TONG HSING ELECTRONIC INDUSTRIES, LTD.
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2011 and 2010

(With Auditors' Report Thereon)

Independent Auditor's Report

The Board of Directors
Tong Hsing Electronic Industries, Ltd.:

We have audited the accompanying consolidated balance sheets of Tong Hsing Electronic Industries, Ltd. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Tong Hsing Electronic Industries, Ltd. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

February 24, 2012

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

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2011 and 2010

(Expressed in thousands of New Taiwan dollars, except net income per share, which is expressed in New Taiwan dollars)

	2011 Amount	%	2010 Amount	%
Gross sales	$ 6,436,108	103	6,226,266	102
Less: sales returns and allowances	177,733	3	99,711	2
Net sales	6,258,375	100	6,126,555	100
Cost of sales (notes 7 and 20)	4,406,779	70	4,345,496	71
Gross profit	1,851,596	30	1,781,059	29
Operating expenses (note 20):				
Selling expenses	167,716	3	153,543	2
Administrative expenses	505,227	8	467,924	8
Research and development expenses	62,180	1	64,577	1
	735,123	12	686,044	11
Operating income	1,116,473	18	1,095,015	18
Non-operating income:				
Interest income	16,148	-	4,596	-
Gain on foreign currency exchange, net	24,810	-	-	-
Other	18,086	-	10,053	-
	59,044	-	14,649	-
Non-operating expenses and losses:				
Interest expense	5,122	-	4,837	-
Loss on foreign currency exchange, net	-	-	145,946	3
Other (note 5)	15,333	-	12,216	-
	20,455	-	162,999	3
Income before tax	1,155,062	18	946,665	15
Income tax expense (note 15)	192,058	3	158,106	2
Consolidated net income	$ 963,004	15	788,559	13

	2011 Before income tax	2011 After income tax	2010 Before income tax	2010 After income tax
Basic net income per share (note 14)	$ 7.67	6.39	7.09	5.91
Diluted net income per share	$ 7.60	6.34	7.01	5.84

See accompanying notes to consolidated financial statements.

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2010

(Expressed in thousands of New Taiwan dollars)

				Retained earnings						
	Common stock	Capital collected in advance	Capital surplus-additional paid-in capital	Legal reserve	Special reserve	Unappropriated	Accumulated currency translation adjustments	Unrealized land revaluation increment	Treasury stock	Total
Balance on January 1, 2010	$ 1,250,176	690	1,447,091	269,414	-	637,122	13,490	42,669	-	3,660,652
Appropriation:										
Legal reserve	-	-	-	45,374	-	(45,374)	-	-	-	-
Dividends (cash)	-	-	-	-	-	(375,260)	-	-	-	(375,260)
Cash injection	160,000	-	1,360,000	-	-	-	-	-	-	1,520,000
Adjustment for increase in capital reserved for employees	-	-	37,920	-	-	-	-	-	-	37,920
Issuance of stock for employee stock options exercised	7,730	(490)	7,095	-	-	-	-	-	-	14,335
Consolidated net income for 2010	-	-	-	-	-	788,559	-	-	-	788,559
Foreign currency translation adjustments	-	-	-	-	-	-	(137,635)	-	-	(137,635)
Balance on December 31, 2010	1,417,906	200	2,852,106	314,788	-	1,005,047	(124,145)	42,669	-	5,508,571
Appropriation:										
Legal reserve	-	-	-	78,856	-	(78,856)	-	-	-	-
Special reserve	-	-	-	-	137,634	(137,634)	-	-	-	-
Dividends (cash)	-	-	-	-	-	(567,242)	-	-	-	(567,242)
Cash injection	200,000	-	1,900,000	-	-	-	-	-	-	2,100,000
Adjustment for increase in capital reserved for employees	-	-	45,000	-	-	-	-	-	-	45,000
Issuance of stock for employee stock options exercised	7,245	1,730	8,347	-	-	-	-	-	-	17,322
Capital collected in advance convert to common stock	200	(200)	-	-	-	-	-	-	-	-
Unrealized land revaluation increment	-	-	-	-	-	-	-	118,487	-	118,487
Treasury stock	-	-	-	-	-	-	-	-	(163,331)	(163,331)
Consolidated net income for 2011	-	-	-	-	-	963,004	-	-	-	963,004
Foreign currency translation adjustments	-	-	-	-	-	-	68,054	-	-	68,054
Balance on December 31, 2011	**$1,625,351**	**1,730**	**4,805,453**	**393,644**	**137,634**	**1,184,319**	**(56,091)**	**161,156**	**(163,331)**	**8,089,865**

Note 1: Directors' and supervisors' remuneration amounting to $7,630 and employee bonuses amounting to $31,370 were recognized in the 2009 statements of income.

Note 2: Directors' and supervisors' remuneration amounting to $8,000 and employee bonuses amounting to $56,000 were recognized in the 2010 statements of income.

See accompanying notes to consolidated financial statements.

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan dollars)

	2011	2010
Cash flows from operating activities:		
Net income	$ 963,004	$ 788,559
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	476,257	352,122
Salaries and wages from increasing capital for employees	45,000	37,920
Increase in allowance for inventory obsolescence	7,196	22,965
Decrease (increase) in financial assets at fair value through profit or loss – current	(661,236)	310,240
Decrease (increase) in notes and accounts receivable	150,786	(235,635)
Decrease (increase) in inventories	52,054	(334,066)
Decrease (increase) in other current assets	(12,848)	12,945
Decrease (increase) in other current financial assets	7,195	(1,399)
Increase (decrease) in deferred income tax liabilities, net	15,607	(64,711)
Increase (decrease) in notes and accounts payable	(54,323)	98,030
Increase (decrease) in accrued expenses and other current liabilities	18,749	201,150
Others	(9,616)	23,594
Cash provided by (used in) operating activities	997,825	1,211,714
Cash flows from investing activities:		
Additions to property, plant and equipment	(1,311,184)	(1,114,638)
Proceeds from sale of fixed assets	302	13,601
Decrease (increase) in restricted assets	(1,940)	(28,020)
Others	(6,252)	(13,259)
Cash provided by (used in) investing activities	(1,319,074)	(1,142,316)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	(140,738)	217,528
Cash injection	2,100,000	1,520,000
Proceeds from issuance of stock for employee stock options exercised	17,322	14,335
Cash dividend	(567,242)	(375,260)
Purchase of treasury stock	(163,331)	-
Cash provided by (used in) financing activities	1,246,011	1,376,603
Effects of exchange rate change on cash and cash equivalents	19,145	(54,320)
Net increase (decrease) in cash and cash equivalents	943,907	1,391,681
Cash and cash equivalents at beginning of year	2,250,439	858,758
Cash and cash equivalents at end of period	**$ 3,194,346**	**2,250,439**
Supplementary disclosures of cash flow information:		
Cash paid during the period for:		
Interest	**$ 4,903**	**4,826**
Income tax	**$ 229,842**	**97,357**
Supplementary disclosures of additions to property, plant and equipment by paying cash:		
Additions to property, plant and equipment	$ 1,246,330	1,230,123
Decrease (increase) in payable for purchase of equipment	64,854	(115,485)
Cash paid	**$ 1,311,184**	**1,114,638**

See accompanying notes to consolidated financial statements.

(1) Organization

Tong Hsing Electronic Industries, Ltd. ("the Company") was incorporated as a company limited by shares in August 1974. The major business activities of the Company are the manufacture and sale of RF modules, hybrid integrated circuits, metalized ceramic substrates and image sensor. The Company's common shares were listed on the Taiwan Stock Exchange (TSE) on November 16, 2007.

Based on a resolution of the directors' meeting held on August 27, 2009, the Company decided to merge with Impac Technology Co., Ltd. ("Impac"). The merger effective date was December 31, 2009. Impac was dissolved.

Tong Hsing Electronic Phils., Inc. ("THEPI") was incorporated as a company limited by shares in 1994. The major business activities of THEPI are the manufacture and sale of RF modules, metalized ceramic substrates, hybrid integrated circuits and image sensor. As of December 31, 2011, the Company had 100% ownership of THEPI, amounting to US$65,059 thousand.

As of December 31, 2011 and 2010, the number of employees hired by the Group was approximately 2,719 and 2,836, respectively.

