Les Enphants Co., Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Les Enphants Co., Ltd.

We have audited the accompanying consolidated balance sheets of Les Enphants Co., Ltd. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Les Enphants Co., Ltd. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

March 21, 2013

Notice to Readers

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

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

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

	2012		2011	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 661,373	8	$ 712,880	9
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	16,641	-	33,568	-
Available-for-sale financial assets - current (Notes 2 and 6)	2,372	-	5,204	-
Notes receivable (Notes 2 and 3)	46,435	1	51,261	1
Accounts receivable, net of allowance for doubtful accounts of $5,282 in 2012 and $5,719 in 2011 and allowance for sales returns and discounts of $6,326 in 2012 (Notes 2, 3 and 7)	1,080,533	14	927,037	12
Accounts and notes receivable from related parties (Notes 2, 3 and 24)	31,366	-	1,260	-
Other receivables (Notes 2 and 3)	13,646	-	34,304	-
Inventories (Notes 2 and 8)	2,715,739	34	2,960,933	38
Prepaid expenses	267,100	3	223,505	3
Deferred income tax assets (Notes 2 and 20)	63,890	1	68,501	1
Certificates of deposits - restricted (Notes 5 and 25)	48,063	1	46,114	1
Other current assets	21,854	-	17,408	-
Total current assets	4,969,012	62	5,081,975	65
INVESTMENTS				
Investments accounted for by the equity method (Notes 2 and 9)	161,753	2	121,634	2
Financial assets carried at cost - noncurrent (Notes 2 and 10)	15,880	-	15,880	-
Total investments	177,633	2	137,514	2
PROPERTIES (Notes 2, 11 and 25)				
Cost				
Land	405,218	5	399,905	5
Buildings	632,914	8	638,194	8
Other equipment	1,483,407	19	1,378,195	18
	2,521,539	32	2,416,294	31
Less: Accumulated depreciation	1,181,715	15	1,027,906	13
	1,339,824	17	1,388,388	18
Construction in progress	1,013,164	13	652,739	8
Total properties	2,352,988	30	2,041,127	26
INTANGIBLE ASSETS				
Trademark (Note 2)	7,979	-	8,308	-
Computer software (Note 2)	23,706	-	29,493	1
Goodwill (Note 2)	11,423	-	11,423	-
Deferred pension costs (Notes 2 and 16)	2,814	-	2,731	-
Land usage rights (Notes 2 and 26)	141,466	2	149,454	2
Total intangible assets	187,388	2	201,409	3
OTHER ASSETS				
Properties leased to others, net (Notes 2, 12 and 25)	100,617	1	110,167	1
Refundable deposits (Note 26)	127,841	2	144,003	2
Deferred income tax assets - noncurrent (Notes 2 and 20)	9,870	-	6,944	-
Other assets - other	38,084	1	35,652	1
Total other assets	276,412	4	296,766	4
TOTAL	$ 7,963,433	100	$ 7,758,791	100

	2012		2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Notes 13 and 25)	$ 1,161,338	15	$ 1,097,266	14
Short-term notes and bills payable (Note 14)	-	-	24,967	-
Notes payable	8,441	-	12,319	-
Accounts payable	861,679	11	1,137,810	15
Accounts and notes payable to related parties (Note 24)	54,761	1	53,623	1
Income taxes payable	19,681	-	74,634	1
Accrued expenses (Note 17)	375,820	5	348,201	5
Equipment payable	34,718	-	88,290	1
Receipts in advance	115,563	1	92,953	1
Current portion of long-term liabilities (Notes 15 and 25)	508,663	6	24,081	-
Other current liabilities	306,706	4	289,395	4
Total current liabilities	3,447,370	43	3,243,539	42
LONG-TERM LIABILITIES, NET OF CURRENT PORTION (Notes 15 and 25)	443,392	6	404,444	5
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 16)	270,014	3	257,280	3
Deposits received	18,336	-	27,640	-
Deferred income tax liabilities (Notes 2 and 20)	199,740	3	193,321	3
Total other liabilities	488,090	6	478,241	6
Total liabilities	4,378,852	55	4,126,224	53
STOCKHOLDERS' EQUITY				
Capital stock - NT$10.00 par value				
Authorized - 300,000 thousand shares in 2012; 300,000 thousand shares in 2011				
Issued and outstanding - $211,296 thousand shares in 2012 and $203,169 thousand shares in 2011	2,112,958	27	2,031,690	26
Capital surplus				
Issue of stock in excess of par value	865,759	11	865,759	11
Treasury stock transactions	24,297	-	20,679	-
Long-term stock investments	399	-	399	-
Employee stock options	483	-	-	-
Total capital surplus	890,938	11	886,837	11
Retained earnings				
Legal reserve	161,244	2	133,631	2
Special reserve	-	-	21,115	-
Unappropriated earnings	226,378	3	354,230	5
Total retained earnings	387,622	5	508,976	7
Other equity				
Cumulative translation adjustments	94,215	1	176,523	2
Unrealized loss on financial instruments	(2,061)	-	(1,224)	-
Treasury stock - 1,626 thousand shares	-	-	(45,987)	-
Total other equity	92,154	1	129,312	2
Minority interest	100,909	1	75,752	1
Total stockholders' equity	3,584,581	45	3,632,567	47
TOTAL	$ 7,963,433	100	$ 7,758,791	100

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

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

	2012		2011	
	Amount	**%**	**Amount**	**%**
REVENUES (Notes 2 and 24)				
Net sales	$ 8,439,440	99	$ 7,793,293	99
Warehouse storage revenues	51,778	1	49,042	1
Total revenues	8,491,218	100	7,842,335	100
COSTS				
Sales (Notes 8, 21, 24 and 26)	4,832,957	57	4,358,487	56
Warehouse storage costs	39,614	-	37,575	-
Total costs	4,872,571	57	4,396,062	56
GROSS PROFIT	3,618,647	43	3,446,273	44
OPERATING EXPENSES (Notes 17, 18, 21, 24 and 26)				
Selling	2,598,578	31	2,331,161	30
General and administrative	758,617	9	735,547	9
Total operating expenses	3,357,195	40	3,066,708	39
OPERATING GAIN	261,452	3	379,565	5
NONOPERATING INCOME AND GAINS				
Rent (Notes 12 and 24)	6,348	-	6,861	-
Interest income	5,233	-	5,931	-
Investment income recognized under the equity method (Notes 2 and 9)	24	-	5,630	-
Dividend income (Note 2)	1,000	-	502	-
Gain on disposal of investments (Notes 2, 5 and 6)	682	-	1,061	-
Exchange gain, net (Note 2)	-	-	12,749	-
Valuation gain on financial instruments, net (Notes 2 and 5)	-	-	438	-
Others (Note 24)	17,132	-	19,140	1
Total nonoperating income and gains	30,419	-	52,312	1
NONOPERATING EXPENSES AND LOSSES				
Interest expenses (Notes 2 and 11)	37,673	-	15,323	1
Loss on disposal of properties, net (Note 2)	7,166	-	5,663	-
Exchange loss, net (Note 2)	1,270	-	-	-

(Continued)

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

	2012		2011	
	Amount	**%**	**Amount**	**%**
Loss on valuation of financial asset (Notes 2 and 5)	$ 838	-	$ -	-
Others (Notes 12 and 21)	6,410	-	6,487	-
Total nonoperating expenses and losses	53,357	-	27,473	1
CONSOLIDATED INCOME BEFORE INCOME TAX	238,514	3	404,404	5
INCOME TAX EXPENSES (Notes 2 and 20)	65,010	1	117,380	1
CONSOLIDATED NET INCOME	$ 173,504	2	$ 287,024	4
INCOME ATTRIBUTED TO:				
Stockholders of parent company	$ 163,083	2	$ 276,125	4
Minority interest	10,421	-	10,899	-
	$ 173,504	2	$ 287,024	4

	2012		2011	
	Before Tax	**After Tax**	**Before Tax**	**After Tax**
CONSOLIDATED EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 22)				
Basic	$ 0.88	$ 0.77	$ 1.59	$ 1.32
Diluted	$ 0.88	$ 0.77	$ 1.58	$ 1.32

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

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

	Capital Stock Issued and Outstanding (Notes 17 and 22)		Capital Surplus (Notes 2, 17, 18 and 19)				Retained Earnings (Notes 2, 17 and 20)			Cumulative Translation Adjustments (Note 2)	Unrealized Gain (Loss) on Financial Instruments (Notes 2 and 6)	Treasury Stock (Notes 2 and 19)	Minority Interest	Total Stockholders' Equity
	Shares (Thousands)	Amount	Issue of Stock in Excess of Par Value	Treasury Stock Transactions	Long-term Stock Investments	Employee Stock Options	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2011	181,474	$ 1,814,748	$ 484,646	$ 20,679	$ 399	$ -	$ 100,945	$ -	$ 405,403	$ (21,075)	$ (40)	$ -	$ 64,775	$ 2,870,480
Issuance of common stock for cash - NT$36.00 per share	13,880	138,800	360,880	-	-	-	-	-	-	-	-	-	-	499,680
Compensation costs of the issuance of employees' stock options	-	-	20,233	-	-	-	-	-	-	-	-	-	-	20,233
Appropriation of prior year's earnings														
Legal reserve	-	-	-	-	-	-	32,686	-	(32,686)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	21,115	(21,115)	-	-	-	-	-
Cash dividends - NT$1.0 per share	-	-	-	-	-	-	-	-	(195,355)	-	-	-	-	(195,355)
Stock dividends - NT$0.4 per share	7,815	78,142	-	-	-	-	-	-	(78,142)	-	-	-	-	-
Acquisition of treasury stock - 1,626 thousand shares	-	-	-	-	-	-	-	-	-	-	-	(45,987)	-	(45,987)
Change in unrealized loss on available for sale financial instruments	-	-	-	-	-	-	-	-	-	-	(1,184)	-	-	(1,184)
Change in translation adjustments	-	-	-	-	-	-	-	-	-	197,598	-	-	78	197,676
Consolidated net income in 2011	-	-	-	-	-	-	-	-	276,125	-	-	-	10,899	287,024
BALANCE, DECEMBER 31, 2011	203,169	2,031,690	865,759	20,679	399	-	133,631	21,115	354,230	176,523	(1,224)	(45,987)	75,752	3,632,567
Reversal of special reserve	-	-	-	-	-	-	-	(21,115)	21,115	-	-	-	-	-
Appropriation of prior year's earnings														
Legal reserve	-	-	-	-	-	-	27,613	-	(27,613)	-	-	-	-	-
Cash dividends - NT$1.0 per share	-	-	-	-	-	-	-	-	(203,169)	-	-	-	-	(203,169)
Stock dividends - NT$0.4 per share	8,127	81,268	-	-	-	-	-	-	(81,268)	-	-	-	-	-
Purchase of treasury stock by employees - 1,626 thousand shares	-	-	-	3,618	-	-	-	-	-	-	-	45,987	-	49,605
Compensation recognized for employee stock options	-	-	-	-	-	483	-	-	-	-	-	-	200	683
Change in unrealized loss on available-for-sale financial instruments	-	-	-	-	-	-	-	-	-	-	(837)	-	-	(837)
Change in translation adjustments	-	-	-	-	-	-	-	-	-	(82,308)	-	-	546	(81,762)
Increase in minority interest in 2012	-	-	-	-	-	-	-	-	-	-	-	-	13,990	13,990
Consolidated net income in 2012	-	-	-	-	-	-	-	-	163,083	-	-	-	10,421	173,504
BALANCE, DECEMBER 31, 2012	211,296	$ 2,112,958	$ 865,759	$ 24,297	$ 399	$ 483	$ 161,244	$ -	$ 226,378	$ 94,215	$ (2,061)	$ -	$ 100,909	$ 3,584,581

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

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 173,504	$ 287,024
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	243,028	200,237
Amortization	18,313	14,404
Provision for doubtful accounts	1,152	-
Compensation cost of employee stock options	4,301	20,233
Reversal of loss due to market decline of inventory	(2,850)	(4,034)
Cash dividends received from equity-method investees	8,250	550
Investment income recognized under the equity method	(24)	(5,630)
Valuation loss (gain) on financial instruments	838	(438)
Gain on disposal of investments	(682)	(1,061)
Impairment loss	-	-
Loss on disposal of properties, net	7,166	5,663
Deferred income taxes	8,104	(12,635)
Accrued pension liabilities	12,651	18,923
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss - current	16,436	(9,569)
Notes receivable	4,826	(19,061)
Accounts receivable	(154,648)	(242,978)
Accounts and notes receivable from related parties	(15,551)	2,664
Other receivables	20,658	(2,454)
Inventories	248,607	(816,138)
Prepaid expenses	(43,595)	(32,736)
Other current assets	(4,446)	(7,541)
Notes payable	(3,878)	2,255
Accounts payable	(276,131)	394,427
Accounts and notes payable to related parties	1,138	14,292
Income tax payable	(54,953)	9,566
Accrued expenses	27,619	42,489
Receipts in advance	22,610	(7,405)
Other current liabilities	17,311	117,018
Net cash provided by (used in) operating activities	279,754	(31,935)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in certificates of deposits - restricted	(1,809)	(5,234)
Acquisition of available-for-sale financial assets	(1,740)	(9,854)
Proceeds of the disposal of available-for-sale financial assets	3,930	3,919
Acquisition of investments accounted for by the equity method	(50,000)	-
Proceeds of the disposal of properties	3,956	2,401
Acquisition of properties	(650,751)	(578,606)
Decrease (increase) in refundable deposits	16,162	(27,044)

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LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

	2012	2011
Increase in intangible assets	$ (9,150)	$ (23,167)
Increase in other assets	(2,432)	(3,380)
Net cash used in investing activities	(691,834)	(640,965)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	64,072	812,101
(Decrease) increase in short-term notes and bills payable	(24,967)	24,967
Increase (decrease) in long-term debts	523,530	(186,475)
Decrease in deposits received	(9,304)	(3,108)
Acquisition of minority interest	(565)	-
Cash dividends	(203,169)	(195,355)
Issuance of common stock for cash	-	499,680
Cash paid for the acquisition of treasury stock	-	(45,987)
Proceeds of the disposal of treasury stock	45,987	-
Net cash provided by financing activities	395,584	905,823
EFFECTS OF EXCHANGE RATE CHANGES	(35,011)	95,580
NET INCREASE (DECREASE) IN CASH	(51,507)	328,503
CASH, BEGINNING OF YEAR	712,880	384,377
CASH, END OF YEAR	$ 661,373	$ 712,880
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 81,626	$ 42,008
Less: Capitalized interest	42,336	26,805
Interest paid (excluding capitalized interest)	$ 39,290	$ 15,203
Income tax paid	$ 118,667	$ 117,657
CASH PAID FOR THE ACQUISITION OF PROPERTIES		
Acquisition of properties	$ (597,179)	$ (641,836)
Net changes on equipment payable	(53,572)	63,230
	$ (650,751)	$ (578,606)
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 508,663	$ 24,081
Stock subscription receivable of minority interest (included in accounts and notes receivable from related parties)	$ 14,555	$ -
Net changes on leased assets transferred to properties	$ 8,620	$ 97,137

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

1. ORGANIZATION AND OPERATIONS

Les Enphants Co., Ltd. (the "Company") was established in 1971. Its shares are traded on the Taiwan Stock Exchange. The Company manufactures and sells clothes and toys for children and infants.

L.E. Capital Enterprise Co., Ltd., L.E. Venture Co., Ltd. and L.E. International Co., Ltd. make investments.

On March 23, 2012, L.E. Capital Enterprise Co., Ltd. established L.E. Cayman Co., Ltd. using holding shares of L.E. Venture Co., Ltd. The primary business of L.E. Cayman Co., Ltd. is making investments.

