Ticker Number: 5904

POYA International Co., Ltd.

2013 Annual Report

(Translation)

Website for declaration at MOPS: http:// sii.tse.com.tw
Website for inquiry at MOPS: http://mops.twse.com.tw

Date of printing: May 8, 2014

I. The spokesman and the acting spokesman

Name of spokesman: Shen Hong-Yu
Title: Manager, Finance and Accounting Division
Telephone: (06)241-1000
e-mail: simon@poya.com.tw

Name of acting spokesman: Chen Chun-Tsai
Title: Manager, Marketing Planning Division
Telephone: (06)241-1000
e-mail: justin@poya.com.tw

II. Address and telephone numbers of the corporate headquarters and the branches:
Please refer to page 136~137

III. Shares Registration Agent:
Name: Shares Registration Service Dept, Hua Nan Securities Co., Ltd.
Address: 4F, No. 54, Ming Sheng East Road Section IV, Taipei
Telephone: (02)2718-6425
Website: http://www.entrust.com.tw

IV. External auditors of the financial statement covering the previous fiscal period
Name of firm: PricewaterhouseCoopers Taiwan
Names of CPAs: Lee Ming-Hsian, Lin Chi-Yu
Address: 12F, No. 395, Lin Sen North Road Section I, Tainan
Telephone: (06)234-3111
Website: http://www.pwc.tw

V. Name of exchanges in foreign countries where the Company is listed for securities trade and the means of access to information on overseas securities: None.

VI. Company website: http://www.poya.com.tw

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I. Letter to the Shareholders

Letter to the Shareholders

Ladies and gentlemen, dear shareholders,

2013 was a year of global economy has returned to positive growth, deficits are shrinking, and concerns toward the threatened Europe/U.S. debt crisis are waning, the business environment that companies face is still challenging. This is due to increase in operating costs from the increase in domestic electricity rates and salaries, in addition to the repeated food safety and contamination scandals that severely damaging the food safety image of Taiwan, thereby affecting consumer confidence. The Directorate General of Budget, Accounting and Statistics, Executive Yuan, estimates consumption growth in Taiwan for 2013 to be 1.46%, which is lower than the 1.62% growth rate in the first half of the year. Faced with a challenging economic environment, POYA International Co., Ltd. has actively adjusted its market positioning and improved its services to increase its operational performance. Under the relentless efforts of the management team and all colleagues, we have a total of 87 stores nationwide as of the end of 2013. Our total net operating revenue and net profit after tax respectively achieved new historical records at NTD 7.2 billion and NTD 559 million.

Of management, POYA International Co., Ltd. has not only continue to drive the image of its target setting of the corporate identity system (CIS) in 2013, to create lively hyper marts with the theme “Beauty, Fashion, Excitement”, so as to increase our brand value, but also further pursued value in product quality to support our management philosophy of providing products with high cost/performance ratio (C/P value), to enhance customer satisfaction. With the emergence of the trends in budget fashion, we will use promotional pricing and activities from time to time to share back to our customers and heighten the budget experience and shopping pleasure of customers when purchasing promotional items. We will continue to promote our customer service, regularly monitor consumption behavior of our member shoppers and uphold the lifetime value of customers.

I. Business highlights in 2013

(I) The implementation of the business plan

Unit: Thousands of New Taiwan Dollars

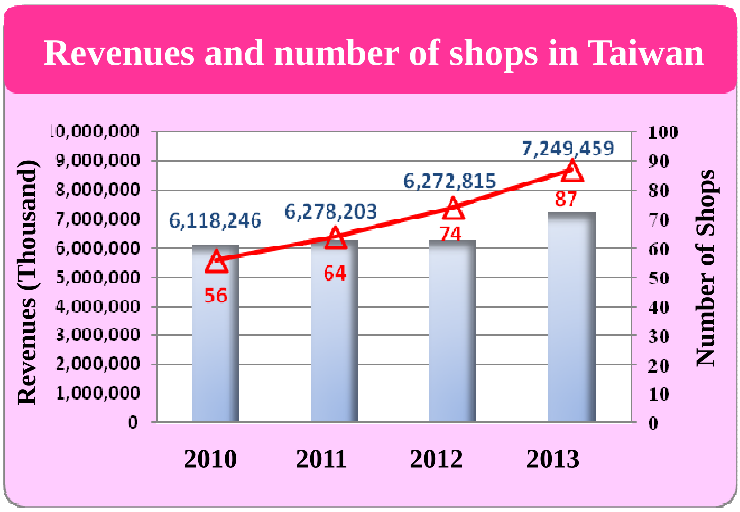
Item/Amount	2013	2012	Increase (Decrease) Amount	Increase (Decrease)Percentage
Net Operating Revenue	7,249,459	6,272,815	976,644	15.57%
Operating Costs	(4,374,265)	(3,906,418)	467,847	11.98%
Gross Profit	2,875,194	2,366,397	508,797	21.50%
Operating Expense	(2,278,549)	(1,917,483)	361,066	18.83%
Operation Income	596,645	448,914	147,731	32.91%
Total Non-Business Income and Expense	77,686	64,834	12,852	19.82%
Net Profit Before Tax	674,331	513,748	160,583	31.26%
Net Profit After Tax	558,852	426,171	132,681	31.13%
EPS (NTD)	6.03	4.62	1.41	30.52%

Operating revenue and total number of stores nationwide has shown steady growth. Number of stores grew by 17.6% in 2013.

Unit: Shops/ Thousands of New Taiwan Dollars

Item/Year	2010	2011	2012	2013
Net Operating Revenue	6,118,246	6,278,203	6,272,815	7,249,459
Total No. of Stores (Note)	56	64	74	87

Note: Growth rate for number of stores is calculated on the basis of 74 stores in 2012.

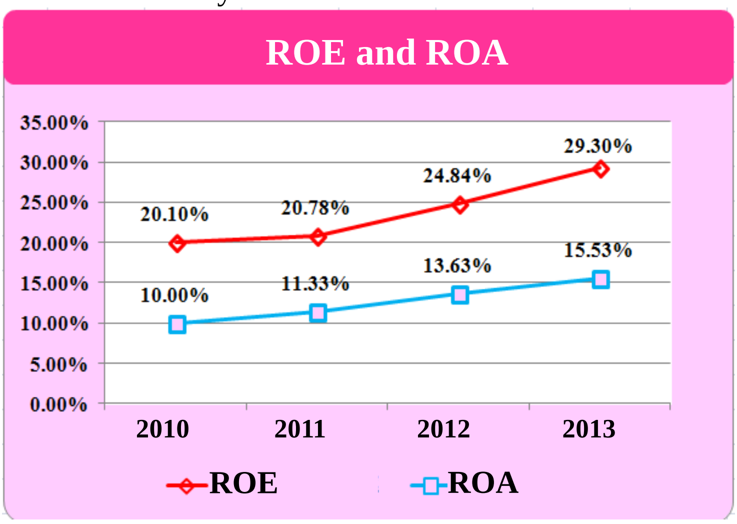


Revenues and number of shops in Taiwan

(II) Financial structure and profitability analysis

Title		2013	2012
Financial structure	Debt to Total Asset Ratio (%)	49.45	44.77
	Long Term Fund to Fixed Asset Ratio (%)	174.71	216.06
Profitability	Return on Assets (ROA) (%)	15.53	13.63
	Return on Equity (ROE) (%)	29.30	24.84
	Net Profit Margin (%)	7.71	6.79
	EPS (NTD) (Retrospective) (note)	6.03	4.62

Note: EPS is calculated based on weighted average of shares circulating in the market for the current year.



ROE and ROA

II. Business Policy

(I) Setting up 4th Generation of CIS for the new market position of POYA International Co., Ltd.:

Upholding the core spirit of POYA International Co., Ltd. toward “Beauty, Fashion, Excitement”, we are establishing our 4th generation of CIS, strengthening our brand image, beautifying our stores and generating media exposure. We will adopt a consistent hyper mart image nationwide, align our display, and activate the design of the displayed objects, enhance the position and image that customers have towards POYA International Co., Ltd., and lead POYA International Co., Ltd. into a new era.

(II) Differentiation on Marketing to Enhance the Competitiveness of Each Store

We will understand the needs of customers and our market position through market surveys, create brand value to utilizing our superior advantages by, carry out differentiated marketing activities in each store, strengthen the competitive advantages in each area, and forge the distinctive selling points of POYA International Co., Ltd. to increase customer numbers, thereby bringing growth to our revenue and profits.

(III) Enhance Competitiveness of Product Management

Through enhancement of product competitiveness, we will effectively manage the inventory in each store, strengthen the management depth of product variety, and increase comprehensiveness of product lines, so as to be even more responding to the different levels of consumer needs, to increase consumption opportunities in different domains, thereby achieving a leading position in each product type.

Going forward, POYA International Co., Ltd. will continue to take the perspective of customers to satisfy consumer needs, steadily enhance the overall business performance, and to forge a better tomorrow. On behalf of the management team, I thank all shareholders, customers and vendors for your support. I would also like to thank the hard work and efforts of all employees. We will strive to increase our company’s value for all shareholders and thank all our shareholders for their support. Wishing all shareholder friends the best of health and good luck!

POYA International Co., Ltd.

Chairman Chien-Chao Chen

CEO Zong-Cheng Chen

CFO Hong-Yu Shen

II. Company Overview

Company Overview

I. Date of incorporation: March 12 1997

II. Company history:

March 1997	The incorporation of Hua Ya Daily Items Co. Ltd. with a stated capital of NT$20 million.
April 1997	Reorganized the company as a joint stock company.
June 1998	Officially adopted POYA and DOU CHINas the trademarks of the Company for the corporate identification logo.
October 1998	The San Min Branch was set up at Tai Ping Road, Taichung, with the intention of expanding the retailing market in central Taiwan.
November 1998	Improved its financial structure by raising the capital of NT$24 million through the issuance of new shares. The stated capital at this point of time was NT$44 million.
March 1999	Wen the Heng Branch was established at Wen Heng 2nd Road in Kaohsiung city, the purpose is the expansion of the market share and scale of operations of department stores items and small articles.
June 1999	The Company was renamed as the POYA Department Store Co., Ltd, and expanded its scope of business by a resolution at a regular session of the Shareholders Meeting in 1998.
July 1999	The Securities and Futures Commission approved the Company to offer its equity shares publicly. The Company raised capital by issuing new shares. The stated capital by then amounted to NT$124 million.
August 1999	Tung Ning Branch was set up at Tung Ning Road in Tainan City.
October 1999	Raised capital through issuance of new shares. The stated capital at that point of time amounted to NT$124 million.
November 1999	The corporate headquarters relocated to No. 74, Min Tzu Road Section III, Tainan City.
December 1999	Completed the design of the 2nd generation CIS and launched a brand new CIS.
February 2000	Purchased the inventory of Pao Ching Wu Co., Ltd. at Chia Nan District, and the fixed assets at Chang Yun District as the venues for setting up the Hsiao Pei Branch and the Feng Chia Branch.
April 2000	The Tou Liu Branch was set up at Tou Liu City at Yun Lin County. Being different from the principle of expansion in metropolitan cities, the Company started to launch their plan for the development of mid-size urban centers.
June 2000	The Company changed its name from POYA Department Store Co., Ltd. to POYA International Co., Ltd.
August 2000	Entered into an agreement with Hua Nan Securities Co., Ltd. for the supervision of listing at GTSM. The Company prepared for listing in GTSM and transferred its operation to a new era.
January 2001	The Yuan Lin Branch was set up at the Yuan Lin Township of Chang Hua County
August 2001	Feng Shan Branch was set up at Feng Shan City of Kaohsiung County
October 2001	Raised capital of NT$14,880,000 through the issuance of new shares, with a stated capital amounting to NT$163,680,000.
April 2002	Registered as an emerging stock at the GTSM of Taiwan for enhancing the reputation of the Company before entering the market for trading and established the corporate image to its customers. This move helped the Company in business development and products sales.
June 2002	Capitalization of retained earnings amounting to NT$41,267,000, with capital amounting to NT$204,947,000.
September 2002	Liberty Branch was set up on Liberty Road in Kaohsiung City.

September 2002	Listed at GTSM and turned into a new era of operations.
December 2002	Wen Hsin Branch was set up at Wen Hsin Road in Taichung City. This is the 10th branch of POYA International.
May 2003	Capitalization of retained earnings amounting to NT$33,742,050, with capital amounting to NT$238,689,000.
December 2003	Completed the 3rd generation CIS plan with the launching of a brand new CIS.
June 2004	Capitalization of retained earnings amounting to NT$16,329,950, with capital amounting to NT$255,019,000.
June 2005	Capitalization of retained earnings amounting to NT$84,505,700, with capital amounting to NT$339,524,700.
September 2005	San Min Branch was set up at Chu Pei City of Hsinchu County, the 20th branch of POYA International.
November 2005	Conversion of convertible corporate bonds to common shares in Q3 2005. New shares amounting to NT$9,031,060 were issued with capital increased to NT$348,555,760.
February 2006	Conversion of convertible corporate bonds to common shares in Q4 2005. New shares amounting to NT$44,366,380 were issued with capital increased to NT$392,922,140.
May 2006	Conversion of convertible corporate bonds to common shares in Q1 2006. New shares amounting to NT$3,331,840 were issued with capital increased to NT$396,253,980.
July 2006	Conversion of convertible corporate bonds to common shares in Q2 2006. New shares amounting to NT$87,680 with capital increased to NT$396, 341,660.
September 2006	Raised capital by issuing new shares, which made the capital amount to NT$476,341,660.
November 2006	Capitalization of retained earnings amounted to NT$70.8253 million, and conversion of convertible corporate bonds to common shares in Q3 2006. New shares amounting to NT$2,338,920 were issued. The capital was increased to NT$549,505,880.
March 2007	Ta Tun Branch was set up at Ta Tun Road in Taichung City, the 30th Branch of POYA International.
April 2007	Conversion of convertible corporate bonds into common shares in Q1 2007. New shares amounting to NT$1,367,770 were issued with capital increased to NT$550,873,650.
June 2007	Raised new capital through private placements, which made the capital increase to NT$625,013,650.
September 2007	Capitalization of retained earnings amounted to NT$15,761,040, and conversion of convertible corporate bonds into new shares in Q3 2007. New shares amounting to NT$6,082,620 were issued, with capital increased to NT$646, 857,310.
July 2008	Shueh Shi Branch was set up at Hsueh Shi Road in Taichung City, the 40th Branch of POYA International.
August 2008	Capitalization of retained earnings and employee bonus amounted to NT$16,720,880 with capital increased to NT$663,578,190.
August 2009	Capitalization of retained earnings and employee bonus amounted to NT$67,009,480 with capital increased to NT$730,587,697.
December 2009	Nan Ping Branch was set up at Nan Ping Road in Taoyuan County, the 50th Branch of POYA International.
August 2010	Capitalization of retained earnings and employee bonus amounted to NT$152,502,330, with capital increased to NT$883,090,000.
January 2011	Completed the 4th generation CIS plan with the launching of brand new CIS.
July 2011	Pa Te Branch was set up at Chieh Shou Road at Pa Te City of Taoyuan County, the 60th Branch of POYA International.
August 2011	Capitalization of retained earnings and employee bonus amounted to NT$17,776,580, with capital increased to NT$900,866,580.

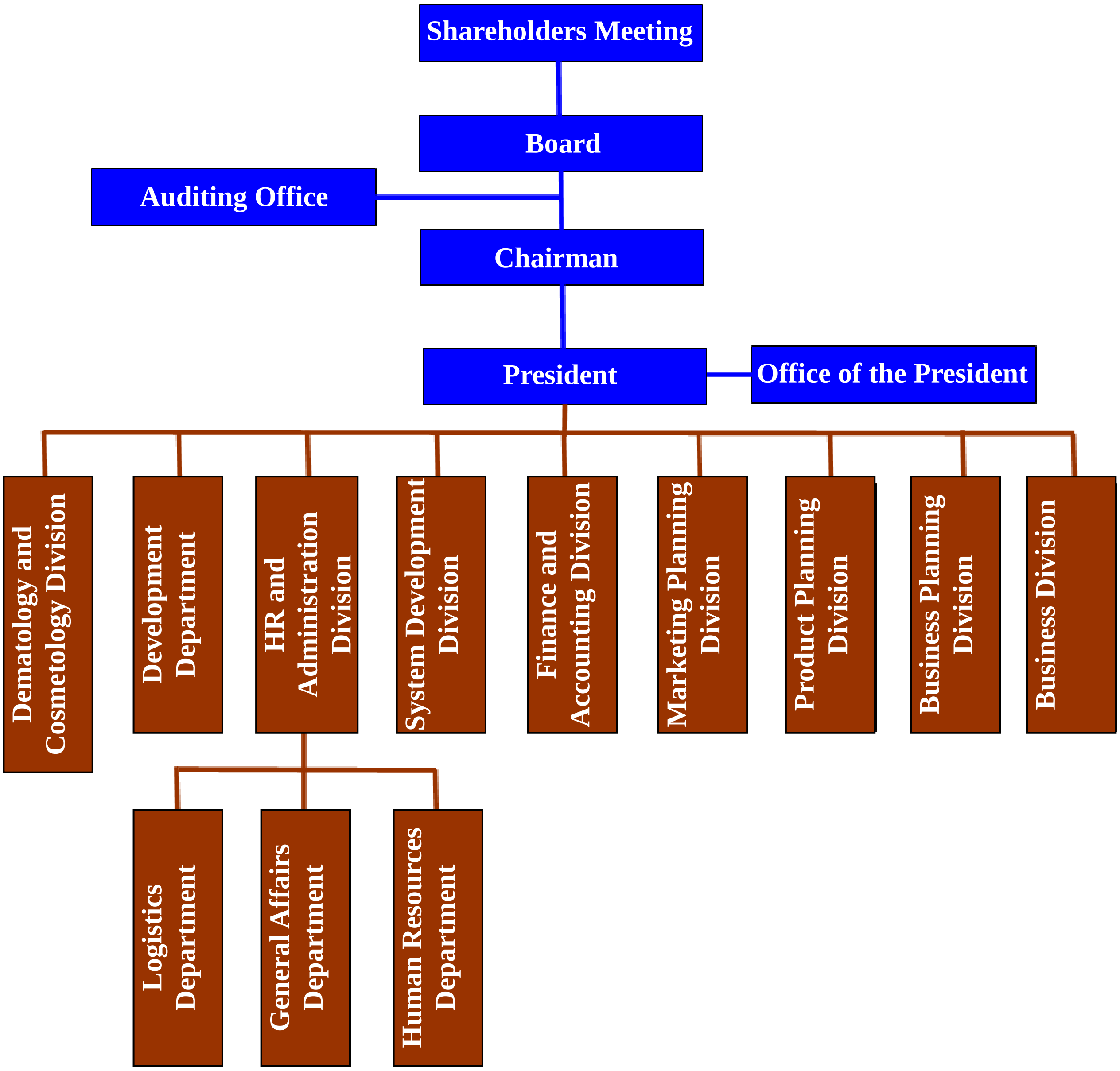
July 2012	Po Ai Branch was set up at Po Ai Road in Chu Nan Township of Miaoli County, the 70th Branch of POYA International.
August 2012	Capitalization of retained earnings and employee bonus amounted to NT$31 million, with capital increased to NT$916,267,000.
August 2013	Ching Wu East Branch was set up at Ching Wu East Road of Taichung City, the 80th Branch of POYA International.
August 2013	Capitalization of retained earnings and employee bonus amounted to NT$40 million, with capital increased to NT$929,073,000.
May 2014	Chung Cheng Branch was set up at Nan Miao, Chung Cheng Road, Miaoli County, the 90th Branch of POYA International.