(2) Summary of Significant Accounting Policies

The accompanying consolidated financial statements are prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles and practices generally accepted in the Republic of China. The consolidated financial statements of the Group have been prepared in the local currency and in Chinese. The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail. The significant accounting policies and measurement basis adopted in preparing the accompanying financial statements are summarized as follows:

(a) Reporting entities of the consolidated financial statements and basis of consolidation

The Company uses the equity method to evaluate investees which it has the power to control, and consolidates the investees into its financial statements at the end of each quarter and full fiscal year. As of December 31, 2011 and 2010, the subsidiary included in the consolidated financial statements and the Company's direct and indirect percentage of ownership was as follows:

(Continued)

Investor	Name of subsidiary	Nature of operation	Percentage of ownership December 31, 2011	December 31, 2010
The Company	THEPI	Sales and manufacturing of RF modules, metalized ceramic substrates, hybrid integrated circuits and image sensor.	100 %	100 %

(b) Use of estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

(c) Foreign currency transactions and translation

Each member of the Group records its books in its functional currency. Transactions not quoted in the functional currency are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities not denominated in the functional currency are translated into the functional currency using the exchange rates on that date. The resulting realized and unrealized exchange incomes (losses) from such translations are recorded as non-operating gains or losses. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rate ruling at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit and loss, the resulting unrealized exchange income (loss) from such translations is reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders’ equity, the resulting unrealized exchange income (loss) from such translations is recorded as a separate component of stockholders’ equity.

For long-term equity investments in foreign investees, which are accounted for by the equity method, their foreign currency financial statements have to be translated into the Group’s reporting currency. Translation adjustments resulting from the translation of foreign currency financial statements into the Group’s reporting currency are accounted for as translation adjustment, which is a separate component of stockholders’ equity.

(d) Classification of current and non-current assets and liabilities

Cash or cash equivalents, and assets that will be held primarily for the purpose of being traded or are expected to be realized within 12 months after the balance sheet date are classified as current assets; all other assets shall be classified as non-current.

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Liabilities that will be held primarily for the purpose of being traded or are expected to be settled within 12 months after the balance sheet date are classified as current liabilities; all other liabilities shall be classified as non-current.

(e) Asset impairment

The Group assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) other than goodwill may have been impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. The Group recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Group reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

The Group assesses the cash-generating unit to which goodwill is allocated on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

(f) Cash equivalents

Cash equivalents are short-term investments that are readily convertible to known amounts of cash and so near maturity that they present insignificant risk of change in value because of changes in interest rates, including bonds purchased under resale agreements, exchequer bills and commercial paper with a maturity of three months or less from the date of investment.

(g) Financial assets measured at fair value through profit or loss

These financial instruments include financial assets held for trading and designated as at fair value through profit and loss. The main purposes of the financial instruments are selling or repurchasing within a short period of time. The derivative instruments held by the Group are classified in this account, except if they are designated and effective hedging instruments. If a financial instrument that the Group holds is a hybrid instrument that includes an embedded derivative and a non-derivative host contract, the embedded derivative shall be recorded as financial assets measured at fair value through profit or loss as of the acquisition date.

(h) Notes and accounts receivable, other receivables, and refundable deposits

Notes and accounts receivable are the creditors' rights from selling goods or rendering services. Other receivables and refundable deposits are created from non-operating income.

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Effective from January 1, 2011, concerning financial assets, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Impairment loss is recognized and measured as the difference between the asset's 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 the asset is reduced through the use of an allowance account. The impairment loss is recognized in profit or loss. The present value of estimated future cash flows includes the recoverable amount of collateral and insurance.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

(i) Derivative financial instruments and hedging

The derivative financial instruments held by the Group are for hedging the risk of changes in foreign currency exchange rates and interest rates resulting from operational, financial and investing activities. The derivatives are recognized as financial instruments held for trading when they do not meet the criteria for hedge accounting.

When each of the three types of hedger－"fair value hedge", "cash flow hedge" and "hedge of a net investment in a foreign operation"－meets all the criteria for hedge accounting, the offsetting effects on gain or loss of changes in the fair value of the hedging instruments and the hedged item will be recognized.

(j) Allowance for doubtful accounts

Before December 31, 2010, allowance for doubtful accounts is provided according to the collectability of each account. The amount is determined by considering the past collection experience, customers' credit, an aging analysis, and the Group's internal controls on credit policy.

(k) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Fixed production overheads are allocated to finished goods and work in progress based on the normal capacity of the production facilities. Variable production overheads are allocated to each unit of production based on the actual use of the production facilities. Inventories are measured individually at the lower of

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cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(l) Property, plant and equipment, and depreciation

Property, plant and equipment are stated at cost and can be revalued at government-declared values or indexes. Provision for land value increment tax recorded under non-current liabilities can be estimated for land revaluation. When the Group disposes the land, the related land revaluation increments and provision for land value increment tax should be disposed together. Interest in connection with the acquisition or construction of property, plant and equipment is capitalized. Major renewals and improvements are capitalized and depreciated accordingly. Gains or losses on the disposal of property, plant and equipment are included in non-operating income or losses.

Excluding land, depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of the estimated useful lives or the contract periods by the straight-line method. If the property, plant and equipment have reached the end of their estimated useful lives but are still in use, the Group will estimate the remaining useful lives and residual value, and depreciate the residual value using the same method. The useful lives of respective assets are summarized as follows:

1. Buildings: 25~50 years

2. Improvement to buildings: 3~20 years

3. Machinery and equipment: 2~10 years

4. Office equipment: 3~10 years

5. Leasehold improvement: 2~25 years

(m) Intangible assets

The Group adopted SFAS No. 37 “Intangible Assets”. In accordance with SFAS No. 37, other than an intangible asset acquired by way of a government grant, which should be measured at its fair value, an intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be measured at its cost plus revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

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The depreciable amount of capitalized development expenditure is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Patents, costs of computer software, and other intangible assets are amortized using the straight-line method over three to seven years.

The residual value, the amortization period, and the amortization method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. Such changes shall be accounted for as changes in accounting estimates.

In accordance with SFAS No. 37, except when it forms part of the cost of a business combination, expenditure on research is recognized as an expense when it is incurred. An intangible asset arising from development shall be recognized if, any only if, the Group cash demonstrate all of the following:

1. the technical feasibility of completing the intangible asset so that it will be available for use or sale.

2. its intention to complete the intangible asset and use or sell it.

3. its ability to use or sell the intangible asset.

4. how the intangible asset will generate probable future economic benefits.

5. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

6. its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(n) Deferred expenses

Construction of electricity supply, improvements, and mold expenses are amortized using the straight-line method over two to three years.

(o) Goodwill

The cost of investment in excess of the fair value of identifiable net assets is recognized as goodwill, and is determined by the original cost less its accumulated impairment.

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(p) Financial liabilities at fair value through profit or loss

Financial instruments are classified into this category if the purpose of acquisition is principally for selling or repurchasing in the near term. Except for effective hedging derivative financial instruments, all financial derivatives are included in this category. Changes in fair value are charged to current operations.

(q) Retirement plan

The Company has established an employee noncontributory pension plan covering all regular employees. According to this plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. The retirement benefits are lump-sum payments. Payments of employee retirement benefits are based on the years of service and average salary for the six months before the employee's retirement. Each employee will earn two months' salary for the first 15 years of service and one month's salary for each service year after the sixteenth year. The total number of months each employee can earn is limited to 45 months.

In accordance with the requirements of the ROC Labor Standards Law, the Company has made monthly cash contributions of 8% of salaries and wages incurred to a pension fund maintained with Bank of Taiwan (originally the "Central Trust of China"). Retirement benefits are paid first from the fund and then by the Company if the fund is insufficient.

THEPI has established an employee noncontributory pension plan covering all regular employees. Employees are eligible for retirement or are required to retire after meeting certain age or service requirements. The retirement benefits are lump-sum payments. Payments of employee retirement benefits are based on the years of service and half of the final month's salary before the employee's retirement.

The Company and THEPI have their pension plans actuarially valued on the year-end date and recognize net periodic pension cost, including service costs, interest cost, expected return on plan assets, and amortization of net unrecognized transition costs, over the average remaining service period of employees (15 and 14 years, respectively).

Under the Labor Pension Act, which came into force on July 1, 2005, a defined contribution pension plan should be implemented by the Company for all new employees and for any employees employed before that date who chose the new plan. For the employees who are under for the defined contribution pension plan, the Company has made a monthly cash contribution of 6% of salaries and wages to employees' individual pension fund accounts at the Bureau of Labor Insurance based on the Labor Pension Act, and the contribution was recorded as pension expenses in the accompanying statements of income.

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(r) Share-based payment

The employee stock options granted before January 1, 2008, are accounted for by interpretations (92)070, 071, and 072 issued by the Accounting Research and Development Foundation (ARDF). The Company adopts the intrinsic value method for the employee stock options. Compensation costs are the excess, if any, of the fair value of the stock at the measurement date over the amount employees must pay to acquire the stock. Meanwhile, the compensation costs mentioned above are recorded as current expense and a separate component of stockholders' equity during the service period of the employees specified in the employee stock option plan. According to SFAS No. 39 "Share-based Payment", the Company need not apply SFAS No. 39 retrospectively to the share-based payments that were granted before January 1, 2008; however, the pro-forma net income and earnings per share must still be disclosed.