Mike & Friends Co., Ltd., Les Champions Co., Ltd., Les Enphants Marketing (Thailand) Co., Ltd., Les Enphants (Thailand) Co., Ltd., Shanghai Les Enphants Children Articles Co., Ltd., Shanghai Lead Han Trading Co., Ltd., Beijing Les Enphants Children Articles Co., Ltd., PT Les Enphants Indonesia, Les Enphants (S) Marketing Pte, Ltd. and PT Les Enphants Mitraprima sell clothes and toys for children and infants.

On May 30, 2012, Les Champions Co., Ltd. invested $15,150 thousand (US$510 thousand) to establish L.E. Genius Co., Ltd. and acquired an equity of 51%. This investment was remitted on February 21, 2013. The primary business of L.E. Genius Co., Ltd. is making investments.

On December 24, 2012, L.E. Genius Co., Ltd. invested $29,610 thousand (US$1,000 thousand) to establish Shanghai L.E. Genius Co., Ltd. and acquired an equity of 100%. This investment was remitted on February 22, 2013. The primary business of Shanghai L.E. Genius Co., Ltd. is selling children's and infants' toys.

Shanghai Les Enphants Children Articles Co., Ltd. distributed US$3,000 thousand of its earnings to L.E. Venture Co., Ltd., which later set up Suzhou Les Enphants Logist Co., Ltd. ("LES Logist") in 2011. LES Logist renders warehousing, transportation and distribution services.

The primary business of Les Photos Co., Ltd. ("Les Photos") is child photography. In their meeting on December 28, 2012, the board of directors of Les Photos approved this company's liquidation and planned to finish the liquidation procedure in 2013.

In October 2012, PT Les Enphants Indonesia increased its investment in Les Enphants (S) Marketing Pte, Ltd. As of December 31, 2012, the accumulated holding by PT Les Enphants Indonesia of the shares of Les Enphants (S) Marketing Pte, Ltd. was 82.46%.

PT Les Enphants Indonesia increased its investment by US$900 thousand in PT Les Enphants Mitraprima. As of December 31, 2012, the registration of this investment had not been completed.

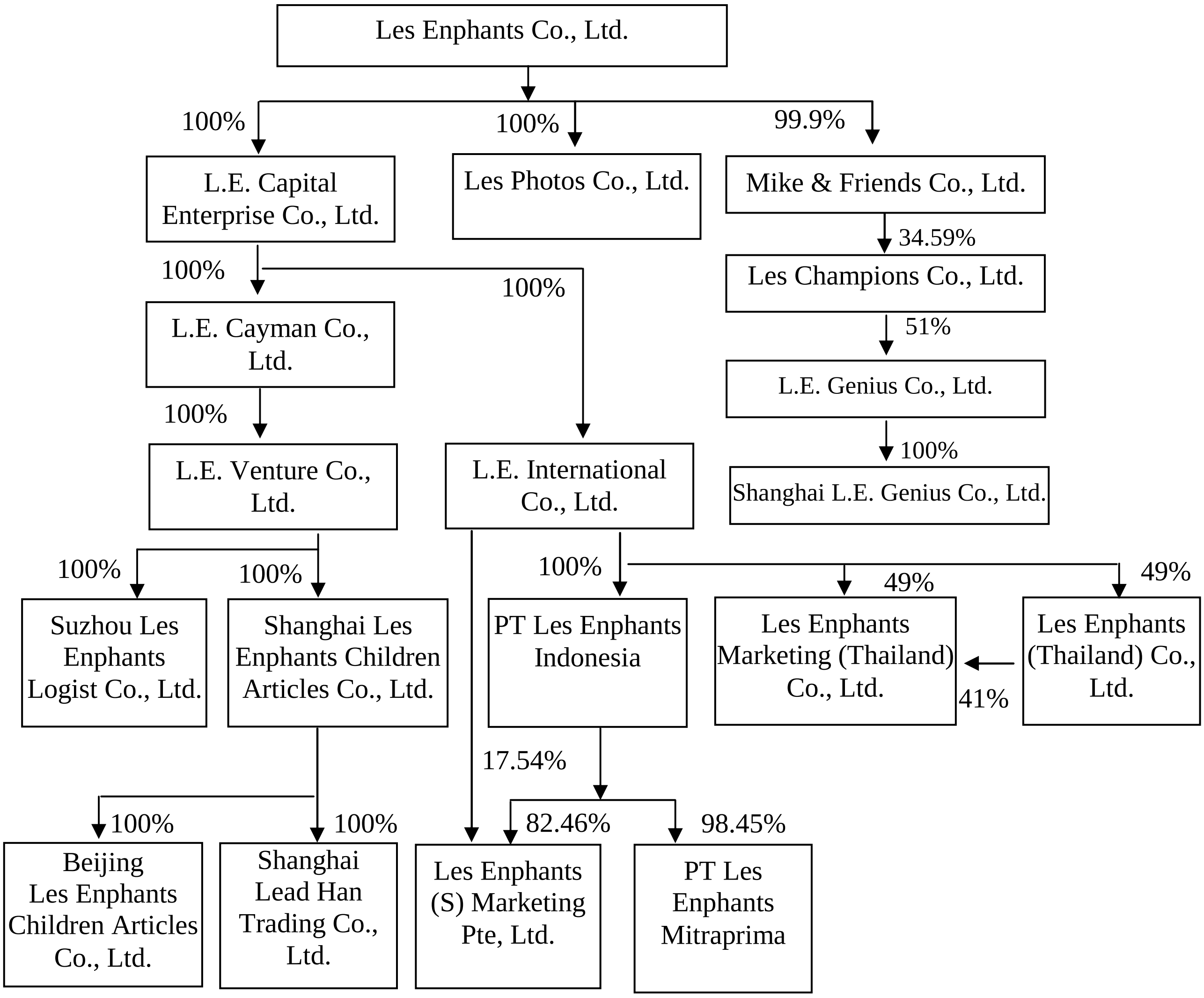
In 2011, Shanghai Les Enphants Children Articles Co., Ltd. issued shares to distribute stock dividends of US$5,800 thousand. Shanghai Les Enphants Children Articles Co., Ltd. invested RMB10,000 thousand to establish Beijing Les Enphants Children Articles Co., Ltd. on May 9, 2011.

Shanghai Les Enphants Children Articles Co., Ltd. increased its investment by RMB22,000 thousand in Shanghai Lead Han Trading Co., Ltd. on February 24, 2011.

Mike & Friends Co., Ltd. only raised its holding to 34.59%. Although the Company did not have a majority interest in LCCL, it had 50% representation in LCCL's board. Thus, LCCL was one of the consolidated entities.

As of December 31, 2012 and 2011, the Company and its consolidated subsidiaries had 5,930 and 6,015 employees, respectively.

Following is a diagram of the Company-subsidiary relationship as of December 31, 2012.



2. SIGNIFICANT ACCOUNTING POLICIES

Basic of Preparation

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

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

Significant accounting policies are summarized as follows:

Basis of Consolidated Financial Statements

The consolidated financial statements include the accounts of all directly and indirectly subsidiaries of the Company, and the accounts of investees in which the Company's ownership percentage is less than 50% but over which the Company has a controlling interest. All significant intercompany balances and transactions are eliminated upon consolidation.

All subsidiaries and investees in which the Company had controlling interests were included in the 2012 and 2011 consolidated financial statements.

The Company together with its subsidiaries are hereinafter referred to collectively as the "Group."

Foreign Currencies

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

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

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

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

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

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

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a cumulative translation adjustments of stockholders' equity.

Accounting Estimates

Under the above guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property and leased assets, income tax, pension cost, bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

Current and Noncurrent Assets and Liabilities

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

Financial Instruments at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (FVTPL) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Group recognize a financial asset or a financial liability on their balance sheet when they become parties to the contractual provisions of the financial instrument. A financial asset is derecognized when the Group have lost control of their contractual rights over the financial asset.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Fair values of financial assets and financial liabilities at the balance sheet date, which consist of open-end mutual funds, are determined at their net asset values.

Available-for-sale Financial Assets

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

The recognition, derecognition and the fair value bases of available-for-sale financial assets are the same as those of financial assets at fair value through profit or loss.

Available-for-sale financial assets comprise publicly traded stocks, and their fair values at the balance sheet date are determined at their closing prices.

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

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

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same as that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Impairment of Accounts Receivable

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Group adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34 - “Financial Instruments: Recognition and Measurement.” One of the main revisions is that the impairment of receivables originated by the Group should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It becoming probable that the debtor will enter into bankruptcy or undergo financial reorganization.

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

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

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

Allowance for Sales Discounts

Allowance for sales discounts is based on the estimation of the sales discounts.

Inventories

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

Investments Accounted for by the Equity Method

Investments in which the Group exercises significant influence over the investees’ operating and financial policy decisions are accounted for by the equity method.

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

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

The Group reviews the carrying amounts of its identifiable assets every year or when there are indications that goodwill has been impaired. If investment impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss charged to current income.

Investments in which the Group has joint control or influence are accounted for by the equity method.

Properties and Properties Leased to Others

Properties and properties leased to others are stated at cost less accumulated depreciation. Major additions and improvements to properties are capitalized, while costs of repairs and maintenance are expensed currently.

On the balance sheet date, if a property is impaired and its carrying value exceeds its recoverable amount, this excess is recognized as impairment loss. If impairment loss is reversed, the increase in the carrying amount resulting from reversal is recognized as current income. However, the amount of loss reversed should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

Depreciation is provided on a straight-line basis over estimated useful lives as follows: buildings - 9 to 60 years; and other equipment - 3 to 15 years. Properties that have reached their full residual values but are still being used by the Group are depreciated over their newly estimated useful lives.

The related cost and accumulated depreciation are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

Intangible Assets

Intangible assets acquired are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives, as follows: computer software and trademarks - over 3 to 10 years; and land usage rights - over 50 years.

Goodwill

The differences between the acquisition cost of the investments and the Group's equity in the fair value of the investees' net assets when the investments are acquired or when the equity method is adopted.

Under the Statement of Financial Accounting Standards No. 35 - "Impairment of Assets," the cost of acquisition is subjected to initial analysis, and goodwill ceases to be amortized and is instead tested annually for impairment. An impairment test is also required when there is evidence that goodwill is more likely than not to have been impaired because of certain events. In addition, the unamortized premiums for the cost of investments acquired before 2006 cease to be amortized, and the accounting treatment for these premiums is the same as that for goodwill. Further, if the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be allocated to noncurrent assets at the percentage of the fair value of these net assets to the total fair value of all noncurrent assets (except financial assets not under the equity method and deferred income tax assets). After this allocation, the remaining excess will be recognized as extraordinary gain.

Pension Costs

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

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

Under their respective local laws, PT Les Enphants Indonesia, Les Enphants (Thailand) Co., Ltd. and Les Enphants Marketing (Thailand) Co., Ltd. are not allowed to have pension plans.

Income Tax

The Group applies the intra-year and inter-year allocation methods to its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred income tax asset or liability is classified as current or noncurrent in accordance with the classification of the related asset or liability for financial reporting. However, if a deferred income tax asset or liability does not relate to an asset or liability in the consolidated financial statements, then it is classified as current or noncurrent on the basis of the expected length of time before it is realized or settled.

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 unappropriated earnings is provided for as income tax in the year the stockholders approve the retention of earnings.

Employee Stock Options

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

Treasury Stock

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

Revenue Recognition

Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Group and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

Royalties are recognized when:

a. It is probable that the economic benefits of a transaction will flow to the Group, and
b. The revenue can be measured reliably.

Royalties are recognized on an accrual basis in accordance with the relevant contract.

Reclassifications

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

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Group adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Group are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change had no impact on the Group's income before income tax, net income and after income tax earnings per share for the year ended December 31, 2012.

Operating Segments

On January 1, 2011, the Group adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed on the basis of information about the components of the Group that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting." For this accounting change, the Group restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2012.

4. CASH

	2012	2011
Cash on hand	$ 30,094	$ 34,470
Checking accounts and demand deposits	631,279	678,410
	$ 661,373	$ 712,880

5. FINANCIAL INSTRUMENTS AT FVTPL

	2012	2011
Financial assets held for trading		
Mutual funds	$ 37,035	$ 52,984
Valuation adjustments of financial assets	(183)	655
	36,852	53,639
Less: Certificates of deposits - restricted	(20,211)	(20,071)
	$ 16,641	$ 33,568

The Company used a part of trust properties in buying money market funds issued by a trustee company, which were classified as restricted assets.

On financial assets held for trading, there were net losses of $351 thousand in 2012 and net gains of $1,280 thousand in 2011.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	2012	2011
Domestic quoted stocks	$ 4,433	$ 6,428
Unrealized loss on financial assets	(2,061)	(1,224)
	$ 2,372	$ 5,204

In 2012 and 2011, the Group sold available-for-sale financial assets for $3,930 thousand and $3,919 thousand, respectively, and recognized gains of $195 thousand and $219 thousand, respectively.

7. ACCOUNTS RECEIVABLE

	December 31	
	2012	2011
Accounts receivable	$ 1,092,141	$ 932,216
Less: Allowance for doubtful accounts	5,282	5,179
Allowance for sales discounts	6,326	-
	$ 1,080,533	$ 927,037

8. INVENTORIES, NET

	2012	2011
Merchandise	$ 2,462,966	$ 2,645,547
Finished goods	152,276	229,193
Work in process	34,991	31,588
Raw materials	36,141	25,036
Supplies	29,365	29,569
	$ 2,715,739	$ 2,960,933

As of December 31, 2012 and 2011, the allowances for inventory devaluation were $18,348 thousand and $21,761 thousand, respectively.

The costs of investments recognized as costs of goods sold were $4,832,957 thousand in 2012 and $4,358,487 thousand and in 2011.

In 2012, a reversal of inventory write-downs amounted to $2,850 thousand. The cost of goods sold included $5,614 thousand, which was due to inventory disposal, and a loss of $4,483 thousand on physical inventory. In 2011, a reversal of inventory write-downs amounted to $4,034 thousand. The cost of goods sold included $6,485 thousand, which was due to inventory disposal, and a loss of $3,615 thousand on physical inventory.

9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	2012		2011	
	Carrying Value	**% of Owner-ship**	**Carrying Value**	**% of Owner-ship**
Genius Toy Taiwan Co., Ltd.	$ 50,511	20.00	$ -	-
Combi (Taiwan) Co., Ltd.	41,346	25.00	38,989	25.00
Shanghai Holyca E-business Co., Ltd.	41,145	21.05	52,387	21.05
Komphort Royal of Life Co., Ltd.	25,570	48.00	26,155	48.00
LE - CLAIRE KIDS Co., Ltd.	3,181	50.00	4,103	50.00
	$ 161,753		$ 121,634	

The Company increased its investment by $50,000 thousand in Genius Toy Taiwan Co., Ltd. to obtain 20% of ownership in October 2012. The differences between the acquisition cost and the equity calculated by its percentage of ownership in Genius Toy Taiwan Co., Ltd. are fair value of land in excess of book value for $11,473 thousand, fair value of building in excess of book value for $1,746 thousand and goodwill for $19,852 thousand.

In November 2010, Shanghai Les Enphants Children Articles Co., Ltd. and ANDER HUST HOLDING APS jointly invested US$100 thousand in and established LE - CLAIRE KIDS Co., Ltd. and acquired equity interests of 50% each in the investee.

The equity of Shanghai Les Enphants Children Articles Ltd. in LE - CLAIRE KIDS Co., Ltd. is represented by the following amounts (RMB in thousands):

	December 31	
	2012	**2011**
Current assets	RMB 731	RMB 1,043
Current liabilities	48	189
Revenue	617	1,082
Expense	788	908

In April 2010, Shanghai Les Enphants Children Articles Co., Ltd. acquired 21.05% equity in Shanghai Holyca E-business Co., Ltd. through a cash investment of RMB12,000 thousand.