III. Corporate Governance

Corporate Governance

I. Organizational Structure

1. Organizational Chart of the Company



2. Key functional departments

Function name	Duties
Auditing Office	◆ Review and evaluate the effectiveness of the internal control system of the Company and provide relevant information for the management in time for the efficient performance of assigned duties. ◆ Design and implement the annual audit plan and prepare audit reports. ◆ Keep track of the status of corrective action addressing non-conformities on the basis of the audit findings.
Office of the President	◆ Formulate, analyze and implement the business policy of the Company. ◆ Give advice to all aspects of management to functional departments in operation. ◆ Administer the development of branches and gathering of market information. ◆ Administer the design, evaluation and implementation of all business plans of the Company. ◆ Map out the mid- and long-term development strategy. ◆ Coordinate the functions of all departments and institutionalization of all management systems.
Product Planning Division	◆ Introduce and phase out products, arrange promotional items and develop new items. ◆ Differentiation of products for the shops in competition.
Business Planning Division	◆ Supervise and coordinate the operation of all shops, and achieve the annual goals in sales and profits. ◆ Design the business plans for individual branches and supervise the achievement of business objectives of the branches. ◆ Launch promotional events of the Company and keep track of the results.
Dermatology and Cosmetology Division	◆ Supervise and coordinate the dermatology and cosmetology operations at each shop, accomplish the annual business and profit goals.
Development Department	◆ Branch development. ◆ Study the locations for opening new shops. ◆ Study the market size.
General Affairs Department	◆ Decoration and design of the shops. ◆ Offer the contract for work of decoration and construction of the shops.
Marketing Planning Division	◆ Perform the duties of service process, sales promotions, customer management, exhibition plans and other business services.
Logistics Department	◆ Appropriation of goods among the shops in the same region. ◆ Processing of imported merchandise for all shops in Taiwan. ◆ B to C logistics support. ◆ B to B warehousing and logistics management.
Human Resources Department	◆ Recruitment, employment and dismissal, education and training, evaluation and attendance management, payroll management and other personnel administration affairs. ◆ Support the employee welfare committee in arranging welfare for the employees. ◆ Preparation and review of agreements binding the Company and related parties internal and external to the Company. ◆ Public relations and purchase of office supplies. ◆ Management of the insurance policies covering all construction projects and lease agreements.
Finance and Accounting Division	◆ Administer the financial management and shares registration and services of the Company. ◆ Fund appropriation, banking transactions. ◆ Short- to long-term capital planning and management. ◆ Accounting, tax preparation and budgeting. ◆ Maintain membership and suppliers information.
System Development Department	◆ Build up and improve business process. ◆ Computerization of the operating system of the Company, the support of the business, product, and management functions of the Company, and provide management information analysis.

II. Information on the directors, supervisors, president, vice presidents, assistant vice presidents, function heads and branch heads:

1. Directors and Supervisors

Profiles of the directors and supervisors (I)

April 12 2014

Title	Name	Date of office	Term	Initial date of office	Quantity of shareholding at the time of assuming office		Quantity of shareholding at present		Quantity of shareholding by spouse and underage children		Quantity of shareholding under the name of third parties		Education and important experience	Other positions in the Company and other companies	Managers, directors, or supervisors who is kindred within the 2nd tier		
					Quantity	Percentage	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage			Title	Name	Relation
Chairman	Duo Chin Investment Co., Ltd.	2011.06.22	3 yrs	1999.05.10	7,041,304	7.97%	7,611,747	8.19%	0	0%	0	0%	No	No	No	No	No
	Representative: Chen Chien-Chao	2011.06.22	3 yrs	1999.05.10	0	0%	0	0%	168,898	0.18%	0	0%	Pei Men High School; Owner of Chien Chang Herbal Medicine Company	Chairman of Duo Chin Investment Co., Ltd. Director of Poay Investment Co., Ltd. Supervisor of Chen Ching Investment Co., Ltd.	Vice Chairman President	Chen Fan Mei-Jin Chen Zong-Cheng	Spouse Son-in-law
Vice Chairman	Poay Investment Co., Ltd	2011.06.22	3 yrs	1999.05.10	6,818,650	7.72%	7,637,219	8.22%	0	0%	0	0%	No	No	No	No	No
	Representative: Chen Fan Mei-Jin	2011.06.22	3 yrs	1999.05.10	0	0%	168,898	0.18%	0	0%	0	0%	Kuang Hua Girls High School; Chin Ting Art Gallery, Plant Manager	Chairman of Poay Investment Co., Ltd Director of Duo Chin Investment Co., Ltd. Director of Chen Ching Investment Co., Ltd.;	Chairman President	Chen Chien-Chao Chen Zong-Cheng	Spouse Son-in-law
Director and President	Chen Zong-Cheng	2011.06.22	3 yrs	2003.04.21	5,438,924	6.15%	5,814,155	6.26%	2,559,212	2.75%	0	0%	Information Dept, Feng Chia University; President, POYA International Co., Ltd.	Supervisor of Poay Investment Co., Ltd; Supervisor of Duo Chin Investment Co., Ltd. ; Director of Chen Ching Investment Co., Ltd. Supervisor of Taoyuan Hotel	Chairman Vice Chairman	Chen Chien-Chao Chen Fan Mei-Jin	Father-in –law Mother-in-law
Director	Yu Ben Investment Co., Ltd.	2011.06.22	3 yrs	2008.05.20	2,630	0%	2,708	0%	0	0%	0	0%	No	No	No	No	No
	Representative: Sun Da-Wen	2011.06.22	3 yrs	2008.05.20	0	0%	0	0%	0	0%	0	0%	Dept of Business Administration, Catholic Fu Jen University; Chairman, Chiao Mei Development Co., Ltd.	Chairman, TAIFLEXCo., Ltd; Chairman, Chiao Mei Development Co., Ltd; Chairman, Innatech Co., Ltd.; Chairman, Yu Ben Investment Co., Ltd. Chairman, Taiflex	No	No	No

Title	Name	Date of office	Term	Initial date of office	Quantity of shareholding at the time of assuming office		Quantity of shareholding at present		Quantity of shareholding by spouse and underage children		Quantity of shareholding under the name of third parties		Education and important experience	Other positions in the Company and other companies	Managers, directors, or supervisors who is kindred within the 2nd tier		
					Quantity	Percentage	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage			Title	Name	Relation
														(Kunshan) Co., Ltd. Independent Directors, BIONET Corp.; Independent Director, ACX Corporation; Director, Welltend Co., Ltd.; Institutional Director, POYA International Co.,Ltd.; Institutional Director, Innovision FlexTech Corp; Institutional Director, Acelon Chemicals & Fibers Corporation.			
Independent Director	LinCai-Yuan	2011.06.22	3yrs	2005.05.17	0	0%	0	0%	0	0%	0	0%	PhD, Honoris Causa, Human Resources, American M & N University: PhD, Business Administration, National Cheng Chi University; Master, Accounting, National Cheng Chi University; Associate Professor of Accounting, National Cheng Kung University; Professor of Business Administration, National Sun Yat-Sen University; Dean of Institutional Affairs, National Sun Yat-Sen University; Director and Vice President, Evening College, National Sun Yat-Sen University; Vice President,	Chair Professor, Graduate School of Management, Chang Jung Christian University	No	No	No

Title	Name	Date of office	Term	Initial date of office	Quantity of shareholding at the time of assuming office		Quantity of shareholding at present		Quantity of shareholding by spouse and underage children		Quantity of shareholding under the name of third parties		Education and important experience	Other positions in the Company and other companies	Managers, directors, or supervisors who is kindred within the 2nd tier		
					Quantity	Percentage	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage			Title	Name	Relation
													Chang Jung Christian University; Visiting Professor, College of Management, Sun Yat-Sen University at Guangzhou; Professor of management and accounting, Tamkang University; Executive VP, Sunonwealth Electric Machine Industry; President, Guangdong Liang Light Fixtures Co., Ltd. Independent Director, Taiwan Business Bank; Convener, Remuneration Committee of SunnowealthElectric Machine Industry, TYC Brother Industrial Co., Ltd. Practicing CPA, Chung Hsin CPA Office(1972-1988) Passed the advanced CPA examination Passed the securities investment analyst exami; Members of Taiwan CPA Association.				
Independent Director	Shih Bo-Ren	2011.06.22	3 yrs	2002.08.19	0	0%	1,020	0%	0	0%	0	0%	Master, financial management, National Central University; Dept of Statistics, National	Lecturer, Department of Business Management, Yung Ta Institute of Technology &	No	No	No

Title	Name	Date of office	Term	Initial date of office	Quantity of shareholding at the time of assuming office		Quantity of shareholding at present		Quantity of shareholding by spouse and underage children		Quantity of shareholding under the name of third parties		Education and important experience	Other positions in the Company and other companies	Managers, directors, or supervisors who is kindred within the 2nd tier		
					Quantity	Percentage	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage			Title	Name	Relation
													Chung Hsing University; Clerk, Financial Dept, Yuasa Taiwan; Assistant, Cooperative Bank (General civil service exam in Statistics) Clerk, Cooperative Bank(Class B exam in banking and finance); Assistant, Farmers Bank; Clerk, Central Trust Bureau (Advanced civil service exam in finance and banking) Team leader, E-Sun Bank.	Commerce			
Independent Director	Wei Xing-fang	2011.06.22	3 yrs	2009.06.03	0	0%	0	0%	0	0%	0	0%	LLD, National Chengchi University; LLM, National Chengchi University Post doctoral research at EU Competition Commission under a grant from the Ministry of Education	Associate Professor and Chairman of Business Administration Department, Chang Jung Christian University; Adjunct associate professor, Dept of Economics, National Cheng Kung University.	No	No	No
Supervisor	Tsai De-Shiang	2011.06.22	3 yrs	2002.04.22	1,025,447	1.16%	757,003	0.81%	0	0%	0	0%	An Nan Junior High School	Supervisor, CTMA	No	No	No
Supervisor	Shie Zong-Kun	2011.06.22	3 yrs	2008.05.20	0	0%	0	0%	0	0%	0	0%	Master, Marketing, Paisley University	Manager, Tuugo Co., Ltd.	No	No	No
Supervisor	Chen Ming-Shian	2011.06.22	3 yrs	2011.06.22	0	0%	0	0%	0	0%	0	0%	Electronic Engineering, National Kaohsiung Industrial School Sales Manager, Kang Deh Mei Optical	Chairman and VP, ST. Shine Optical Co., Ltd.; VP, Greater China Business Dept, ST. Shine Optical Co., Ltd.; Director, Shine Optical Holding Groups Inc.	No	No	No

Title	Name	Date of office	Term	Initial date of office	Quantity of shareholding at the time of assuming office		Quantity of shareholding at present		Quantity of shareholding by spouse and underage children		Quantity of shareholding under the name of third parties		Education and important experience	Other positions in the Company and other companies	Managers, directors, or supervisors who is kindred within the 2nd tier		
					Quantity	Percentage	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage			Title	Name	Relation
														Director, Optical Connection Inc. USA; Director, Shine Optical (Samoa) Holding Groups, Inc. Director, Shine Optical HK Limited; Supervisor, POYA International Co., Ltd.			

(Note) Profiles on dominant institutional shareholders

Dominant institutional shareholders April 12 2014

Name of institutional shareholders	Dominant institutional shareholders (proportion of shareholding, %)
Duo Chin Investment Co., Ltd.	Chen Chien-Chao(30%), Chen Fan Mei-Jin (20%), Chen Lee-Lee (10%), Chen Zong-Cheng (10%), Chen Rong-Rong (10%), Chen Shan-Shan (10%),Chen Chun-Tsai(10%)
Poay Investment Co., Ltd.	Chen Fan Mei-Jin (33.4%), Chen Chien-Chao (22.2%), Chen Lee-Lee (11.1%), Chen Zong-Cheng (11.1%), Chen Rong-Rong (11.1%), Chen Shan-Shan (11.1%)
Yu Ben Investment Co., Ltd.	Sun Da-Wen (99.99%), Sun Li-Ching (0.01%)

Profiles on directors and supervisors (II)

Qualifications / Name	More than 5 years of experience and the following professional qualifications			Status of independence (Note 1)										Also an independent director of other public companies
	A lecturer or higher capacity in a public or private college or university in business, law, accounting, or related subjects in corporate management	Judge, prosecutor, lawyer, or other professional and technical personnel with certification through national examinations with the issuance of license and certificates	Experience in business, law, finance, accounting and other areas of specialization that the Company needs	1	2	3	4	5	6	7	8	9	10	
Duo Chin Investment Co., Ltd.; Representative: Chen Chien-Chao			✓	✓					✓	✓		✓		
Poay Investment Co., Ltd. Representative: Chen Fan Mei-Jin			✓	✓					✓	✓		✓		
Chen Zong-Cheng			✓						✓	✓		✓	✓	
Yu Ben Investment Co., Ltd Representative: Sun Da-Wen			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	1 (Note 2)
Lin Cai-Yuan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Shih Bo-Ren	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Wei Xing-fang	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Tsai De-Shiang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Shie Zong-Kun			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Chen Ming-Shian			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note 1: If any of the following qualifications is applicable to the directors or the supervisors, in the last 2 years and during their term of office with the Company, put a“✓”in relevant fields:

(1) Not an employee of the Company or its group companies.

(2) Not a director or supervisor of the Company or the group companies (except as an independent director of a subsidiary where the Company or the parent to the Company directly or indirectly holds more than 50% of its voting shares).

(3) Shareholder who is a natural person, and not the person, the spouse, underage child or under the name of a third party holding more than 1% of the total shares or one of the top 10 natural person shareholders.

(4) Not a spouse, kindred within the 2nd tier or the next of kin of kindred within the 5th tier of the aforementioned personnel.

(5) Not a director, supervisor, or employee of an institutional shareholder directly holds more than 5% of the outstanding shares of the Company or a director, supervisor or employee of one of the top 5 institutional shareholders.

(6) Not a director, supervisor, manager of a specific company or institution that the Company has financial or business transactions or a shareholder holding more than 5% of the shares of such company or institution.

(7) Not an owner, partner, director, supervisor, ,manager and the spouse of the an owner, partner, director, supervisor, manager of a professional firm providing business, legal, financial and accounting services to the Company.

(8) Not a spouse or kindred within the 2nd tier to another director of the Company.

(9) Any of the provisions contained in Article 30 of the Company Act shall be applied.

(10) Not being elected to the seat as a representative of the government, institution, or other parties pursuant to Article 27 of the Company Act.

Note 2: Independent Director toACX Corporation.

2. Profiles on the president, vice presidents, assistant vice presidents, department and branch heads:

April 12, 2014

Title	Name	Date of office	Quantity of shareholding		Quantity of shareholding by spouse and underage children		Quantity of shareholding under the name of a third party		Education and important experience	Positions in other companies	Manager who is the spouse or kindred within the 2nd tier		
			Quantity	Percentage	Quantity	Percentage	Quantity	Percentage			Title	Name	Relation
President	Chen Zong-Cheng	2000.12.28	5,814,155	6.26%	2,559,212	2.75%	0	0%	Information Dept, Feng Chia University	Director of Chen Ching Investment Co., Ltd.; Supervisor of Poay Investment Co., Ltd.; Supervisor of f Duo Chin Investment Co., Ltd. Supervisor of Taoyuan Hotel	No	No	No
Senior Manager, Development Dept	Ren Shi-Liang	2010.03.10	0	0.00%	0	0%	0	0%	National Chin Yi University of Science and Technology	No	No	No	No
Manager, Product Division	Chen Rong-Rong	2000.12.28	776,517	0.83%	0	0%	0	0%	EMBA, Royal Roads University	No	No	No	No
Manager, Marketing Planning Division	Chen Chun-Tsai	2009.02.19	2,380,036	2.56%	39,254	0.04%	0	0%	Department of International Trade, Feng Chia University	No	President	Chen Zong-Cheng	Brothers
Manager, Dermatology and Cosmetology Dept	Huang Kang-Wei	2008.03.01	0	0.00%	0	0%	0	0%	Dept of Business Administration, National Taiwan University	No	No	No	No
Manger, Finance and Accounting Division	Shen Hong-Yu	2008.11.01	52,745	0.05%	2,040	0%	0	0%	Graduate School of Finance and Banking, National Chung Cheng University	No	No	No	No
Manager, System Development Division	Wu Rai-Chin	2006.02.06	13,183	0.01%	0	0%	0	0%	Dept of Computer Science, Soochow University	No	No	No	No
Manager, Auditing Office	Tsai Yee-Pei	2012.04.01	1,029	0.00%	0	0%	0	0%	Dept of Accounting, Tainan University of Applied Science and Technology Post Bachelor Study on Real Estate Management, Evergreen University.	No	No	No	No
Manager, Business Planning Division	Lin Chun-Wen	2013.12.01	26,108	0.02%	0	0%	0	0%	Provincial Hsin Feng High School	No	No	No	No
Manager, HR and Administration Division	Tsai Ming-Lun	2002.09.02	66,439	0.07%	0	0%	0	0%	Graduate Institute of Industrial Management, National Cheng Kung University	No	No	No	No

Note 1: The Company did not issue employee stock options or new shares restricted to the employees in 2013.

3. Remunerations to the directors, supervisors, president and the vice presidents in the previous fiscal year

(1) Remunerations to the directors,

<u>Remunerations to the directors (including independent directors)</u> December 31 2013; Unit: Thousands of New Taiwan Dollars

Title	Name	Remunerations to directors								A+B+C+D in proportion to corporate earnings		Remunerations for performing routine duties as employees										A+B+C+D+E+F+Gin proportion to corporate earnings		Any remuneration from investees beyond subsidiaries
		Remuneration (A)		Pension (B)		Remuneration from earnings (C)		Business subsidy (D)				Salaries, bonus, and special subsidy (E)		Pension (F)		Employee bonus from earnings (G)				Qty of shares entitled to subscribe under ESO (H)				
		POYA International	All companies in the consolidated financial statement	POYA International	All companies in the consolidated financial statement	POYA International	All companies in the consolidated financial statement	POYA International	All companies in the consolidated financial statement	POYA International	All companies in the consolidated financial statement	POYA International	All companies in the consolidated financial statement	POYA International	All companies in the consolidated financial statement	The Company		All companies in the consolidated financial statement		POYA International	All companies in the consolidated financial statement	POYA International	All companies in the consolidated financial statement	
																Cash dividend	Stock dividend	Cash dividend	Stock dividend					
Chairman	Duo Chin Investment Co., Ltd. Representative: Chen Chien-Chao	3,263	0	0	0	878	0	0	0	0.74%	0	0	0	0	0	0	0	0	0	0	0	0.74%	0	0
Vice Chairman	Poay Investment Co., Ltd Representative: Chen Fan Mei-Jin	2,613	0	0	0	878	0	0	0	0.62%	0	0	0	0	0	0	0	0	0	0	0	0.62%	0	0
Director	Yu Ben Investment Co., Ltd.; Representative: Sun Da-Wen	0	0	0	0	288	0	30	0	0.06%	0	0	0	0	0	0	0	0	0	0	0	0.06%	0	0
Director	Chen Zong-Cheng	0	0	0	0	872	0	0	0	0.16%	0	3,693	0	0	0	0	3,783	0	0	0	0	1.49%	0	0
Independent Director	Lin Cai-Yuan	0	0	0	0	480	0	55	0	0.10%	0	0	0	0	0	0	0	0	0	0	0	0.10%	0	0
Independent Director	Shih Bo-Ren	0	0	0	0	240	0	50	0	0.05%	0	0	0	0	0	0	0	0	0	0	0	0.05%	0	0
Independent Director	Wei Xing-fang	0	0	0	0	300	0	45	0	0.06%	0	0	0	0	0	0	0	0	0	0	0	0.06%	0	0

Note 1: The motion of distribution of earnings for FY2013 was passed by the Board on 2014.03.17, pending the approval at the Shareholders Meeting of 2014.

Note 2: Corporate earnings in FY2013 amounted to NT$558.852 million.