If the Company increases its capital through a cash injection, it will reserve 10% to 15% of the capital injection for employees to purchase in accordance with Article 267 of the ROC Company Act. The amount reserved is evaluated at fair value on the grant date, and recorded as salary expense and capital surplus－employee stock options. After purchasing, the capital surplus－employee stock options are reclassified into capital surplus－paid-in capital in excess of par value, in accordance with Interpretation (96) 267 issued by the ARDF.

(s) Employees' bonuses and directors' and supervisors' remuneration

Employees' bonuses and directors' and supervisors' remuneration based on the ROC Company Act and the Company's articles of incorporation and appropriated after January 1, 2008, are accounted for by Interpretation (96)052 issued by the ARDF. The Company estimates the amount of employees' bonuses and directors' and supervisors' remuneration according to the Interpretation and recognizes it as expenses. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

(t) Income tax

Income tax is calculated based on accounting income. The amount of deferred tax liabilities or assets is calculated by applying the provisions of enacted tax law to determine the amount of tax payable or refundable, currently or in future years. The tax effects of taxable temporary differences are recorded as deferred income tax liabilities. The tax effects of deductible temporary differences and tax credits are recognized as deferred income tax assets. The realization of deferred income tax assets is evaluated, and if it is considered more likely than not that the asset will not be realized, a valuation allowance is recognized accordingly.

Deferred income tax assets or liabilities are classified as current or non-current based on the classification of the asset or liability relating to the deferred item or, for certain transactions not directly related to an asset or liability, based on the timing of the expected reversal date.

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Investment tax credits are accounted for using the flow-through method. Therefore, deferred income tax credits generated from purchases of machinery for automation of production and production technology are recognized in the year in which the credit arises.

The 10% surtax on undistributed earnings is recorded as current income tax expense after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

The Group's income tax returns are calculated and filed based on the Company's and THEPI's local tax law. The Group's income tax expenses are the aggregation of all consolidated entities' income tax expenses.

(u) Treasury stock

The Group accounts for the cost of purchasing its outstanding stock as "treasury stock". A gain on the sale of treasury stock is credited to capital surplus – treasury stock. Losses are charged to capital surplus, but only to the extent of available net gains from previous sales or retirements of the same class of stock; otherwise, losses are charged to retained earnings. The cost of treasury stock is computed using the weighted-average method.

When treasury stock is retired, the weighted-average cost of the retired treasury stock is written off against the par value of the shares and the paid-in capital derived from the issuance of shares in excess of par value. If the weighted-average cost written off exceeds the sum of the par value and the paid-in capital in excess of par value, the difference is debited to capital surplus – treasury stock arising from the same class of stock or to retained earnings, and if vice versa, the difference is credited to capital surplus – treasury stock.

(v) Revenue recognition

Sales of goods are recognized when products are shipped and the significant risks and rewards of ownership are transferred to the customers. Costs and expenses are recognized when the revenue is earned.

(w) Net income per share

Net income per share of common stock is computed based on the weighted-average number of common shares outstanding during the year. Net income per share for the prior year is retroactively adjusted to reflect the effects of new shares issued by transferring capital surplus and retained earnings.

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The employee stock options issued by the Company and employee stock bonuses which have not yet been approved by the stockholders' meeting are potential common shares. Only basic net income per share is disclosed if there is no dilution effect. Otherwise, both basic net income and diluted net income per share are disclosed. For the purpose of calculating diluted net income per share, the potential common shares are deemed to have been converted into common stock at the beginning of the period, and the effect on net income of the additional common shares outstanding is considered accordingly.

(x) 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). The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information is available.

(3) Change in Accounting Policy and Its Influence

(a) Effective from January 1, 2011, the Group adopted the third amended SFAS No. 34 "Financial instruments: Recognition and Measurement". In accordance with SFAS No. 34, loans and receivables originated by the Group shall apply the regulations on initial recognition, subsequent recognition and impairment. The change in accounting policy had no material effects on the Group's net income and net income per share for the year ended December 31, 2011.

(b) Effective from January 1, 2011, the Group adopted the newly issued SFAS No. 41 "Operating Segments". In accordance with SFAS No. 41, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The Group determines and presents operating segments based on the information that is internally provided to the chief operating decision maker. In accordance with SFAS No. 41, the operating segment information are disclosed within the consolidated financial statements but withheld in the separate financial statement. The Standard also supersedes SFAS No. 20 "Segment Reporting." Such changes in accounting principle did not have the cumulative effect for the year ended December 31, 2011. The comparative information for the initial year of application was restated.

(4) Cash and Cash Equivalents

	December 31, 2011	December 31, 2010
Petty cash and foreign currency on hand	$ 1,237	1,203
Checking accounts and demand deposits	1,085,829	1,577,702
Time deposits	2,007,280	571,310
Commercial paper purchased under resale agreements	100,000	100,224
	$ 3,194,346	**2,250,439**

(Continued)

(5) Financial Instruments

(a) Non-derivative financial instruments

As of December 31, 2011 and 2010, the non-derivative financial instruments held by the Group were as follows:

	December 31, 2011	December 31, 2010
Financial assets at fair value through profit or loss – current:		
Financial assets held for trading:		
Open-end mutual funds	$ 581,843	30,321
Bonds purchased under resale agreements with a maturity of three months or more from the date of investment	100,259	-
Bonds investment-convertible bonds payable	9,455	-
	$ 691,557	30,321

As of December 31, 2011 and 2010, the unrealized gain on financial assets through profit or loss resulting from changes in fair value amounted to $1,398 and $321, respectively, and was recorded under non-operating expenses and losses.

(b) Derivative financial instruments

As of December 31, 2011and 2010, there were no derivative financial instruments.

To hedge the exchange rate, the Group signed forward foreign currency contracts with several banks for the years ended December 31, 2011 and 2010. The gain or loss resulting from changes in fair value of these contracts were a loss of $13,836 and $0 for the years ended December 31, 2011 and 2010, respectively, and were recorded under non-operating expenses and losses.

(6) Notes and Accounts Receivable – Non-related Parties

	December 31, 2011	December 31, 2010
Notes receivable	$ 991	1,564
Accounts receivable	758,683	910,216
	759,674	911,780
Less: allowance for doubtful accounts	(9,737)	(15,590)
	$ 749,937	896,190

(Continued)

Short-term notes and accounts receivables are not discounted and its book value is considered to be an approximation of fair value.

(7) Inventories

	December 31, 2011	December 31, 2010
Finished goods	$ 27,004	44,611
Less: allowance for inventory valuation loss and obsolescence	(4,255)	(12,691)
Sub-total	22,749	31,920
Semi-finished goods	121,409	80,270
Less: allowance for inventory valuation loss and obsolescence	(18,379)	(16,590)
Sub-total	103,030	63,680
Work in process	136,556	189,077
Less: allowance for inventory valuation loss and obsolescence	(7,822)	(5,534)
Sub-total	128,734	183,543
Raw materials	308,301	352,891
Less: allowance for inventory valuation loss and obsolescence	(8,488)	(13,571)
Sub-total	299,813	339,320
Supplies	45,416	40,959
Less: allowance for inventory valuation loss and obsolescence	(654)	(933)
Sub-total	44,762	40,026
	$ 599,088	**658,489**

(a) The allowance for inventory valuation loss and obsolescence amounted to $39,598 and $49,319 as of December 31, 2011 and 2010, respectively.

(b) Inventory-related expenses amounted to losses of $7,196 and $22,965 for the years ended December 31, 2011 and 2010, as follows:

(Continued)

	2011	2010
Write-downs (recovery) on inventory valuation and obsolescence	$ (9,873)	-
Write-downs of inventories to net realized value which were included in the cost of sale	-	10,867
Loss on scrapping of inventory	17,069	12,098
	$ 7,196	**22,965**

Due to the fact that the Group sold and scrapped obsolete inventories in the year ended December 31, 2011, therefore, the net realized value of inventories is no longer lower than the cost, and the Group recognized recovery on the inventory valuation and obsolescence which amounted to $9,873.

(c) The Group does not provide inventories as collateral for its loans as of December 31, 2011 and 2010, respectively.

