding subsidiary's functional currency was determined to be NT dollars. Thus exchange gain decreased by NT$17,372,064; and income tax expense increased by NT$183,491, respectively.

G. Under Rule No. 1010012865 issued by the FSC on April 6, 2012, on the first-time adoption of IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Company’s use of exemptions under IFRS 1. However, the amount of increasing in retained earnings resulting from first-time adoption of IFRSs is insufficient; the amount to be reclassified to a special reserve should be only upon the amount of increasing in retained earnings resulting from adoption of IFRS. Amounts of subsequent reversals pertaining to the net reduction of other shareholders’ equity resulting from use, disposition or reclassification of related assets shall qualify for additional distributions based on the original proportion of special reserve. Due to the conversion of the investment holding subsidiary’s functional currency, the Company reclassified its Cumulative translation adjustments to retained earnings of NT$3,263,208. The Company reclassified its unrealized revaluation reserve to retained earnings in accordance with the requirements of IFRSs for the opening balance at the transition date, the amount of the classification that reclassified the cumulative translation adjustments to retained earnings was NT$111,081,655. However, the total amount of increasing in retained earnings was NT$74,671,022, the amount that the Company appropriated to special reserve may only be NT$74,671,022.

H. Significant reconciliation differences in consolidated statements of cash flows

The Company prepared the statement of cash flows using the indirect method under R.O.C. GAAP, in which the interest received, dividend received and interest paid are not required to be disclosed separately; instead, the interest received and the interest paid are categorized within the operating activities in the statement of cash flows. However, according to IAS No. 7, “Statement of Cash Flows,” the interest received and dividend received should be disclosed separately in the investing activities; and interest received and the interest paid should be disclosed in the operating activities based on their nature, respectively.

Except for the above differences, there are no other significant differences between R.O.C. GAAP and IFRSs in the consolidated statement of cash flows.

Grape King Biotechnology Inc. and Subsidiaries
FINANCINGS PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Financing Company	Counter-party	Financial Statement Account	Maximum Balance for the Period (US$ in Thousands)	Ending Balance (US$ in Thousands)	Interest Rate	Nature for Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
											Item	Value		
0	Grape King Biotechnology Inc.	Ta Hsiang Containers Ind. Co., Ltd.	Other receivable	$ 4,500	$ — (Note 5)	3%	1	$ 22,703	—	$ —	—	$ —	$ 22,703 (Note 2)	$ 920,929 (Note 3)
1	Grape King International Investment (BVI)	Shanghai Grape Enterprise Co., Ltd.	Long-term Accounts Receivable Related Parties	397,160 (US$ 13,239)	391,467 (US$ 13,239) (Note 6)	—	2	—	the need for short-term financing	—	—	—	1,151,161 (Note 4)	1,151,161 (Note 4)

Note 1: Nature for financing
a. Need for operating;
b. The need for short-term financing.

Note 2: Financing limits for each borrowing company
a. Limit of financing amount for individual counter-party shall not exceed the amount for operation.
b. Limit of financing amount for individual counter-party shall not exceed 80% of Limit of total financing amount.

Note 3: Limit of total financing amount shall not exceed 40% of the amount of the net value of the Company of June 30, 2013.

Note 4: The Company holds, directly or indirectly, 100% of the voting shares, the limit of total financing amount and limit for each borrowing company shall not exceed 50% of the amount of the net value of the Company of June 30, 2013.

Note 5: The amount of actual financing was NT$ 0 on September 30, 2013.

Note 6: The amount of actual financing was US$ 13,239(NT$ 391,467) on September 30, 2013. That has been eliminated in the consolidated financial statements.