Note 3: POYA International strongly upholds the spirit of corporate governance thereby disclosing the remunerations of the directors and supervisors voluntarily. It is not a matter of mandatory action of disclosure due to losses carried forwards from previous years or the quantity of shareholdings by the directors and the supervisors who fall below the required level for more than 3 consecutive months or the average rate of liens pledged by the directors and supervisor in any 3 months of current fiscal period exceeding 50%.

Remuneration Brackets

Bracket of director fees	Name of directors			
	A+B+C+D		(A+B+C+D+E+F+G)	
	POYA International	All companies in the consolidated financial statement	POYA International	All companies in the consolidated financial statement
Less than NT$2,000,000	Lin Cai-Yuan, Shih Bo-Ren, Yu Ben Investment Co., Ltd., Chen Zong-Cheng	No	Lin Cai-Yuan, Shih Bo-Ren, Wei Xing-fang, Yu Ben Investment Co., Ltd.	No
NT$ 2,000,000～NT$ 5,000,000 (exclusive)	Chen Chien-Chao, Chen Fan Mei-Jin	No	Chen Chien-Chao, Chen Fan Mei-Jin	No
NT$5,000,000～NT$10,000,000 (exclusive)	No	No	Chen Zong-Cheng	No
NT$10,000,000～NT$15,000,000 (exclusive)	No	No	No	No
NT$15,000,000～NT$30,000,000 (exclusive)	No	No	No	No
NT$30,000,000～NT$50,000,000 (exclusive)	No	No	No	No
NT$50,000,000～NT$100,000,000 (exclusive)	No	No	No	No
More than NT$100,000,000	No	No	No	No
Total	7	0	7	0

(2) Remunerations to supervisors

December 31 2013; Unit: Thousands of New Taiwan Dollars

Title	Name	Remunerations to Supervisors						A+B+C in proportion to corporate earnings		Any remuneration from investees beyond subsidiaries
		Remuneration (A)		Remuneration from earnings (B)		Performance of duties Expense (C)				
		POYA International	All companies in the financial statement	POYA International	All companies in the financial statement	POYA International	All companies in the financial statement	POYA International	All companies in the financial statement	
Supervisor	Tsai De-Shiang	0	0	144	0	30	0	0.03%	0	No
Supervisor	Shie Zong-Kun	0	0	240	0	50	0	0.05%	0	No
Supervisor	Chen Ming-Shian	0	0	480	0	50	0	0.09%	0	No

Note 1: The motion of distribution of earnings for FY2013 was passed by the Board on 2014.03.17, pending the approval at the Shareholders Meeting of 2014.

Note 2: Corporate earnings in FY2013 amounted to NT$558.852 million.

Note 3: POYA International strongly upholds the spirit of corporate governance thereby disclosing the remunerations of the directors and supervisors voluntarily. It is not a matter of mandatory action of disclosure due to losses carried forward from previous years or the quantity of shareholdings by the directors and the supervisors that fall below the required level for more than 3 consecutive months or the average rate of liens pledged by the directors and supervisor in any 3 months of the current fiscal period exceeding 50%.

Remunerations Brackets

Brackets of remunerations to the supervisors of POYA International	Names of supervisors (A+B+C)	
	POYA International	All companies in the consolidated statement D
Less than NT$2,000,000	Tsai De-Shiang, Shie Zong-Kun, Chen Ming-Shian	No
NT$ 2,000,000～NT$ 5,000,000 (exclusive)	No	No
NT$5,000,000～NT$10,000,000 (exclusive)	No	No
NT$10,000,000～NT$15,000,000 (exclusive)	No	No
NT$15,000,000～NT$30,000,000 (exclusive)	No	No
NT$30,000,000～NT$50,000,000 (exclusive)	No	No
NT$50,000,000～NT$100,000,000 (exclusive)	No	No
More than NT$100,000,000	No	No
Total	3	0

(3) Remunerations to the president and the vice presidents

December 31 2013; Unit: Thousands of New Taiwan Dollars

Title	Name	Salary (A)		Pension (B)		Bonus and subsidy (C)		Employee bonus from earrings (D)				A+B+ C+ D in proportion to corporate earnings (%)		Amount of ESO acquired		Any remuneration from investees beyond subsidiaries
		POYA International	All companies in the consolidated statement	POYA International	All companies in the consolidated statement	POYA International	All companies in the consolidated statement	The Company		All companies in the consolidated financial statement		POYA International	All companies in the consolidated statement	POYA International	All companies in the consolidated statement	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend					
President	Chen Zong-Cheng	3,693	0	0	0	0	0	0	3,783	0	0	1.34	0	0	0	No

Note 1: The motion of distribution of earnings for FY2013 was passed by the Board on 2014.03.17, pending the approval at the Shareholders Meeting of 2014.

Note 2: Stock dividend is based on the closing price on 2013.06.10 (the day before the decision at the Shareholders Meeting) and the calculation was based on NT$109.8 in consideration of the ex-rights and ex-dividend effect.

Note 3: There is no vice president in POYA International, and only the remuneration to the president is disclosed.

Note 4: POYA International did not issue ESO and new shares restricted to the employees in 2013.

Remunerations Brackets

Brackets of remunerations to the president and vice presidents of POYA International	Names of the president and the vice presidents	
	POYA International	All companies in the consolidated statement E
Less than NT$2,000,000	0	0
NT$ 2,000,000～NT$ 5,000,000 (exclusive)	0	0
NT$5,000,000～NT$10,000,000 (exclusive)	Chen Zong-Cheng	0
NT$10,000,000～NT$15,000,000 (exclusive)	0	0
NT$15,000,000～NT$30,000,000 (exclusive)	0	0
NT$30,000,000～NT$50,000,000 (exclusive)	0	0
NT$50,000,000～NT$100,000,000 (exclusive)	0	0
More than NT$100,000,000	0	0
Total	1	0

(4) Names of managers entitled to employee bonus and the status of distribution:

December 31 2013; Unit: Thousands of New Taiwan Dollars

	Title	Name	Amount of stock dividends	Amount of cash dividends	Total	Proportion to corporate earnings (%)
Managers	President	Chen Zong-Cheng	4,623	0	4,623	0.83%
	Manager, Finance and Accounting Division	Shen Hong-Yu				

Note 1: The motion of distribution of earnings for FY2013 was passed by the Board on 2014.03.17, pending the approval at the Shareholders Meeting of 2014

Note 2: Stock dividend is based on the closing price on 2013.06.10 (the day before the decision at the Shareholders Meeting) and the calculation was based on NT$109.8 in consideration of the ex-rights and ex-dividend effect.

4. The policy, standard, and combinations of remunerations to the directors, supervisors, president, vice presidents paid by POYA International and all other companies in the consolidated financial statement in proportion to corporate earnings are analyzed and explained, and the procedure for setting the standard of remunerations, and the association between operation performance and risk in the future:

Unit: Thousands of New Taiwan Dollars

Title	FY 2012				FY2013			
	Total remunerations (in NTD 1,000)		Proportion to corporate earnings (%)		Total remunerations (in NTD 1,000)		Proportion to corporate earnings (%)	
	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement	The Company	All companies in the consolidated statement
Directors (including independent directors)	10,162	0	2.38	0	9,120	0	1.63	0
Supervisors	804	0	0.19	0	994	0	0.18	0
President	6,786	0	1.59	0	8,348	0	1.49	0
Total	17,752	0	4.17	0	18,462	0	3.30	0

The remunerations to the directors and supervisors of POYA International are stated in the Articles of Incorporation with reference to industry standards and the resolution at the Shareholders Meeting. POYA International introduced external independent directors in supporting the advocacy of corporate governance by the government. Further to taking business performance as the basis for decision-making in the distribution of earnings as remunerations to the directors and supervisors as well as employee bonus, the payment of bonus to the president and function heads shall also be subject to adjustment in line with business performance.

III. Corporate governance in action

(I) The Board in session:

Information on the Board in session

In the most recent fiscal period as of the date this report was printed, The Board of POYA International held 16 sessions (A) (including special sessions) and the attendances by the directors are shown in the table below:

Title	Name	Frequency of attendance (sitting in as observers) B	Attended by proxy	Attendance rate (%)【B/A】)	Remark
Chairman	Duo Chin Investment Co., Ltd. Representative: Chen Chien-Chao	16		100.00%	
Director	Poay Investment Co., Ltd Representative: Chen Fan Mei-Jin	16		100.00%	
Director	Yu Ben Investment Co., Ltd.; Representative: Sun Da-Wen	9		56.25%	
Director	Chen Zong-Cheng	16		100.00%	
Independent Director	Lin Cai-Yuan	15		100.00%	
Independent Director	Shih Bo-Ren	15	1	93.75%	
Independent Director	Wei Xing-fang	12		75.00%	
Supervisor	Tsai De-Shiang	10		62.50%	
Supervisor	Shie Zong-Kun	14		87.50%	
Supervisor	Chen Ming-Shian	15		93.75%	

Other important notice:

I. Provisions of Article 14-III of the Securities and Exchange Act, and the minutes of Board meetings with adverse opinions or qualified opinions from independent directors on record or backed by written declarations in the resolutions of the Board: Not applicable.

II. The enforcement of the avoidance of conflict of interest by the directors in making decisions: directors acted to avoid possible influence on the result of decisions taken on motions with conflicts of interest to POYA International.

III. Assessment of the objectives of the fortification of the functions of the Board in the current period and the last fiscal period and accomplishments:

1. POYA International called 16 Board sessions in the current period and the last fiscal period as of the date this report was printed in accordance with the "Board Procedure Rules". Directors can learn more about the state of operation of POYA International through the meetings, which help enhance the management function and corporate governance.
2. The minutes of Board session on record were uploaded to the special web pages designed for investors. This makes the disclosure more solid.

Note: Attendance rate (%) is calculated on the basis the number of meetings called and the attendance of the directors (sitting in as observers) during their term of office.

(II) The operations of the Auditing Committee or the participation of the supervisors in the Board: POYA International does not have an auditing committee and no disclosures in this regard. The participation of the supervisors in the Board is shown in the table below:

The participation of the supervisors in the Board

In the most recent fiscal period as of the date this report was printed, The Board of POYA International held 16 sessions (A) and the supervisors sitting in e as observers is shown in the table below:

Title	Name	Frequency of sitting in as observers B	Frequency in meeting as observers (%) (B/A)	Remarks
Supervisor	Tsai De-Shiang	10	62.50%	
Supervisor	Shie Zong-Kun	14	87.50%	
Supervisor	Chen Ming-Shian	15	93.75%	

Other important notes:

I. The organization and responsibilities of the supervisors:

(I) The communications between the supervisors and the employees and shareholders of POYA International (channels and means of communications).

POYA International has set up the customer E-mail: service@poya.com.tw as the channel for communications for feedback from the consumers and the shareholders, and also opened the channel of the Auditing Office at E-mail: ken@poya.com.tw for filing complaints, if any employee discovers possible corruption. Supervisors can access the information on the issues of concern to the shareholders and employees through the aforementioned two email boxes.

(II) The communications between the supervisors and the chief internal auditor and the certified public accountants (*e.g.*, the financial position, business situation and issues involved, and method and result of communications).

For the effective conduct of internal controls, supervisors and the certified public accountants shall review and track the state of internal control and internal audit enforcement at regular intervals.

II. Where the supervisors may present statements as observers when the Board is in session, specify the date and the number of the session, the contents of the motions, the resolutions of the Board, and the response of POYA International to the opinions of the supervisors: not applicable.

Note: Attendance rate (%) is calculated on the basis the number of meetings called and the attendance of supervisors as observers during their term of office.

(III) Corporate Governance in action and discrepancy from the Corporate Governance Best Practice Principles by TWSE/GTSM-listed companies and the reasons.

Item	State of operations	Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed companies and the reasons
I. Equity structure and shareholders' equity		
(I) The methods adopted by POYA International in responding to the recommendations of or dispute with the shareholders.	● POYA International appointed a share registration agent to handle related business and also arranged a company spokesman for responding to the recommendations of and disputes from the shareholders.	● Compliant with the requirements of "Corporate Governance Best Practice Principles by TWSE/GTSM- listed Companies".
(II) POYA International keeps proper control over the list of dominant shareholders and the ultimate shareholders of these dominant shareholders.	● With the support of the share registration agent, POYA International can properly control and understand the composition of dominant shareholders and declares the status of the directors, supervisors, and managers at regular intervals. ● The list of ultimate shareholders of the dominant shareholders is properly kept under control, as POYA International is closely affiliated with these dominant shareholders except for the natural persons. POYA International can obtain the list of such ultimate shareholders at any time, where necessary.	
(III) The establishment of risk control mechanism and firewall between the Company and its subsidiaries and affiliates.	● Currently, POYA International has no affiliated enterprises regulated by the Company Act.	
II. The organization and functions of the Board		
(I) The seats of independent directors	● POYA International has established 3 seats for independent directors at the moment. These seats are filled by scholars with relevant professional knowledge. Their knowledge and experience are helpful to the operations of POYA International to certain extent.	● Compliant with the requirements of "Corporate Governance Best Practice Principles by TWSE/GTSM- listed Companies".
(II) Routine assessment of the independence of the external auditors	● POYA International retained PricewaterhousCoopers Taiwan as the external auditor. They perform their duties pursuant to Article 47 of the "Certified Public Accountants Act" and "Statement of Ethic Code of Conduct" No.10 on "Integrity, impartiality and independence" independently. The Board reviews and approves the "Auditors' audit checklist" and the "Declaration of independence and impartiality" issued by the certified public accountants for routine tracking of the independence of the certified public accountants.	

Item	State of operations	Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed companies and the reasons
III. Channels of communications for the stakeholders	● POYA International has appointed a designated spokesman for running the disclosure system properly. Shareholders and stakeholders can fully understand the financial position and operations as well as the status of corporate governance of POYA International. ● POYA International duly observes the principle of integrity and transparency with the service banks and other creditors, and provides the kinds of financial and operational information they need so that they can make judgment and decisions on the operations of POYA International.	● Compliant with the requirements of "Corporate Governance Best Practice Principles by TWSE/GTSM- listed Companies".
IV. Disclosure		
(I) POYA International has installed an official website for the disclosure of its operations and the enforcement of corporate governance.	● The official website of POYA International is at: www.poya.com.tw. Designated personnel are responsible for the disclosure of financial position and operation as well as corporate governance.	● Compliant with the requirements of "Corporate Governance Best Practice Principles by TWSE/GTSM- listed Companies".
(II) Other means of disclosures (the installation of a website in the English language, appointment of a designated personnel to gather and disclose company information, realization of the spokesman system, and uploading of the conferences for institutional investors procedures).	●The official website of POYA International is at: www.poya.com.tw, which is maintained and updated by designated personnel for proper disclosure of contents. ● The spokesman of POYA International performs his duties in accordance with the Regulations for the Management of Spokesman in handling company information. There is one spokesman and an acting spokesman.	
V. The establishment of a nomination committee or other functional committees and the operation of these committees.	● The Board of POYA International resolved on December 26 2011 to establish a Remuneration Committee for fortifying the function of payroll management of the Board. In the last fiscal year to May 8 2014 (the date on which this report was printed), the Remuneration Committee has convened 6times. The operation of this committee is sound.	● Compliant with the requirements of "Corporate Governance Best Practice Principles by TWSE/GTSM- listed Companies".
VI. If the Company has established the code of conduct for corporate governance in accordance with the "Corporate Governance Best Practice Principles for TWSE-GTSM-listed Companies", elaborate on the code in operation and the discrepancy between the code and the practices: POYA International has not yet established the code of conduct for corporate governance. However, it has established a viable system of internal controls and different sets of internal regulations that can function properly. The operation is run in compliance with applicable legal rules and corporate governance has been enforced incrementally. Currently, POYA International has already instituted the "Rules of Procedures for Shareholder Meeting", "Regulations Governing the Election of Directors and Supervisors", "Rules for Board Session Procedure" and the "Organizational Code for the Remuneration Committee".		

Item	State of operations	Discrepancy from Corporate Governance Best Practice Principles by TWSE/GTSM-listed companies and the reasons

VII. Other essential information that could help to understand the enforcement of corporate governance:

1. Continuing education for the directors and supervisors: POYA International does not require the directors and supervisors to take courses on professional topics as continuing education, but just positively encourages the directors and supervisors to take such courses. The courses taken by the directors and supervisors are shown in Table 1 below.
2. The continuing education for the managers is shown in Table 1 below.
3. The attendance of directors and the presence of the supervisors as observers in Board sessions: the Board convenes in accordance with the requirements of the Company Act. All directors and supervisors sign in for the meeting in a registration book for the record: not applicable (only applicable to securities dealers).
4. Risk management policy and risk assessment enforcement: not applicable (only applicable to securities dealers).
5. The pursuit of consumer protection or customer policy: not applicable (only applicable to securities dealers).
6. The avoidance of the conflict of interest by the directors on specific motions: the directors of POYA International are highly self-disciplined and will be excused from the voting on motions that involve a conflict of interest with and cause damage to POYA International.
7. Coverage of professional liability insurance for the directors and supervisors: the directors and supervisors of POYA International duly observe the principles of integrity and sincerity in operation. There is no law suit or offense against the law. In 2013, POYA International has taken professional liability insurance from Fubon Insurance for the protection of the practices of the directors and supervisors. The amount insured: USD3 million. The term of coverage: October 1 2013 to October 1 2014.

VIII. If there is any corporate governance self-assessment report or an assessment of corporate governance taken by an external professional firm, specify the results of self-assessment (or assessment report issued by an external agency), the major shortcomings (or recommendations), and the status of corrective actions: None.

Table 1. Continuing education of the directors, supervisors and managers:

Title	Name	Date of office	Date of training	Organizer	Name of course	Hours of study	Compliant or not
Director and President	Chen Zong-Cheng	2011.06.22	2013.12.18	Securities and Futures Institute	Advanced Seminar for the Practices of Supervisors and Directors	3	Yes
Independent Director	Shih Bo-Ren	2011.06.22	2013.03.27	NCKU Research and Development Foundation	Seminar of the Practice of Corporate Governance	3	Yes
Independent Director	Lin Cai-Yuan	2011.06.22	2013.03.27	NCKU Research and Development Foundation	Seminar of the Practice of Corporate Governance	3	Yes
Representative of institutional shareholder	Sun Da-Wen	2011.06.22	2013.05.16	Securities and Futures Institute	Colloquium on the Functions of Independent Directors in Listed Companies	3	Yes
Supervisor	Shie Zong-Kun	2011.06.22	2013.03.27	NCKU Research and Development Foundation	Seminar on the Practice of Corporate Governance	3	Yes
Supervisor	Chen Ming-Shian	2011.06.22	2013.08.06	Securities and Futures Institute	The Framework of Subsidiaries and the Segregation of Duties of the Directors and Supervisors	3	Yes
Manager of Finance and Accounting Division	Shen Hong-Yu	2008.11.01	2013.12.12~13	National Cheng Kung University	13th Session of the Chief Accounting Officers Continuing Education Program	12	Yes

(IV) Disclosure of the organization, functions and operations of the remuneration committee, if applicable:

(1) Profiles of the Remuneration Committee members

Identity (Note 1)	Qualification / Name	More than 5 years of experience and the following professional qualifications			Status of independence (Note 1)								Also an independent director of other public companies	Remark (Note 3)
		A lecturer or higher capacity in a public or private college or university in business, law, accounting, or related subjects in corporate management	Judge, prosecutor, lawyer, or other professional and technical personnel with certification through national examinations with the issuance of license and certificates	Experience in business, law, finance, accounting and other areas of specialization that the Company needs	1	2	3	4	5	6	7	8		
Independent Director	Lin Cai-Yuan	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	-	No
Independent Director	Shih Bo-Ren	✓			✓	✓	✓	✓	✓	✓	✓	✓	-	No
Independent Director	Wei Xing-fang	✓			✓	✓	✓	✓	✓	✓	✓	✓	-	No

Note 1: For identity, put down director, independent director, or others.