(8) Property, Plant and Equipment, and Other Assets

(a) Land was revalued based on the government-declared value in 2011 and 1990, respectively, the revaluation increments as of December 31, 2011 and 2010, were as follows:

	December 31, 2011	December 31, 2010
Land revaluation increments	$ 254,935	$ 69,850
Less: provision for land value increment tax	(80,950)	(14,352)
Net revaluation increments	**$ 173,985**	**$ 55,498**

(b) For extending factory and building a dormitory for employees, the Group bought land for $54,773, and the ownership was transferred on January 9, 2008. As of December 31, 2009, the payables had been fully paid. As of December 31, 2010, the dormitory had been completed and reclassified under buildings. As of December 31, 2011, a part of the factory construction had been completed and reclassified under buildings. As of December 31, 2011, the Group prepaid the architectural design fee and related construction cost of $183,820; one of $177,590 recorded as buildings, and another $6,230 recorded as unfinished construction and prepayment for purchase of equipment.

(c) Because Philippine regulations prohibited foreigners from owning land, THEPI paid for land and owned it in the name of Multi-field Holdings Corp. (Multi-field). As of December 31, 2011 and 2010, the land amounted to $57,713 (91,110 thousand pesos) and was recorded as other asset. To assure the right to the land, THEPI provided the land as collateral for a credit line from a local bank. Please refer to note 17.

(Continued)

(d) The Group provided property, plant and equipment as collateral for its loans. Please refer to note 18 for details.

(9) Intangible Assets

	Patents	Cost of computer software	Goodwill	Others	Total
Balance on January 1, 2011	$ 17,890	7,962	51,936	35,808	113,596
Acquisition	-	908	-	-	908
Amortization	(3,578)	(3,840)	-	(5,968)	(13,386)
Balance on December 31, 2011	$ 14,312	5,030	51,936	29,840	101,118
Balance on January 1, 2010	$ 21,468	2,920	51,936	41,776	118,100
Acquisition	-	7,703	-	-	7,703
Amortization	(3,578)	(2,661)	-	(5,968)	(12,207)
Balance on December 31, 2010	$ 17,890	7,962	51,936	35,808	113,596

(10) Short-term Loans

	December 31, 2011	December 31, 2010
Secured loans	$ 79,133	204,635
Loans for letter of credit	44,766	60,000
Commercial paper, net of prepaid interest expense	19,992	19,994
	$ 143,891	284,629
Unused short-term credit lines	$ 1,354,124	874,883

Annual interest rates on short-term loans for the years ended December 31, 2011 and 2010, ranged from 0.96% to 2.10% and 0.84% to 4.50%, respectively. The commercial paper was credit loans. The Group provided land and building as the collateral for part of the secured loans. Please refer to note 18 for details.

(11) Long-term Loans

Bank	Purpose and repayment term	December 31, 2011	December 31, 2010
Tai Shin Bank	Increase investment to extend productivity (2013.05.31)	$ 65,000	65,000
Unused long-term credit lines		$ -	-

(Continued)

The annual interest rates on long-term loans for the years ended December 31, 2011 and 2010, ranged from 1.25% to 1.36% and 1.25% to 1.50%, respectively. The aforementioned long-term loans were credit loans.

(12) Pensions

The Group made an actuarial valuation of its defined benefit pension plans on December 31, 2011 and 2010. According to the actuarial reports, the reconciliation of the funded status and accrued pension liability was as follows:

	December 31, 2011		December 31, 2010	
	The Company	**THEPI**	**The Company**	**THEPI**
Benefit obligations:				
Vested benefit obligations	$ (45,218)	-	(40,587)	-
Non-vested benefit obligations	(137,097)	(8,429)	(138,755)	(6,135)
Accumulated benefit obligation	(182,315)	(8,429)	(179,342)	(6,135)
Projected future employee compensation increases	(116,638)	(11,872)	(123,332)	(2,363)
Projected benefit obligation	(298,953)	(20,301)	(302,674)	(8,498)
Plan assets at fair value	206,444	6,136	182,598	5,476
Funded status	(92,509)	(14,165)	(120,076)	(3,022)
Unrecognized past service cost	-	1,873	-	1,966
Unrecognized net transition obligation (assets)	103	-	207	-
Unrecognized net pension loss	136,904	3,863	155,605	(5,079)
Prepaid pension cost (Accrued pension liability)	$ **44,498**	**(8,429)**	**35,736**	**(6,135)**

Actuarial assumptions were as follows:

	2011		2010	
	The Company	**THEPI**	**The Company**	**THEPI**
Discount rate	2.00%	7.10%	1.75%	10.20%
Future salary increase rate	3.00%	6.00%	3.00%	6.00%
Expected long-term rate of return on plan assets	2.00%	7.00%	1.75%	7.00%

(Continued)

The net pension expense consisted of the following:

	2011		2010	
	The Company	**THEPI**	**The Company**	**THEPI**
Service cost	$ 5,451	1,666	5,207	1,661
Interest cost	5,297	885	5,537	787
Actual return on plan assets	(1,831)	(392)	(2,289)	(354)
Amortization	4,336	(141)	2,605	101
Net pension expense for defined benefit pension plan	**$ 13,253**	**2,018**	**11,060**	**2,195**
Net pension expense for defined contribution pension plan	**$ 27,288**	**-**	**21,753**	**-**

The vested benefits were approximately $69,467 and $61,738 as of December 31, 2011 and 2010, respectively. And the payment of employee retirement in 2011 and 2010 were $0.

(13) Stockholders' Equity

(a) Capital increase

Based on a resolution at the annual stockholders' meeting held on April 28, 2010, the Company increased the authorized common stock to $2,000,000 and declared a 3 New Taiwan dollar cash dividend per share amounting to $375,260. Based on a resolution of the board of directors' meeting held on April 28, 2010, the Company increased its common stock by issuing 16,000 thousand shares through a cash injection at NT$95 per share. The effective date of share issuance was June 28, 2010, and the registration procedures related to the above issuance was completed on July 14, 2010.

Based on a resolution at the annual stockholder's meeting held on June 2, 2011, the company declared a 4 New Taiwan dollar cash dividend per share amounting to $567,242. The effective date of ex-dividend is July 2, 2011. Based on a resolution of the board of directors' meeting held on June 9, 2011, the Company increased its common stock by issuing 20,000 thousand shares through a cash injection at NT$105 per share. The effective date of share issuance was July 2, 2011, and the registration procedures related to the above issuance was completed on August 3, 2011.

The Company's employees exercised stock options to acquire the Company's common stock amounting to $7,240 and the new shares issued were 724 thousand shares for the year ended December 31, 2010. As of March 31, 2011, the registration processes was completed.

(Continued)

The Company's employees exercised stock options to acquire the Company's common stock amounting to $8,975 and the new shares issued were 897 thousand shares for the year ended December 31, 2011. As of December 31, 2011, the registration processes for the issuance of common stock totaled 173 thousand shares from the exercise of employee stock options that had not been completed.

As of December 31, 2011 and 2010, the authorized common stock with par value of 10 New Taiwan dollars per share was $2,000,000, of which $100,000 was reserved for the issuance of employee stock option.

(b) Treasury stock

In the meeting of the board of directors held on August 22, 2011, in pursuant to the Securities and Exchange Law, the board decided to purchase 6,000 thousand shares of treasury stock for the purpose of transferring to its employees. As of December 31, 2011, the Company purchased 2,200 thousand shares of treasury stock at a total cost of $163,331 recorded as minus item of stockholders' equity.

In pursuant to the Securities and Exchange Law, the number of shares of treasury stock can not exceed 10% of the number of shares issued. The total purchase cost of treasury stock can not exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus. The shares bought back with the intent of transferring to employees must be transferred within three years from the date of buyback. Otherwise, the shares shall be deemed as not issued by the Company, and cancelled. In addition, treasury stock can not be pledged for debts, and treasury stock does not carry any shareholder's rights until it is disposed or transferred to its employees.

(c) Capital surplus

From the year of 2011, in pursuant to the ROC Company Act, capital surplus should be used to offset a deficit first and then converted the realized capital surplus into capital or distributed as cash dividends. The aforementioned realized capital surplus was generated from the excess of the issuance is priced over the par value of capital stock and donations for the year of 2011. According to Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of total common stock outstanding. In addition, capital increases by transferring paid-in capital in excess of par value can only commence in the following year.

(Continued)

Based on the resolution of the board of directors' meeting held on April 28, 2010, the Company increased its common stock by issuing 16,000 thousand shares through a cash injection and retained 15% of the capital for employees to purchase, accounted for by Interpretation (96) 267 issued by the ARDF. The fair value was $37,920 on the grant day, recorded as capital surplus— paid-in capital in excess of par value. In addition, the Company increased capital surplus – additional paid-in capital amounting to $1,360,000 by a cash injection and $7,095 by employee stock options in 2010.