TABLE 2

Grape King Biotechnology Inc. and Subsidiaries
MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2013
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name		Relationship with the Company	Financial Statement Account	September 30, 2013				Note
					Shares/Units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Grape King Biotechnology Inc.	Fund	Yuanta De- Bao Money Market	—	Financial assets at fair value through profit or loss, current	4,295,387.10	$ 50,384	N/A	$ 50,384	
〃	〃	ING Taiwan Hong-Yang Money Market	〃	〃	4,813,171.22	80,205	N/A	80,205	
〃	〃	UPAMC James Bond Money Market	〃	〃	1,859,865.35	30,333	N/A	30,333	
〃	〃	Taishin 1699 Money Market	〃	〃	2,671,735.33	35,246	N/A	35,246	
〃	〃	Taishin Lucky Money Market	〃	〃	2,315,758.30	25,157	N/A	25,157	
〃	〃	Fuh Hwa Money Market	〃	〃	1,781,870.50	25,158	N/A	25,158	
〃	〃	Paradigm Pion Money Market	〃	〃	3,561,746.44	40,162	N/A	40,162	
		Total				$ 286,645		$ 286,645	
Grape King Biotechnology Inc.	Stock	Grape King International Investment Inc. (BVI)	Subsidiary	Investments accounted for using equity Method	—	$ 323,702	100%	$ 323,702	Eliminated
〃	〃	Pro-partner Inc.	〃	〃	960,000.00	495,340	60%	495,340	Eliminated
〃	〃	FU-SHENG INTERNATIONAL INC. (BVI)	—	Financial assets carried at cost, noncurrent	414,200.00	12,254	19%	12,254	
〃	〃	Hsin Tung Yang Co., Ltd.	〃	〃	2,000.00	20	—	20	
		Total				$ 831,316		$ 831,316	
Grape King International Investment Inc. (BVI)	Capital	Shanghai Grape King Enterprise Co., Ltd.	Subsidiary	Investments accounted for using equity Method	—	$ (90,686)	100%	$ (90,686)	Eliminated
Pro-partner Inc.	Fund	JPMorgan (Taiwan) Taiwan First MMkt	—	Financial assets at fair value through profit or loss, current	1,366,138.90	$ 20,249	N/A	$ 20,249	
	〃	ING Taiwan Hong-Yang Money Market	〃	〃	606,126.73	10,100	N/A	10,100	
	〃	ING Taiwan Money Market	〃	〃	636,569.65	10,133	N/A	10,133	
	〃	Fuh Hwa Money Market	〃	〃	4,311,119.90	60,868	N/A	60,868	
	〃	UPAMC James Bond Money Market	〃	〃	1,242,579.52	20,265	N/A	20,265	
		Total				$ 121,615		$ 121,615	

TABLE 3

Grape King Biotechnology Inc. and Subsidiaries

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Names of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
Pro-partner Inc.	(8F., No.1-3, 1-5, 1-7, Sec. 5, Zhongxiao E. Rd., Taipei, Taiwan, R.O.C.)	March 15, 2013	$ 116,500	By the Contract, had already totally paid.	Person/ Non-related parties	—	—	—	—	—	Negotiated	Operating purpose	None
Grape King Biotechnology Inc.	Land and one floor of a building under construction(No. 47, Tanmei Sec. 5, Neihu Dist., Taipei City 114, Taiwan R.O.C.)	August 5, 2013	$ 285,610	By the Contract, had already paid a deposit and signing bonuses NT$25,700.	Price Housing & Development Corp.	—	—	—	—	—	The appraisal report issued by external independent professional appraisal company	Expected for operational purpose, has not yet handed over the building	None
Pro-partner Inc.	Land and eleven floor of a building under construction(No. 47, Tanmei Sec. 5, Neihu Dist., Taipei City 114, Taiwan R.O.C.)	August 5, 2013	$ 2,964,880	By the Contract, had already paid a deposit and signing bonuses NT$266,840.	Price Housing & Development Corp.	—	—	—	—	—	The appraisal report issued by external independent professional appraisal company	Expected for operational purpose, has not yet handed over the building	None

TABLE 4

Grape King Biotechnology Inc. and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	Percentage of total Purchases (Sale)	Payment Terms	Unit Price	Payment Terms	Ending Balance	Percentage of total receivables (payable)	
Grape King Biotechnology Inc.	Pro-partner Inc.	Subsidiary	Sales	$ 317,378	12.25%	Net 30 days after monthly closing	By contract	—	$ 76,321	48.03%	Eliminated
Pro-partner Inc.	Grape King Biotechnology Inc.	Parent Company	Purchases	$ 317,378	100.00%	Net 30 days after monthly closing	By contract	—	$ (76,321)	100.00%	Eliminated
Pro-partner Inc.	Grape King Biotechnology Inc.	Parent Company	Commissions Income	$ 1,620,729	47.59%	Net 30 days after monthly closing	By contract	—	—	—	Eliminated

TABLE 5

Grape King Biotechnology Inc. and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

SEPTEMBER 30, 2013

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance (US$ in Thousands)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Grape King International Investment Inc. (BVI)	Shanghai Grape King Enterprise Co., Ltd.	Subsidiary	Long-Term Accounts Receivable-Related Parties $ 391,467 (US$ 13,239)	—	$ —	—	$ —	$ —

Note: The transactions have been eliminated in the consolidated financial statements.