Note 2: If any member meets any of the following in the last two years before being elected into office or during the term of office, put a "✓" in the appropriate fields:

(1) Not an employee of the Company or its of group companies.

(2) Not a director or supervisor of the Company or the group companies (except as an independent director of a subsidiary where the Company, or the parent to the Company directly or indirectly holds more than 50% of its voting shares).

(3) Shareholder who is a natural person, and not the person, the spouse, underage child, or under the name of a third party holding more than 1% of the total shares or one of the top 10 natural persons shareholders.

(4) Not a spouse, kindred within the 2nd tier, or the next of kin of kindred within the 5th tier of the aforementioned personnel.

(5) Not a director, supervisor or employee of an institutional shareholder directly holding more than 5% of the outstanding shares of the Company or a director, supervisor or employee of one of the top 5 institutional shareholders.

(6) Not a director, supervisor or manager of a specific company or institution that the Company has financial or business transactions or a shareholders holding more than 5% of the shares of such company or institution.

(7) Not an owner, partner, director, supervisor, manager or the spouse of the owner, partner, director, supervisor or manager of a professional firm providing business, legal, financial and accounting services to the Company.

(8) Not a spouse or kindred within the 2nd tier to another director of the Company.

(9) Any of the provisions contained in Article 30 of the Company Act shall be applied.

Note 3: If the members are directors, explain if they are complying with Article 6-V of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

(2) The Operations of the Remunerations Committee

I. The Remunerations Committee of POYA International consists of 3 members.

II. The term of the current members: December 26 2011 to June 9 2014. In the last fiscal period as of the date this report was printed, the Remunerations Committee convened 6 times(A). The eligibility of the members and their attendance in committee meetings are shown below:

Title	Name	Attendance	Attendance rate (%)（B/A）	Remarks
Convener	Lin Cai-Yuan	6	100%	
Member	Shih Bo-Ren	6	100%	
Member	Wei Xing-fang	4	67%	

Other important notes:

I. Where the Board may not accept or revise the recommendations of the Remunerations Committee, specify the date and the instance of the Board session and the contents of the motions, the resolution of the Board and the response to the opinions of the Remunerations Committee (if the resolutions of the Board on remuneration issues are superior to the recommendations of the Remunerations Committee, explain in detail): The Board of POYA International has never declined or received any recommendations of the Remuneration Committee or where the actual remuneration is superior to the recommendations of the committee.

II. If there is any adverse opinion or qualified opinion of the members in the decision over specific motions in the Remunerations Committee on record or with a written declaration, specify the date and the instance of the committee meeting, the contents of the motion, the opinions of all members and the response to the opinions of the members: the members of the Remunerations Committee of POYA International never have any adverse opinions or qualified opinions on the contents of the motions.

Note: Attendance rate (%) is calculated on the basis the number of meetings called and the attendance of the directors (sitting in as observers) during their term of office.

(V) The practice of corporate social responsibility:

Subject	Status	Discrepancy from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-listed Principles and the reasons
I. Enforcement of corporate governance (I) Establishment of corporate social responsibility policy or system for reviewing the practice and results of enforcement. (II) The operations of the designated body for the advocacy of corporate social responsibility. (III) Routine education and training programs on corporate ethics for the directors, supervisors and the employees, and integration with the code of ethics as an integral part of the employee evaluation system with the institution of an effective system for reward and punishment.	(I) POYA International has not yet established its corporate social responsibility policy or system, but has performed its best in corporate social responsibility through its corporate philosophy and vision. (II) The Finance and Accounting Division has been designed as the advocate for corporate social responsibility incrementally. (III) POYA International holds monthly meetings for the education of the employees on corporate ethics and gives citations to outstanding employees of the month. In the monthly corporate meeting, POYA International provides the employees education on the performance evaluation system and exchange ideas with the employees.	POYA International will establish related system in accordance with applicable legal rules in the future.
II. Environment for sustainability (I) Effort has been made to upgrade the efficiency on the use of resources and in using recycled bio-degradable materials to mitigate the impact on the environment. (II) Establishment of appropriate environmental management system in line with the specific features of the industry. (III) Appointment of a designated body or personnel to administer environmental management for the protection of the environment. (IV) The Company pays attention to the influence of climatic change on the operation and maps out the strategy for energy savings and carbon reduction and the reduced emission of green house gases.	(I) POYA International responds to the call for a paperless work environment and uses an e-invoice platform for placing purchase orders with the suppliers. In addition, POYA International also supports the policy of e-invoice advocated by Ministry of Finance and gradually reduces the use of paper. In 2013, POYA International has been cited by the Ministry of Finance as an Excellent Business using e-Invoice. All these practices are aimed at mitigating the impact on the environment. (II) 1. The air-conditioning system of all shops is controlled by a timer and thermostat for the control of conditioning hours and temperature. 2. The lighting facilities in the shops are energy efficient products. (III) The HR and Administration Division is the designated body. (IV) The air-conditioning system of all business facilities of POYA International is controlled by a timer and thermostat. Fans were used to save on energy. Only appliances with green labels will be purchased for mitigating the impact of climatic change on operations.	Compliant with the requirements of "Corporate Governance Best Practice Principles by TWSE/GTSM- listed Companies".

Subject	Status	Discrepancy from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-listed Principles and the reasons
III. Support social charity (I) Compliant with related legal rules governing labor force, and observe internationally accepted principles of basic human rights of labor. There is no discrimination inherent to the employment policy with the protection of lawful right of the employees. The establishment of appropriate management method, procedures and the state of implementation. (II) Safe and healthy work environment for labor, routine education and training for workers on labor safety and health. (III) Establishment of the mechanism for routine communication with the employees, notification to the employees via reasonable means on changes in operations that may cause significant influences on the employees. (IV) Establishment and disclosure of consumer rights policy, and the availability of a transparent and effective procedure for the customers in filing complaints on products and services. (V) Cooperation with the suppliers for upgrading corporate social responsibility in concerted efforts. (VI) Participation in community development and social charity groups through business activities, donation in kind, corporate volunteer service or other services free of charge.	(I) POYA International duly observes applicable legal rules governing labor force, and makes an effort in upgrading employee welfare. The voices of the employees could be fully heard and are concerned with proposed responses under a humane and reasonable management. (II) POYA International has provided a safe and healthy work environment for the employees and arranges physical examination for the employees once annually. In addition, routine inspection on public safety has also been organized to ensure all employees have a safe and health work environment. (III) POYA International holds monthly meetings with all employees as the channel for communications and allows each employee to understand its management activities and decision-making process. (IV) POYA International has appointed a designated personnel to answer the complaints of customers. The customer complaints hotline is: 0800-033168. (V) POYA International has established a stable collaborative relationship with its suppliers in merchandise supply. (VI) POYA International has made donation to Tainan City Slow Pitch Softball Association and Tainan Municipal Sports Federation in 2013 showing its effort in the advocacy of sports. In addition, POYA International has also donated to the Down Syndrome Foundation of ROC to express its concern for the social misfortunes.	Compliant with the requirements of “Corporate Governance Best Practice Principles by TWSE/GTSM- listed Companies”.
IV. Intensification of disclosure (I) The means of disclosure of the relevance and reliability of corporate social responsibility. (II) Compilation of the corporate social responsibility report for disclosure on the performance of corporate	(I) None. (II) None.	POYA International will establish a related system in accordance with applicable legal rules in the future.

Subject	Status	Discrepancy from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-listed Principles and the reasons
social responsibility.		
V. If the Company has established the code of conduct for corporate governance in accordance with the “Corporate Governance Best Practice Principles for TWSE-GTSM-listed Companies”, elaborate on the code in operation and any discrepancy between the code and the practices: None.		
VI. Other information that helps to understand the performance of corporate social responsibility (the systems and policies on environmental protection, community participation, social contribution, social charity, consumer rights, human rights, safety and health, and other measures for the performance of corporate social responsibility and the state of implementation): Further to its business operations, POYA International has made long-term commitment to corporate social responsibility such as consumer rights and social charity exemplified by donations to Tainan City Slow Pitch Softball Association and Tainan Municipal Sports Federation in support of the development of sports education. In addition, it donates to the Down Syndrome Foundation of ROC for its concern for the socially disabled.		
VII. Elaborate on the standards applicable to the accreditation of product reports or corporate social responsibility reports by external accreditation agencies, if applicable: None.		

(VI) The practice of business integrity and measures:

Subject	Status	Discrepancy from Ethic Corporate Management Best Practice Principles for TWSE/GTSM-listed Principles and the reasons
I. With business integrity policy and action plan in place: (I) Business integrity policy is explicitly stated in the internal code and documents for external circulation. The Board and the management undertake to pursue the business integrity policy. (II) The operating procedure, code of conduct, education and training are in place for the prevention of any breach in business integrity. (III) In the area of business operation that is highly vulnerable to the risk of a breach of business integrity, measures have been taken to prevent the offering and acceptance of bribes, offering of illegal political donation as the action plans for the prevention of breach of business integrity.	(I) POYA International has duly observed the laws governing companies listed in TWSE and GTSM and other applicable legal rules in business activities as the pre-condition for the realization of its business integrity. (II) POYA International has posted its “Rules of Work and Personnel Management Regulation” in its intranet for the inquiry and compliance of all employees at any time. (III) POYA International explicitly stated that the offering or acceptance of favors is prohibited in its “Employee Code of Conduct”.	Compliant with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM- listed companies.

Subject	Status	Discrepancy from Ethic Corporate Management Best Practice Principles for TWSE/GTSM-listed Principles and the reasons
II. Realization of business integrity (I) Avoid any business transactions with parties having a record of unethical practices and explicitly state the provisions of business integrity in the business agreements. (II) The operation of the designated full-time (part-time) body for the advocacy of business integrity, and the supervision of the Board in such matters. (III) With the policy of avoidance of conflict of interest in place with proper channels for reporting and complaints. (IV) Establishment of and proper enforcement of an effective accounting system and internal control system and the audits conducted by the internal auditors.	(I) POYA International has explicitly stated the prohibition of business bribery in all business agreements and will terminate the cooperation and press charges against the offenders. (II) Human Resources Department of POYA International is the designated full-time (part-time) body in the advocacy of business integrity, and is responsible for the establishment, amendment and enforcement of related rules and regulations, provide advisory service and report on any issues pertinent to business integrity. (III) POYA International explicitly stated in its rules of work on the avoidance of the conflict of interest unless otherwise permitted by the president. (IV) POYA International has established its internal control system. The internal auditors conduct regular audits to ensure compliance with the rules, and prepare audit reports for the review by the Board and assess the effectiveness of the internal control system as the basis for the issuance of the declaration of the internal control system.	Compliant with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM- listed companies.
III. The operation of the channels for filing complaints on unethical practices and the regulations governing the punishment on breach of business integrity.	POYA International has arranged a mail box for receiving the opinions from the employees and also established the "Employee Complaint Processing System". In addition, proper channels for communications and complaints have also been properly established for a reasonable and appropriate response to the problem.	Compliant with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM- listed companies.
IV. Intensification of disclosure (I) Installation of an official website for disclosure of business integrity and related matters. (II) Other means of disclosures (the installation of a website in the English language, appointment of designated personnel to gather and disclose company information on the website).	(I) POYA International has posted its "Rules of Work and Personnel Management Regulation" in its intranet for the inquiry and compliance of all employees at any time. (II) The official website of POYA International is at: www.poya.com.tw. Designated personnel have been appointed for the maintenance and update of the website and for disclosure.	Compliant with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM- listed companies.

Subject	Status	Discrepancy from Ethic Corporate Management Best Practice Principles for TWSE/GTSM-listed Principles and the reasons
V. If the Company has established the code of business integrity in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE-GTSM-listed Companies”, elaborate on the code in operation and the discrepancy between the code and the practices: POYA International has not instituted any code of business integrity in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE-GTSM-listed Companies”, but has already enforced related rules and regulations bearing the spirit of business integrity in its management system.		
VI. Any other essential information that can help to understand the enforcement of business integrity (demonstration of the determination and policy of the company in business integrity with business partners, invitation of the business partners to related education and training, review the principles and rules governing business integrity): None.		

(VII) Mode of inquiry for corporate governance principles and related regulations: the official website of POYA International:http://www.poya.com.tw.. There is a special zone for the investors for such purpose.

(VIII) Other essential information that can help to understand the practice of corporate governance shall also be disclosed:

1. Official website of POYA International: http://www.poya.com.tw. There is a special zone for the investors.
2. Disclosure at MOPS:http://mops.twse.com.tw/mops/web/index. The abbreviation is POYA, Stock Code: 5904.

(IX) The implementation of the internal control system:

1. Declaration of internal control: refer to page 134.
2. Certified public accountants commissioned to conduct internal audit and the audit report: None.

(X) From the last fiscal year up to the date this report was printed, any personnel of the company punished by law, or internal disciplinary action on the violation of the internal control system by company personnel, the major shortcomings and the state of corrective action: None.

(XI) From the last fiscal year up to the date this report was printed, major resolutions of the Board and the Shareholders Meeting:

1. Major resolutions at the Shareholders Meeting:

Nature of meeting	Date of meeting	Resolutions	Implementation
Shareholders Meeting	2013.06.11	Adoption of the 2012 Business Report and Financial Statements	Proceed as resolved.
		Adoption of Proposal for Distribution of 2012 Profits.	Proceed as resolved.
		Proposal for a new shares issurance through capitalization of earnings and employees bonus.	Executed as resolved.
		Amendment to the "Articles of Incorporation"	Executed as resolved.
		Amendment to the "Operational Procedures for Endorsements and Guarantees"	Executed as resolved.
		Amendment to the "Operational Procedures for Loaning of Company Funds".	Executed as resolved.

2. In 2013 and 2014 up to the day this report was printed, the Board has held 16 meetings and the summary of the resolutions is stated in the table below:

Nature of meeting	Date of meeting	Resolutions
Board session	2013.01.21	1. Passed the motion setting up the POYA International Co., Ltd. Ta You Branch in Taoyuan. 2. The proposal of the year-end bonus for the managers for FY2012 was referred to the 1st session of the Remunerations Committee in 2013 for approval. 3. The proposal of the year-end bonus for the chairman and the vice chairman was referred to the 1st session of the Remunerations Committee in 2013 for approval. 4. Passed the motion of amendment to the "Rules of Procedure for Board of Directors' Meeting". 5. Passed the motion of amendment to the "Operational Procedures for Loaning of Company Funds". 6. Passed the motion of amendment to the "Operational Procedures for Endorsements and Guarantees".
Board session	2013.03.11	1. Passed the motion of amendment of the "Internal Audit System". 2. Passed the motion of amendment of the "Accounting System". 3. Passed the motion of amendment to the "Articles of Incorporation". 4. Passed the motion of the institution of "Particulars for Assessing the Impairment of Receivables" and "Criteria for Recognition of Impairment". 5. Passed the financial statements in FY2012. 6. Passed the proposal for distribution of 2012 profits 7. Passed the proposal for a new shares issurance through capitalization of earnings and employees bonus 8. Passed the motion for holding the regular session of Shareholders Meeting in 2013. 9. Passed the motion of setting up the POYA International Co., Ltd. Chu Shan Branch in Nantou. 10. Passed the motion setting up the POYA International Co., Ltd. Ta Shun Branch in Kaohsiung.
Board session	2013.04.29	1. Passed the motion of adjustment of the fixed monthly salaries for the managers in FY2013 reviewed by the Remunerations Committee (hereinafter referred to as the "RC"). 2. Passed the motion of the eligibility of proposal of shareholders in the regular session of the Shareholders Meeting.

Nature of meeting	Date of meeting	Resolutions
		3. Passed the "Declaration of Internal Control System of POYA International in FY212". 4. Passed the motion of setting up POYA International Co., Ltd. Bei Tou Branch in Chang Hua.
Board session	2013.05.13	1. Passed the motion setting up POYA International Co., Ltd. Ching Wu East Branch in Taichung.
Board session	2013.06.24	1. Passed the motion of applying for a credit limit amounting to NT$20 million as bonds for gift certificates with the First Commercial Bank. 2. Passed the motion of applying for mid- and long-term loans amounting to NT$70 million with the First Commercial Bank. 3. Passed the motion of amendment to "Computerized information system processing cycle" and "salary cycle". 4. Passed the motion setting up POYA International Co., Ltd. Hsin Hai Branch at Pan Chiao.
Board session	2013.07.15	1. Passed the proposal of "Remunerations to directors and supervisors individually for FY2012" presented by the Remunerations Committee (hereinafter referred to as the "RC"). 2. Passed the motion of bonus payable to the managers in FY2012, and presented to the 4th RC session in 2013 for approval. 3. Passed the motion of ex-dividends and ex-rights for FY2013. 4. Passed the motion on the distribution of cash dividends and capitalization of retained earnings and employee bonus into new shares for FY2013. 5. Passed the motion of amendment to the "internal audit system" of POYA International. 6. Passed the motion setting up POYA International Co., Ltd. Cheng Kung Branch at Ta Li. 7. Passed the motion on the plan for acquisition of real properties.
Board session	2013.08.12	1. Passed the motion on borrowing an amount of NT$420 million from E-Sun Bank, China Trust Commercial Bank, and Industrial Bank of Taiwan in long-term loans. Chairman Chen Chien-Chao was authorized to handle the transactions with these banks. 2. Passed the motion setting up the POYA International Co., Ltd. Ching Kuo Branch in Hsinchu. 3. Passed the motion setting up the POYA International Co., Ltd. Chang Chun Branch in Chu Tung.
Board session	2013.09.09	1. Passed the motion setting up the POYA International Co., Ltd. Chi Shan Branch in Kaohsiung.
Board session	2013.10.07	1. Passed the motion setting up the POYA International Co., Ltd. Sung Chu Branch in Taichung.
Board session	2013.11.11	1. Passed the motion on amendment to the "Regulation Governing Specimen Seal Impression". 2. Passed the motion on borrowing an amount of NT$100 million from Land Bank of Taiwan in long-term loans. Chairman Chen Chien-Chao was authorized to handle the transactions with the bank. 3. Passed the motion setting up the POYA International Co., Ltd. Wen Hua Branch in Kui Shan.
Board session	2013.12.09	1. Passed the audit plan for FY2014. 2. Passed the business plan for FY2014. 3. Passed the motion on borrowing an amount of NT$100 million from Land Bank of East Asia in long-term loans. Chairman Chen Chien-Chao was authorized to handle the transactions with the bank. 4. Passed the motion setting up the POYA International Co., Ltd. Min Sheng Branch in Kaohsiung.
Board	2014.01.20	1. Passed the motion setting up the POYA International Co., Ltd. Min Hsiung

Nature of meeting	Date of meeting	Resolutions
session		Branch in Chiayi. 2. Passed the motion setting up the POYA International Co., Ltd. Hsin Sheng Branch in Taitung. 3. Passed the proposal on the year-end bonus for the managers in FY2013 and referred it to the Remunerations Committee for approval in the 1st session of the committee in 2014. 4. Passed the proposal on the year-end bonus for the chairman and the vice chairman in FY2013 and referred it to the Remunerations Committee for approval in the 1st session of the committee in 2014.
Board session	2014.02.17	1. Passed the motion on borrowing an amount of NT$100 million from Land China Development Industrial Bank in long-term loans. Chairman Chen Chien-Chao was authorized to handle the transactions with the bank. 2. Passed the motion setting up the POYA International Co., Ltd. Chung Cheng Branch in Nan Miao. 3. Passed the motion setting up the POYA International Co., Ltd. Wen Hua Branch in Shan Hsia. 4. Passed the motion setting up the POYA International Co., Ltd. Tung Shi in Taichung.
Board session	2014.03.17	1. Passed the 2013 business report and financial statements. 2. Passed the proposal for distribution of 2013 profits. 3. Passed the proposal for a new shares issuance through capitalization of earnings and employees bonus. 4. Passed the proposal for the election of directors and independent directors. 5. Passed the motion on the amendment to the provisions of the “Articles of Incorporation” in part. 6. Passed the motion on the amendment to the provisions of the “Operational Procedures for Loaning of Company Funds” in part. 7. Passed the motion on the amendment to the provisions of the “Operational Procedures for Endorsements and Guarantees” in part. 8. Passed the motion on the amendment to the provisions of the “Operational Procedures for Acquisition or Disposal of Assets” in part. 9. Passed the motion on amendment to the “Rules on Directors and Supervisors’ Election”, and renaming it as the “Rules on Election of Directors”. 10. Passed the motion on the amendment to the provisions of the “Rules of Procedures for Shareholder Meeting” in part. 11. Passed the motion on the amendment to the provisions of the “Rules of Procedure for Board of Directors’ Meeting” in part. 12. Passed the motion establishing the “Audit Committee Charter”. 13. Passed the declaration on internal controls prepared on the basis of the findings of self-assessment and internal audits in FY 2013. 14. Passed the motion calling for a regular session of the Shareholders Meeting in FY 2014. 15. Passed the motion on borrowing an amount of NT$80 million from Hua Nan Bank in long-term loans. Chairman Chen Chien-Chao was authorized to handle the transactions with the bank. 16. Passed the motion on the replacement of the external auditors due to the internal changes in the office of the certified public accountants commissioned to do the service. 17. Passed the motion setting up the POYA International Co., Ltd. Chin Hua Branch in Tainan. 18. Passed the motion setting up the POYA International Co., Ltd. Li Ming Branch in Taichung.