Based on the resolution of the board of directors' meeting held on March 16, 2011, the Company increased its common stock by issuing 20,000 thousand shares through a cash injection and retained 15% of the capital for the employees to purchase, accounted for by Interpretation (96) 267 issued by the ARDF. The fair value was $45,000 on the grant day, recorded as capital surplus— paid-in capital in excess of par value. In addition, the Company increased capital surplus – additional paid-in capital amounting to $1,900,000 by a cash injection, and $8,347 by employee stock options in 2011.

(d) Legal reserve

The ROC Corporation Act stipulates that companies must retain 10% of their annual net earnings, as defined in the Act, until such retention equals the amount of the issued share capital. When a company incurs no loss, it may, in pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

(e) Employee stock options

In the meeting of the board of directors held on May 15, 2007, the board decided to issue 4,000 units of employee stock options with an exercisable right of 1,000 shares of the Company's common stock per unit. The information on total options issued is summarized as follows:

	2011		**2010**	
	Units (in thousands)	**The weighted-average exercise price (NT dollars)**	**Units (in thousands)**	**The weighted-average exercise price (NT dollars)**
Outstanding units on January 1	1,116	$ 19.8	1,840	20.3
Current units granted	-	-	-	-
Current units abandoned	20	19.8	-	-
Current units exercised	897	19.3	724	19.8
Current units expired	-	-	-	-
Outstanding units on December 31	**199**	19.3	**1,116**	19.8
Exercisable units on December 31	**199**	19.3	**235**	19.8

(Continued)

The weighted-average fair price of the Company's stock was NTD108.59 and NTD124.23 for the years ended December 31, 2011 and 2010, respectively. The weighted-average life of the stock option for the years ended December 31, 2011 and 2010, were 0.58 and 1.58 years.

The issuance term of the stock options are as follows:

1. Exercise price: The exercise price is NTD19.30 per share after adjustments.

2. Exercisable duration: Employees who received stock options that exceed two years can exercise a specific percentage in each period as below. The exercisable duration of the options is five years. No transference is allowed except for inheritance. After the expiration of the exercisable duration, the Company will retire the unexercised options and not re-issue the options.

Option holding period	**Exercisable percentage (cumulative)**
More than 2 years	50%
More than 3 years	75%
More than 4 years	100%

3. Exercise method: The Company would issue new shares as the options are exercised.

4. Exercise procedure: In accordance with the Company's issuance and exercise rules, the entitlement certification of stock options exercised is registered as common stock at least once a quarter.

   The compensation cost of the stock options issued before December 31, 2007, was computed by the intrinsic value method. Because the Company was a publicly owned company and the net value of the Company's common stock on the measurement date was not in excess of the exercise price of the stock options, the Company did not need to recognize compensation cost. The compensation cost for the years ended December 31, 2011 and 2010, would be $(18,515) and $43,134, respectively, if the Company adopted paragraph fifty of SFAS No. 39, which states that changes in intrinsic value after the measurement date should be treated as compensation cost. The pro-forma information would be as follows:

		2011	**2010**
Net income	Actual	$ 963,004	788,559
	Pro forma	981,519	745,425
Basic net income per share	Actual	6.39	5.91
	Pro forma	6.51	5.58

(Continued)

(f) Limitation on distribution of retained earnings

Based on the Company's articles of incorporation, 10% of annual net income after covering accumulated deficit, if any, is to be set aside as a legal reserve, and an amount equal to a net debit balance of stockholders' equity is appropriated as a special reserve. The remuneration to directors and supervisors cannot be higher than 2% of the remaining balance, and no less than 5% is distributed as bonus to employees. The remaining balance and the accumulated unappropriated earnings of prior years, if any, can be distributed as dividends to stockholders. The amount of dividends is determined by the board of directors and approved by the stockholders at their annual meeting. Dividends are paid in cash and/or stock from retained earnings, and cash dividends cannot be less than 30% of the total cash and stock dividends.

According to SFB (former SFC) regulations, when there is a deduction item in stockholders' equity during the year, an amount equal to the reduction before appropriation must be included as a special reserve within retained earnings. The special reserve could be available for dividend distribution only after the related stockholders' equity deduction item has been reversed. Based on the resolution approved by the stockholders during the annual meeting on June 2, 2011, the special reserve was set aside $137,634.

(g) Based on the resolution approved by the stockholders during their annual meetings on June 2, 2011, and April 28, 2010, the employees' bonuses, and directors' and supervisors' remuneration were appropriated from the distributable retained earnings of 2010 and 2009 as follows:

	2010	2009
Employees' bonuses – cash	$ 56,000	31,370
Directors' and supervisors' remuneration	8,000	7,630
	$ 64,000	**39,000**

The earnings distribution above had no difference from the estimated distribution in the financial report for 2010 and 2009. The related information about earnings distribution for employees' bonuses and directors' and supervisors' remuneration can be accessed from the Market Observation Post System after these meetings are held.

(h) The Company estimates the amount of employees' bonuses and directors' and supervisors' remuneration according to the ROC Company Act and the Company's articles of incorporation for the annual financial statements. The Company recognized employees' bonuses and directors' and supervisors' remuneration amounting to $73,600 and $64,000 in the years ended December 31, 2011 and 2010, respectively, which were calculated as a proportion of net income after deducting the legal reserve and special reserve. The number of shares of the dividend distribution is based on the closing price of the day before the shareholders' meeting and considering the ex-rights and ex-dividend effects. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

(Continued)

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Notes to Financial Statements

(14) Net Income per Share

Net income per share for the years ended December 31, 2011 and 2010, was computed as follows (all net income per share amounts are expressed in New Taiwan dollars):

	2011		2010	
	Before income tax	**After income tax**	**Before income tax**	**After income tax**
Basic net income per share:				
Net income	$ 1,155,062	963,004	$ 946,665	788,559
Weighted-average number of shares outstanding (thousands)	150,660	150,660	133,530	133,530
Net income per share	$ 7.67	6.39	$ 7.09	5.91
Diluted net income per share:				
Weighted-average number of shares outstanding (thousands)	150,660	150,660	133,530	133,530
Effects of dilutive potential common stock:				
Employee stock options	164	164	939	939
Employee stock bonuses	1,082	1,082	526	526
Weighted-average number of shares outstanding for calculation of diluted net income per share (thousands)	151,906	151,906	134,995	134,995
Diluted net income per share	$ 7.60	6.34	$ 7.01	5.84

(15) Income Tax

(a) The Group's income tax returns are calculated and filed based on the Company's and THEPI's local tax law.

(b) The Company's purchase of machinery through proceeds from common stock issuances met the prescribed criteria under the "Statute for Upgrading Industries" as follows:

Year	Tax exemption products	Tax exemption chosen	Tax exemption period
2009	RF modules, hybrid integrated circuits, metalized ceramic substrates, and image products	Tax exemption on the Company's corporate income taxes for five years	Investment plan in progress

(Continued)

(c) THEPI met the prescribed criteria for tax exemption under local tax laws as follows:

Tax exemption products	Tax exemption	Tax exemption period
Digital light projection (DLP) modules	Tax exemption on THEPI's corporate income taxes for four years	November 2006 to November 2010
Chip Size Package/Ball Grid Array (CSP/BGA)	Tax exemption on THEPI's corporate income taxes for four years	May 2007 to May 2011
IR multiphase optimized power block (IMOPB)	Tax exemption on THEPI's corporate income taxes for four years	May 2007 to May 2011
Surface acoustic wave (SAW) filters	Tax exemption on THEPI's corporate income taxes for four years	June 2007 to June 2011
Direct plating Copper (DPC)	Tax exemption on THEPI's corporate income taxes for four years	January 2009 to August 2013
Camera module (CM)	Tax exemption on THEPI's corporate income taxes for four years	July 2010 to June 2014

(d) The Company was subject to income tax rate of 17% for the years ended December 31, 2011 and 2010. The Company is also subject to the "Income Basic Tax Act" to calculate income tax. THEPI's income tax is calculated based on the local tax rate. The components of income tax expense of the Group were as follows:

	2011	2010
Current income tax expense	$ 188,557	202,699
10% surtax on unappropriated earnings	1,832	3,310
Investment tax credits used against current income tax expense	-	(11,090)
	190,389	194,919
Deferred income tax expense (benefit):		
Investment gain (loss) under the equity method	(11,906)	(4,206)
Tax effect of change in income tax rate	-	(15,351)
Decrease in loss reserve on outward investment	-	(4,444)
Unrealized foreign currency exchange loss	7,922	(11,890)
Amortized goodwill	3,532	-
Others	2,121	(922)
	1,669	(36,813)
Income tax expense	**$ 192,058**	**158,106**

(Continued)

(e) The reconciliation of the expected income tax expense computed at the statutory rate to the actual income tax expense for the years ended December 31, 2011 and 2010, is summarized as follows:

	2011	2010
Expected income tax expense before tax	$ 212,518	176,369
Tax exemption	(9,392)	(4,555)
Investment tax credit	-	(11,090)
10% surtax on unappropriated earnings	1,832	3,310
Estimated tax effect of change in income tax rate at amendatory tax law date	-	(15,351)
Estimated tax effect of change in income tax rate after amendatory tax law date	-	(407)
Adjustment of prior year's income tax	(15,942)	654
Others	3,042	9,176
Income tax expense	**$ 192,058**	**158,106**

(f) Deferred income tax assets (liabilities) as of December 31, 2011 and 2010, were as follows:

	December 31, 2011	December 31, 2010
Deferred income tax assets:		
Provision for inventory obsolescence	$ 5,871	7,074
Foreign currency translation adjustments	10,259	24,197
Unrealized foreign currency exchange loss	8,347	16,269
Others	360	1,036
	24,837	48,576
Less: valuation allowance	-	-
	24,837	48,576
Deferred income tax liabilities:		
Reserve for overseas investment loss	(14,037)	(14,037)
Prepaid pension cost	(5,670)	(5,159)
Investment income under the equity method	(51,182)	(63,088)
Unrealized foreign currency exchange gain	(3,513)	(3,966)
Amortized goodwill	(3,532)	-
Other	(238)	(54)
	(78,172)	(86,304)
	$ (53,335)	**(37,728)**
Net deferred income tax assets – current	$ 10,827	20,359
Net deferred income tax liabilities – non-current	(64,162)	(58,087)
	$ (53,335)	**(37,728)**

(g) The ROC tax authorities have examined the Company's income tax returns through 2008.

(Continued)

(h) Imputation credit account and creditable ratio

Calculation of the ICA balance as of December 31, 2011 and 2010, and the creditable ratio for 2011 and 2010 was as follows:

	December 31, 2011	December 31, 2010
Unappropriated retained earnings after January 1, 1998	$ 1,184,319	1,005,047
Imputation credit account balance	$ 136,058	78,757

	2011	2010
Creditable ratio for earnings distribution to resident shareholders	20.47% (estimated)	19.18% (actual)

(16) Related Information about Financial Instruments

(a) Fair value of financial instruments

The book value of non-derivative short-term financial instruments is considered to be the fair value because of the short-term nature of these instruments, and the book value method is considered to be a reasonable basis to assess the fair value. Such method is applicable to cash and cash equivalents, notes and accounts receivable/payable, other current financial assets, short-term loans, and current accrued expenses.

As of December 31, 2011 and 2010, the details of fair value of financial assets and liabilities other than the financial instruments mentioned above were as follows:

	December 31, 2011		December 31, 2010	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Financial assets at fair value through profit and loss – current:				
Financial assets held for trading:				
Open-end mutual funds	$ 581,843	581,843	30,321	30,321
Bonds purchased under resale agreements with a maturity of three months or more from the date of investment	100,259	100,259	-	-
Bonds investment – convertible bonds payable	9,455	9,455	-	-
Financial liabilities:				
Long-term loans	65,000	65,000	65,000	65,000

(Continued)

(b) The following methods and assumptions were used in estimating fair values:

1. The book value of short-term financial instruments is considered to be fair value because of the short-term nature of these instruments, and the book value method is considered to be a reasonable basis to assess the fair value. This method is applicable to cash and cash equivalents, notes and accounts receivable/payable, other current financial assets, short-term loans, and accrued expenses and other current liabilities.

2. If public quoting of financial assets and liabilities is available, then the quoted price will be the fair value. If market value is not available, an assessment method will be used. The assumptions used by financial market traders for similar financial instruments when quoting their prices are used as a reference. The terms of similarity include the credit rating of the debt, the method of computing interest expense for the remaining period of the contract, the payment of principal, and the currency.

3. The fair value of long-term loans is based on the book value because of their floating rate.

(c) As of December 31, 2011 and 2010, the fair value of the financial instruments evaluated by the Group under public quoting or an assessment method was as follows:

	December 31, 2011		**December 31, 2010**	
	Public quote value	**Assessment value**	**Public quote value**	**Assessment value**
Financial assets:				
Cash and cash equivalents	$ 3,194,346	-	2,250,439	-
Financial assets at fair value through profit and loss – current:				
Financial assets held for trading:				
Open-end mutual funds	581,843	-	30,321	-
Bonds purchased under resale agreements with a maturity of three months or more from the date of investment	100,259	-	-	-
Bonds investment – convertible bonds	9,455	-	-	-
Notes and accounts receivable	-	749,937	-	896,190
Other current financial assets	-	83,980	-	89,235
Financial liabilities:				
Short-term loans	-	143,891	-	284,629
Notes and accounts payable	-	348,919	-	403,242
Accrued expenses and other payables	-	653,264	-	700,186
Long-term loans	-	65,000	-	65,000

(Continued)

(d) Information on financial risk

1. Market risk

   a. The purpose of the derivative financial instruments is to hedge. Therefore, the gains or losses resulting from the changes in exchange rates will be offset from those of the hedged item. Management believes that the related market risk is not significant.

   b. The equity securities held by the Group are classified as financial assets measured at fair value through profit or loss. As these assets are measured at fair value, the Group has risk exposure related to changes in fair value in an equity securities market.

2. Credit risk

   a. The amount of credit risk is a potential loss of the Group if the counterpart involved in that transaction defaults. Since the Group's derivative financial instrument agreements are entered into with financial institutions with good credit ratings, management does not expect any significant credit risk from these transactions.

   b. The primary potential credit risk is from financial instruments like cash, cash equivalents, checking accounts and demand deposits, and accounts receivable. The Group's cash deposits are in different financial institutions. Cash equivalents represent investments in bonds purchased under resale agreements with a maturity of three months or less from the date of investment. The Group manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk of cash and cash equivalents.

   c. The aggregation of sales to the Group's major customers exceeding 10% of the Group's total sales accounted for 68% and 64% of the total net sales for the years ended December 31, 2011 and 2010, respectively. In order to reduce credit risk, the Group assesses the financial status of the customers and the possibility of collection of receivables in order to estimate an adequate allowance for doubtful accounts on a regular basis. The customers have a good credit and profit record. The Group has never been exposed to significant credit risk.

3. Liquidity risk

   a. The amount of credit risk is a potential loss of the Group if the counterpart involved in that transaction defaults. Since the Group's derivative financial instrument agreements are entered into with financial institutions with good credit ratings, management does not believe that there is a significant credit risk from these transactions.

(Continued)

b. The funds, bonds and marketable securities investment held by the Group have the quoted prices and would be sold back at the approximate market price. Management believes that the cash flow risk is not significant.

c. Management believes that the liquidity risk is not significant because all obligations under signed contracts by the Group are expected to be performed with its working capital.

4. Cash flow risk arising from variation in interest rates

The short-term and long-term loans are both based on floating interest rates. Changes in market interest rates will affect the interest on short-term and long-term loans and cause variations in future cash flows. For every 1% increase in market interest rates, the cash outflows of the Group in the following year would increase by $2,089.

(17) Related-party Transactions

(a) Names of related parties and relationship

Related Party	**Relationship**
Multi-field	Related party in essence

(b) Summary of significant transactions with related parties

For operational needs, THEPI acquired land for $57,713 (91,110 thousand pesos) beginning in 2004, which was recorded as other asset. Because Philippine regulations prohibited foreigners from owning land, the Group paid for the land and owned it in the name of Multi-field. To assure the right to the land, THEPI provided the land as collateral for a credit line from a local bank.

(c) Salaries and remuneration of the main management

The Group paid salaries and remuneration to the directors, supervisors, chief executive officer and executive vice president in 2011 and 2010 as follows:

		2011	**2010**
Salaries	$	47,241	46,681
Incentives		20,090	17,986
Special compensation		2,496	1,940
Employees' bonuses		14,526	19,674

(Continued)

The directors' and supervisors' remuneration and employees' bonuses were an estimate as stated in note 13.

(18) Pledged Assets

Pledged assets	Subject	December 31, 2011	December 31, 2010
Time deposits (other current financial assets)	THEPI's credit lines for letter of credit	$ 45,849	43,909
Land and land revaluation increments	Short-term loans	77,198	77,198
Buildings	"	141,169	135,359
Other assets – others – land	THEPI's credit lines	57,713	57,713
		$ 321,929	314,179

(19) Commitments and Contingencies

As of December 31, 2011, the Group's significant commitments and contingencies were as summarized below:

(a) The Group's future payments for the purchase of equipment were approximately $54,515.

(b) The unused and outstanding letters of credit and the deposit for the Group's customs duties totaled $61,351.