Investment income (loss) recognized under the equity method was as follows:

	2012	2011
Genius Toy Taiwan Co., Ltd.	$ 511	$ -
Combi (Taiwan) Co., Ltd.	10,607	9,464
Shanghai Holyca E-business Co., Ltd.	(9,711)	(3,925)
Komphort Royal of Life Co., Ltd.	(585)	(700)
LE - CLAIRE KIDS Co., Ltd.	(798)	791
	$ 24	$ 5,630

10. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	2012		2011	
	Carrying Value	**% of Owner-ship**	**Carrying Value**	**% of Owner-ship**
WK Technology Fund	$ 15,880	0.85	$ 15,880	0.85
Constellate Auto Car Co., Ltd.	-	6.09	-	6.09
	$ 15,880		$ 15,880	

The above equity investments, which had no quoted prices in an active market and had fair values that could not be reliably measured, were carried at cost.

11. PROPERTIES

	2012	2011
Accumulated depreciation		
Buildings	$ 175,923	$ 157,566
Other equipment	1,005,792	870,340
	$ 1,181,715	$ 1,027,906

Depreciation expenses were $242,098 thousand in 2012 and $198,802 thousand in 2011. Capitalized interest were $42,336 thousand in 2012 and $26,805 thousand in 2011 and capitalization interest were 1.096% to 7.015% in 2012 and 1.239% to 7.015% in 2011.

12. PROPERTIES LEASED TO OTHERS, NET

	2012	2011
Cost		
Land	$ 65,402	$ 71,000
Buildings	48,244	52,199
	113,646	123,199
Less: Accumulated deprecation	13,029	13,032
	$ 100,617	$ 110,167

The Group rented out a portion of office buildings in Nei Hu and houses in Kaohsiung to other companies under operating lease agreements effective until April 2016. Depreciation expenses (included in nonoperating expenses - others) were $930 thousand in 2012 and $1,435 thousand in 2011.

Rental income (included in nonoperating income - rent) was $6,348 thousand in 2012 and $6,861 thousand in 2011.

The rental income through the next three years is as follows:

Year	**Amount**
2013	$ 5,971
2014	2,707
2015	420
	$ 9,098

13. SHORT-TERM LOANS

	2012	**2011**
Unsecured loans: Annual interest rates - 1.096%-7.015% in 2012 and 1.293%-7.015% in 2011	$ 1,130,830	$ 1,057,707
Secured loans: Annual interest rates - 2.250%-5.700% in 2012 and 5.400%-7.750% in 2011	30,508	39,559
	$ 1,161,338	$ 1,097,266

14. SHORT-TERM NOTES AND BILLS PAYABLE

	2011	
	Interest Rate	**Amount**
Commercial paper	1.038%	$ 25,000
Less: Unamortized discount on commercial paper		33
		$ 24,967

15. LONG-TERM LIABILITIES

	December 31, 2012		
	Due in One Year	**Due after One Year**	**Total**
The Company			
Taipei Fubon Bank unsecured loans: Annual interest rate - 1.60%-1.70%	$ 100,000	$ -	$ 100,000
Chang Hwa Bank unsecured loans: Annual interest rate - 1.60%-1.70%	70,000	-	70,000

(Continued)

	December 31, 2012		
	Due in One Year	Due after One Year	Total
Hua Nan Bank unsecured loans (A): Annual interest rate - 1.70%-1.90%	$ 60,000	$ -	$ 60,000
Industrial Bank of Taiwan unsecured loans: Annual interest rate - 1.70%-1.90%	55,000	-	55,000
Mega Bank secured loans (A): Annual interest rate - 1.40%-1.50%	110,000	-	110,000
First Bank secured loans (A): Annual interest rate - 1.80%-2.00%	90,000	-	90,000
Shanghai Les Enphants Children Articles Co., Ltd.			
Bank of China secured loans: Annual interest rate - 6.65%-6.90%	23,300	442,700	466,000
Les Enphants Thailand Co., Ltd.			
Bank secured loans: Annual interest rate - 5.4734%	133	34	167
Les Enphants Thailand Marketing Co., Ltd.			
Bank unsecured loans: Annual interest rate - 3.00%	230	658	888
	$ 508,663	$ 443,392	$ 952,055

(Concluded)

	December 31, 2011		
	Due in One Year	Due after One Year	Total
The Company			
Hua Nan Bank unsecured loans (B): Annual interest rate - 1.70%-1.90%	$ -	$ 50,000	$ 50,000
Cathay United Bank unsecured loans: Annual interest rate - 1.50%-1.70%	-	35,000	35,000
Taishin Bank unsecured loans: Annual interest rate - 1.80%-2.00%	-	25,000	25,000
Mega Bank secured loans (B): Annual interest rate - 1.40%-1.60%	-	80,000	80,000
First Bank secured loans (B): Annual interest rate - 1.80%-2.00%	-	30,000	30,000
Shanghai Les Enphants Children Articles Co., Ltd.			
Bank of China secured loans: Annual interest rate - 6.65%	24,024	183,546	207,570
Les Enphants Thailand Marketing Co., Ltd.			
Bank unsecured loans: Annual interest rate - 3.00%	57	898	955
	$ 24,081	$ 404,444	$ 428,525

Fubon Bank allowed the extension of the repayment deadlines for its unsecured loans, which will mature in September 2014.

Chang Hwa Bank allowed the extension of the repayment deadlines for its unsecured loans, which will mature in August 2015.

Hua Nan Bank allowed the extension of the repayment deadlines for its unsecured loans (A). The unsecured loans will mature in September 2014.

Industrial Bank of Taiwan allowed the extension of the repayment deadlines for its unsecured loans, which will mature in March 2015.

Mega Bank allowed the extension of the repayment deadlines for its secured loans (A), which will mature in November 2013.

First Bank allowed the extension of the repayment deadlines for secured loans (A), which will mature in September 2014.

Hua Nan Bank allowed the extension of the repayment deadlines for its unsecured loans (B), and the balance on December 31, 2011 was repaid in October 2012.

Cathay United Bank allowed the extension of the repayment deadlines for the unsecured loans, and the balance on December 31, 2011 has been repaid in August 2012.

Taishin Bank allowed the extension of the repayment deadlines for its unsecured loans, and the balance on December 31, 2011 has been repaid in March 2012.

Mega Bank allowed the extension of the repayment deadlines for secured loans (B), and the balance on December 31, 2011 has been repaid in March 2012.

First Bank secured loans (B) allowed the extension of the repayment deadlines for the secured loans (B), and the balance on December 31, 2011 has been repaid in March 2012.

The secured loans of Shanghai Les Enphants Children Articles Co., Ltd. from Bank of China will mature between May 2011 and May 2018.

Les Enphants Thailand Co., Ltd.'s secured loans will mature in June 2014.

Les Enphants Marketing (Thailand) Co., Ltd.'s unsecured loans will mature in September 2016.

On January 9, 2013, the Company made a first-time issue of unsecured domestic convertible bonds which were intended for the repayment of bank loans. Thus, the balance of long-term liabilities as of December 31, 2012 was reclassified to current portion of long-term liabilities. As of March 21, 2013, all the foregoing bank loans had been fully repaid.

16. PENSION PLAN

The Company, Les Champions Co., Ltd. and Les Photos Co., Ltd. adopted the defined contribution pension plan under the Labor Pension Act (LPA). Based on the LPA, the rate of these three companies' monthly contributions to employees' individual pension accounts is at 6% of monthly salaries and wages. Related pension costs were $20,772 thousand in 2012 and $18,710 thousand in 2011.

The Company and Les Champions Co., Ltd. have defined benefit plans based on the Labor Standards Law, and pension benefits are calculated on the basis of the length of service and average monthly salaries and wages of the six months before retirement. The Company and Les Champions Co., Ltd. contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by pension fund monitoring committees. The pension fund is deposited in the Bank of Taiwan in the committee's names. The Group recognized defined benefit pension costs of $18,620 thousand in 2012 and $27,105 thousand in 2011.

Shanghai Les Enphants Children Articles Co., Ltd., Suzhou Les Enphants Logist Co., Ltd., Beijing Les Enphants Children Articles Co., Ltd. and Shanghai Lead Han Trading Co., Ltd. have defined contribution pension plans. Their pension costs were $143,584 thousand in 2012 and $127,706 thousand in 2011.

Other information on the defined benefit plans is as follows:

a. Components of net pension cost

	Year Ended December 31			
	2012		2011	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
Service cost	$ 9,780	$ 311	$ 9,491	$ 291
Interest cost	7,149	213	7,195	216
Expected return on plan assets	(885)	(13)	(993)	(11)
Amortization	1,624	441	451	441
Curtailment loss	-	-	10,024	-
	$ 17,668	$ 952	$ 26,168	$ 937

b. Reconciliation of the funded status of the plan and accrued pension cost

	December 31			
	2012		2011	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
Benefit obligation				
Vested benefit obligation	$ 59,034	$ 287	$ 43,718	$ 358
Non-vested benefit obligation	227,269	8,641	227,747	7,528
Accumulated benefit obligation	286,303	8,928	271,465	7,886
Additional benefits based on future salaries	89,477	3,261	87,753	2,840
Projected benefit obligation	375,780	12,189	359,218	10,726
Fair value of plan assets	(40,292)	(754)	(44,000)	(669)
Funded status	335,488	11,435	315,218	10,057
Unrecognized net transition obligation	-	(4,413)	-	(4,853)
Unrecognized net loss	(73,648)	(1,662)	(65,155)	(718)
Additional liability	-	2,814	-	2,731
Accrued pension cost	$ 261,840	$ 8,174	$ 250,063	$ 7,217
Vested benefit	$ 138,377	$ 4,212	$ 125,693	$ 3,827

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

	December 31			
	2012		2011	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
Discount rate used in determining present value	1.75%	1.75%	2.00%	2.00%
Future salary increase rate	2.00%	2.00%	2.00%	2.00%
Expected rate of return on plan assets	1.75%	1.75%	2.00%	2.00%

	Year Ended December 31			
	2012		2011	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
d. Contributions to the fund	$ 2,198	$ 78	$ 2,321	$ 75
e. Payments from the fund	$ 6,313	$ -	$ 7,290	$ -

17. STOCKHOLDERS' EQUITY

The capital surplus from shares issued in excess of par may be used to offset a deficit; in addition, when the Company has no deficit, this capital surplus may be transferred to capital within a certain percentage of the Company's paid-in capital or may be distributed as cash dividends.

The capital surplus from long-term investments, employee stock options and conversion options may not be used for any purpose.

Under the Company's Articles of Incorporation, the Company should make appropriations from its net income in the following order:

a. Payment by the Company of corporate income tax on its earnings;

b. Offset of prior years' deficit against the current year's net income;

c. Legal reserve at 10% of the earnings balance;

d. Special reserve based on a directive by the Securities and Futures Bureau;

e. From the remainder after deducting above items (a) to (d), bonuses to employees of 8% of the balance as employees, and not exceeding 2% of the final balance as remuneration to directors and supervisors;

f. From any remaining balance, an appropriation based on a resolution passed at the stockholders' meeting.

The Company prefers to balance the distribution of stock dividends and cash dividends, and stock dividends are issued only when the Company has no earnings available for distribution. For cash dividends, the Company considers its operating scale and future cash capital requirements; for cash dividends, the amount should be at least 10% of total dividends.

For 2012 and 2011, the bonuses to employees were estimated at $11,742 thousand and $19,881 thousand, respectively, and the remunerations to directors and supervisors were estimated at $2,701 thousand and $4,573 thousand, respectively. The bonus to employees and remuneration to directors and supervisors were 8% and 1.84%, respectively, of net income (net of the bonus and remuneration). Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the year of the proposal. If the actual amounts resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (except treasury stocks) should be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve should be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations from the 2011 and 2010 earnings were approved in the stockholders' meetings on June 22, 2012 and June 24, 2011, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2011	**For Year 2010**	**For Year 2011**	**For Year 2010**
Legal reserve	$ 27,613	$ 32,686		
Special reserve	-	21,115		
Cash dividends	203,619	195,355	$ 1.0	$ 1.0
Stock dividends	81,268	78,142	0.4	0.4

The bonus to employees and the remuneration to directors and supervisors for 2011 and 2010 approved in the stockholders' meetings on June 22, 2012 and June 24, 2011, respectively, were as follows:

	Year Ended December 31			
	2011		**2010**	
	Cash	**Stock**	**Cash**	**Stock**
Bonus to employees	$ 19,881	$ -	$ 21,845	$ -
Remuneration to directors and supervisors	4,573	-	5,024	-

	Year Ended December 31			
	2011		**2010**	
	Bonus to Employee Bonus	**Remuneration to Directors and Supervisors**	**Bonus to Employee Bonus**	**Remuneration to Directors and Supervisors**
Amounts approved in stockholders' meetings	$ 19,881	$ 4,573	$ 21,845	$ 5,024
Amounts recognized in respective financial statements	(19,881)	(4,573)	(21,845)	(5,024)
	$ -	$ -	$ -	$ -

In their meeting on June 22, 2012, the Company's stockholders approved the transfer of unappropriated earnings of $81,268 thousand to capital stock, resulting in an additional issuance of 8,127 thousand shares. This issuance was approved by the authorities on July 11, 2012; the record date of the issuance of common stock was August 20, 2012.

Following a board of directors' proposal passed on December 16, 2010, the Company made an additional issuance of 13,880 thousand shares at NT$10.00 par value, with the issuance price of NT$36.00 per share. This issuance was approved by the authorities on January 5, 2011; the record date of the issuance of common stock for cash was February 22, 2011, on which all the payments for the shares were received. The registration of this share issuance was on March 7, 2011.

The options granted in January 2011 were priced using the Black-Scholes model, and the Company recognized $20,233 thousand as the compensation cost of employee stock options.

The appropriation of the 2012 earnings was proposed at the board meeting on March 21, 2012. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 16,308	
Cash dividends	147,907	$0.7

The appropriation of the 2012 earnings, bonus to employees and remuneration to directors and supervisors will be resolved by the stockholders in their meeting scheduled for June 25, 2013.

Information on the bonus to employees, directors and supervisors is available on the Market Observation Post System Web site of the Taiwan Stock Exchange.

18. EMPLOYEE STOCK OPTION PLANS AND EMPLOYEE RESTRICTED STOCK PLANS

Qualified employees of the Company and its subsidiaries were granted 2,830 options on August 21, 2012. Each option entitles the holder to subscribe for one common share of L.E. Cayman Co., Ltd. The options granted are valid for 9.59 years and exercisable at certain percentages after the first anniversary year from the grant date. The options were granted at an exercise price equal to US$0.296 per common share. For any subsequent changes in L.E. Cayman Co., Ltd.'s paid-in capital, the exercise price is adjusted accordingly.

Information on employee stock options is as follows:

	Year Ended December 31, 2012 Number of Options (In Thousands)
Balance, beginning of year	-
Options granted	2,830
Options forfeited	-
Options exercised	-
Options expired	(55)
Balance, end of year	2,775
Options exercisable, end of year	-
Weighted-average fair value of options granted (US$)	$ 0.1374

Information about outstanding options as of December 31, 2012 was as follows:

December 31, 2012	
Range of Exercise Price (US$)	**Weighted-average Remaining Contractual Life (Years)**
US$0.296	9.22

Options granted by L.E. Cayman Co., Ltd. during the year ended December 31, 2012 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Grant-date share price (US$)	US$0.282
Exercise price (US$)	US$0.296
Expected volatility	43.84%
Expected life (years)	8.15 years
Expected dividend yield	0.00%
Risk-free interest rate	1.46%

Compensation cost recognized was $683 thousand for the year ended December 31, 2012.

19. TREASURY STOCK

(Unit: Thousands of Shares)

Reasons for Repurchase	Number of Shares at Beginning of the Year	Increase During the Year	Decrease During the Year	Number of Shares at the End of the Year
2012				
Transfer of stocks to employees	1,626	-	1,626	-
2011				
Transfer of stocks to employees	-	1,626	-	1,626

Under the Securities and Exchange Act, the Company shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote.