Nature of meeting	Date of meeting	Resolutions
Board session	2014.4.21	1. Passed the review of the independent directors nominated by shareholders of POYA International who hold more than 1% of the outstanding shares. 2. Passed the discussion to approve the lifting of non-competition restrictions on Directors and theirrepresentatives 3. Passed the motion setting up the POYA International Co., Ltd. Chung Cheng Branch in Yunlin. 4. Passed the motion setting up the POYA International Co., Ltd. Chung Shan Branch in Hsin Ying.
Board session	2014.5.5	1. Passed the motion setting up the POYA International Co., Ltd. Feng Chia Branch in Pingtung, Ta Yuan Branch in Taoyuan, Chung Cheng Branch in Tainan, and Kuang Ming Branch in Chu Pei. 2. Passed the assessment on the independence of the certified public accountant commissioned by POYA International for certification of financial statements.

(XII) From the last fiscal year up to the date this report was printed, is there any director or supervisor holding adverse opinions on major resolutions of the Board on record or with written declarations, and the contents, if applicable: None.

(XIII) From the last fiscal year up to the date this report was printed, did any of the personnel related to the company (including the chairman, president, chief accounting officer and chief internal auditor) resign from their positions, if applicable: None.

IV. Information on the fees for the certified public accountants

Name of CPA firm	Name of CPA		Audit period	Remark
PricewaterhouseCoopers Taiwan	Lee Ming-Hsian	Lin Chi-Yu	2013.01.01-2013.12.31	

Unit: Thousands of New Taiwan Dollars

Bracket	Item	Auditing fee	miscellaneous fees	Total
1	Less than 2,000		✓	
2	2,000～4,000	✓		✓
3	4,000～6,000			
4	6,000～8,000			
5	8,000～10,000			
6	10,000 and more			

(I) If the payment for miscellaneous services rendered by the certified public accountants or the accounting firm accounted for more than 25% of the fees for audit services, disclose the itemized amount for audit service and miscellaneous services, and the content of miscellaneous services:

Fee for audit services

Unit: Thousands of New Taiwan Dollars

Name of CPA firm	Name of CPA	Fee for audit service	Fees for miscellaneous services					Audit period	Remark
			System design	Business registration	HR	Others (note)	subtotal		
PricewaterhouseCoopers Taiwan	Lee Ming-Hsien Lin Chi-Yu	2,500				141	141	2013.01.01-2013.12.31	Miscellaneous services included the fee for the secretarial work and printing of the report on capitalization of earnings into new shares. This part of the fee is NT$141,000.

Note: The fees for miscellaneous services shall be itemized. If the item of "others" under the title of miscellaneous services exceeds 25% of the total of miscellaneous services, specify the contents of services in the field provided.

(II) If the replacement of the CPA firm and the new contracting firm charged a lesser amount than the firm rendering the same services in the previous year, disclose the amount of the fees before and after the replacement and the reasons for the difference: None.

(III) If the fee for audit service in current period is less than the previous year by more than 15%, disclose the amount reduced, the proportion to the total and the reasons for the change: none.

V. **Information on the replacement of the CPA:** None.

VI. If the chairman, president, managers of finance or accounting of the company has been working with the CPA firm commissioned for audit service or its affiliates last year, disclose the name, title, and the duration of service with the said CPA firm or its affiliates: None**.**

VII. From the last fiscal year up to the date this report was printed, the status of assignment of shares or pledge of shares under lien by directors, supervisors, managers or shareholders holding more than 10% of the company shares:

1. Changes in the shareholdings of the directors, supervisors, mangers, or dominant shareholders

Title	Name	FY2013		Jan 1 to April 12, 2014	
		Change in quantity	Quantity of shares pledged	Change in quantity	Quantity of shares pledged
Chairman	Duo Chin Investment Co.,Ltd.	75,363		0	0
	Representative: Chen Chien-Chao			0	0
Vice Chairman	Poay Investment Co., Ltd.	75,616		0	0
	Representative: Chen Fan Mei-Jin	1,672		0	0
Director	Chen Zong-Cheng	91,677	(950,000)	0	0
Director	Yu Ben Investment Co., Ltd.	26		0	0
	Representative: Sun Da-Wen			0	0
Independent Director	Lin Cai-Yuan			0	0
Independent Director	Shih Bo-Ren	10		0	0
Independent Director	Wei Xing-fang			0	0
Supervisor	Tsai De-Shiang	7,495		0	0
Supervisor	Shie Zong-Kun			0	0
Supervisor	Chen Ming-Shian			0	0
Manager	Shen Hong-Yu	8,096		0	0

2. Information showing the assignee of share is a stakeholder: none

3. Information showing the lien holder is a stakeholder: none

VIII. Information showing that the top 10 shareholders are related parties to one another as specified in SFAS No. 6 and kindred within the 2nd tier

Information on the relationships among the top 10 shareholders

April 12 2014

Name (note 1)	Shareholding by the person		Shareholding by spouse and underage children		Shareholding under the name of a third party		There are related parties or spouse to each other among the top 10 shareholders as specified in SFAS No. 6 or kindred within the 2nd tier to one another, and the names and relations, if applicable. (Note 3).		Remarks
	Qty of shareholdings	Proportion of shareholdings	Qty of shareholdings	Proportion of shareholdings	Qty of shareholdings	Proportion of shareholdings	Name	Relation	
Poay Investment Co., Ltd. Representative: Chen Fan Mei-Jin	7,637,219 168,898	8.22% 0.18%	0	0%	0	0%	Chen Chien-Chao Chen Zong-Cheng Chen Lee-Lee	Spouse Son-in-law Mother and daughter	
Duo Chin Investment Co., Ltd. Representative: Chen Chien-Chao	7,611,747 0	8.19% 0%	168,898	0.18%	0	0%	Chen Fan Mei-Jin Chen Zong-Cheng Chen Lee-Lee	Spouse Son-in-law Father and daughter	
Chen Ching Investment Co., Ltd. Representative: Chen Lee-Lee	7,144,685 2,343,473	7.69% 2.52%	6,029,894	6.49%	0	0%	Chen Zong-Cheng Chen Chien-Chao Chen Fan Mei-Jin	Spouse Father and daughter Mother and daughter	
Blue Sea Development Co., Ltd. Representative: Chen Zong-Cheng	6,339,489 5,814,155	6.82% 6.26%	2,559,212	2.75%	0	0%	Chen Chien-Chao Chen Fan Mei-Jin Chen Lee-Lee Chen Chun-Tsai	Father-in-law Mother-in-law Spouse Brothers	
Chen Zong-Cheng	5,814,155	6.26%	2,559,212	2.75%	0	0%	Chen Chien-Chao Chen Fan Mei-Jin Chen Lee-Lee	Father-in-law Mother-in-law Spouse	
Investment Account of Small Denomination World Funds Co. Ltd. in custody of Deutsche Bank Representative: Wu Chun-Pang	4,319,000 0	4.64% 0%	0	0%	0	0%			
Chang Yi Investment Co., Ltd. Representative: Chen Lee-Lee	2,879,641 2,343,473	3.09% 2.52%	6,029,894	6.49%	0	0%	Chen Zong-Cheng Chen Chien-Chao Chen Fan Mei-Jin	Spouse Father and daughter Mother and daughter	
Wasatch small cap emerging markets fund in custody of Deutsche Bank Representative: Wu Chun-Pang	2,564,642 0	2.76% 0%	0	0%	0	0%			
Yi Shui Tang Investment Co., Ltd. Representative: Lin Chun-Rao	2,520,000 0	2.71% 0%	0	0%	0	0%			
Chen Chun-Tsai	2,380,036	2.56%	39,254	0.04%	0	0%	Chen Zong-Cheng	Brothers	

Note 1: the top 10 shareholders shall be disclosed. For institutional shareholders, both the name of the institution and the representative shall be disclosed.

Note 2: Calculation of the proportion of shareholding includes the holdings under the own name of the person, the spouse, underage children, or under the name of a third party.

Note 3: Shareholders as disclosed above include institutional shareholders and natural person shareholders, and the relations among them shall be disclosed.

IX. The quantity of shares of a particular issuer held by the company, the directors, supervisors, and managers of the company or with direct and indirect investment by the company shall be included in the calculation of the proportion of shareholding: none.

IV. Status of Capital

Status of Capital

I. Capital stock and shares

(I) Sources of capital stock

Currency unit: NTD/ share

Year/month	Issuing price	Stated capital		Paid-in capital		Remarks		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital stock	Investment by properties beyond cash	Others
Mar 1997	1,000	20,000	20,000,000	20,000	20,000,000	Capital for incorporation	No	-
Nov 1998	10	4,400,000	44,000,000	4,400,000	44,000,000	Raised capital of NT$24,000,000 by issuing new shares	No	-
Jul 1999	10	12,400,000	124,000,000	12,400,000	124,000,000	Raised capital of NT$80,000,000 by issuing new shares	No	Note 1
Sep 2000	10	14,880,000	148,800,000	14,880,000	148,800,000	Capitalization of retained earnings amounted to NT$ 24,800,000 into new shares.	No	Note 2
Oct 2001	10	16,368,000	163,680,000	16,368,000	163,680,000	Capitalization of retained earnings amounted to NT$ 14,880,000 into new shares.	No	Note 3
Jun 2002	10	30,000,000	300,000,000	20,494,700	204,947,000	Capitalization of retained earnings amounted to NT$ 40,920,000 into new shares. Capitalization of employee bonus amounted to NT$ 347,000 into new shares.	No	Note 4
May 2003	10	40,000,000	400,000,000	23,868,905	238,689,050	Capitalization of retained earnings amounted to NT$ 30,742,050 into new shares. Capitalization of employee bonus amounted to NT$ 3,000,000 into new shares.	No	Note 5
Jun 2004	10	46,000,000	460,000,000	25,501,900	255,019,000	Capitalization of retained earnings amounted to NT$ 11,934,450 into new shares. Capitalization of employee bonus amounted to NT$ 4,395,500 into new shares.	No	Note 6
Jun 2005	10	46,000,000	460,000,000	33,952,470	339,524,700	Capitalization of retained earnings amounted to NT$76,505,700 into new shares. Capitalization of employee bonus amounted to NT$ 8,000,000 into new shares.	No	Note 7
Nov 2005	10	61,000,000	610,000,000	34,855,576	348,555,760	Conversion of convertible corporate bonds into 903,106 common shares. Raised capital of NT$9,031,060 by issuing new shares	No	Note 8
Feb 2006	10	61,000,000	610,000,000	39,292,214	392,922,140	Conversion of convertible corporate bonds into 4,436,638 into new shares. Raised capital of NT$44,366,380 by issuing new shares	No	Note 9
May 2006	10	61,000,000	610,000,000	39,625,398	396,253,980	Conversion of convertible corporate bonds into 333,184 into new shares. Raised capital of NT$3,331,840 by issuing new shares	No	Note 10
Jul 2006	10	61,000,000	610,000,000	39,634,166	396,341,660	Conversion of convertible corporate bonds into 8,768 into new shares. Raised capital of NT$87,680 by issuing new shares	No	Note 11
Sep 2006	10	61,000,000	610,000,000	80,00,000	476,341,660	Raised capital of NT$175,200,000 by issuing new shares	No	Note 12
Nov 2006	10	61,000,000	610,000,000	54,950,588	549,505,880	Capitalization of retained earnings amounted to NT$60,573,000 into new shares. Capitalization of employee bonus amounted to NT$ 10,252,300 into new shares. Conversion of convertible corporate bonds into 233,892 into new shares. Raised capital of NT$2,338,920 by issuing new shares	No	Note 13
Apr 2007	10	75,000,000	750,000,000	55,087,365	550,873,650	Conversion of convertible corporate bonds into 136,777 into new shares. Raised capital of NT$1,367,770 by issuing new shares	No	Note 14
Jun 2007	10	75,000,000	750,000,000	62,501,365	625,013,650	Raise capital through private placement by issuing 7,414,000new shares. Raised capital of NT$74,140,000 by issuing new shares	No	Note 15

Year/month	Issuing price	Stated capital		Paid-in capital		Remarks		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital stock	Investment by properties beyond cash	Others
Sep 2007	10	85,000,000	850,000,000	64,685,731	646,857,310	Capitalization of retained earnings amounted to NT$ 5,508,740 into new shares. Capitalization of employee bonus amounted to NT$ 10,252,300 into new shares. Conversion of convertible corporate bonds into 608,262 into new shares. Raised capital of NT$6,082,620 by issuing new shares	No	Note 16
Jun 2008	10	85,000,000	850,000,000	66,357,819	663,578,190	Capitalization of retained earnings amounted to NT$ 6,468,580 into new shares. Capitalization of employee bonus amounted to NT$ 10,252,300 into new shares.	No	Note 17
Jun 2009	10	100,000,000	1,000,000,000	73,058,767	730,587,670	Capitalization of retained earnings amounted to NT$ 59,722,040 into new shares. Capitalization of employee bonus amounted to NT$ 7,287,440 into new shares.	No	Note 18
Sep 2010	10	120,000,000	1,200,000,000	88,309,000	883,090,000	Capitalization of retained earnings amounted to NT$ 142,464,600 into new shares. Capitalization of employee bonus amounted to NT$ 10,037,730 into new shares.	No	Note 19
Aug 2011	10	120,000,000	1,200,000,000	90,086,658	900,866,580	Capitalization of retained earnings amounted to NT$8,830,900 into new shares. Capitalization of employee bonus amounted to NT$ 8,945,680 into new shares.	No	Note 20
Aug 2012	10	120,000,000	1,200,000,000	91,626,699	916,266,990	Capitalization of retained earnings amounted to NT$9,008,660 into new shares. Capitalization of employee bonus amounted to NT$ 6,391,750 into new shares.	No	Note 21
Aug 2013	10	120,000,000	1,200,000,000	92,907,263	929,072,630	Capitalization of retained earnings amounted to NT$9,162,660 into new shares. Capitalization of employee bonus amounted to NT$ 3,642,980 into new shares.	No	Note 22

Note 1: At the approval of Securities and Futures Commission of the Ministry of Finance under Letter 88.7.19(88) Tai-Tsai-Cheng (I) No.63994.

Note 2: At the approval of Securities and Futures Commission of the Ministry of Finance under Letter 89.9.18(89) Tai-Tsai-Cheng(I) No.78517.

Note 3: At the approval of Securities and Futures Commission of the Ministry of Finance under Letter 90.10.9(90) Tai-Tsai-Cheng (I) No. 162012.

Note 4: At the approval of Securities and Futures Commission of the Ministry of Finance under Letter 91.6.19(91) Tai-Tsai-Cheng (I) No. 0910133129.

Note 5: At the approval of Securities and Futures Commission of the Ministry of Finance under Letter 92.5.26 Tai-Tsai-Cheng(I) No.0920123022.

Note 6: At the approval of Securities and Futures Commission of the Ministry of Finance under Letter 93.6.04 Tai-Tsai-Cheng(I) No.0930124844.

Note 7: At the approval of Financial Supervisory Commission of the Executive Yuan under Letter 94.6.07 Chin-Kuan-Cheng (I) No.0940122740.

Note 8: At the approval of Ministry of Economic Affairs under Letter 94.11.25 Ching-Shou-Chung-Tzi No. 09433215370.

Note 9: At the approval of Ministry of Economic Affairs under Letter 95.02.17 Ching-Shou-Chung-Tzi No.09531714710.

Note 10: At the approval of Ministry of Economic Affairs under Letter 95.05.02 Ching-Shou-Chung-Tzi No.09532117920.

Note 11: At the approval of Ministry of Economic Affairs under Letter 95.07.18 Ching-Shou-Chung-Tzi No.09532523600.

Note 12: At the approval of Financial Supervisory Commission of the Executive Yuan under Letter 95.6.6 Chin-Kuan-Cheng (I) No.0950120110.

Note 13: At the approval of Financial Supervisory Commission of the Executive Yuan on capitalization of retained earnings under Letter 95.9.18 Chin-Kuan-Cheng (I) No.095014275.
At the approval of the Ministry of Economic Affairs on conversion of corporate bonds into common shares under Letter 95.11.07 Ching-Shou-Shang-Tzi No.09501247890.

Note 14: At the approval of Ministry of Economic Affairs under Letter 96.04.30 Ching-Shou-Chung-Tzi No.09601092770.

Note 15: At the approval of Ministry of Economic Affairs under Letter 96.06.12 Ching-Shou-Chung-Tzi No.09601127360.

Note 16: At the approval of Financial Supervisory Commission of the Executive Yuan on capitalization of retained earnings under Letter 96.7.9 Chin-Kuan-Cheng (I) No. 0960034976.
At the approval of the Ministry of Economic Affairs on conversion of corporate bonds into common shares under Letter 96.09.13 Ching-Shou-Shang-Tzi No.0960125730.

Note 17: At the approval of Financial Supervisory Commission of the Executive Yuan on capitalization of retained earnings under Letter 97.6.19 Chin-Kuan-Cheng (I) No.0970030752.

Note 18: At the approval of Financial Supervisory Commission of the Executive Yuan on capitalization of retained earnings under Letter 98.6.22 Chin-Kuan-Cheng (I) No.0980030830.
At the approval of the Ministry of Economic Affairs under Letter 98.08.10 Ching-Shou-Shang-Tzi No.09801179010.

Note 19: At the approval of Financial Supervisory Commission of the Executive Yuan on capitalization of retained earnings under Letter 99.8.06 Chin-Kuan-Cheng (I) No.0990041257.
At the approval of Ministry of Economic Affairs under Letter 99.11.02 Ching-Shou-Shang-Tzi No.09901245300.

Note 20: At the approval of Financial Supervisory Commission of the Executive Yuan on capitalization of retained earnings under Letter 100.07.08 Chin-Kuan-Cheng-Fa-Tzi No.1000031705.
At the approval of Ministry of Economic Affairs under Letter 100.08.15 Ching-Shou-Shang-Tzi No.10001186730.

Note 21: At the approval of Financial Supervisory Commission of the Executive Yuan on capitalization of retained earnings under Letter 101.6.25 Chin-Kuan-Cheng-Fa-Tzi No.1010027987.
At the approval of Ministry of Economic Affairs under Letter 101.08.06 Ching-Shou-Shang-Tzi No.10101159740.