(c) For extending productivity, the Company entered into a contract to build a factory and dormitory for employees on October 18, 2007. Total design and construction costs were estimated to be $291,420. The Company had paid $183,820 as of December 31, 2011. The construction of dormitory was completed, and the dormitory is in use. A part of the factory construction has been finished in 2011.

(d) For extending productivity and office, THEPI entered into a contract with GMC Construction and Development Corporation to build a new factory on April 15, 2008. The total price amounted to $314,285 (US$10,381 thousand). THEPI had paid $283,768 (US$9,373 thousand) as of December 31 2011. The factory and office were completed and are in use, but a part of factory construction has not been verified yet.

(Continued)

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Notes to Financial Statements

(e) According to the existing operating lease contract for office and transportation, the contract will expire in April 2015. The future rental commitments were as follows:

Period	Amount
2012.01.01~2012.12.31	$ 15,982
2013.01.01~2013.12.31	9,909
2014.01.01~2014.12.31	8,489
2015.01.01~2015.04.21	1,801
	$ 36,181

(20) Other

(a) The Company has provided a loss reserve on outward investment in accordance with the "Statute for Upgrading Industries". The amount was computed at 20% of the total amount of outward investment, which is the limit stipulated by the "Statute for Upgrading Industries". The statute also stipulates that if there are no actual losses in the five years after the initial provision for the reserve, the loss reserve should be reversed and recognized as revenue in the fifth year. However, as such reserve is not in accordance with generally accepted accounting principles, the loss reserve is reversed during the preparation of the financial statements, but the Company does not adjust the books. Accordingly, the net income and retained earnings on the Company's books are decreased by the following amounts:

	2011	2010
Increase in net income	$ -	26,142
Decrease in retained earnings	(82,569)	(82,569)

(b) Employee expenses, depreciation expenses, and amortization expenses for the years ended December 31, 2011 and 2010, were as follows:

	2011			2010		
	Cost of sales	Operating expense	Total	Cost of sales	Operating expense	Total
Employee expenses						
Salaries and wages	$ 753,823	252,597	1,006,420	672,252	235,604	907,856
Labor and health insurance	48,184	9,375	57,559	38,612	8,170	46,782
Pension expense	32,144	10,415	42,559	26,168	8,840	35,008
Other	82,623	15,148	97,771	66,641	11,435	78,076
Depreciation expenses	411,849	45,592	457,441	290,771	44,244	335,015
Amortization expenses	5,838	12,978	18,816	3,385	13,722	17,107

(Continued)

(c) Significant impact on the foreign currency financial assets and liabilities (in thousands of New Taiwan dollars and foreign currency) was as follows:

	December 31, 2011			December 31, 2010		
	Foreign Currency	Rate	NTD	Foreign Currency	Rate	NTD
Financial assets:						
Monetary items –						
USD	$ 60,304	30.28	1,826,005	76,962	29.13	2,241,903
Financial liabilities:						
Monetary items –						
USD	9,516	30.28	288,144	10,819	29.13	315,157
JPY	148,020	0.39	57,728	158,824	0.36	57,177

(21) Operating Segment Information

(a) Segment information

	December 31, 2011					
	BU1 Segment	BU2 Segment	BU3 Segment	Other	Adjustment & Elimination	Total
Revenue						
Revenue from external customers	$ 1,648,990	1,392,063	3,109,845	107,477	-	6,258,375
Revenue from segments	-	1,402,310	-	-	(1,402,310)	-
Total revenue	$ 1,648,990	2,794,373	3,109,845	107,477	(1,402,310)	6,258,375
Reportable segment profit	$ 323,025	129,647	680,020	(16,219)	38,589	1,155,062
Reportable segment assets	$ -	-	-	-	-	-

	December 31, 2010					
	BU1 Segment	BU2 Segment	BU3 Segment	Other	Adjustment & Elimination	Total
Revenue						
Revenue from external customers	$ 1,490,469	2,090,050	2,411,738	134,298	-	6,126,555
Revenue from segments	-	1,778,615	-	-	(1,778,615)	-
Total revenue	$ 1,490,469	3,868,665	2,411,738	134,298	(1,778,615)	6,126,555
Reportable segment profit	$ 310,214	350,240	401,820	32,741	(148,350)	946,665
Reportable segment assets	$ -	-	-	-	-	-

(Continued)

The Group has three reportable segments: namely, Segment BU1, Segment BU2, and Segment BU3. Segment BU1 engages in SF with gold-plated processing; segment BU2 engages in THEPI's manufacturing process; and segment BU3 engages in CO2, SF with non gold-plated, SMT, AS, RW and CP's processing. The Group's reportable segments are strategic units of business for different products. Each strategic unit of business manages separately because each segment needs different skills and marketing strategy.

The Group does not allocate tax expense or non operation gains and losses to reportable segments. The amount of operating segment information is the same as the amounts in reports used by the chief operating decision maker.

The accounting policies of operating segments are the same as those described in summary of significant accounting policies as stated in note 2. The Group evaluates performance of the basis of income prior to tax deduction (excluding income of non-regular occurred, non-operating gains and non-operating losses). The Group regards the sales and transfers between segments as transactions with the third person measured at the marketing price.

(b) Industrial information

1. Production information

The Group's information about revenue from external customs was as follows:

Productions	2011	2010
Hybrid integrated circuits	$ 2,793,926	2,445,152
Image sensor	1,674,088	1,402,291
RF modules	871,594	1,156,472
Metalized ceramic substrates	811,290	988,342
Others	107,477	134,298
	$ 6,258,375	**6,126,555**

2. Geographic information

The Group's sales presented by customer location and non-current assets presented by location, the geographic information were as follows:

(Continued)

a. Revenue from external customers:

Country	2011	2010
United States	$ 3,921,753	3,766,208
Netherlands	1,237,337	1,246,614
Others	1,099,285	1,113,733
	$ 6,258,375	**6,126,555**

b. Non-current Assets:

Country	2011	2010
Taiwan	$ 2,426,833	1,790,249
Philippines	1,629,608	1,257,411
	$ 4,056,441	**3,047,660**

3. Major client

Sales to individual customers generating over 10% of consolidated net sales for the years ended December 31, 2011 and 2010 were summarized as follows:

	2011	2010
C1444	$ 1,294,263	913,842
C0897	1,113,762	1,150,794
C0803	1,021,086	842,335
C0497	819,410	998,062
	$ 4,248,521	**3,905,033**

(22) Pre-disclosure of the adoption of International Financial Reporting Standards

According to the Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Group is required to provide pre-disclosure GAAP differences regarding the adoption of the International Financial Reporting Standards (IFRSs) in the consolidated financial statements. They are as follows:

(Continued)

(a) Starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare for the consolidated financial statements in accordance with the IFRSs, International Accounting Standards (IASs), International Financial Reporting Interpretations Committed (IFRIC), Interpretations Committee (SIC) Interpretations translated by Accounting Research and Development Foundation (ARDF), and those which are issued by the FSC. Due to aforementioned amendments, the Group established a taskforce to monitor and execute the IFRSs adoption plan. The important plan items, responsible divisions and plan progress are listed as follows:

Contents of plan	Responsible department	Status of execution
Assessment phase (from January 1, 2010 to December 31, 2011):		
◎ Make a plan to adopt the IFRSs and set up a project team	Accounting Department	Completed
◎ Compare and analyze the differences between the existing accounting policies and the accounting policies to be adopted under IFRSs	Accounting Department	Completed
◎ Assess the adjustments of the existing accounting policies	Accounting Department	Completed
◎ Assess the applicability of the IFRS 1-"First-time Adoption of International Financial Reporting Standards"	Accounting Department	Completed
◎ Assess the adjustments of the related information technology system and internal control	Internal Audit Department and IT Department	Completed
Preparation phase (from January 1, 2011 to December 31, 2012):		
◎ Determine how to adjust the existing accounting policies in accordance with IFRSs	Accounting Department	Completed
◎ Determine how to apply to the IFRS 1-"First-time Adoption of International Financial Reporting Standards"	Accounting Department	Completed
◎ Adjust the related information technology system and internal control	Internal Audit Department and IT Department	In Progress
Implementation Phase (from January 1, 2012 to December 31, 2013):		
◎ Test run the adjusted related information technology system	IT Department	
◎ Gather information to prepare the opening balance sheets and comparative financial statements in conformity with IFRSs	Accounting Department	
◎ Prepare financial statements in conformity with IFRSs	Accounting Department	

(Continued)

(b) As of December 31, 2011, the Group had assessed the material differences shown below, between the existing accounting policies and the accounting policies to be adopted under IFRSs:

Accounting issues	Description of differences
Functional currency	**Under ROC GAAP:** When a foreign operation determines its functional currency, there are usually six indicators to be considered. The six indicators are cash flows, sales price, sales market, cost of goods or services, the currency in which funds from financing activities, and internal transactions **Under IFRSs:** When a reporting entity prepares the financial statements, the Standard requires each individual entity included in the reporting entity – whether it is a stand-alone entity, an entity with foreign operations (such as a parent company) or a foreign operation (such as a subsidiary or branch) to determine its functional currency by primary indictors, secondary indicators, and additional assessment indicators.
Mergers and business combinations – non-controlling interest	**Under ROC GAAP:** No matter whether the acquirer has pre-acquisition controlling interests in an investee at the acquisition date or not, the acquirer doesn't remeasure the pre-acquisition interest at fair value. **Under IFRSs:** Non-controlling interests (NCI) are recognized initially at fair value or at their proportionate interest in the recognized amount of the identifiable net assets of the acquiree at the acquisition date.
Business combinations – negative balanced of stockholders' equity of subsidiaries	**Under ROC GAAP:** For an investee in which the Company has the power to control, the Company recognizes all losses of the investee if the other investors of the investee have no obligation to or cannot afford the losses even if the stockholders' equity of the investee is negative. **Under IFRSs:** Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interests. The total comprehensive income is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(Continued)

Accounting issues	Description of differences
Business combinations – changes in a parent's ownership interest in a subsidiary	**Under ROC GAAP**: The difference between the disposal price and the carrying amount of the long-term equity investment under the equity method on the disposal date is being recognized as gain or loss from the disposal of the long-term equity investment. The associated capital surplus and other equity items resulting from the long-term equity investment are reclassified into current gain or loss in proportion to the disposal of the long-term equity investment. **Under IFRSs:** Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent company. If a parent company loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost. It also derecognizes the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them). A parent company recognizes any resulting difference as a gain or loss in profit or loss attributable to the parent company. A parent company recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost, and reclasses the investment as long-term investment under the equity method or other financial assets.
Associates – changes in a parent's ownership interest in a associate	**Under ROC GAAP:** There will be changes in the parent's ownership interest if the parent company does not invest in the associated enterprises in proportion as its ownership percentage when the associated enterprises increased its common stock. The difference between the book value and the equity belonging to the parent company should be calculated and adjusted to the capital surplus or retained earnings. **Under IFRSs:** The differences between the fair value of the identifiable net assets and the investment costs of the associated enterprises (due to the above changes) are recognized in profit or loss.

(Continued)

Accounting issues	Description of differences
Associates – loss of significant influence	**Under ROC GAAP:** If the investor loses significant influence, the carrying amount is considered to be the cost of the investment. **Under IFRSs:** On the loss of significant influence, the investor shall measure at fair value any investment that the investor retains in its former associate. The investor shall recognize in profit or loss any difference between the fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and the carrying amount of the investment at the date of significant influence is considered as lost.
Property, plant and equipment – components	**Under ROC GAAP:** There is no principle for the depreciation of the different useful life in each part of an item of the property, plant and equipment. **Under IFRSs:** Each part of an item of the property, plant and equipment with a cost that is significant in relation to the total cost of the item and with a useful life that is different from the useful life of the item shall be depreciated separately.
Employee benefits – unrecognized transition net asset or net obligation	**Under ROC GAAP:** Unrecognized net transition asset or obligation is amortized into net pension cost by using straight-line method over the average remaining service period of employees. **Under IFRSs:** The unrecognized net transition asset or obligation should not exist any longer; it must be adjusted to retained earnings at the date of transition to IFRSs.
Employee benefits – actuarial gains and losses of defined benefit plans	**Under ROC GAAP:** It is not allowed to recognize actuarial gains and losses from defined benefit plans directly to equity; instead, actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. **Under IFRSs:** Actuarial gains and losses are recognized immediately in full in the period in which they occur as other comprehensive income.

(Continued)

Accounting issues	Description of differences
Employee benefits – compensated absences	**Under ROC GAAP:** The compensation for paid absences is recognized in the year in which the cash is given to the employees as salary expense instead of the year when holidays are given to the employees. **Under IFRSs:** The obligation for paid absences should be accrued if the obligation relates to the employees' past services, in which the obligation can be reliably estimated. The estimated amount is recognized as salary expense and accrued liabilities.
Income tax – reclassification of deferred tax and valuation allowance	**Under ROC GAAP:** Deferred income tax assets or liabilities are classified as current or non-current based on the classification of items that resulted in the deferred assets or liabilities, or if it is based on the timing of the expected reversal for certain transactions not directly related to an asset or liability. An allowance is provided on deferred tax assets that may not be realized in the future. **Under IFRSs:** Deferred tax assets or liabilities are classified as non-current in the statement of financial position. A deferred tax asset is recognized to the extent that it is probable that it will be realized, and the allowance of the defer tax asset should no longer exist.

(c) The Group’s aforementioned assessment is based on the 2010 version of IFRSs translated by ARDF and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by FSC on December 22, 2011. However, the assessment result may be influenced by the addition or the amendment of IFRSs issued or proposed by the International Accounting Standards Board, and the possible future rules issued by R.O.C. authorities governing the adoption of IFRSs by companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market.

TONG HSING ELECTRONIC INDUSTRIES, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2011 and 2010

(expressed in thousands of New Taiwan dollars)

Assets	2011 Amount	%	2010 Amount	%
Current assets:				
Cash and cash equivalents (note 4)	$ 3,194,346	34	2,250,439	32
Financial assets at fair value through profit or loss – current (note 5)	691,557	7	30,321	-
Notes and accounts receivable, net (note 6)	749,937	8	896,190	13
Other current financial assets (note 18)	83,980	1	89,235	1
Inventories, net (note 7)	599,088	7	658,489	9
Deferred income tax assets and other current assets (note 15)	40,336	-	37,020	1
	5,359,244	57	3,961,694	56
Property, plant and equipment (notes 8, 17, 18 and 19):				
Land	81,021	1	81,021	1
Land revaluation increments	254,935	3	69,850	1
Buildings	833,987	9	604,574	9
Machinery and equipment	3,895,666	41	2,770,099	39
Office equipment	239,543	3	186,903	3
Leasehold improvement	116,749	1	63,256	1
	5,421,901	58	3,775,703	54
Less: accumulated depreciation	1,681,156	18	1,247,326	18
Unfinished construction and prepayment for purchase of equipment	134,406	1	325,429	5
	3,875,151	41	2,853,806	41
Intangible assets (note 9)				
Patent	14,312	-	17,890	-
Cost of computer software	5,030	-	7,962	-
Goodwill	51,936	1	51,936	1
Other intangible assets	29,840	-	35,808	1
	101,118	1	113,596	2
Other assets:				
Prepaid pension cost (note 12)	44,498	-	35,736	-
Deferred expenses and other assets (notes 8 and 18)	80,172	1	80,258	1
	124,670	1	115,994	1
Total assets	$ 9,460,183	100	7,045,090	100

Liabilities and Stockholders' Equity	2011 Amount	%	2010 Amount	%
Current liabilities:				
Short-term loans (note 10)	$ 143,891	1	284,629	4
Notes and accounts payable	348,919	4	403,242	6
Income tax Payable (note 15)	113,924	1	152,628	2
Accrued expenses and other current liabilities	545,043	6	552,446	8
	1,151,777	12	1,392,945	20
Long-term loans (note 11)	65,000	1	65,000	1
Non-current liabilities:				
Provision for land value increment tax (note 8)	80,950	1	14,352	-
Deferred income tax liabilities and other non-current liabilities (notes 12 and 15)	72,591	1	64,222	1
	153,541	2	78,574	1
Total liabilities	1,370,318	15	1,536,519	22
Stockholders' equity:				
Common stock (note 13)	1,625,351	17	1,417,906	20
Capital collected in advance (note 13)	1,730	-	200	-
Capital surplus-additional paid-in capital (note 13)	4,805,453	51	2,852,106	40
Retained earnings (note 13):				
Legal reserve	393,644	4	314,788	5
Special reserve	137,634	1	-	-
Unappropriated retained earnings	1,184,319	13	1,005,047	14
	1,715,597	18	1,319,835	19
Equity adjustment:				
Accumulated currency translation adjustments	(56,091)	(1)	(124,145)	(2)
Unrealized land revaluation increment (note 8)	161,156	2	42,669	1
	105,065	1	(81,476)	(1)
Treasury stock	(163,331)	(2)	-	-
Total stockholders' equity	8,089,865	85	5,508,571	78
Commitments and contingencies (note 19)				
Total liabilities and stockholders' equity	$ 9,460,183	100	$ 7,045,090	100

See accompanying notes to financial statements.