On August 25, 2011, the Company's board of directors passed a resolution to buy back from the open market its treasury shares for transfer to employees. During the repurchase period between August 26, 2011 and October 25, 2011, the Company bought back 1,626 thousand shares for $45,987 thousand. Shares the Company bought should be transferred to its employees in three years from the date of repurchase; otherwise, these shares will be regarded as unissued shares.

In 2012, the Company transferred employees 1,626 thousand treasury shares amounting to $45,983, thousand, including compensation cost $3,618 thousand. After writing off the cost of treasury stocks, capital surplus - treasury stock transaction increases to $3,618 thousand.

The Company held treasury stock at most $1,626 thousand shares, which amounted to $45,987 thousand both in 2012 and 2011.

20. INCOME TAX

a. Income tax expenses in 2012 and 2011 were as follows:

	2012	2011
Current income tax expenses	$ 59,185	$ 132,431
Deferred income tax expense	8,104	(12,635)
Foreign royalties income tax	1,444	1,781
Adjustment for prior years' tax	618	(4,598)
Prior years' income tax payable	331	401
Prior year's income tax refundable	(4,672)	-
Income tax expenses	$ 65,010	$ 117,380

b. Deferred income tax assets (liabilities) as of December 31, 2012 and 2011 were as follows:

	2012	2011
Current		
Deferred income tax assets		
Unrealized wage expense	$ 24,131	$ 27,193
Loss carryforwards	18,338	23,248
Provision for loss on inventories	11,526	11,546
Allowance for sales returns	4,358	3,662
Unrealized allowance for doubtful accounts	2,031	1,062
Others	3,576	1,908
	63,960	68,619
Deferred income tax liabilities		
Unrealized exchange gain	(70)	(118)
	$ 63,890	$ 68,501
Noncurrent		
Deferred income tax assets		
Accrued pension expenses	$ 46,505	$ 43,813
Investment loss recognized under equity method	4,584	4,463
Impairment loss	3,077	3,077
Others	8,485	6,803
	62,651	58,156
Valuation allowance	(6,339)	(7,540)
	56,312	50,616
Deferred income tax liabilities		
Investment income recognized under the equity method	(245,783)	(236,560)
Others	(399)	(433)
	(246,182)	(236,993)
	$ (189,870)	$ (186,377)
Deferred income tax assets - current	$ 63,890	$ 68,501
Deferred income tax liabilities - current	-	-
	$ 63,890	$ 68,501
Deferred income tax assets - noncurrent	$ 9,870	$ 6,944
Deferred income tax liabilities - noncurrent	(199,740)	(193,321)
	$ (189,870)	$ (186,377)

c. Loss carryforwards as of December 31, 2012 were as follows:

Cooperation	Loss Years	Unused Amount	Expiry Year
Shanghai Leas Han Trading Co., Ltd.	2010	RMB 1,404 thousand	2015
	2011	RMB 2,531 thousand	2016

d. Information on integrated income tax is as follows:

	2012	2011
Unappropriated earnings generated before January 1, 1998	$ -	$ -
Unappropriated earnings generated from January 1, 1998	226,378	354,230
	$ 226,378	$ 354,230
Balances of the imputation credit account (ICA)		
Les Enphants Co., Ltd.	$ 17,932	$ 5,519
Les Champions Co., Ltd.	$ 12,352	$ 10,039

The creditable ratios for the distribution of earnings of 2012 and 2011 were 11.80% (estimate) and 6.44% (actual), respectively. The ratio for the imputation credits allocated to stockholders of the Company is based on the balance of the ICA as of the date of dividend distribution. Thus, the expected creditable ratio for the 2012 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

The tax returns through 2010 of the Company, Les Photos Co., Ltd., Mike & Friends Co., Ltd. and Les Champions Co., Ltd. have been assessed and cleared by the tax authorities.

21. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	2012				2011			
	Included in Operating Cost	Included in Operating Expense	Included in Nonoperating Expenses	Total	Included in Operating Cost	Included in Operating Expense	Included in Nonoperating Expenses	Total
Personnel expenses								
Salary	$ 80,625	$ 1,237,329	$ -	$ 1,317,954	$ 75,128	$ 1,158,410	$ -	$ 1,233,538
Pension	5,732	177,244	-	182,976	4,544	168,977	-	173,521
Insurance	7,994	46,811	-	54,805	6,275	43,560	-	49,835
Other	3,951	106,043	-	109,994	4,435	106,171	-	110,606
	$ 98,302	$ 1,567,427	$ -	$ 1,665,729	$ 90,382	$ 1,477,118	$ -	$ 1,567,500
Depreciation	$ 2,838	$ 239,260	$ 930	$ 243,028	$ 2,415	$ 196,387	$ 1,435	$ 200,237
Amortization	$ 493	$ 17,820	$ -	$ 18,313	$ 128	$ 14,276	$ -	$ 14,404

22. CONSOLIDATED EARNINGS PER SHARE

Numerators and denominators used to calculate the consolidated earnings per share (EPS) were as follows:

	Amount (Numerator)		Shares	Earnings Per Share (Dollars)	
	Before Tax	After Tax	(Denominator) (Thousands)	Before Tax	After Tax
2012					
Basic EPS					
Income for the year attributable to common stockholders	$ 186,428	$ 163,083	211,161	$ 0.88	$ 0.77
Effect of dilutive potential common shares					
Bonus to employees	-	-	1,018		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common shares	$ 186,428	$ 163,083	212,179	$ 0.88	$ 0.77
2011					
Basic EPS					
Income for the year attributable to common stockholders	$ 330,981	$ 276,125	208,454	$ 1.59	$ 1.32
Effect of dilutive potential common shares					
Bonus to employees	-	-	1,067		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common shares	$ 330,981	$ 276,125	209,521	$ 1.58	$ 1.32

The Accounting Research and Development Foundation issued Interpretation 2007-052, which requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company decides to settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares, and if the shares have a dilutive effect, the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of employee stock bonuses distributed out of the 2011 earnings and stock dividends. This adjustment caused the basic before and after income tax EPS for 2011 to decrease from NT$1.65 to NT$1.59 and from NT$1.38 to NT$1.32, respectively. It also caused the diluted before and after income tax EPS for 2011 to decrease from NT$1.64 to NT$1.58 and from NT$1.37 to NT$1.32, respectively.

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The estimated fair values of financial instruments were as follows:

	December 31			
	2012		2011	
Nonderivative	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Assets				
Cash	$ 661,373	$ 661,373	$ 712,880	$ 712,880
Financial assets at fair value through profit or loss - current	16,641	16,641	33,568	33,568
Available-for-sale financial assets - current	2,372	2,372	5,204	5,204
Notes receivable	46,435	46,435	51,261	51,261
Accounts receivable, net	1,080,533	1,080,533	927,037	927,037
Accounts and notes receivable from related parties	31,366	31,366	1,260	1,260
Other receivables	13,646	13,646	34,304	34,304
Certificates of deposits - restricted	48,063	48,063	46,114	46,114
Financial assets carried at cost - noncurrent	15,880	-	15,880	-
Refundable deposits	127,841	127,841	144,003	144,003
Liabilities				
Short-term loans	1,161,338	1,161,338	1,097,266	1,097,266
Short-term notes and bills payable	-	-	24,967	24,967
Notes payable	8,441	8,441	12,319	12,319
Accounts payable	861,679	861,679	1,137,810	1,137,810
Accounts and notes payable to related parties	54,761	54,761	53,623	53,623
Accrued expenses	375,820	375,820	348,201	348,201
Equipment payable	34,718	34,718	88,290	88,290
Long-term liabilities (current portion included)	952,055	952,055	428,525	428,525
Deposits received	18,336	18,336	27,640	27,640

b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash, notes and accounts receivable, accounts and notes receivable from related parties, other receivable, short-term loans, notes and accounts payable, accounts and notes payable to related parties, accrued expenses and equipment payable.

2) Fair values of financial instruments designated as at FVTPL and available-for-sale financial assets are based on their quoted prices in an active market.

3) Fair values of long-term liabilities are estimated using the present value of future cash flows discounted by the interest rates the Group may obtain for similar loans (e.g., loans with similar maturities).

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

5) Fair values of collections (payments) of certificates of deposits - restricted and refundable deposits (deposits received) are similar to the carrying values. Therefore, fair values are based on quoted carrying values.

Since the fair values of some financial and nonfinancial instruments do not need to be disclosed, the total fair values shown above were not equal to the aggregate values of the Group.

c. Fair values of financial assets based on quoted market prices were as follows:

	Quoted Market Price	
	2012	**2011**
<u>Assets</u>		
Financial assets at fair value through profit or loss - current	$ 16,641	$ 33,568
Available-for-sale financial assets - current	2,372	5,204
Certificates of deposits - restricted	20,211	20,071

d. As of December 31, 2012 and 2011, financial liabilities exposed to fair value interest rate risk amounted to $124,055 thousand and $1,122,233 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk amounted to $1,989,338 thousand and $428,525 thousand, respectively.

e. As of December 31, 2012 and 2011, the interest income (expense) associated with financial assets (liabilities) other than those at FVTPL was as follows:

	Year Ended December 31	
	2012	**2011**
Total interest income	$ 5,233	$ 5,931
Total interest expense (including capitalized interest)	(80,009)	(42,128)

f. Financial risks

1) Market risk

The Group’s financial assets at fair value through profit or loss are mostly mutual funds and publicly traded stocks, and their market risk was based on changes in trading value. Since the Group carefully decides its investments, market risk is not material.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counter-parties breach contracts. Related factors that might affect the Group include credit risk concentration and financial instrument components and contract amounts. An evaluation of the financial instruments with positive fair values as of the balance sheet date showed that credit risk exposure amounted to $39,224 thousand and $58,843 thousand as of December 31, 2012 and 2011, respectively.

The maximum amount of credit risk exposure on financial instruments held by the Group (excluding fair value of the collaterals) was as follows:

	December 31			
	2012		2011	
	Carrying Amount	Credit Risk Amount	Carrying Amount	Credit Risk Amount
Assets				
Trading-purpose financial assets				
Mutual funds	$ 36,852	$ 36,852	$ 53,639	$ 53,639
Available-for-sale financial assets - current				
Domestic quoted stocks	$ 2,372	$ 2,372	$ 5,204	$ 5,204

Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. Credit risk concentrations exist when the counter-parties to financial-instrument transactions are individuals or groups engaged in similar activities or activities in the same region or sector, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. These concentrations also include the nature of the counter-parties' operations.

The Group's transactions are not concentrated in a single client, counter-party or industry type.

3) Liquidity risk

The Group's operating funds are deemed sufficient to meet cash flow demand; thus, liquidity risk is not considered significant.

24. RELATED-PARTY TRANSACTIONS

a. Related parties and relationships

Related Party	Relationship with the Group
Combi (Taiwan) Co., Ltd.	Equity-method investee of the Company
Komphort Royal of Life Co., Ltd.	Equity-method investee of the Company
Genius Toy Taiwan Co., Ltd.	Equity-method investee of the Company
Constellate Auto Car Co., Ltd.	Same director as the Company's
Shanghai Holyca E-business Co., Ltd.	Equity-method investee of LES Shanghai
LE - CLAIRE KIDS Co., Ltd.	Equity-method investee of LES Shanghai
Tai San Lin	Director and a stockholder of each Group member
Irene Chang	Director of Les Enphants (Thailand) Co., Ltd. and Les Enphants Marketing (Thailand) Co., Ltd.

b. Significant transactions with related parties are summarized as follows:

	2012		2011	
	Amount	%	Amount	%
At year-end				
Receivables				
Notes receivable				
Komphort Royal of Life Co., Ltd.	$ 10	-	$ 6	1
Accounts receivable				
Shanghai Holyca E-business Co., Ltd.	16,511	53	709	56
Other receivables				
Genius Toy Taiwan Co., Ltd.	14,230	45	-	-
Tai San Lin	405	1	-	-
LE - CLAIRE KIDS Co., Ltd.	156	1	445	35
Combi (Taiwan) Co., Ltd.	50	-	100	8
Komphort Royal of Life Co., Ltd.	4	-	-	-
	14,845	47	545	43
	$ 31,366	100	$ 1,260	100
Payable				
Accounts payable				
Combi (Taiwan) Co., Ltd.	$ 46,061	84	$ 43,509	81
Genius Toy Taiwan Co., Ltd.	2,959	6	-	-
Constellate Auto Car Co., Ltd.	20	-	-	-
	49,040	90	43,509	81
Others payable				
LE - CLAIRE KIDS Co., Ltd.	-	-	467	1
Loan				
Irene Chang	5,721	10	9,647	18
	$ 54,761	100	$ 53,623	100
For the year				
Sales				
Shanghai Holyca E-business Co., Ltd.	$ 69,543	1	$ 50,203	1
Komphort Royal of Life Co., Ltd.	77	-	-	-
	$ 69,620	1	$ 50,203	1
Purchases (including processing costs)				
Combi (Taiwan) Co., Ltd.	$ 139,581	3	$ 98,097	2
Genius Toy Taiwan Co., Ltd. (Note)	3,587	-	-	-
	$ 143,168	3	$ 98,097	2
Allocation of advertising expenses				
Combi (Taiwan) Co., Ltd.	$ 1,355	-	$ 614	-

	2012		2011	
	Amount	%	Amount	%
Operating expenses - others				
LE - CLAIRE KIDS Co., Ltd.	$ 5,790	-	$ 9,845	-
Constellate Auto Car Co., Ltd.	19	-	10	-
	$ 5,809	-	$ 9,855	-
Nonoperating revenue				
Rent				
Komphort Royal of Life Co., Ltd.	$ 343	5	$ 343	5
Others				
LE - CLAIRE KIDS Co., Ltd.	$ 1,994	12	$ 3,269	17

Note: In October 2012, the Company invested in Genius Toy Taiwan Co., Ltd. Thus, the purchase amount referred only to the period from October 2012 to December 2012.

The Company rents office buildings out to its related parties. The rent was based on the local average rent and was paid by month.

Shanghai Les Enphants Children Articles Co., Ltd. (“LES Shanghai”) sold its own products to Shanghai Holyca E-business Co., Ltd. at 35% to 60% of retail price. The collection and payment periods for Shanghai Holyca E-business Co., Ltd. were 10 days.

LES Shanghai signed a contract for LE - CLAIRE KIDS Co., Ltd. to use LES Shanghai’s trademark from November 11, 2010 to December 31, 2012. Under the agreement, it can be extended to December 31, 2014. The payment is based on the net purchase (15%) of licensed brand, which LES Shanghai should receive on June 30 and November 30 every year.

Except for those transactions described above, the related-party transactions were conducted under normal terms.

Irene Chang granted an interest loan (annual interest rate - 6%) to Les Enphants (Thailand) Co., Ltd. and Les Enphants Marketing (Thailand) Co., Ltd. to help these companies meet their business requirements. The highest outstanding amounts were $9,767 thousand in 2012 and 2011.

c. Compensation of directors, supervisors and management personnel was as follows:

	Year Ended December 31	
	2012	2011
Salaries	$ 66,491	$ 70,188
Incentives	-	-
Special compensation	984	1,181
Bonus	11,063	9,213
	$ 78,538	$ 80,582

25. MORTGAGED OR PLEDGED ASSETS

The Group’s assets pledged as collaterals for electronic gift certificates, bank loans, and long-term liabilities were as follows:

	2012	2011
Certificates of deposits - restricted	$ 48,063	$ 46,114
Properties, net	1,673,540	1,312,699
Properties leased to others, net	93,966	103,439
	$ 1,815,569	$ 1,462,252

26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Group as of December 31, 2012 were as follows:

a. The Company signed operating lease contracts with other companies or individuals, with the latest expiry in 2017. Under these contracts, the Company paid deposits of $42,927 thousand (included in refundable deposits). The future minimum rental expenses for all these contracts in the next five years are as follows:

Year	Amount
2013	$ 168,021
2014	114,176
2015	78,480
2016	47,385
2017	15,744
	$ 423,806

b. The Company signed a brand licensing contract with Oshkosh Co., Ltd., effective until December 31, 2014. Under this agreement, the Company should pay the higher of a percentage of net sales of certain licensed products or minimum royalty fees. Royalty fees were $4,707 thousand in 2012 and $3,609 thousand in 2011.

c. The Company signed a brand licensing agreement with Familiar Ltd., effective until December 31, 2013, and should pay royalty fees at a percentage of net sales of certain licensed products (basic royalty fees were ￥10,000 thousand every year). Royalty fees ￥12,496 thousand in 2012 and ￥10,000 thousand in 2011.

d. The Company signed a brand licensing contract with The Walt Disney Company (Taiwan) Ltd. (“Walt Disney”) for Disney and PE logo, effective from April 1, 2010 to March 31, 2014. Under those agreement, the Company should pay royalty fees at a percentage of net sales of certain licensed products. Royalty fees were $18,796 thousand in 2012 and $17,757 thousand in 2011.