Note 22: At the approval of Financial Supervisory Commission of the Executive Yuan on capitalization of retained earnings under Letter 102.6.28 Chin-Kuan-Cheng-Fa-Tzi No.1020025274.
At the approval of Ministry of Economic Affairs under Letter 102.08.16 Ching-Shou-Shang-Tzi No.10201166230.

Type of share	Stated Capital			Remarks
	Outstanding quantity	Unissued quantity	Total	
Common shares	92,907,263 shares	27,092,737 shares	120,000,000 shares	Stocks listed in GTSM

(II) Structure of shareholders

Structure of shareholders

April 12 2014; unit: share

Shareholder / Qty	Government	Financial institutions	Other institutions	Natural persons	Foreign institutions and nationals	Total
Counts	0	14	50	4,703	106	4,873
Qty of shareholding	0	1,911,875	43,894,084	24,473,767	22,627,537	92,907,263
Proportion of shareholding	0	2.06%	47.24%	26.34%	24.36%	100%

(III) Diversification of shareholding

1. Common shares: NT$10/share

April 12 2014

Shareholding by quantity	No. of shareholders	Quantity of shareholding	Proportion of shareholding
1 to 999	3,033	403,057	0.43%
1,000 to 5,000	1,396	2,445,913	2.63%
5,001 to 10,000	147	1,000,801	1.08%
10,001 to 15,000	83	990,166	1.07%
15,001 to 20,000	20	341,735	0.37%
20,001 to 30,000	36	870,853	0.94%
30,001 to 40,000	25	891,225	0.96%
40,001 to 50,000	11	488,996	0.53%
50,001 to 100,000	39	2,789,820	3.00%
100,001 to 200,000	29	4,121,895	4.43%
200,001 to 400,000	18	4,863,918	5.23%
400,001 to 600,000	10	5,163,471	5.56%
600,001 to 800,000	5	3,511,915	3.78%
800,001 to 1,000,000	2	1,782,853	1.92%
More than 1,000,001	19	63,240,645	68.07%
Total	4,873	92,907,263	100.00%

(IV) List of dominant shareholders

April 12 2014

Names of dominant shareholders \ Shareholding	Quantity of shareholdings	Proportion of shareholdings
Poay Investment Co.,Ltd.	7,637,219	8.22%
Duo Chin Investment Co., Ltd.	7,611,747	8.19%
Chen Ching Investment Co., Ltd.	7,144,685	7.69%
Blue Sea Aquaculture Development Co., Ltd.	6,339,489	6.82%
Chen Zong-Cheng	5,814,155	6.26%
Investment Account of Small Denomination World Funds Co. Ltd. in custody of Deutsche Bank	4,319,000	4.64%
Chang Yi Investment Co., Ltd.	2,879,641	3.09%
Wasatch Emerging Markets Small Cap Fund in custody of Deutsche Bank.	2,564,642	2.76%
Yi Shui Tang Investment Co., Ltd.	2,520,000	2.71%
Chen Chun-Tsai	2,380,036	2.56%

(V) The market price, net value, earnings and dividend per share in the last 2 years and related information

<table>
<tr><th colspan="3">FY / Title</th><th>FY 2012</th><th>FY 2013</th><th>2014 to March 31 (Note 8)</th></tr>
<tr><td rowspan="3">Market price per share (Note 1)</td><td colspan="2">High</td><td>76.7</td><td>200</td><td>208</td></tr>
<tr><td colspan="2">Low</td><td>34.6</td><td>75.8</td><td>180</td></tr>
<tr><td colspan="2">Average</td><td>53.3</td><td>130.42</td><td>191.18</td></tr>
<tr><td rowspan="2">Net value per share (Note 2)</td><td colspan="2">Cum-dividend</td><td>19.58</td><td>21.76</td><td>23.58</td></tr>
<tr><td colspan="2">Ex-dividend</td><td>15.54</td><td>-(Note 9)</td><td>-(Note 10)</td></tr>
<tr><td rowspan="3">Earnings per share</td><td colspan="2">Weighted average quantity of shares</td><td>91,626,699</td><td>92,907,263</td><td>92,907,263</td></tr>
<tr><td rowspan="2">Earnings per share</td><td>Before adjustment</td><td>4.75</td><td>6.03</td><td>1.82</td></tr>
<tr><td>After adjustment</td><td>4.62</td><td>-(Note 9)</td><td>-(Note 10)</td></tr>
<tr><td rowspan="4">Dividend per share</td><td colspan="2">Cash dividend</td><td>4.1/share</td><td>4.8/share</td><td>-(Note 10)</td></tr>
<tr><td rowspan="2">Stock dividend</td><td>From earnings</td><td>NT$0.1/share</td><td>NT$0.1/share</td><td>-(Note 10)</td></tr>
<tr><td>From capital surplus</td><td>-</td><td>-</td><td>-(Note 10)</td></tr>
<tr><td colspan="2">Cumulative unpaid dividends (Note 4)</td><td>-</td><td>-</td><td>-(Note 10)</td></tr>
<tr><td rowspan="3">ROI analysis</td><td colspan="2">P/E ratio (Note 5)</td><td>11.22</td><td>21.63</td><td>-(Note 10)</td></tr>
<tr><td colspan="2">P/P ratio (Note 6)</td><td>13</td><td>27.17</td><td>-(Note 10)</td></tr>
<tr><td colspan="2">Cash dividend yield rate (Note 7)</td><td>7.69%</td><td>3.69%</td><td>-(Note 10)</td></tr>
</table>

Note 1: The price at high, low, and average in each year is shown and the average market price of each year is calculated with reference to the trading value and trading volume.
Note 2: Based on the quantity of outstanding shares at the end of the year and the decision at the Shareholders Meeting on distribution of earnings in the next year.
Note 3: If retrospective adjustment is necessary due to the release of stock dividends, state the EPS before and after the adjustment.
Note 4: If there is a requirement of the issuance of equity securities that unpaid dividend could be accumulated to the year with earnings for distribution, disclose the cumulated amount of unpaid dividends over the year up to current period.
Note 5: P/E ratio = average price per share at closing in the current year/earnings per share.
Note 6: P/P ratio = average price per share at closing in current year/cash dividends per share
Note 7: Cash dividend yield rate = cash dividend per share/average price per share at closing in the current year.
Note 8: Information on March 31 2013 is reviewed by certified public accountants.
Note 9: The dividend for FY 2013 has been subject to resolution of the Board in a session dated March 17 2914 pending the ratification at the Shareholders Meeting.
Note 10: Information covers the period of less than one year.

(VI) Dividend policy and implementation

POYA International is in an industry where the operating environment is unpredictable. In addition, it is also at the stage of stable growth in its life span. If there is a surplus in budget settlement of the year, POYA International shall pay corporate income tax and cover the losses carried forward from the previous years. The remainder shall be subject to mandatory reserve at 10%, and allocation of special reserve or reversal of earnings. The balance shall be distributable earnings for the current period. With the addition of unpaid earnings from previous year, the total shall be the cumulative amount of earnings for distribution in the current period.

The Board of POYA International shall propose a plan for the distribution of earnings in consideration of the industrial environment and business needs or other direct investments in the future, and present the proposal before the session of the Shareholders Meeting for final approval before distribution in the following manner:

1. Remunerations to directors: up to 6% of the distributable earnings in the current period.
2. Employee bonus: up to 0.1% of the distributable earnings in the current period.
3. Dividends and bonus for shareholders: at 50% to 100% of the cumulative amount of earnings for distribution in the current year of which at least 1% of the total shall be in the form of cash dividends. No cash dividends will be released if the dividend per share falls below NT$0.5 in which case a stock dividend will be released instead.

New shares or cash dividends may be paid from retained earnings on condition that the pool of reserve exceeds 25% of the paid-in capital.

POYA International had corporate earnings of NT$558,852,006 and the cash dividends amounted to NT$445,954,862 in FY2013. In consideration of the business development in the future, POYA International planned to capitalize NT$9,290,720of dividends for shareholders from the distributable earnings in FY 2013 into 929,072 new shares (common shares). Employee bonus amounted to NT$51,000,000 and the number of shares issued is calculated on the basis of the closing price on the day before the Shareholders Meeting in consideration of the ex-rights effect. A fraction of a share from capitalization of employee bonus shall be paid as a cash dividend.

(VII) The effect of stock dividend to be resolved in the Shareholders Meeting on the business

The Stock Dividend Issuance of 929,072 shares at this time is mainly for the needs of business expansion, and retaining the cash from business earnings in the company for use in setting up new stores in future years. This has a positive impact on the business performance of the company and is expected to sustain the steady growth of company revenue in the future.

There is limited impact on EPS dilution resulting from the Stock Dividend Issuance this year.Impact of Stock Dividend Issuance on the Company’s Business Performance, EPS and Shareholder Return Rate.

Unit: Thousands of New Taiwan Dollars

<table>
<tr><th colspan="3">FY
Item</th><th>FY 2014 (estimate)</th></tr>
<tr><td colspan="3">Opening balance of paid-in capital</td><td>929,073</td></tr>
<tr><td rowspan="3">Cash dividend and share dividend status</td><td colspan="2">Cash dividend/share</td><td>NTD 4.8(Note 1)</td></tr>
<tr><td colspan="2">Share dividend issue through capitalization of earnings</td><td>0.01 share (Note 1)</td></tr>
<tr><td colspan="2">No. of shares issued as share dividend from capitalization of capital reserve</td><td>0 share</td></tr>
<tr><td rowspan="7">Status change of Business performance</td><td colspan="2">Operating income</td><td rowspan="13">(Note 2)</td></tr>
<tr><td colspan="2">Ratio of increase (decrease) of operating income as compared to same period in preceding year</td></tr>
<tr><td colspan="2">Net profit after tax</td></tr>
<tr><td colspan="2">Ratio of increase (decrease) in net profit after tax as compared to same period in preceding year</td></tr>
<tr><td colspan="2">EPS</td></tr>
<tr><td colspan="2">Ratio of increase (decrease) in EPS as compared to same period in preceding year</td></tr>
<tr><td colspan="2">Average ROI %（Average earnings yield）</td></tr>
<tr><td rowspan="6">Pro forma EPS and P/E ratio</td><td rowspan="2">If the earnings capitalization is fully issued as cash dividends</td><td>Pro forma EPS</td></tr>
<tr><td>Pro forma average ROI%</td></tr>
<tr><td rowspan="2">If capitalization of capital reserve is not processed</td><td>Pro forma EPS</td></tr>
<tr><td>Pro forma average ROI%</td></tr>
<tr><td rowspan="2">If capital reserve is not processed and the earnings capitalization is issued as cash dividend</td><td>Pro forma EPS</td></tr>
<tr><td>Pro forma average ROI%</td></tr>
</table>

Note 1: The aforementioned share dividend rate for shareholders’ share dividend is based on the earnings distribution resolution passed by the Board of Directors on Mar 17, 2014 according to the calculation of 92,907,263 shares in total already issued by the Company but this proposal has yet to be approved by the 2014 shareholders’ meeting.

Note 2: According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company is not required to publicize its 2014 financial forecast; hence there is no financial forecast information for 2014 provided.

Deputy Agent of company: Manager: Prepared by:

(VIII) Employee bonus and remunerations to the directors and supervisors.

1. The percentage or scope of employee bonus and remunerations to the directors and supervisors as stated in the Articles of Incorporation: refer to (VI) for detail.
2. The accounting of the discrepancy between the basis for the estimates of employee bonus and remunerations to the directors and the supervisors and for the calculation of the quantity of shares to be released as stock dividend and the actual amount distributed, if applicable:
   The quantity of shares released to employees as stock dividend for FY 2013 is calculated on the basis of the closing price of the shares in consideration with the ex-rights and ex-dividends effect on the day before the resolution of the Shareholders Meeting. The fraction of a share will be paid in cash. In the event of a discrepancy between the actual amount distributed and the estimates, it will be taken as a change in estimates in accounting and the difference will be recognized as income or loss in the year of distribution.

3. Information on the distribution of employee bonus passed by the Board for FY2013
   (1) The amount proposed to be released for employee bonus and remunerations to the directors and supervisors:
   The Board proposed to pay the amount of NT$51 million as employee bonus and NT$4.8 million as remunerations to the directors and supervisors. The actual amount of payment is congruent with the estimates for FY 2013.
   (2) The amount proposed for release as employee bonus in proportion to the corporate earnings in the current period and the total employee bonus: 8.36%.
   (3) The estimated earnings per share net of the employee bonus and remunerations to the directors and shareholders: NT$ 6.03.

4. The discrepancy between the distribution of earnings for employee bonus and remunerations to the directors and supervisors in the previous period (including the quantity of shares, the amount and stock price), and the amount recognized for employee bonus and remunerations to the directors and supervisors, the reasons for discrepancy and the accounting principle:
   (1) The distribution of employee bonus and remunerations to the directors and the supervisors in the previous period:
   Stock dividends for employees: NT$40 million
   Stock dividend for employees is calculated on the basis of the closing price at NT$115/share, as of June 10 2013, with reference to the ex-dividends and ex-rights effect, which was set at an offering price of NT$109.8/share, with 364,298 shares paid out amounting to NT$40 million. The fraction of a share is paid out in cash.
   Remunerations to the directors and supervisors amounted to NT$4.8 million.
   (2) POYA International distributed NT$44,800,000 as employee bonus and remunerations to the directors and supervisors for FY2012, which was congruent with the amount recognized in the books for FY2012.

(IX) Repurchase of company shares: None.

II. Corporate bonds: none.

III. Preferred shares: none.

IV. The issuance of overseas depository receipts: not applicable.

V. The issuance of employee stock options: not applicable.

VI. New shares restricted to employees: not applicable.

VII. Acquisition of new shares from other companies through mergers and acquisitions or assignment: not applicable.

VIII. Capital planning and implementation: not applicable.

V. Operating Highlights

Operating Highlights

I. The content of business

(I) Business scope:

1. Principal items:
   (1) Trendy dermatological and cosmetic products
   These are internationally and domestically well-known brands of dermatological and cosmetic items displayed over-the-counter and no-frills items for open-shelf display.
   (2) Daily items
   These are household items, daily utensils, shampoo and shower items, and daily needs.
   (3) Trendy underwear and socks
   These are the trendy famous brands of underwear and socks displayed over-the-counter for customers of different characters and preferences.
   (4) Fine items and personal supplies
   These are snacks, stationary, leather goods and ornaments.
2. Business proportion

Unit: Thousands of New Taiwan Dollars

Premium products or service items	FY2013	
	Sales amount	Business proportion (%)
Trendy dermatological and cosmetic products	2,714,959	37.45
Daily items	2,318,752	31.99
Trendy underwear and socks	983,087	13.56
Fine items and personal supplies	1,232,659	17.00
Total	7,249,459	100.00

3. The items carried by POYA International at the moment:
   (1) Trendy dermatological and cosmetic items, accessories and imported toilet items.
   (2) Famous brands cosmetics counters.
   (3) Famous brands underwear counters.
   (4) Imported trendy leather goods and ornaments.
   (5) Trendy socks, male and female underwear, headwear, scarves, handkerchiefs and other seasonal items.
   (6) Household cleaning items, personal toilet items and hairdressing items, grocery goods, shower needs.
   (7) Trendy items, stationary and gifts.
   (8) Snacks.
   (9) Daily items, grocery and home fixtures.
   (10) Free packing service.
   (11) Parking space is available for the consumers in some of the shop locations.
   (12) Free deposit service.
4. New service items under planning
   (1) Rest rooms are available in some of the shops for the convenience of the consumers.
   (2) Special offer, promotional events and new products will be posted on the POYA FB special web page.
   (3) Parking service will be available in some of the shop locations.
   (4) Development of new communication platform for real-time and multi-lateral communications with the consumers.

(II) Industry Outlook:

1. Industry outlook and prospects

Retail Sale in Non-specialized Stores is a form of domestic demand industry and the scope of business covers food, clothing, living, transportation, education and entertainment. The prospect of this industry is closely associated with the per capita income and consumer spending. The data on the per capita income and private sector consumption in Taiwan indicated that the rise of per capita income supported the sustained growth in private sector consumption. Accordingly, the business of department store retailing also enjoyed sustained growth over the years.

2003~2013 Retail Sale in Non-specialized Stores

Currency unit: NTD million

Year	Sales value	Annual growth rate
2003	689,761	4.51%
2004	738,433	7.06%
2005	760,511	2.99%
2006	783,045	2.96%
2007	817,648	4.42%
2008	836,838	2.35%
2009	856,025	2.29%
2010	916,977	7.12%
2011	978,645	6.73%
2012	1,028,029	5.05%
2013	1,057,857	2.90%

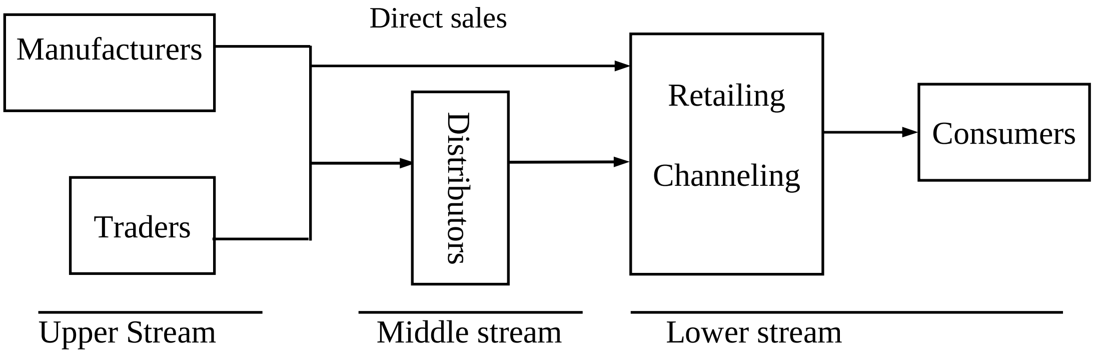
Source: "Statistics on Commercial Sales", compiled by the Department of Statistics, Ministry of Economic Affairs.

The Retail Sale in Non-specialized Stores in Taiwan has been well-developed. The consumption market has been transforming from being "manufacture-oriented", "retailer-oriented", to "consumer-oriented". Global economic turmoil over the years drove consumers to become more inclined towards the high capability/price (C/P) ratio and low cost fashion consumption behaviors. The popularization of transportation means and the changes in family structures, as well as the regional development triggered off corresponding changes in the consumption power of the consumers and the consumption environment. Once the basic consumption needs have been satisfied, consumers tend to attune their consumption habits with the upgrading of living standards and the changes in the consumption environment. They desire convenient, rapid, comfortable, safe, tasteful consumption services with other additional values. Indeed, this is the direction that retailers must pay close attention to. Further to the differentiation of products to highlight the characters of the consumers, and responding to the demands of the consumers in the mode of consumption, consumers tend to desire education, entertainment and recreation in addition to the basic functional needs of food, clothing, living, and transportation. Therefore, the business strategy of department store retailing shall shake off the yoke of homogeneity to differentiation.

The Retail Sale in Non-specialized Stores usually distributes popular items that give rise to regional constraints for the consumer groups. The retailers make ceaseless effort in expanding their business locations for market development and the economy of scale. As such, the operation moves towards the chain-store system. The development of the retail sale in non-specialized Stores in Taiwan over the years resembled the retailing channels in Europe and America, which exist in the mode of a superstore that satisfies the needs of the consumers in food, clothing, living, and transportation (such as the Hypermarket, department store). A new mode of retailing is developed in the trend of market segmentation. POYA International runs its business in the mode of retailer-female items discount shop. The expansion of the business locations and joint promotional activities help to create an image and boost up a reputation for the shops and attract crowds of consumers to spend. Through its store-chain across Taiwan, POYA International can provide consumers with all kinds of services free of regional limitation. POYA International adopted the mode of bulk purchases and can achieve the economy of scale to a certain extent. This helps to enhance the bargaining position of POYA International with the suppliers and cut better deals. These contributed to the competitive advantage of POYA International. As such, department store retailing will move towards the chain-store operations in the future.