TABLE 6

Grape King Biotechnology Inc. and Subsidiaries
RELATED INFORMATION OF INVESTEE COMPANIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2013			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				September 30, 2013	September 30, 2012	Shares	Percentage of Ownership	Book Value			
Grape King Biotechnology Inc.	Grape King International Investment Inc.(BVI) and Shanghai Grape King Enterprise Co., Ltd.	BVI and Shanghai	Manufacturing and selling of granule, tonic drink, capsule, tablet, related products and services.	$ 1,081,229	$ 1,081,229	—	100%	$ 323,702	$ 137	$ 137	Eliminated
〃	Pro-partner Inc.	Taoyuan County, Taiwan	Import and selling of health food, drink, cosmetics, sports apparatus, cleaning the articles, etc.	15,000	15,000	960,000	60%	495,340	576,549	345,929	Eliminated
			Total					$ 819,042		$ 346,066	

TABLE 7

Grape King Biotechnology Inc. and Subsidiaries
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (US$ in Thousands)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2013 (US$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2013 (US$ in Thousands)	Percentage of Ownership	Share of Profits/ Losses (Note 2)	Carrying Amount as of September 30, 2013 Carrying Amount as of September 30, 2013	Accumulated Inward Remittance of Earnings as of September 30, 2013
					Outflow	Inflow					
Shanghai Grape King Enterprise Co., Ltd.	Manufacturing and selling of granule, tonic drink, capsule, tablet, related products and services.	US$16,900	(2)	$ 495,672 (US$16,350)	$ –	$ –	$ 495,672 (US$16,350)	100.00%	$ (7,023) (2)c	$ (90,686)	$ –
Shanghai Yusong Company Limited	Stock management and related services of the thermostatic fresh freezing freezing warehouse.	US$ 2,080	(2)	–	11,692 (US$395)	–	11,692 (US$395)	19.00%	– (1)	11,692	–

Accumulated Investment in Mainland China as of September 30,	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
$ 507,364	$ 507,364	$ 1,705,642

Note 1: The methods for engaging in investment in Mainland China include the following:
(1) Investment in Mainland China companies by remittance through a third region;
(2) Investment in Mainland China companies through a company invested and established in a third region.
(3) Investment in Mainland China companies through an existing company established in a third region.
(4) Direct investment in Mainland China companies.
(5) Other methods of investing in Mainland China.

Note 2: Recognition of investment gain or loss during current period is pursuant to the following:
(1) If the corporation is in the set-up phase, no investment gain or loss recognition is required.
(2) The investment income (loss) were determined based on the following basis:
a. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
b. The financial report was audited and certified by the CPA of the parent company in Taiwan.
c. Other: The financial report was reviewed by the CPA of the parent company in Taiwan.

Note 3: The upper limit on investment was the greater of 60% of the individual or consolidated total net worth.

TABLE 8

Grape King Biotechnology Inc. and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counter Party	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 1)
0	Grape King Biotechnology Inc.	Pro-partner Inc.	Parent company to subsidiary	Sales	$317,378	The price by contract	7.67%
1	Pro-partner Inc.	Grape King Biotechnology Inc.	Subsidiary to parent company	Purchases	317,378	The price by contract	7.67%
0	Grape King Biotechnology Inc.	Pro-partner Inc.	Parent company to subsidiary	Commissions Expense	1,620,729	83% of sales	39.19%
1	Pro-partner Inc.	Grape King Biotechnology Inc.	Subsidiary to parent company	Commissions Income	1,620,729	83% of sales	39.19%

Note 1: The transaction amount is calculated as a proportion of the consolidated revenue or assets. If categorized as an asset or liability, the calculation is compared with the consolidated assets; if categorized as income or loss, the calculation is compared with the consolidated income or loss.

Note 2: The Group did not disclose transactions for which the dollar amount did not reach NT$100 million or 20% of the paid-in capital.