   Also, the Company signed a brand licensing contract with Walt Disney for Marvel logo. Under this agreement, the Company should pay royalty fees at a percentage of net sales of separately licensing brand. The contract was effective from September 1, 2011 to December 31, 2012, and the royalty fees were $432 thousand in 2012 and $144 thousand in 2011.

e. As of December 31, 2012, the Company’s unused letters of credit amounted to US$280 thousand.

f. Shanghai Les Enphants Children Articles Co., Ltd. and Beijing Les Enphants Children Articles Co., Ltd. signed operating lease contracts with unrelated parties, with latest contract expiry in 2017. Under these contracts, the subsidiaries paid deposits of RMB16,606 thousand (included in refundable deposits). The future minimum rental expenses (payable quarterly or semiannually in thousand Renminbi, or RMB) in the next four years are as follows:

Year	**RMB**
2013	$ 58,025
2014	38,250
2015	29,875
2016	22,642
2017	18,019
	$ 166,811

g. Shanghai Les Enphants Children Articles Co., Ltd. signed a contract with Shanghai Qi Bao Industry Co., Ltd. and Shanghai Municipal Housing Land and Resource Administrative Bureau to get land use rights amounting to RMB26,325 thousand and valid from August 20, 2007 to August 19, 2057. The amortization of land use rights (included in operating expense - rental expense) amounted to RMB527 thousand each in 2012 and 2011.

h. Suzhou Les Enphants Logist Co., Ltd. signed housing lease contracts with unrelated parties, with the latest contract expiry in 2015. Under these contracts, the subsidiary paid deposits of RMB928 thousand (included in refundable deposits). The future rental expenses (payable quarterly or semiannually) in the next three years are as follows:

Year	**RMB**
2013	$ 4,840
2014	3,256
2015	466
	$ 8,562

i. In September 2008, Suzhou Les Enphants Logist Co., Ltd. acquired for RMB6,739 thousand the rights to use state-owned land from September 2008 to September 2058. The amortization of the land use rights amounted to RMB135 thousand each in 2012 and 2011, which was included in operating expenses - rental expense.

j. The construction in progress of Shanghai Les Enphants Children Articles Co., Ltd. amounted to RMB25,291 thousand as of December 31, 2012.

27. SUBSEQUENT EVENTS

On January 9, 2013, the Company issued three-year unsecured domestic convertible bonds for the first time, which had a total amount of $603,000 thousand and a face value of $100 thousand per bond and were issued at 100.5% of face value, a coupon rate of 0% and convertible price at NT$23.5 per share.

At any time between February 10, 2013 and December 31, 2015 (10 days before the expiry date), bondholders may request the Company's transfer agent, via the securities broker, to notify the Taiwan Depository & Clearing Corporation of the conversion of the bonds into the Company's common shares in accordance with the conversion terms, with the conversion disallowed in all the following periods:

a. The book closure period for common stock, as stipulated by law;

b. 15 business days before the book closure date for the issuance of bonus shares, the distribution of cash dividends or the subscription for new shares resulting from a capital increase, to the record date of the distribution of entitlements; and

c. The period starting from the record date of the reverse split to the day before the bondholders' date of request for actual reverse split and stock conversion.

If the number of shares is changed by increasing share capital or stock dividends, the Company should adjust the conversion price by using a predetermined formula (the Company should not raise the conversion price).

In their meeting on March 21, 2012, the Board of Directors approved these plans:

a. To invest US$10,000 thousand in Shanghai Les Enphants Children Articles Co., Ltd.

b. To invest US$300 thousand in Les Enphants (S) Marketing Pte, Ltd.

28. SEASONAL OPERATIONS

The Company's primary business is to market children's apparel and accessories and spring and summer clothes in April to August and fall and winter clothes from September to March. Usually, the lowest season is in the second quarter. In light of the high clothing demand during the Lunar New Year, the Company's inventory quantities are made higher than usual.

29. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Group and its investees:

a. Financing provided: None

b. Endorsement/guarantee provided: Table 1 (attached)

c. Marketable securities held: Table 2 (attached)

d. Marketable securities acquired and disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Table 3 (attached)

e. Acquisition of individual real estates at costs of at least NT$100 million or 20% of the paid-in capital: None

f. Disposal of individual real estates at prices of at least NT$100 million or 20% of the paid-in capital: None

g. Total purchase from or sale to related parties of at least NT$100 million or 20% of the paid-in capital: Table 4 (attached)

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

i. Names, locations, and related information of investees over which the Group exercises significant influence: Table 5 (attached)

j. Derivative financial transactions: None

k. Investment in Mainland China: Table 6 (attached)

l. Significant transactions between the Company and its subsidiaries: Table 7 (attached)

30. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company and its subsidiaries' reportable segments under Statement of Financial Accounting Standards No. 41 - "Operating Segments" are therefore as follows:

Children's apparel and accessories
Leasing business

The accounting policies of the above operating segments are the same as those shown in Note 2. Profit and loss of the Group's operating segments are the measure reported to the Group's chief operating decision maker for resource allocation and the assessment of segment performance.

a. Segment revenues and results

The analysis of the Group's revenue and results by reportable segment was as follows:

	Segment Revenue		Segment Profit (Loss)	
	Year Ended December 31		Year Ended December 31	
	2012	2011	2012	2011
Children's apparel and accessories	$ 8,439,440	$ 7,793,293	$ 249,288	$ 368,098
Leasing business	51,778	49,042	12,164	11,467
Total for operations	$ 8,491,218	$ 7,842,335	261,452	379,565
Investment income recognized under the equity method			24	5,630
Interest income			5,233	5,931
Interest expense			(37,673)	(15,323)
Gain on disposal of investments			682	1,061
Exchange gain, net			(1,270)	12,749
Valuation gain on financial instruments, net			(838)	438
Gain on disposal of properties, net			(7,166)	(5,663)
Other income			24,480	26,503
Other expense			(6,410)	(6,487)
Profit before tax			$ 238,514	$ 404,404

Segment revenue reported above was from external customers. The intersegment sales had been written off as of the years ended December 31, 2012 and 2011.

Segment profit represents the profit earned by each segment without the investment income or loss recognized under the equity method, interest income, gain or loss on disposal of properties, gain or loss on disposal of investments, exchange gain or loss, valuation gain or loss on financial instruments, other income, other expense, interest expense and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

	December 31	
	2012	**2011**
Total segment assets	$ -	$ -
Other assets	7,963,433	7,758,791
Total consolidated segment assets	$ 7,963,433	$ 7,758,791
Total segment liabilities	$ -	$ -
Other liabilities	4,378,852	4,126,224
Total consolidated segment liabilities	$ 4,378,852	$ 4,126,244

c. Geographical information

The Group operates in four principal geographical areas: Taiwan, China, Indonesia and Thailand. The Group's revenue from external customers and information about its noncurrent assets by geographical location are shown below.

	Revenue from External Customers		Noncurrent Assets	
	December 31		December 31	
	2012	**2011**	**2012**	**2011**
Taiwan	$ 2,920,394	$ 2,726,773	$ 1,010,117	$ 1,001,609
China	5,303,440	4,831,156	1,643,991	1,362,390
Indonesia	87,599	87,732	11,489	11,546
Thailand	179,785	196,674	10,666	10,079
	$ 8,491,218	$ 7,842,335	$ 2,676,263	$ 2,385,624

Noncurrent assets excluded those classified as held for sale, financial instruments, deferred tax assets, post-employment benefit assets, and assets arising from insurance contracts.

d. Major customers

No individual customer accounted for 10% or more of the Group's revenue for 2012 and 2011.

31. FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

Foreign currency-denominated financial assets and liabilities that significantly affected the financial statements were as follows:

(In Thousands)

	December 31					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 15,848	29.040	$ 460,218	$ 1,059	30.275	$ 32,061
JPY	348	0.3364	117	433	0.3906	169
HKD	380	3.747	1,423	377	3.897	1,469
EUR	8	38.49	300	13	39.18	509
KRW	3,845	0.02733	105	4,614	0.02631	121
RMB	342,966	4.660	1,598,219	279,796	4.807	1,344,979
IDR	4,773,992	0.00303	14,465	3,748,886	0.00335	12,559
SGD	139	23.76	3,309	521	23.31	12,145
THB	55,829	0.9535	53,233	56,028	0.9647	54,050
Investments accounted for by the equity method						
RMB	9,513	4.660	44,326	11,757	4.807	56,490
Financial liabilities						
Monetary items						
USD	16,057	29.040	466,304	-	-	-
RMB	449,094	4.660	2,092,777	483,069	4.807	2,322,113
IDR	6,625,135	0.00303	20,074	8,219,765	0.00335	27,536
SGD	389	23.76	9,245	564	23.31	13,147
THB	57,055	0.9535	54,402	68,966	0.9647	66,532

32. PLAN FOR THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Group discloses the following information on its adoption of International Financial Reporting Standards (IFRSs):

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

Contents of Plan	Responsible Department	Status of Execution
1) Build a project team.	Financial department	Completed
2) Establish an IFRSs implementation plan.	Financial department	Completed

(Continued)

Contents of Plan	Responsible Department	Status of Execution
3) Identify the differences between ROC GAAP and IFRSs.	Financial department	Completed
4) Identify the consolidated entities under IFRSs.	Financial department	Completed
5) Evaluate optional exemptions under IFRS based on IFRS 1 - “First-time Adoption of International Financial Reporting Standards.”	Financial department	Completed
6) Evaluate information systems for the impact of the transition to IFRSs.	Financial department and IT department	Completed
7) Evaluate internal control systems for possible modification of these systems.	Financial department and internal auditing	Completed
8) Select the IFRS accounting policies to be applied.	Financial department	Completed
9) Select from among optional exemptions states in IFRS 1.	Financial department	Completed
10) Prepare the opening balance sheet in conformity with the IFRSs.	Financial department	Completed
11) Prepare the first IFRS financial statements	Financial department	In progress
12) Modify related internal control systems (including the financial reporting process and information systems).	Financial department	Completed

(Concluded)

b. As of December 31, 2012, based on the Company’s assessment, the significant differences between the Company’s current accounting policies under R.O.C. GAAP and the ones under IFRSs are stated as follows:

1) Reconciliation of consolidated balance sheet as of January 1, 2012

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	$ 712,880	$ -	$ -	$ 712,880	Cash	
Financial assets at fair value through profit or loss - current	33,568	-	-	33,568	Financial assets at fair value through profit or loss - current	
Available for sale financial assets - current	5,204	-	-	5,204	Available for sale financial assets - current	
Notes receivable	51,261	-	-	51,261	Notes receivable	
Accounts receivable, net	927,037	-	-	927,037	Accounts receivable, net	
Accounts and notes receivable from related parties	1,260	-	-	1,260	Accounts and notes receivable from related parties	
Other receivables	34,304	-	-	34,304	Other receivables	
Inventory	2,960,933	-	-	2,960,933	Inventory	
Prepaid expenses	223,505	-	-	223,505	Prepaid expenses	
-	-	-	3,647	3,647	Prepayment for lease	a)
Deferred income tax assets - current	68,501	-	(68,501)	-	-	b), c)

(Continued)

R.O.C. GAAP Item	R.O.C. GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Certificates of deposits - restricted	$ 46,114	$ -	$ -	$ 46,114	Other current assets	
Other current assets	17,408	-	-	17,408	Other current assets	
Total current assets	5,081,975	-	(64,854)	5,017,121	Total current assets	
Investments						
Investments accounted for by the equity method	121,634	-	-	121,634	Investments accounted for by the equity method	
Financial assets carried at cost - noncurrent	15,880	-	-	15,880	Financial assets carried at cost - noncurrent	
Total investments	137,514	-	-	137,514	Total investments	
Total properties	2,041,127	-	-	2,041,127	Property, plant and equipment	
Total intangible assets	201,409	(2,731)	(149,454)	49,224	Total intangible assets	a), f)
Other assets						
Properties leased to others, net	110,167	-	-	110,167	Investment property	d)
Refundable deposits	144,003	-	-	144,003	Refundable deposits	
Deferred income tax assets - noncurrent	6,944	18,904	119,235	145,083	Deferred income tax assets - noncurrent	b), c), e), f), h)
-	-	-	145,807	145,807	Long-term prepayment for lease	a)
Other assets - other	35,652	-	-	35,652	Other assets - other	
Total other assets	296,766	18,904	265,042	580,712	Total other assets	
Total	$ 7,758,791	$ 16,173	$ 50,734	$ 7,825,698	Total	
Current liabilities						
Short-term loans	$ 1,097,266	$ -	$ -	$ 1,097,266	Short-term loans	
Short-term notes and bills payable	24,967	-	-	24,967	Short-term notes and bills payable	
Notes payable	12,319	-	-	12,319	Notes payable	
Accounts payable	1,137,810	-	-	1,137,810	Accounts payable	
Accounts and notes payable to related parties	53,623	-	-	53,623	Accounts and notes payable to related parties	
Income taxes payable	74,634	-	-	74,634	Income taxes payable	
Accrued expenses	348,201	14,177	-	362,378	Accrued expenses	e)
Equipment payable	88,290	-	-	88,290	Equipment payable	
Receipts in advance	92,953	-	-	92,953	Receipts in advance	
Deferred income tax liabilities - current	-	-	-	-	-	b), c)
Current portion of long-term liabilities	24,081	-	-	24,081	Current portion of long-term liabilities	
-	-	8,322	-	8,322	Deferred revenue	h)
Other current liabilities	289,395	-	-	289,395	Other current liabilities	
Total current liabilities	3,243,539	22,499	-	3,266,038	Total current liabilities	
Long-term liabilities						
Long-term loans	404,444	-	-	404,444	Long-term loans	
Other liabilities						
Accrued pension liabilities	257,280	81,777	-	339,057	Accrued pension liabilities	f)
Deposits received	27,640	-	-	27,640	Deposits received	
Deferred income tax liabilities - noncurrent	193,321	28,874	50,734	272,929	Deferred income tax liabilities - noncurrent	b), c), e), h), k)
Total other liabilities	478,241	110,651	50,734	639,626	Total other liabilities	
Total liabilities	4,126,224	133,150	50,734	4,310,108	Total liabilities	
Common stock	2,031,690	-	-	2,031,690	Common stock	
Capital surplus					Capital surplus	
Issue of stock in excess of par value	865,759	-	-	865,759	Issue of stock in excess of par value	
Treasury stock transactions	20,679	-	-	20,679	Treasury stock transactions	
Long-term stock investment	399	(399)	-	-	-	i)
Total stock surplus	886,837	(399)	-	886,438	Total stock surplus	
Total retained earnings	508,976	63,206	-	572,182	Total retained earnings	4)
Other equity						
Cumulative translation adjustments	176,523	(176,523)	-	-	Foreign currency translation reserve	4), k)
Unrealized loss on financial instruments	(1,224)	-	-	(1,224)	Unrealized loss on available for sales financial assets	
Treasury stocks - 1,626 thousand shares	(45,987)	-	-	(45,987)	Treasury stocks - 1,626 thousand shares	
Total other equity	129,312	(176,523)	-	(47,211)	Total other equity	
Equity attributable to stockholders of the parent	3,556,815	(113,716)	-	3,443,099	Equity attributable to stockholders of the parent	
Minority interests	75,752	(3,261)	-	72,491	Noncontrolling interests	f)
Total stockholders’ equity	3,632,567	(116,977)	-	3,515,590	Total stockholders’ equity	
Total	$ 7,758,791	$ 16,173	$ 50,734	$ 7,825,698	Total	