2. The association of upper stream, middle stream, and lower stream industries

POYA International carries a wide array of products supplied from manufacturers, distributors, or traders, and has achieved the goal of cost reduction. POYA International is turning to direct purchases from the traders and the manufacturers.



3. Product development trend

(1) The trend of high C/P ratio and low cost fashion

The consumption habit has changed. Young people tend to prefer high C/P ratio and low cost fashion in consumption. Approximating the needs of the consumers, and supplying products of high C/P ratio and low cost items in fashion would be the way to precisely attract the consumers nowadays.

(2) Superstore chain development

The development of superstore size chain stores will be the irreversible course of development in the retailing market in order to yield the effect of economy of scale and development of the corporate image nationwide. The development towards the superstore chain not only can help reduce the cost of operations but also share relevant resources through the chain system so that operations management, procurement of merchandise, planning and marketing, development, and inventory management could be advantageous. The result will be the economy of scale, strong competitive power and high reputation, which in turn help to achieve the goals of market share and rapid replication in development.

4. Product competition

The products distributed by the retailing channels are highly homogenous. The same brands may be distributed through several retailing channels. It is the following factors that attract the consumers to spend:

(1) Price factor: if the products of the like kind are obviously cheaper than the other retailing channels, it is more likely to substitute the other channels in supply, given the high homogeneity of products. Accordingly, consumers will shop at the channel with a lower price.

(2) Convenience: A survey conducted by the “Retail Market” magazine indicated that, insufficient time for shopping is a common problem among the consumers in advanced nations like Europe and America. Proper design of the layout in the shop floor of the store provides convenience for the consumers in shopping and

helps to maintain the shopping desire of the customers conditioned by the inadequacy of shopping time.

(3) Variety of products: The inadequacy of shopping time for the consumers triggered off their desire to shop in the fewest places for the greater variety of items. The arrangement of a much wider array of products for one-stop shopping with the service of other additional values will attract consumers to prefer one place to shop over other places.

In sum, once the consumers get accustomed to a specific venue for shopping, they will habitually buy almost everything in that venue. This can help to keep existing customers and develop new customers.

In addition, the culture of fine consumption is prevalent in society. Consumers tend to demand high product quality and also service quality. Indeed, this is also one of the important considerations for the consumers to locate an appropriate place for shopping. The customer service personnel must have sound product knowledge, be ready to provide related advisory service, post-delivery service and positive interaction with the customers. Conceived with the spirit of "service foremost and customer first", POYA International wishes to provide the best shopping service of its kind for the customers.

(III) Technologies and R&D:

1. Introduction of the electronic application system and the expenses incurred:

Unit: Thousands of New Taiwan Dollars

Item \ FY	FY2013
Expenses incurred from the electronic application system	9,503
Net sales	7,249,459
Proportion to net sales	0.13%

2. R&D plan in the future and projected expenditures

A system of backup at an alternate site will be introduced to the computer center in Tainan. The equipment of the IDC computer room in Taiwan will be replicated to the Taipei IDC computer room. In addition to the replication of hardware, the data and network architecture are also replicated. This alternate backup site (Taipei IDC) will be taken as a network segment of the intranet (Class C) for synchronization. In case of an emergency caused by a disaster, Chunghwa Telecom will change its HiLInk setup and all other equipment will be automatically switched to the IDC segment in Tainan under the NAT technology so that the shops can link to Taipei IDC computer room without making any changes and access its database. With the switching to DNS, external suppliers can successfully link to the web server of Taipei IDC via the internet for picking up orders. The switching time is less than 4 hours.

It is expected that the budget for the alternate site backup will be NT$10 million in one year.

Name of R&D plan	Progress	Further investment	Scheduled connection date	Factors affecting the success of R&D
Backup at alternate site	Preliminary assessment and planning	NT$10 million	December 2014	Detailed process planning and routine exercise drill

(IV) Business development plan in the short and long terms:

1. Short-term plan

(1) Marketing strategy

(1.1) Effective integration of the information on market trend and customer consumption trend and selection of prospective products for butressing promotion:
Merchandise are fundamental to retailing, a sharp vision in selecting products will help boost business to record highs. Focus on the promotion of the products that the customers are more inclined to buy. This would help to enhance return on investment and boost sales.

(1.2) Highlight the selling points of merchandises and display their specific features and at the same time promote sales:
Study the specific features of prospective products and their selling point. Promote the functions and selling points of the products to the customers through lively and concise wording and drawings in DM/shop floor promotional materials/FB to attract the attention of the customers. Trigger off the potential needs of the consumers for successful sales.

(1.3) Strengthen the product knowledge of the shop personnel and develop a professional and amiable image:
Fortify the shop personnel with product knowledge through SOP of training, to the extent that they could introduce and recommend products to the customers at the time of uncertainty of the customers. This will help to buttress their professional and amiable image in service.

(1.4) Make the sound effect at the shops relaxing and customers can develop the mood of no rush shopping:
Noisy broadcasting in the shop is not the name of the game here. In the shops of POYA International, customers will find themselves buried in easy listening music and relax as they shop. Inadvertently, customers will stay at the shop for a much longer time than they previously anticipated. Accordingly, the probability of buying more items by the customers will be enhanced.

(1.5) Value customer needs and upgrade customer satisfaction:
POYA International seeks to gather information on the opinions of the customers through FB, questionnaire, 0800, customer mail box at the shops, and the blogs of the enterprise. After hearing the customers, POYA International will map out relevant action plans for upgrading customer satisfaction.

(1.6) Treasure membership affiliation and loyalty in the operations:

A. Customized special offer exclusive to the members by nature of the consumption preference of the members. Get the service personnel more familiar with the events for the members. The proper launching of these events will help to motivate the members to participate in these events and strengthen the bonds between the members and POYA International.

B. Conduct an analysis of the membership database at regular intervals, map out the plan for membership management and reinforce the loyalty of the members to POYA International.

(1.7) Promotion of joint title cards for effective liaison of the card holders:
Take positive action to work in cooperation with banks in issuing joint title credit cards and organize relevant promotional events for the card holders. Advertise the events through DM/in-shop promotion to attract the card holders to continue shopping in POYA International shops. Maximize the value of the card holders through the integration of resources of both sides and keep the bonds with the card holders.

(1.8) Keep abreast of the information on competitive and ready to respond for creating business opportunity effectively.

(2) Product development policy

(2.1) Through the national survey of market competition by region, POYA

International can keep its competitive edge in pricing at any time and create the number one niche on the same product in the region.

(2.2) Define and develop different strategies and promotional plans for products of different attributes in line with the needs of customers and product differentiation. Strengthen the capacity of POYA International in attracting customers and differentiation.

(2.3) Expand the product line on the basis of existing product portfolio for more choices for the customers and in satisfying their needs.

(2.4) Continue the procurement of products from foreign countries and keep these supply channels stable with firm bargaining power. Dispatch the procurement team to different countries for the development new sources of supply and new fashion items. Keep up with the latest trends and the supply of new items to satisfy the needs of the consumers.

(3) Scale of operations

(3.1) Continue to develop more business locations for enhancing market share.

(3.2) Make use of the data and analysis of the data from computer operation systems for routine supervision and take timely corrective action for non-conformities. Conduct management with the help of the information system for simplicity and automation and work efficiency.

(3.3) Reinforce the product portfolio and launch flexible marketing strategy for upgrading the overall business performance.

(3.4) POYA International highly treasures its people and takes them as a vital asset, and designs proper training programs for centralized training for the development of the managerial staff team to meet the needs for eventual corporate development.

(3.5) Make positive effort in developing new modes of operation for diversified development in order to maintain high growth and thick profits.

(4) Budgeting

The primary objective of financial planning is the control of the overall cash flow to finance the expansion of business locations in the future.

2. Long-term plan

(1) Marketing strategy

(1.1) Reposition for projecting a brand image of quality for POYA:

A. POYA International will reposition itself in the market and change its corporate image from “Fashion for the Young” to “Quality”.

POYA International seeks to project an image of quality and fashion for its brand through product development, service improvement and the overall visual adjustment of DM to give a new appeal for its shops.

B. Augment its brand reputation through the media:

POYA International has branches all over Taiwan after its pro-active expansion of business locations. Furthermore, POYA International will work in conjunction with advertising companies in good standing to launch a brand promotion scheme through the dissemination effect of the multi-media. This helps to make consumers more familiar with the POYA brand, members prefer POYA brand over other brands even more so, and visit POYA shops for shopping more frequently. This also helps to attract new visitors who will eventually turn into customers of POYA International.

(1.2) Development of new communication platform for real-time and diversified interactions with the customers:

A. The APP platform:

POYA International will launch the APP platform this year, through the APP program of POYA International, which allows the consumers the access to POYA anytime and anywhere, information on marketing events, online DM, hot items for sales, could be made available to the consumers through an interactive mode at anytime. In addition, with the availability of practical tools, the frequency of the customers in using POYA APP will be enhanced.

B. The FB fans group:

(a) Through the dissemination effect of the FB blog, POYA International could propose a number of special topics for promotional results through the popular blogs and demonstration of the models.

(b) Professional FB marketing personnel will be responsible for operating the information of POYA International on special offers, promotional items and market trends. This helps to increase the visits of fans to the website. POYA International will also hold joint functions with the suppliers for vitalizing the popularity of the fans group and expanding the size of the group.

(1.3) Continue to refine the mechanism of customer analysis and maximize the utilization of marketing resources:

A. Continue the analysis and clustering of consumers by their behavior and attributes, and make the analysis function more refined.

B. Design customized promotional events for the consumers with the exact use of marketing resources for maximum value.

C. Concentrate corporate resources on the core group of customers for maximization of output from minimum input of marketing resources.

(2) Product development policy

(2.1) Enhance in-depth product management by category:

Product management will be reinforced in depth by category to make the product line complete. This aims at meeting the diversity of needs by consumers at different levels, and helps to create business opportunities in different areas.

(2.2) Reinforcement of brand image of quality:

Extend the product line in depth and in scope by nature of the products, with the development of carrying a wider array of dermatological and cosmetic products. Amplify the effects of advertising by projecting an image of a shop with exclusive items.

(2.3) Introduction of different styles of shop designs:

Exercise flexible management of shop display and products by the style of the shop so that the inbound and outbound of merchandise could be managed more properly.

(3) Scale of operations

(3.1) POYA International will keep its position in Taiwan and advance into Mainland China as part of its corporate development scheme for the enlargement of the scale of operations.

(3.2) Establish an effective training system and materialize the performance evaluation system for upgrading business performance.

(4) Budgeting

POYA International pursues a conservative financial policy to support its operation with preventive financial management. Capital planning is made through the design of procurement, marketing and location expansion plans by the company treasury. In addition, the sources, utilization and effects of capital are properly tracked for evaluation.

II. The Outlook of the market and sales

(I) Market analysis:

1. The main region of products and services sales and market share:

A. Region of premium product sales:

POYA International is at the terminal of the department store retail chain and the primary targets of business are the general consumers and proprietors in Taiwan. Currently, POYA International is engaged in domestic sales only. The distribution of premium product sales of POYA International by region in the last 3 years is shown in the table below:

Unit: Thousands of New Taiwan Dollars

Region of sales \ FY		FY2011		FY2012		FY2013	
		Amount	%	Amount	%	Amount	%
Domestic sales	North	1,460,367	23.3	1,340,691	26.0	2,060,582	28.4
	Central	1,825,536	29.0	1,648,558	29.0	2,057,304	28.4
	South	1,418,894	22.6	1,821,579	21.7	1,481,715	20.4
	Kaohsiung and Pingtung	1,573,406	25.1	1,461,987	23.3	1,649,858	22.8
Total		6,278,203	100.0	6,272,815	100.0	7,249,459	100.0

B. Market share

The sales of POYA International in FY2011, FY2012, and FY 2013 were NT$ 6,278 million, NT$6,273 million, and NT$7,249 million, respectively. POYA International constituted 4.12%, 3.98%, and 4.46% of the market share in these 3 years, among Retail Sale in Non-specialized Stores.

Retail Sale in Non-specialized Stores and Annual Growth Rate

Currency unit: NTD million; %

Industry \ FY	FY2009	FY2010	FY2011	FY2012	FY2013
Department store growth rate	231,924 3.18	251,113 8.27	270,186 7.60	279,986 3.63	288,636 3.09
Supermarket growth rate	126,665 4.51	133,345 5.27	143.087 7.31	151,556 5.92	158,404 4.52
Convenience store chain growth rate	212,066 0.03	230,456 8.67	245,985 6.47	267,700 8.83	276,056 3.12
Hypermarket Growth rate	148,092 1.83	156,816 5.89	167,138 6.58	171,356 2.52	172,173 0.48
Other retailer growth rate	137,278 3.00	145,247 5.80	152,249 4.82	157,430 3.40	162,588 3.28
Non-specialized Stores retailer growth rate	856,025 2.29	916,977 7.12	978,645 6.73	1,028,029 5.05	1,057,857 2.90

Source: "Statistics of Commercial Sales", compiled by the Department of Statistics, Ministry of Economic Affairs.

2. The supply and demand in market and growth:

POYA International is positioned as a non-specialized stores retailing chain with an edge in the supply of dermatological and cosmetic and nutritional items and fine personal items. These two groups of merchandises and the spacious and nicely decorated shop floor make POYA shops different from the hypermarkets, supermarkets, convenience stores and drug stores. This is a new breed of retailer and the operation is supplying fine personalized items of fashion trends in diversity. POYA International is an advocate and pioneer of trends. With the reinforcement in marketing strategy and product portfolio, POYA International targets female consumers from the age of 15 to 49. The working population of this group of consumers is on the rise with an increase in their consumption power. This market is promising.

POYA International carries products for the young female consumers with focus on trendy items showing the individual character of the consumers. The premium products are dermatological and cosmetic items, trendy underwear and socks, daily utensils and fine personal items. As of the end of April 2014, POYA International had 89 branches all over Taiwan and will continue to establish more business locations. As compared with its competitors of the same industry, POYA International is in a leading position.

3. Competitive edge:

The successful development of business locations remained one critical factor for POYA International in business excellence. In upgrading the shops, POYA International renovates the shop floor with more space and provides a suitable environment for shopping satisfaction. POYA International rents the shop space for operation, which helps to hold down the cost of operations. As compared with other hypermarkets and department stores, which rented or purchased the lands for building up their facilities, POYA International has saved a sizable amount of cost in capital and depreciations. In addition, detailed assessment and planning of trade circles, market survey, product portfolio, training of people and targeting of markets have been properly done. As such, POYA International can properly manage its group of consumers. With the skills in location expansion, POYA International could bring in lucrative business and lay down a solid foundation in the market.

POYA International introduced the Business Intelligence (BI) decision-making system through POS and launched the E-procurement module so that the information of each location on sales could be fed to the corporate headquarters for systematic data processing. This procedure allows the managers to have real-time business analysis report for the proper control of the dynamics of consumption and related changes in the overall market situation. In addition, managers could also keep abreast of the information on the flows of merchandise and inventory, which enable them to flexibly manage product prices and marketing. With the inputs from this system, they could attract more consumers, create thicker profits, bring in more business, and upgrade competitiveness in the market.

4. Favorable and unfavorable factors for development and the response to the issues:

(1) Favorable factors:

A. Continued growth of market size for the shops of fine items.

B. System for feeding timely information

With the help of the BI decision-making system and the viable POS system architecture, POYA International can keep abreast of all important information of the shops on sales, which is critical in the operation.

C. Sound marketing strategy and product development capacity

POYA International has long been conceived with the business philosophy of “Close to daily lives and satisfy needs”, and the mission of “keep abreast of information on fashion trend and satisfy the wide array of customer needs". In practice, POYA International has made ceaseless effort in the development of trendy, personalized and fine items in a great variety in order to be the creator and leader of fashion trends in department store retailing. This is essential to satisfy the needs of the customers in making choices. Through flexible function for promotion and a viable marketing strategy, POYA International can control the dynamics of merchandising and timely reflect market prices. This arrangement helps to satisfy the needs of the customers in shopping for refined, fashionable items at a low price.

D. Effective inventory management system

POYA International is a non-specialized stores retailer carrying a great variety of fine items for daily living. The inventory is displayed on the shop floors of the branches, and is controlled by inventory turnover rate, purchase and sales ratio, single item sales ranking. Through proper control of purchase and sales and the operation management information system, POYA International can control the inventory records for supporting the sales strategy at any moment for the effective management of inventory.

E. Excellent operation performance

POYA International was ranked by the "Common Wealth" magazine at the 206th place among the top 1000 enterprises in the service sector in 2013, which demonstrated the effort and results of POYA International in its operating performance. In addition, POYA International has established positive long-term cooperative relationships with its suppliers, and can have a stable source of supply. The operation starts to enjoy the economy of scale, which strengthens the bargaining power of POYA International for purchasing at low cost. This helps to upgrade its competitive power.

(2) Unfavorable factors and responses:

Unfavorable factors	Responses
Under the stress of inflation worldwide, albeit at marginal level, consumers tend to be conservative in spending.	Through effective display of merchandises in the shops, POYA can entice the desire of the consumers for shopping. In addition, the development of its own brands and exclusive merchandise could help to fortify the competiveness of the core groups of soft items on price. With these efforts, POYA International can be developed into a leading brand featuring luxury at a low price, with colorful and glamour in fashion trends.
Keen competition in the industry	1. Establishment of a viable management system for keeping abreast of the trends of merchandising, including the procurement of products, marketing planning, sales floor management and market information for timely feeling the pulse of the market. 2. Strengthen the training of the employees to upgrade service quality and keeping good people. 3. Adjustment of the product portfolio in line with the specific features of the customers in the trade circle. Highlight the features of the merchandise for meeting the needs of the core group of customers for better profits.
The boundary of competition between different industries got blurred.	1. Oriented towards customer needs, and matched with a flexible marketing strategy and promotion scheme to satisfy the needs of the consumers and keep the merchandises fresh and trendy. 2. Disseminate the specific product culture of diversity and trends to attract public consumption in order to broaden the customer base.

Unfavorable factors	Responses
The emergence of superstores and new channels caused significant impact on the existing retail market.	1. Continue to develop channels and make positive effort to develop trade circles of high potential for increasing the market share and achieving the goal of economy of scale for the enterprise. 2. Make use of the advantage of scale to demonstrate the bargaining power for cost reduction.

(II) Primary purpose of the premium products and production process:

Premium products	Purpose
Trendy dermatological and cosmetic items	Famous domestic and international brands such as Shisheido and Kose, a wide array of cosmetic items, dermatological care products.
Trendy underwear and socks	Domestic and imported high-class underwear, such as lingerie for young ladies, socks for men and women.
Daily items	Home fixtures, bedding items, grocery items.
Fine personal items	Leather goods, suit cases, ornaments, toys and stationary.

POYA International is the terminal dealer of the non-specialized store retailing chain and all the items for selling are purchased from manufacturers, agents or distributors. There is no production process.

(III) The supply of key materials:

All the daily items, cosmetics, and goods are supplied by manufacturers, agents or distributors. With the rapid growth in the number of sales locations and business volume, POYA International diversified its purchases with different suppliers through bargaining and bidding. This practice helps to reduce the cost of purchase and stabilizes in the sources of supply.

(IV) The name of the customer in any of the previous two years with purchase (sales) amount exceeding 10% of the total purchase (sales), and the proportion to total purchase (sales), specify the reasons for any change, if applicable:

POYA International is a non-specialized store retailer, and did not have any customer accounting for more than 10% of total purchase (sales). Therefore, no disclosure is necessary.

(V) Production value and volume in the last 2 years:

POYA International is a non-specialized store retailer and does not manufacture any of the products it carries. Production value and volume are not applicable here, as the company is not a manufacturer.