(Concluded)

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

R.O.C. GAAP Item	R.O.C. GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Current assets						
Cash	$ 661,373	$ -	$ -	$ 661,373	Cash	
Financial assets at fair value through profit or loss - current	16,641	-	-	16,641	Financial assets at fair value through profit or loss - current	
Available for sale financial assets - current	2,372	-	-	2,372	Available for sale financial assets - current	
Notes receivable	46,435	-	-	46,435	Notes receivable	
Accounts receivable, net	1,080,533	-	6,326	1,086,859	Accounts receivable, net	g)
Accounts and notes receivable from related parties	31,366	-	-	31,366	Accounts and notes receivable from related parties	
Other receivables	13,646	-	-	13,646	Other receivables	
Inventory	2,715,739	-	-	2,715,739	Inventory	
Prepaid expenses	267,100	-	-	267,100	Prepaid expenses	
-	-	-	3,545	3,545	Prepayment for lease	a)
Deferred income tax assets - current	63,890	-	(63,890)	-	-	b), c)
Certificates of deposits - restricted	48,063	-	-	48,063	Other current assets	
Other current assets	21,854	-	-	21,854	Other current assets	
Total current assets	4,969,012	-	(54,019)	4,914,993	Total current assets	
Investments						
Investments accounted for by the equity method	161,753	-	-	161,753	Investments accounted for by the equity method	
Financial assets carried at cost - noncurrent	15,880	-	-	15,880	Financial assets carried at cost - noncurrent	
Total investments	177,633	-	-	177,633	Total investments	
Total properties	2,352,988	-	-	2,352,988	Property, plant and equipment	
Total intangible assets	187,388	(2,814)	(141,466)	43,108	Total intangible assets	a), f)
Other assets						
Properties leased to others, net	100,617	-	-	100,617	Investment property	d)
Refundable deposits	127,841	-	-	127,841	Refundable deposits	
Deferred income tax assets - noncurrent	9,870	20,303	110,402	140,575	Deferred income tax assets - noncurrent	b), c), e), f), h)
-	-	-	137,921	137,921	Long-term prepayment for lease	a)
Other assets - other	38,084	-	-	38,084	Other assets - other	
Total other assets	276,412	20,303	248,323	545,038	Total other assets	
Total	$ 7,963,433	$ 17,489	$ 52,838	$ 8,033,760	Total	
Current liabilities						
Short-term loans	$ 1,161,338	$ -	$ -	$ 1,161,338	Short-term loans	
Notes payable	8,441	-	-	8,441	Notes payable	
Accounts payable	861,679	-	-	861,679	Accounts payable	
Accounts and notes payable to related parties	54,761	-	-	54,761	Accounts and notes payable to related parties	
Income taxes payable	19,681	-	-	19,681	Income taxes payable	
Accrued expenses	375,820	12,767	-	388,587	Accrued expenses	e)
Equipment payable	34,718	-	-	34,718	Equipment payable	
Receipts in advance	115,563	-	-	115,563	Receipts in advance	
Current portion of long-term liabilities	508,663	-	-	508,663	Current portion of long-term liabilities	
Deferred income tax liabilities - current	-	-	-	-	-	b), c)
-	-	-	6,326	6,326	Provisions	g)
-	-	9,778	-	9,778	Deferred revenue	h)
Other current liabilities	306,706	-	-	306,706	Other current liabilities	
Total current liabilities	3,447,370	22,545	6,326	3,476,241	Total current liabilities	
Long-term liabilities						
Long-term loans	443,392	-	-	443,392	Long-term loans	
Other liabilities						
Accrued pension liabilities	270,014	90,980	-	360,994	Accrued pension liabilities	f)
Deposits received	18,336	-	-	18,336	Deposits received	
Deferred income tax liabilities - noncurrent	199,740	15,180	46,512	261,432	Deferred income tax liabilities - noncurrent	b), c), e), h), k)
Total other liabilities	488,090	106,160	46,512	640,762	Total other liabilities	
Total liabilities	4,378,852	128,705	52,838	4,560,395	Total liabilities	
Common stock	2,112,958	-	-	2,112,958	Common stock	

(Continued)

R.O.C. GAAP Item	R.O.C. GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Capital surplus					Capital surplus	
Issue of stock in excess of par value	$ 865,759	$ -	$ -	$ 865,759	Issue of stock in excess of par value	
Treasury stock transactions	24,297	-	-	24,297	Treasury stock transactions	
Long-term stock investment	399	(399)	-	-	-	i)
Employee stock option	483	-	(483)	-	Employee stock option	j)
Total stock surplus	890,938	(399)	(483)	890,056	Total stock surplus	
Total retained earnings	387,622	64,786	-	452,408	Total retained earnings	4)
Other equity						
Cumulative translation adjustments	94,215	(162,531)	-	(68,316)	Foreign currency translation reserve	4), k)
Unrealized loss on financial instruments	(2,061)	-	-	(2,061)	Unrealized loss on available for sales financial assets	
-	-	(9,164)	-	(9,164)	Actuarial loss from defined benefit plans	f)
Total other equity	92,154	(171,695)	-	(79,541)	Total other equity	
Equity attributable to stockholders of the parent	3,483,672	(107,308)	(483)	3,375,881	Equity attributable to stockholders of the parent	
Minority interests	100,909	(3,908)	483	97,484	Noncontrolling interests	e), f), j)
Total stockholders' equity	3,584,581	(111,216)	-	3,473,365	Total stockholders' equity	
Total	$ 7,963,433	$ 17,489	$ 52,838	$ 8,033,760	Total	

(Concluded)

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

R.O.C. GAAP Item	R.O.C. GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Net sales	$ 8,439,440	$ (1,456)	$ 1,295,096	$ 9,733,080	Net sales	h), l)
Warehouse storage revenue	51,778	-	(51,778)	-	-	l)
Total revenues	8,491,218	(1,456)	1,243,318	9,733,080		
Cost of sales	4,832,957	-	39,614	4,872,571	Cost of sales	l)
Warehouse storage costs	39,614	-	(39,614)	-	-	l)
Total costs	4,872,571	-	-	4,872,571		
Gross profit	3,618,647	(1,456)	1,243,318	4,860,509	Gross profit	
Operating expenses						
Selling expenses	2,598,578	(2,964)	1,243,318	3,838,932	Selling expenses	e), f), l)
General and administrative expenses	758,617	(865)	-	757,752	General and administrative expenses	e), f)
Total operating expenses	3,357,195	(3,829)	1,243,318	4,596,684		
-	-	-	2,130	2,130	Other operating gains and losses	l)
Operating gain	261,452	2,373	2,130	265,955	Operating gain	
Nonoperating income and gains						
Investment income recognized under the equity method	24	-	-	24	Equity in earnings of equity method investees, net	
Dividend income	1,000	-	-	1,000	Other revenue	l)
Rent	6,348	-	-	6,348	Other revenue	l)
Interest income	5,233	-	-	5,233	Other revenue	l)
Gain on disposal of investment	682	-	(682)	-	-	l)
Others	17,132	-	(17,132)	-	-	l)
Totals	30,419	-	(17,814)	12,605		
Nonoperating expenses and losses						
Interest expenses	37,673	-	-	37,673	Finance cost	l)
Loss on disposal of properties, net	7,166	-	(7,166)	-	-	l)
Exchange losses, net	1,270	-	(1,270)	-	-	l)
Loss on valuation of financial asset, net	838	-	(838)	-	-	l)
Others	6,410	-	(6,410)	-	-	l)
Totals	53,357	-	(15,684)	37,673		

(Continued)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Income before income tax	$ 238,514	$ 2,373	$ -	$ 240,887	Income before income tax	
Income tax expense	65,010	889	-	65,899	Income tax expense	e), f), h)
Net income	$ 173,504	$ 1,484	$ -	174,988	Net income	
				(81,762)	Exchange differences on translating foreign operations	k)
				(837)	Net valuation loss on available for sale financial assets	
				(11,705)	Actuarial loss from defined benefit pension	f)
				15,982	Income tax expense relating to components of other comprehensive income	f), k)
				(78,322)	Other comprehensive income, net of tax effect	
				$ 96,666	Total comprehensive income for the year	

(Concluded)

4) Appropriation of special reserve at the date of transition to IFRSs

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs," on the first-time adoption of IFRSs, a company should appropriate as special reserve 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, at the date of transition to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated as special reserve. The special reserve appropriated as above may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent years. No appropriation of earnings shall be made until any shortage of this special reserve is appropriated in subsequent years if the Company has earnings and the original need to appropriate this special reserve is not eliminated. On the subsequent usage, disposal or reclassification of the related assets, the special reserve can be reversed proportionately.

The Group reclassified cumulative translation differences of $176,523 thousand to retained earnings. However, the increase in retained earnings from all IFRSs adjustments was smaller than the amounts of unrealized revaluation increment and cumulative translation differences; therefore, the Group appropriated $63,206 thousand, the increase in retained earnings from all IFRSs adjustments at the first-time adoption of IFRSs, as special reserve.

5) Exemptions from IFRS 1

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

a) Business combinations

The Group elected not to apply IFRS 3, “Business Combination,” retrospectively to business combinations that occurred before the date of transition to IFRSs. Therefore, the carrying amounts of goodwill, assets, liabilities and minority interest generated from past business combinations in the opening consolidated balance sheets remain the same as their carrying amounts under ROC GAAP as of December 31, 2011.

The above exemption also applies to past acquisitions of investments in associates.

b) Share-based payment

The Group selected the exemption from applying IFRS 2 “Share-based Payment,” retrospectively for the shared-based payment transactions granted and vested before the date of transition to IFRSs.

c) Employee benefits

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

d) Cumulative translation differences

The Group elected to deem the cumulative translation differences on all foreign operations as zero and recognized the amount in retained earnings at the date of transition to IFRSs.

The effects arising from the above exemptions that the Group plans to select are subject to change because of the management’s consideration and assessment; thus, the actual results may vary.

6) Notes to the significant reconciliation items of transition to IFRSs:

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

a) Land use rights

Under ROC GAAP, land use rights are classified under intangible assets. Under IFRSs, in accordance with IAS 17 “Leases”, land use rights are classified as prepaid rent.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from land use rights to prepaid rent - current were $3,647 thousand and $3,545 thousand, respectively, and reclassified to prepaid rent - noncurrent were $145,807 thousand and $137,921 thousand, respectively.

b) Offset of deferred income tax

Under ROC GAAP, the current deferred income tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount; the same applies to the noncurrent deferred income tax liabilities and assets.

Under IFRSs, an entity should offset deferred income tax assets and deferred income tax liabilities only if:

i. The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and,

ii. The deferred income tax assets and the deferred income tax liabilities are related to income taxes levied by the same taxation authority on the same taxable entity.

As of January 1, 2012, the Group had failed to offset the deferred income tax, and the major effects were as follows: Each of the current deferred income tax liabilities and assets increased by $118 thousand, and the noncurrent deferred income tax liabilities and assets were each $50,616 thousand.

As of December 31, 2012, each of the current deferred income tax liabilities and assets increased by $70 thousand, and the noncurrent deferred income tax liabilities and assets were each $46,442 thousand.

c) Deferred income tax assets/liabilities and valuation allowance

Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred income tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits, and valuation allowance account is not used.

In addition, under ROC GAAP, deferred tax assets or liabilities are classified as current or noncurrent in accordance with the the related assets or liabilities for financial reporting. However, if deferred income tax assets or liabilities do not relate to assets or liabilities in the financial statements, they are classified as current or noncurrent on the basis of the expected length of time before they are realized or settled. Under IFRSs, deferred tax assets or liabilities are classified as noncurrent assets or liabilities.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from current deferred income tax assets to noncurrent assets were $63,960 thousand and $68,619 thousand, respectively; the amounts reclassified from current deferred income tax liabilities to noncurrent liabilities were $70 thousand and $118, respectively.

d) Classification of assets leased to others

Under ROC GAAP, assets leased to others are classified under other assets. Under IFRSs, the property held to earn rental income or asset increment is classified as investment property.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from assets leased to others to investment property were $100,617 thousand and $110,617 thousand, respectively.

e) Short-term cumulative compensated absences

Short-term cumulative compensated absences are not specifically addressed under ROC GAAP and are usually recognized as salary expense when employees actually go on leave. Under IFRSs, the expected cost of cumulative compensated absences are recognized as salary expense as employees render services that increase their entitlement to future compensated absences.

As of January 1, 2012 and December 31, 2012, the Group had accrued $14,177 thousand and $12,767 thousand of cumulative compensated absences and had increased deferred income tax assets by $2,847 thousand and $2,332 thousand, respectively, and decreased income tax liabilities by $696 thousand and $257 thousand, respectively. As of December 31, 2012, the Group had decreased noncontrolling interest by $340 thousand, and for the year ended December 31, 2012, the Group decreased operating expense by $1,410 thousand and increased income tax by $954 thousand.

f) Employee benefits - actuarial gains and losses on defined benefit pension plans

Under ROC GAAP, unrecognized net transition obligations resulting from the first-time adoption of SFAS No. 18 - “Accounting for Pensions” should be amortized by the straight-line method over the average remaining service periods of those employees who are still in service and expected to receive pension benefits and should be included in net pension cost. In addition, on transition to IFRS, the transitional policies of IAS No. 19 “Employee Benefits” will no longer apply. Thus, the effects of unrecognized net transition obligations and related amounts should be all recognized at once, and the retained earnings should be adjusted accordingly.

Under ROC GAAP, actuarial gains and losses should be accounted for under the corridor approach, which results in the deferral of gains and losses. In addition, when using the corridor approach, actuarial gains and losses should be amortized in profit or loss over the average remaining service periods of those employees who are still in service and expected to receive pension benefits. Under IAS 19, the Group should recognize actuarial gains and losses immediately in full in the period in which they occur as other comprehensive income. The actuarial gains and losses recognized in other comprehensive income (OCI) are recognized immediately under retained earnings in the statement of changes in equity.The subsequent reclassification to profit or loss is not permitted.

At the date of transition to IFRSs, the Group performed actuarial valuation on defined benefit plans as required by IAS No. 19 and recognized the valuation difference in compliance with IFRS 1. As of December 31, 2012 and January 1, 2012, accrued pension costs were adjusted for increases of $90,980 thousand and $81,777 thousand, respectively; intangible assets (deferred pension costs) were adjusted for decreases of $2,814 thousand and $2,731 thousand, respectively; deferred income tax assets were adjusted for increases of $15,945 thousand and $14,366 thousand, respectively; and noncontrolling interests were adjusted for decreases of $3,568 thousand and $3,261 thousand, respectively. For the year ended December 31, 2012, pension cost was adjusted for a decrease of $2,419 thousand, income tax was adjusted for an increase of $411 thousand, actuarial loss on defined benefits pension plans increased by $11,705 thousand and income tax gains relating to OCI components increased by $1,990 thousand.

g) Allowance for sales returns and others

Under ROC GAAP, provisions for estimated sales returns and others are estimated on the basis of historical experience and are recognized as a reduction of revenue in the period the related revenue is recognized.Allowance for sales returns and others are recorded as a deduction from accounts receivable. Under IFRSs, the allowance for sales returns and others is a provision recognized for a present obligation resulting from a past event, on which the timing of the settelement of the obligation and the related amount are uncertain. This provision is classified under current liabilities in accordance with IAS No. 37 “Provisions, Contingent Liabilities and Contingent Assets.”

As of December 31, 2012, the amount reclassified from allowance for sales returns and others to provisions was $6,326 thousand.

h) Customer loyalty program

ROC GAAP has no regulation on customer loyalty programs. Under IFRIC 13 “Customer Loyalty Programmes,” are the Group allocated a portion of the price of selling goods or services to bonus points, and revenue should be calculated separately at the fair value of selling goods or services and the fair value of bonus points and should be included in deferred revenue. The revenue allocated to the bonus points should be recognized as revenue, not as expenses, when the third party fulfills the redemption obligations.

As of December 31, 2012 and January 1, 2012, deferred revenues on bonus points (under deferred revenues) were adjusted for increases of $9,778 thousand and $8,322 thousand, respectively; deferred income tax assets were adjusted for increases of $2,026 thousand and $1,691 thousand, respectively; and deferred income tax liabilities were adjusted for decreases of $580 thousand and $439 thousand, respectively. For the year ended December 31, 2012, net operating revenues were adjusted for a decrease of $1,456 thousand and income tax expenses were adjusted for a decrease of $476 thousand.

i) Changes in subsidiary’s or associate’s ownership interest resulting from the issuance of shares by the subsidiary or associate

Under ROC GAAP, if an investee issues new shares and an investor does not subscribe for new shares proportionately, the investor’s ownership percentage and also its interest in net assets of the investment will change. The resulting difference is adjusted in capital surplus - from long-term equity-method investments and in equity-method investments. On transition to IFRSs, changes in a company’s equity interest in an associate without losing significant influence would be treated as a deemed acquisition or disposal. Moreover, changes in a company’s ownership of a subsidiary without losing control will be treated as equity transactions.

In addition, based on the “Q&A for the Adoption of International Financial Reporting Standards by Companies in the ROC” (Q&A) issued by the Taiwan Stock Exchange (TWSE), capital surplus that is not covered by IFRSs, or the Company Law provisions on capital surplus or any of the interpretations issued by Ministry of Economic Affairs (MOEA), ROC should be adjusted in accordance with the Q&A at the date of transition.

The Group did not have to retrospectively make the adjustments required by the Q&A but it reclassified capital surplus - long-term equity-method investments to retained earnings. Adjustments of the capital surplus - long-term equity-method investments as of December 31, 2012 and January 1, 2012 were for decreases of $399 thousand each for both dates.

j) Capital surplus of subsidiaries- employee stock options

Under ROC GAAP, when the subsidiaries issued employee stock options, with corresponding adjustment to capital surplus - employee stock options, the Company records it in proportion of ownership in its equity in consolidated financial statement. Under IFRSs, the equity of the subsidiary that cannot be attributed directly or indirectly to a parent, is attributed to non-controlling interest.

As of December 31, 2012, capital surplus - employee stock options $483 thousand recognized in proportion of ownership owing to employee stock options issued by the subsidiaries had been reclassified noncontrolling interest.

k) Functional currency of foreign operations

Under ROC GAAP, many factors are simultaneously considered in determining functional currency. Under IAS 21 - “The Effects of Changes in Foreign Exchange Rates,” the factors for identifying functional currency are classified into primary and secondary on the basis of management’s weighing of the relative importance of all relevant factors to determine functional currency. Under ROC GAAP, there is no assigning of priority to some factors over other factors.

As of December 31 and January 1, 2012, deferred income tax liabilities - noncurrent were adjusted for increases of $16,017 thousand and $30,009 thousand, respectively, and cumulative translation adjustments were adjusted for decreases of $162,531 thousand and $176,523 thousand, respectively.

l) Reconciliation of financial statements

Under IFRSs, the consolidated income statement includes both net income and other comprehensive income. In addition, certain accounts for the year ended December 31, 2011 of the Company and its subsidiaries have been reclassified to conform to the presentation of the IFRSs financial statements as of and for the year ended December 31, 2012.

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

TABLE 1

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts (Note 1)	Maximum Balance for the Period	Ending Balance	Value of Collateral Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	Les Enphants Co., Ltd.	PT Les Enphants Indonesia and Les Enphants Marketing (Indonesia) Co., Ltd.	Subsidiary of L.E. International Co., Ltd.	$ 696,734	$ 50,000	$ 50,000 (Note 3)	$ -	1%	$ 1,741,836
		Shanghai Les Enphants Children Articles Co., Ltd.	Subsidiary of L.E Venture Co., Ltd.	696,734	US$ 19,300,000	US$ 19,300,000	-	16%	1,741,836
		Les Enphants (Thailand) Co., Ltd.	Subsidiary of L.E International Co., Ltd.	696,734	US$ 720,000	US$ 720,000	-	1%	1,741,836
		Les Enphants (s) Marketing Pte, Ltd. (Singapore)	Subsidiary of PT Les Enphants Indonesia	696,734	15,000	15,000	-	-	1,741,836

Note 1: The limit of endorsement/guarantee amount for each counter-party should not exceed 20% of the Company's net worth as shown in the latest financial statements.

Note 2: The maximum collateral/guarantee amount should not exceed 50% of the Company's net worth.

Note 3: The joint credit line as of December 31, 2012 was used both by Les Enphants (Indonesia) Co., Ltd. and PT Les Enphants Mitraprima.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Security Type and Name/Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Les Enphants Co., Ltd.	Mutual funds							
	Hun Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss	1,276,731.60	$ 20,000	-	$ 20,211	(Notes 1, 2 and 5)
	MF Global Multi-strategy Future Trust Fund	-	Financial assets at fair value through profit or loss	663,420.20	7,035	-	6,561	(Notes 1 and 2)
	Depositary receipts							
	Dukang Distillers Holdings Limited	-	Available for sale financial assets - current	143,000	2,689	-	1,093	(Notes 1 and 2)
	Digital China Holdings Limited	-	Available for sale financial assets - current	4,000	122	-	100	(Notes 1 and 2)
	Stocks							
	Hua Nan Financial Holding Co., Ltd.	-	Available for sale financial assets - current	15,750	250	-	265	(Notes 1 and 2)
	Kenmec Mechanical Engineering Co., Ltd.	-	Available for sale financial assets - current	5,488	152	-	54	(Notes 1 and 2)
	Grand Ocean Retail Group Limited	-	Available for sale financial assets - current	10,000	1,220	-	860	(Notes 1 and 2)
	L.E. Capital Enterprise Co., Ltd.	Subsidiary	Investments accounted for by the equity method	31,262,373	2,598,202	100.00	2,598,202	
	Mike & Friends Co., Ltd.	Subsidiary	Investments accounted for by the equity method	44,994	55,454	99.99	55,454	
	Genius Toy Taiwan Co., Ltd.	Equity-method investee	Investments of subsidiary company accounted for by the equity method	625,000	50,511	20.00	17,440	(Note 9)
	Combi (Taiwan) Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	5,500	41,346	25.00	45,509	(Note 3)
	Komphort Royal of Life Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	4,320,000	25,570	48.00	25,570	
	Les Photos Co., Ltd.	Subsidiary	Investments accounted for by the equity method	900,000	(2,691)	100.00	(2,691)	(Note 10)
	WK Technology Fund	-	Financial assets carried at cost - noncurrent	1,648,000	15,880	0.85	19,351	
	Constellate Auto Car Co., Ltd.	-	Financial assets carried at cost - noncurrent	1,295,140	-	6.09	820	

(Continued)

Holding Company Name	Marketable Security Type and Name/Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
L.E. Capital Enterprise Co., Ltd.	Stocks							
	L.E. Cayman Co., Ltd.	Subsidiary	Investments accounted for by the equity method	283,024,450	US$ 87,173 thousand	100.00	US$ 87,180 thousand	(Notes 6 and 8)
	L.E. International Co., Ltd.	Subsidiary	Investments accounted for by the equity method	5,255,700	US$ 2,290 thousand	100.00	US$ 2,290 thousand	
Mike & Friends Co., Ltd.	Mutual funds							
	Alliance Bernstein Money Market Fund	-	Financial assets at fair value through profit or loss	345,978.15	5,000	-	5,080	(Notes 1 and 2)
	Paradigm Pion Money Market Fund	-	Financial assets at fair value through profit or loss	445,585.14	5,000	-	5,000	(Notes 1 and 2)
	Stocks							
	Les Champions Co., Ltd.	Subsidiary	Investments accounted for by the equity method	3,265,680	44,474	34.59	33,900	(Note 4)
Les Champions Co., Ltd.	Stocks							
	L.E. Genius Co., Ltd.	Subsidiary	Investments accounted for by the equity method	510,000	14,810	51.00	14,810	(Note 7)
L.E. Genius Co., Ltd.	Stocks							
	Shanghai L.E. Genius Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	29,610	100.00	RMB 4,748	(Note 12)
L.E. Cayman Co., Ltd.	Stocks							
	L.E. Venture Co., Ltd.	Subsidiary	Investments accounted for by the equity method	28,302,445	US$ 87,180 thousand	100.00	US$ 87,180 thousand	(Note 6)
L.E. Venture Co., Ltd.	Certificate of ownership							
	Shanghai Les Enphants Children Articles Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	US$ 75,362 thousand	100.00	US$ 75,362 thousand	
	Suzhou Les Enphants Logist Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	US$ 11,126 thousand	100.00	US$ 11,126 thousand	
Shanghai Les Enphants Children Articles Co., Ltd.	Certificate of ownership							
	Shanghai Lead Han Trading Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	RMB 15,845 thousand	100.00	RMB 18,604 thousand	(Note 3)
	Beijing Les Enphants Children Articles Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	RMB 29,911 thousand	100.00	RMB 35,023 thousand	
	Shanghai Holyca E-business Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	-	RMB 8,830 thousand	21.05	RMB 489 thousand	(Note 4)
	LE - CLAIRE KIDS Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	-	RMB 683 thousand	50.00	RMB 683 thousand	
L.E. International Co., Ltd.	Stocks							
	Les Enphants Indonesia	Subsidiary	Investments accounted for by the equity method	3,250	US$ 1,189 thousand	100.00	US$ 1,189 thousand	
	Les Enphants (Thailand) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	166,600	US$ 705 thousand	49.00	US$ 711 thousand	(Note 3)

(Continued)

Holding Company Name	Marketable Security Type and Name/Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2012 Shares/Units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	Note
	Les Enphants Thailand Marketing Co., Ltd.	Subsidiary	Investments accounted for by the equity method	98,000	US$ 427 thousand	49.00	US$ 427 thousand	
	<u>Certificate of ownership</u>							
	Les Enphants (S) Marketing Pte, Ltd.	Subsidiary	Investments accounted for by the equity method	-	US$ (31) thousand	17.54	US$ (31) thousand	
PT Les Enphants (Indonesia) Co., Ltd.	<u>Certificate of ownership</u>							
	Les Enphants (S) Marketing Pte, Ltd.	Subsidiary	Investments accounted for by the equity method	-	IDR (1,376,457) thousand	82.46	IDR (1,376,457) thousand	(Note 11)
	PT Les Enphants Mitraprima	Subsidiary	Investments accounted for by the equity method	-	IDR 2,752,024 thousand	98.45	IDR 2,752,024 thousand	
Les Enphants (Thailand) Co., Ltd.	<u>Stocks</u>							
	Les Enphants Thailand Marketing Co., Ltd.	Subsidiary	Investments accounted for by the equity method	82,000	THB 10,885 thousand	41.00	THB 10,885 thousand	

Note 1: The carrying value was the original amount, i.e., unadjusted.

Note 2: The market values of the investment were determined at the net asset value of the mutual funds on the last trading day or the closing price on December 31, 2011.

Note 3: The difference between the investee’s carrying value and its net asset value equals deferred gain on intercompany transactions.

Note 4: The difference between the investee’s carrying value and its net asset value equals goodwill of investees and deferred gain on intercompany transactions.

Note 5: A part of trust properties was used to buy mutual funds, which were classified as restricted assets.

Note 6: On March 23, 2012, L.E. Capital Enterprise Co., Ltd. established L.E. Cayman Co., Ltd., using the capital stock of L.E. Venture Co., Ltd.

Note 7: On May 30, 2012, Les Champions Co., Ltd. invested NT$15,150 thousand (US$510 thousand) to establish L.E. Genius Co., Ltd. and acquired 51% equity.

Note 8: The difference between the investee’s carrying value and its net asset value equals the adjustment of employee stock option plans of investees.

Note 9: The Company invested $50,000 thousand in Genius Toy Taiwan Co., Ltd. The differences between investment cost and underlying equity in net assets refers to the fair value of investee’s asset acqiured in excess of book value by $13,219 thousand, and to the recognized goodwill amounting to $19,852 thousand.

Note 10: On December 28, 2012, the liquidation of Les Photos Co., Ltd. was approved at the meeting of the Board of Directors, which planned to finish the liquidation procedures in 2013.

Note 11: PT Les Enphants (Indonesia) Co., Ltd. acquired 3.46% equity in Les Enphants (S) Marketing Pte, Ltd. for $565 thousand (IDR183,493 thousand).

Note 12: L.E. Genius Co., Ltd. invested $29,610 thousand (US$1,000 thousand) in L.E. Venture Co., Ltd. and acquired 100% equity on December 24, 2012.

Note 13: The investment gain (loss) on transactions between the Company’s indirect equity-method investees, the equity-method investment of investees, and the investee’s net worth were excluded from the consolidated financial statements.

(Concluded)

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Issuer/Name	Account	Related Party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Adjustments (Note 2)	Ending Balance	
					Share/Units	Amount	Share/Units	Amount	Share/Units	Price	Costs	Gain or Loss		Share/Units	Amount
L.E. Cayman Co., Ltd. (Note 1)	Stock L.E. Venture Co., Ltd.	Investments accounted for by the equity method	L.E. Capital Enterprise Co., Ltd.	Subsidiary	-	$ -	28,302,445	US$ 85,227 thousand	-	$ -	$ -	$ -	$ 1,953	28,302,445	US$ 87,180 thousand

Note 1: On March 23, 2012, L.E. Capital Enterprise Co., Ltd. ("L.E. Capital") transferred all its shares of L.E. Venture Co., Ltd to L.E. Cayman Co., Ltd. in exchange for the issue to L.E. Capital's shareholders of shares of L.E. Cayman Co., Ltd.

Note 2: The adjustment amount is composed of investment income of US$1,021 thousand recognized under the equity method; cumulative translation adjustment amounting to $916 thousand; and the adjustments amounting to $16 thousand due to the issuance of employee stock options.

Note 3: The investment gain (loss) on transactions between the Company's indirect equity-method investees, the equity-method investment of investees, and the investee's net worth were excluded from the consolidated financial statements.

TABLE 4

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
Les Enphants Co., Ltd.	Les Champions Co., Ltd.	Subsidiary's investee accounted for by the equity method	Sale	$ 171,262	6%	Monthly 90 days	At 40%-45% of retail prices	Monthly 90 days	Accounts receivable $ 14,843 Notes receivable 51,698	7% 96%	-
Les Champions Co., Ltd.	Les Enphants Co., Ltd.	Parent company	Purchase	171,262	55%	Monthly 90 days	At 40%-45% of retail prices	Monthly 90 days	Accounts payable (14,483) Notes payable (51,698)	(39%) (89%)	-

Note: Transactions between the Company and its subsidiaries were excluded from the consolidated financial statement.

LES ENPHANTS CO., LTD. SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 1)	Note
				December 31, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Value			
Les Enphants Co., Ltd. (the "Company")	L.E. Capital Enterprise Co., Ltd.	British Virgin Islands	Holding company	$ 1,101,622	$ 1,101,622	31,262,373	100.00	$ 2,598,202	$ 54,255	$ 54,255	A subsidiary
	Mike & Friends Co., Ltd.	Taipei, Taiwan	Manufacture and distribution of children's clothes and supplies	69,994	69,994	44,994	99.99	55,454	3,843	3,842	A subsidiary
	Genius Toy Taiwan Co., Ltd.	Taichung	Distribution of children's clothes and supplies	50,000	-	625,000	20.00	50,511	10,225	511	Equity-method investee (Note 4)
	Combi (Taiwan) Co., Ltd.	Taipei, Taiwan	Distribution of children's clothes and supplies	5,000	5,000	5,500	25.00	41,346	46,536	10,607	Equity-method investee (Note 1)
	Komphort Royal of Life Co., Ltd.	Taipei, Taiwan	Postpartum care center	43,200	43,200	4,320,000	48.00	25,570	(1,218)	(585)	Equity-method investee
	Les Photos Co., Ltd.	Taipei, Taiwan	Photography of children	25,000	25,000	900,000	100.00	(2,691)	(2,481)	(2,481)	A subsidiary (Note 5)
L.E. Capital Enterprise Co., Ltd.	L.E. Cayman Co., Ltd.	Cayman Islands	Holding company	806,384	-	283,024,450	100.00	US$ 87,173 thousand	US$ 1,021 thousand		A subsidiary of L.E. Capital Enterprise Co., Ltd. (Note 2)
	L.E. International Co., Ltd.	British Virgin Islands	Holding company	171,347	171,347	5,255,700	100.00	US$ 2,290 thousand	US$ (669) thousand		A subsidiary of L.E. Capital Enterprise Co., Ltd.
Mike & Friends Co., Ltd.	Les Champions Co., Ltd.	Taipei, Taiwan	Distribution of children's clothes and supplies	32,657	32,657	3,265,680	34.59	44,474	11,110		A subsidiary of Mike & Friends Co., Ltd.
Les Champions Co., Ltd.	L.E. Genius Co., Ltd.	British Virgin Islands	Holding company	15,150	-	510,000	51.00	14,810	(665)		A subsidiary of Les Champions Co., Ltd. (Note 3)
L.E. Genius Co., Ltd.	Shanghai L.E. Genius Co., Ltd.	Shanghai	Distribution of children's clothes and supplies	29,610	-	-	100.00	29,610	-		A subsidiary of L.E. Genius Co., Ltd. (Note 7)
L.E. Cayman Co., Ltd.	L.E. Venture Co., Ltd.	British Virgin Islands	Holding company	806,384	806,384	28,302,445	100.00	US$ 87,180 thousand	US$ 2,500 thousand		A subsidiary of L.E. Cayman Co., Ltd.
L.E. Venture Co., Ltd.	Shanghai Les Enphants Children Articles Co., Ltd.	Shanghai, People's Republic of China	Manufacture and distribution of children's clothes and supplies	1,174,900	1,174,900	-	100.00	US$ 75,362 thousand	RMB 14,812 thousand		A subsidiary of L.E Venture Co., Ltd.
	Suzhou Les Enphants Logist Co., Ltd.	Suzhou, People's Republic of China	Manufacture and distribution of children's clothes and supplies	317,571	317,571	-	100.00	US$ 11,126 thousand	RMB 961 thousand		A subsidiary of L.E Venture Co., Ltd.
Shanghai Les Enphants Children Articles Co., Ltd.	Shanghai Lead Han Trading Co., Ltd.	Shanghai, People's Republic of China	Manufacture and distribution of children's clothes and supplies	145,755	145,755	-	100.00	RMB 15,845 thousand	RMB 1,067 thousand		A subsidiary of Shanghai Les Enphants Children Articles Co., Ltd.
	Beijing Les Enphants Children Articles Co., Ltd.	Beijing, People's Republic of China	Manufacture and distribution of children's clothes and supplies	44,230	44,230	-	100.00	RMB 29,911 thousand	RMB 18,009 thousand		A subsidiary of Shanghai Les Enphants Children Articles Co., Ltd.
	Shanghai Holyca E-business Co., Ltd.	Shanghai, People's Republic of China	Distribution of children's clothes and supplies	55,440	55,440	-	21.05	RMB 8,830 thousand	RMB (9,919) thousand		An Equity-method investee of Shanghai Les Enphants Children Articles Co., Ltd.
	LE - CLAIRE KIDS Co., Ltd.	Shanghai, People's Republic of China	Distribution of children's clothes and supplies	3,005	3,005	-	50.00	RMB 683 thousand	RMB (342) thousand		An Equity-method investee of Shanghai Les Enphants Children Articles Co., Ltd.
L.E. International Co., Ltd.	PT Les Enphants (Indonesia) Co., Ltd.	Bandung, Indonesia	Manufacture and distribution of children's clothes and supplies	153,131	153,131	3,250	100.00	US$ 1,189 thousand	IDR (7,906,275) Thousand		A subsidiary of L.E International Co., Ltd.
	Les Enphants (Thailand) Co., Ltd.	Bangkok, Thailand	Manufacture and distribution of children's clothes and supplies	19,085	19,085	166,600	49.00	US$ 705 thousand	THB 3,774 thousand		An equity-method investee of L.E International Co., Ltd.
	Les Enphants Thailand Marketing Co., Ltd.	Bangkok, Thailand	Distribution of children's clothes and supplies	7,436	7,436	98,000	49.00	US$ 427 thousand	THB 9,045 thousand		An equity-method investee of L.E International Co., Ltd.
	Les Enphants (S) Marketing Pte, Ltd.	Singapore	Distribution of children's clothes and supplies	12,577	12,577	-	17.54	US$ (31) thousand	SGD (660) thousand		A subsidiary of PT Les Enphants (Indonesia) Co., Ltd.
PT Les Enphants (Indonesia) Co., Ltd.	Les Enphants (S) Marketing Pte, Ltd.	Singapore	Distribution of children's clothes and supplies	36,781	36,216	-	82.46	IDR (1,376,457) thousand	SGD (660) thousand		A subsidiary of PT Les Enphants (Indonesia) Co., Ltd. (Note 6)
	PT Les Enphants Mitraprima	Jakarta, Indonesia	Distribution of children's clothes and supplies	41,805	41,805	-	98.45	IDR 2,752,024 thousand	IDR (1,126,598) thousand		A subsidiary of PT Les Enphants (Indonesia) Co., Ltd.
Les Enphants (Thailand) Co., Ltd.	Les Enphants Thailand Marketing Co., Ltd.	Bangkok, Thailand	Distribution of children's clothes and supplies	6,687	6,687	82,000	41.00	THB 10,885 thousand	THB 9,045 thousand		A subsidiary of Les Enphants (Thailand) Co., Ltd.

(Continued)

Note 1: The difference between an investee’s net income and the Company’s net income from investment was a deferred unrealized gain from upstream and downstream transactions of the investee.

Note 2: On March 23, 2012, L.E. Capital Enterprise Co., Ltd. (“L.E. Capital”) transferred all its shares of L.E. Venture Co., Ltd to L.E. Cayman Co., Ltd. in exchange for the issue to L.E. Capital’s shareholders of shares of L.E. Cayman Co., Ltd.

Note 3: On May 30, 2012, Les Champions Co., Ltd. invested NT$15,150 thousand (US$510 thousand) to establish L.E. Genius Co., Ltd. and acquired 51% equity.

Note 4: On October 2012, the Company invested US$50,000 thousand in Genius Toy Taiwan Co., Ltd.; by US$50,000 thousand; hence it only recognized the net income between October 2012 and December 2012.

Note 5: On December 28, 2012, the liquidation of Les Photos Co., Ltd. was approved in the Board of Directors’ meeting, which planned to finish the liquidation in 2013.

Note 6: PT Les Enphants (Indonesia) Co., Ltd. invested $565 thousand (IDR183,493 thousand) in Les Enphants (S) Marketing Pte, Ltd. and acquired 3.46 equity.

Note 7: L.E. Genius Co., Ltd. invested $29,610 thousand (US$1,000 thousand) in L.E. Venture Co., Ltd. and acquired 100% equity on December 24, 2012.

Note 8: The investment gain (loss) on transactions between the Company’s indirect equity-method investees, the equity-method investment of investees, and the investee’s net worth were excluded from the consolidated financial statements.

(Concluded)

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 4)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2012	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Value as of December 31, 2012	Accumulated Inward Remittance of Earnings as of December 31, 2012
Shanghai Les Enphants Children Articles Co., Ltd.	a. Manufacture and distribution of children's clothes, toys, bedding and pillows, etc. b. Development of business in Mainland China	$ 993,168 (US$ 34,200 thousand)	Indirect	$ 675,128	$ -	$ -	$ 675,128	100% indirect investment	$ 69,571 (RMB 14,812 thousand)	$ 2,188,515 (US$ 75,362 thousand)	$ -
Shanghai Lead Han Trading Co., Ltd.	Manufacture and distribution of children's clothes and supplies	149,120 (RMB 32,000 thousand)	Indirect	-	-	-	-	100% indirect investment	2,423 (RMB 506 thousand)	73,839 (RMB 15,845 thousand)	-
Beijing Les Enphants Children Articles Co., Ltd.	Manufacture and distribution of children's clothes and supplies	46,600 (RMB 10,000 thousand)	Indirect	-	-	-	-	100% indirect investment	60,346 (RMB 12,900 thousand)	139,386 (RMB 29,911 thousand)	-
Shanghai Holyca E-business Co., Ltd.	Distribution of children's clothes and supplies	11,804 (RMB 2,533 thousand)	Indirect	-	-	-	-	21.05% indirect investment	(9,711) (RMB (2,703) thousand)	41,145 (RMB 8,830 thousand)	-
LE - CLAIRE KIDS Co., Ltd.	Distribution of children's clothes and supplies	5,808 (US$ 200 thousand)	Indirect	-	-	-	-	50% indirect investment	(798) (RMB (171) thousand)	3,181 (RMB 683 thousand)	-
Suzhou Les Enphants Logist Co., Ltd. (Note 2)	Warehousing, transportation and distribution services	290,400 (US$ 10,000 thousand)	Indirect	131,256	-	-	131,256	100% indirect investment	4,497 (RMB 961 thousand)	323,105 (US$ 11,126 thousand)	-
Shanghai L.E. Genius Co., Ltd. (Note 5)	Distribution of children's clothes and supplies	290,400 (US$ 10,000 thousand)	Indirect	-	-	-	-	100% indirect investment	-	29,610	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2012	Investment Amount Approved by the Investment Commission, MOEA	Maximum Allowable Investment
$806,384	$1,178,442	$ - (Note 3)

Note 1: Amount was recognized on the basis of audited financial statements.

Note 2: The investment by Les Enphants Co., Ltd. (the “Company”) of $131,256 thousand in Souzhou Les Enphants Logist Co., Ltd. (“LES Logist”) was made through a company located in a third area, and the other investments by the Company in LES Logist were through the Company’s investees based in the mainland.

Note 3: There was no limit on the amounts of the Company’s investments in China, and these investments had been approved by the Investment Commission (as shown in approval reference No. 10000797810) under Taiwan’s Ministry of Economic Affairs.

Note 4: The exchange rates for NT$1.00 on December 31, 2012 were US$29.04 and RMB4.66.

Note 5: The investment was made through Les Champions Co., Ltd.

Note 6: The investment gain (loss) on transactions between the Company’s indirect equity-method investees, the equity-method investment of investees, and the investee’s net worth were excluded from the consolidated financial statements.

(Concluded)

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

ELIMINATED SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

No.	Name	Counter-party	Transaction Flows (Note 1)	Eliminated Accounts			
				Accounts	Amount	Note	% to Consolidated Total Assets or Total Revenues
0	Les Enphants Co., Ltd.	Shanghai Les Enphants Children Articles Co., Ltd.	1	Nonoperating income - other	$ 16,097	Note 6	-
		Shanghai Les Enphants Children Articles Co., Ltd.	1	Other receivable	4,852	Note 2	-
		Shanghai Lead Han Trading Co., Ltd.	1	Nonoperating income - other	1,761	Note 6	-
		Les Enphants (Thailand) Co., Ltd.	1	Other receivable	1,616	Note 2	-
		Les Champions Co., Ltd.	1	Notes receivable	51,698	Note 3	1%
		Les Champions Co., Ltd.	1	Accounts receivable	14,843	Note 3	-
		Les Champions Co., Ltd.	1	Accounts payable	10,444	Note 3	-
		Les Champions Co., Ltd.	1	Gross sales	171,262	Note 5	2%
		Les Champions Co., Ltd.	1	Warehouse storage revenues	24,104	Note 4	-
		Les Champions Co., Ltd.	1	Rent	1,272	Note 4	-
		Les Champions Co., Ltd.	1	Cost of goods sold	29,673	Note 5	-
		Les Champions Co., Ltd.	1	Operating expense - other	4,896	Note 4	-
		Les Champions Co., Ltd.	1	Deferred income	4,829	Note 5	-
1	Shanghai Les Enphants Children Articles Co., Ltd.	Souzhou Les Enphants Logist Co., Ltd.	2	Accounts payable	8,554	Note 2	-
		Souzhou Les Enphants Logist Co., Ltd.	2	Operating expense	98,424	Note 6	1%

Note 1: Following are the two types of transaction flows:

1. From the Company to the direct subsidiaries.
2. From the subsidiaries to another subsidiaries.

Note 2: Account settlement was based on certain agreements.

Note 3: The collection period and payment period were 90 days each.

Note 4: The related-party transactions were conducted under normal terms.

Note 5: The amount was at 40% to 45% of the unit price for sales and at 45% to 60% for purchases.

Note 6: The amount was based on intercompany transaction price negotiations.

Note 7: Transactions between the Company and its subsidiaries were excluded from the consolidated financial statement.

Note 8: Only an intercompany transaction amounting to more than $1,000 thousand was shown in this table.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

ELIMINATED SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars)

No.	Name	Counter-party	Transaction Flows (Note 1)	Eliminated Accounts			
				Accounts	Amount	Note	% to Consolidated Total Assets or Total Revenues
0	Les Enphants Co., Ltd.	Shanghai Les Enphants Children Articles Co., Ltd.	1	Nonoperating income - other	$ 15,476	Note 6	-
		Shanghai Les Enphants Children Articles Co., Ltd.	1	Other receivable	1,321	Note 2	-
		Shanghai Lead Han Trading Co., Ltd.	1	Nonoperating income - other	1,744	Note 6	-
		Les Enphants (S) Marketing Pte, Ltd.	1	Other receivable	1,589	Note 2	-
		Les Enphants (S) Marketing Pte, Ltd.	1	Nonoperating income - other	1,106	Note 6	-
		Les Enphants (Thailand) Co., Ltd.	1	Cost of goods sold	5,455	Note 6	-
		Les Champions Co., Ltd.	1	Notes receivable	42,727	Note 3	1
		Les Champions Co., Ltd.	1	Accounts receivable	10,600	Note 3	-
		Les Champions Co., Ltd.	1	Accounts payable	10,362	Note 3	-
		Les Champions Co., Ltd.	1	Gross sales	146,963	Note 5	2
		Les Champions Co., Ltd.	1	Warehouse storage revenues	20,089	Note 4	-
		Les Champions Co., Ltd.	1	Rent	1,006	Note 4	-
		Les Champions Co., Ltd.	1	Cost of goods sold	22,937	Note 5	-
		Les Champions Co., Ltd.	1	Operating expense - other	3,594	Note 4	-
		Les Champions Co., Ltd.	1	Deferred income	3,820	Note 5	-
1	Shanghai Les Enphants Children Articles Co., Ltd.	Souzhou Les Enphants Logist Co., Ltd.	2	Accounts payable	9,584	Note 2	-
		Souzhou Les Enphants Logist Co., Ltd.	2	Operating expense	83,058	Note 6	1

Note 1: Following are the two types of transaction flows:

1. From the Company to the direct subsidiaries
2. From the subsidiaries to another subsidiaries.

Note 2: Account settlement was based on certain agreements.

Note 3: The collection period was 90 days, and payment was 90 days.

Note 4: The related-party transactions were conducted under normal terms.

Note 5: The amount was at 40% to 45% of the unit price for sales and at 45% to 60% for purchases.

Note 6: The amount was based on intercompany transaction price negotiations.

Note 7: Transactions between the Company and its subsidiaries were excluded from the consolidated financial statements.

Note 8: Only an intercompany transaction amounting to more than $1,000 thousand was shown in this table.