(VI) Sales value and volume in the last 2 years:

POYA International is a non-specialized store retailer and carries a wide array of items with different units and quantities. It is impossible to keep statistical data consistent. The statistics of product sales are shown in the table below:

Unit: Thousands of New Taiwan Dollars

FY / Sales value / Primary items	FY2012				FY2013			
	Domestic sales		Exports		Domestic sales		Exports	
	Amount	%	Amount	%	Amount	%	Amount	%
Trendy dermatological and cosmetic items	2,337,250	37.26	-	-	2,714,959	37.45	-	-
Trendy underwear and socks	822,366	13.11	-	-	983,087	13.56	-	-
Daily items	2,046,820	32.63	-	-	2,318,752	31.99	-	-
Fine personal items	1,066,379	17.00	-	-	1,232,659	17.00	-	-
Total	6,272,815	100.00	-	-	7,249,459	100.00	-	-

Note: POYA International is not engaged in exports. No export amount is available.

III. The number of employees, average term of service, average age, and education in the last 2 years up to the date this report was printed

FY		FY 2012	FY2013	2014 to May 8
Number of employees	Sales	2,146	2,633	2,659
	Management	193	221	245
	Total (note)	2,339	2,854	2,904
Average age		27.19	28.26	27.83
Average term of service		2.59	2.74	2.69
Education	PhD	0	0	0
	Masters	1.73%	1.18%	0.96%
	Bachelors	69.84%	71.62%	71.83%
	Senior high school	27.37%	26.17%	26.18%
	Below senior high school	1.06%	1.03%	1.03%

Note: the employees who departed on December 31 were excluded.

IV. Information expenditures for environmental protection

The total amount of losses and fines due to the pollution of the environment by the company from the last fiscal year up to the date this report was printed, if applicable. Specify the plan to deal with the problem and possible amount of spending in the future:

From the last fiscal year up to the date this report was printed, POYA International had no violations on environmental protection or any losses or punishment thereof. Due to the specific nature of this business, POYA International is unaffected by the RoHS regulations.

V. Labor-Management Relation

(I) The systems of employee welfare, continuing education, training, retirement and the implementation of the systems. Any labor-management agreement and the protection of the rights of the employees:

1. Employee welfare policy:
   (1) Labor insurance, national health insurance, group insurance.
   (2) Employee stock dividends.
   (3) Year-end bonus.
   (4) Matrimonial gifts.
   (5) Hospitalization subsidy.
   (6) Sponsorship for Spring Festival banquet.
   (7) Subsidy for funerals.
   (8) Subsidy for parties.
   (9) Birthday gift cheque.
   (10) Mid-Autumn Festival, Dragon Boat Festival, Spring Festival gift cheque.
   (11) Health examination.

2. Continuing education and training for the employees:
   Continuing education and training

   POYA International treasures the development and training of good people. Through routine training and E-Learning, employees can access real-time training and learning through exchange. This helps to fortify the capacity of the employees. Relevant performance systems have been established to meet the overall operating goal of the company so that employees can achieve the targets of the company and also learn what they need for their career planning.

   POYA International is in high demand for good people through training for meeting its goals of rapid development of branches in the mid- to long-term and designs a viable and standardized training system under the mode of apprenticeship and the lecturer incubation system. A positive learning environment and platform have been developed to assist the personnel to receive proper training in the short run, which could be demonstrated by their performance at work. They can get promoted quickly, too. This is a design for winning on both sides.

The training program of POYA International is elaborated below:

(1) OJT training for new employees – the President will give a lecture for the training in Phase I to assist the new employees to learn about the history, organization and corporate culture of POYA International. This helps the employees get accustomed to the environment of POYA International quickly. Training in Phase II will be the practical work at the shops to ensure that all new employees can get familiar with the basic operation of their work.

(2) Training of supervisors – employees can learn the proper methods in supervisory work and carry on the business techniques, knowledge and management experience of the company. This training helps the new employees to adapt to the new working environment very quickly and for the development of basic level management staff.

(3) Evaluation for promotion to section manager: evaluation on the performance of practical work will be conducted. Personnel will be evaluated in batches. Those who pass the evaluation will get promoted.

(4) Business management training – The training will be provided in two stages. The President will give a lecture on the corporate philosophy of POYA International. Senior shop managers will also be invited to give lectures so that the trainees can share their experience in management and learn from them in shop management. This is the means for the training of a deputy shop manager.

(5) Evaluation for promotion to deputy shop manager: evaluation on the performance of practical work will be conducted. Personnel will be evaluated in batches. Those who pass the evaluation will get promoted.

(6) Practical training for shop manager candidates: Class A training will be arranged with the senior improvement managers acting as the lecturers. Through practical work at the shops, the trainees can engage in benchmark learning of proper management skills. This helps fortify the shop managers in their capacity of reading the reports and problem solving and can develop shop managers with solid skills and leadership.

Training in 2013 and the results:

Subject	Class	Total participants	Total person/hours	Total spending (NTD)
Basic training	55	1,380	9,660	2,076,600
Management training	26	592	4,144	
Supervisor evaluation	19	322	2,254	

3. Retirement system and implementation:

POYA International adopts both the old and new systems of retirement. The Labor Retirement Regulation has been established under the old system, which is governed by the Labor Standards Act. After the actuarial estimation, 2% of the total monthly salaries will be allocated as reserve for the pension fund deposited at a designated account at the Bank of Taiwan (previously at Central Trust of China). The calculation of pension payment is based on the Labor Retirement Regulations and will be disbursed accordingly. Employees who elect to go with the new retirement system will have 6% of their respective monthly salaries allocated to their personal pension accounts monthly as required by the Statute for Labor Pension.

4. Rules of work and code of conduct or code of ethics for the employees:

The “Rules of Work” at POYA International covers the evaluation, promotion, transfer of duties, reward and punishment of the employees. The Personnel Evaluation Committee was established to perform such function and explicitly defines the code of conduct and ethical practices for the employees. All employees of POYA International shall duly observe the following code:

(1) Instruction and supervision

All employees shall obey the instruction and supervision of POYA International:

(1.1) Employees shall duly observe the policies and lawfully made internal regulations of POYA International, and obey the reasonable commands of supervisors at all levels. Employees may give feedback at any time and supervisor at all levels shall be responsible for the supervision of the employees along the vertical division of labor and authorities thereof.

(1.2) Employees shall properly perform their assigned duties, keep the work in order and observe team spirit for higher work efficiency.

(1.3) Supervisors at all levels shall respect the person and dignity of the employees, take care of their subordinates and supervise the employees to accomplish their assigned duties.

(1.4) Employees shall preserve the reputation of POYA International. Anything that may affect the reputation of the company shall be reported to the immediate superior officer immediately and shall not conceal of any such acts. In case of emergency or special situation, employees may report to an officer of a higher rank.

(1.5) Unless otherwise agreed by POYA International in writing, employees shall not undertake jobs related to its assigned duties with other companies or undertake jobs that will affect the employment agreement with other companies. In addition, employees shall not engage in business identical with or similar to the operations of POYA International for themselves or in favor of a third party.

(1.6) Employees shall be neat and tidy and wear proper attire during work hours.

(2) Entrance Code

Employees shall duly observe the entrance code of the company:

(2.1) Employees shall attend their shifts on time without early relief from duties and shall sign in and sign off by using the time record card by themselves.

(2.2) Do not take friends or relatives to the office area or work place without permission.

(2.3) Firearms, ammunitions, other dangerous items, controlled substances, or items unrelated to work are prohibited to be brought inside the workplace.

(2.4) No smoking in the non-smoking zone.

(2.5) No entrance to the warehouse or other restricted zones of the company without permission.

(2.6) Employees shall not be absent from their duties during work hours without permission.

(3) The management of employee activities

The following rules are applicable to employee activities:

(3.1) No drinking, gambling, engagement in stock and futures trade, selling, or direct marketing at the workplace.

(3.2) No laundering of personal clothing in company facilities.

(3.3) No drugs or other illegal acts.

(3.4) No establishment of mutual assistance bodies, participating in the mutual assistance bodies formed by other employees, or collection of mutual assistance loans inside company facilities.

(3.5) No illegal strikes or inciting of a strike or work to rule for maintaining the efficiency and order of work.

(4) Equipment and materials management

Employees shall duly observe the following when using company equipment and materials:

(4.1) Employees shall use company cars, office appliances, equipment and consumable items properly or in accordance with the rules and regulations governing the use of equipment and materials. If an accident occurs when using company vehicles, the employee concerned shall be fully responsible for the consequences thereof.

(4.2) No private phone call, fax, or photocopy unless dictated by business needs.

(4.3) No use of company property or bringing company property out of the company facilities without permission.

(5) Management of the performance of assigned duties

Employees shall duly observe the following principles in performing their assigned duties:

(5.1) Employees shall properly perform their assigned duties and shall not evade their responsibility or procrastinate.

(5.2) Keep the documents and properties properly, and do not bring them out of company facilities or cause any damage to the documents and/or properties. In case of an emergency, take appropriate measures.

(5.3) At the time of duty transfer after the shift, make sure to pass over the information on the status of work, the contents of work, important instruments, and all ledgers and money properly.

(5.4) Employees shall report to their immediate superior officer on anything pertinent to their works and official duties, and shall not report to an officer at a higher rank unless under an emergency or special situation.

(5.5) In performing their duties, employees shall duly observe applicable legal rules and related professional code of conduct. There shall be not any acts of extortion against any third party. Examples are, complying with the requirements of labor safety and health regulations, keeping the workplace and immediate environment safe and clean, preventing burglary and theft, fire, and other disasters.

(5.6) Do not read through documents, telex messages, designs, schematics, or related data beyond one’s assigned duties.

(5.7) Be impartial in procurement or financial audits. No favoritism is allowed.

(5.8) No financial transaction with customers or suppliers.

(6) The obligation of sincerity and integrity

Employees shall be obliged to observe the following in sincerity and integrity for maintaining harmonious labor-management relation:

(6.1) Employees shall keep the information on internal affairs, business, finance, technology, business policy, human resources outlook, customer list and vital decision of POYA International in strict confidence. There shall be no disclosure or any other act of violation of confidentiality.

(6.2) Employees shall behave under the principles of sincerity and integrity, and shall maintain the reputation of POYA International. Do not request for reception, gifts, commissions, rewards, or other forms of illicit benefits from customers or suppliers by making use of their position in the company.

5. Protection of work environment and labor safety

(1) Labor insurance and national health insurance

All employees are protected by labor insurance and national health insurance as required by law, and are entitled to insurance benefits. Employees are also entitled to benefits for maternity, injury, sickness, disability, aging and death under the "Labor Insurance Statue" and the "National Health Insurance Act" from Labor Insurance Bureau and National Health Insurance Bureau facilitated by POYA International.

(2) Safety and health

POYA International complies with rules and regulations governing labor safety and health by providing a healthy and safe environment, preventing occupational hazards and injuries, and protecting the health and safety of the employees.

(3) Health concern and management

Physical examination is arranged for all employees once a year for maintaining their physical health.

(4) Safety and hygiene at employee accommodations

For the preservation of safety, tidiness and hygiene at the accommodation of the employees, the Office of the President appoints designated personnel to the employee accommodations across the province to conduct inspections. The scope of inspection covers the public area, home appliance safety, water heating facilities and fire prevention equipment for the safety and health of the employee accommodations.

(5) Maintenance and inspection of all facilities

All branches and the corporate headquarters shall hold fire safety inspection regularly to maintain reliability and safety of all equipment.

(II) From the last fiscal year up to the date this report was printed, any losses deriving from a labor-management dispute and disclosing the possible amount involved in the future and the response to such dispute, if applicable: none.

VI. Important Agreements:

April 15 2014

Nature of agreement	Contracting Party	Perpetuity of the agreement	The content	Restriction clause
Lease Agreement on Housing	A001~A103	2004.01.01~2028.12.15	Average monthly rent of NT$ 459,540 payable once a month.	No
Loan Agreement	Chang Hwa Bank	2011.09.27-2014.09.27	Draw down of NT$ 30 million	No
Loan Agreement	Chang Hwa Bank	2011.11.10-2014.11.10	Draw down of NT$ 20 million	No
Loan Agreement	Chang Hwa Bank	2012.08.22-2015.08.22	Draw down of NT$10 million	No
Loan Agreement	Chang Hwa Bank	2012.08.22-2015.08.22	Draw down of NT$40 million	No
Loan Agreement	Chang Hwa Bank	2012.11.30-2015.11.30	Draw down of NT$20 million	No
Loan Agreement	Hua Nan Bank	2011.08.24-2014.08.24	Draw down of NT$50 million	No
Loan Agreement	Hua Nan Bank	2012.12.25-2015.12.25	Draw down of NT$60 million	No
Loan Agreement	Industrial Bank of Taiwan	2013.09.16-2016.09.15	Draw down of NT$80 million	No
Loan Agreement	Industrial Bank of Taiwan	2013.10.17-2016.09.15	Draw down of NT$20 million	No
Loan Agreement	First Commercial Bank	2013.08.20-2016.08.20	Draw down of NT$60 million	No
Loan Agreement	China Trust Commercial Bank	2013.08.20-2016.08.20	Draw down of NT$100 million	No
Loan Agreement	Land Bank of Taiwan	2013.11.25-2016.11.25	Draw down of NT$50 million	No
Loan Agreement	E-Sun Bank	2013.08.20-2016.08.20	Draw down of NT$100 million	No
Loan Agreement	E-Sun Bank	2013.10.17-2016.10.17	Draw down of NT$20 million	No
Loan Agreement	Chang Hwa Bank	2011.09.27-2014.09.27	Draw down of NT$30 million	No

VI. Financial Information

Financial Information

I. Condensed balance sheets and consolidated income statements in the last 5 years

(I) Condensed balance sheet and consolidated income statement

1. Condensed balance sheet - IFRS

Unit: Thousands of New Taiwan Dollars

Title \ FY		Financial information from Januray 1 2009 to March 31 2014 (note 1)					
		2009	2010	2011	2012	2013	Financial information in 2014 to March 31(Note 2)
Current assets		N/A	N/A	N/A	2,106,197	2,460,171	2,354,144
Real estate, plants, and equipments					885,032	1,299,689	1,279,747
Intangible assets					-	-	-
Other assets					256,713	238,516	222,493
Total assets					3,247,942	3,998,376	3,856,384
Current liabilities	Cum-dividend				1,316,544	1,716,819	1,459,204
	Ex-dividend				1,692,214	(note 3)	(note 4)
Non-current liabilities					137,720	260,261	206,379
Total liabilities	Cum-dividend				1,454,264	1,977,080	1,665,583
	Ex-dividend				1,829,934	(note 3)	(note 4)
Shareholders' equity attributable to parent					-	-	-
Capital stock					916,267	929,073	929,073
Capital surplus					309,961	346,318	346,318
Retained earnings	Cum-dividend				567,450	745,905	915,410
	Ex-dividend				191,780	(note 3)	(note 4)
Other equities					-	-	-
Treasury stocks					-	-	-
Uncontrolled equities					-	-	-
Total equity	Cum-dividend				1,793,678	2,021,296	2,190,801
	Ex-dividend				1,418,008	(note 3)	(note 4)

Note 1: POYA International adopted the Internatioal Financial Reporting Standard (IFRS) since January 1 2013 in accounting. Inasmuch as the insufficiency of data covering a period of 5 years, the statement (II) below was prepared in accordance with the Statement of Financial Accounting (SFAS) of the ROC.

Note 2: The financial information as of March 31 2014 was reviewed by CPA.

Note 3: The distribution proposal has not been passed by the Shareholders Meeting.

Note 4: This period is not a complete fiscal period and the data on distribution were skipped.

2. Condensed consolidated financial statements -IFRS

Unit: Thousands of New Taiwan Dollars

FY / Title		Financial information from Januray 1 2009 to March 31 2014 (note 1)					
		2009	2010	2011	2012	2013	Financial information in 2014 to March 31(Note 2)
Revenue		N/A	N/A	N/A	6,272,815	7,249,459	2,018,753
Gross profits					2,366,397	2,875,194	807,857
Operating income					448,914	596,645	198,410
Non-operating incomes and expenses					64,834	77,686	5,804
EBT					513,748	674,331	204,214
Net profit in segments of continued operation					426,171	558,852	169,505
Loss incurred from discontinued operation					-	-	-
Corporate earnings (loss) in current period					426,171	558,852	169,505
Other consolidated income in current period (after taxation)					(5,145)	4,436	-
Total consolidated income in current period					421,026	563,288	169,505
Earnings attributable to owners of parent					-	-	-
Earnings attributable to uncontrolled equity					-	-	-
Total consolidated income attributable to owners of parent					-	-	-
Total consolidated income attributable to uncontrolled equity					-	-	-
EPS	Before dilution				4.62	6.03	1.82
	After dilution				4.59	6.01	1.82

Note 1: POYA International adopted the Internationals Financial Reporting Standard (IFRS) since January 1 2013 in accounting. Inasmuch as the insufficiency of data covering a period of 5 years, the statement (II) below was prepared in accordance with the Statement of Financial Accounting (SFAS) of the ROC.

Note 2: The financial information as of March 31 2014 was reviewed by CPA.

(II) Condensed balance sheet and income statement -SFAS

1. Condensed balance sheet -SFAS

Unit: Thousands of New Taiwan Dollars

Title \ FY		Financial information in the last 5 years					Financial information in 2014 to March 31
		2009	2010	2011	2012	2013	
Current assets		$1,881,083	$1,936,237	$1,999,275	$2,124,556	N/A	N/A
Funds and long-term investments		-	-	-	-		
Other financial assets – non-current		-	-	-	-		
Fixed assets		815,421	861,529	886,128	885,032		
Other assets		158,676	149,178	157,872	246,013		
Total assets		2,871,186	2,946,944	3,043,275	3,255,601		
Current liabilities	Cum-dividend	1,360,133	1,259,337	1,240,540	1,286,744		
	Ex-dividend (note 1)	1,396,662	1,506,602	1,536,024	1,662,414		
Long-term liabilities		222,204	125,044	122,099	118,489		
Other liabilities		4,755	2,558	3,540	4,516		
Total liabilities	Cum-dividend	1,587,092	1,386,939	1,366,179	1,409,749		
	Ex-dividend (note 1)	1,623,621	1,634,204	1,661,663	1,785,419		
Capital stock		730,588	883,090	900,867	916,267		
Capital surplus		249,743	266,305	285,357	309,961		
Unrealized gains of financial assets		-	-	-	-		
Cumulative conversion adjustment		-	-	-	-		
Net loss from unrecognized pension cost		-	-	-	-		
Retained earnings	Cum-dividend	303,763	410,610	490,872	619,426		
	Ex-dividend	267,234	163,345	195,388	243,756		
Total shareholders' equity	Before dilution	1,284,094	1,560,005	1,677,096	1,845,852		
	After dilution (note 1)	1,247,565	1,312,740	1,381,612	1,470,182		

Note 1: the figure after dilution as presented in the above statement is based on the resolution of the Shareholders Meeting in subsequent fiscal period.

2. Condensed income statement -SFAS

Unit: Thousands of New Taiwan Dollars

Title \ FY		Financial information in the last 5 years					Financial information in 2014 to March 31
		2009	2010	2011	2012	2013	
Revenue		5,596,925	6,118,246	6,278,203	6,699,657	N/A	N/A
Gross profits		1,604,835	1,856,989	2,047,794	2,370,470		
Operating income		224,341	280,435	357,899	457,437		
Non-operating incomes		48,734	81,338	55,785	70,118		
Non-operating expenses and loss		12,639	16,657	7,999	5,284		
EBT in segments of continued operation		260,436	345,116	405,685	522,271		
Earnings in segments of continued operation		195,490	285,841	336,358	433,245		
Income from discontinued operations		-	-	-	-		
Contingent incomes		-	-	-	-		
Cumulative effect of change in accounting policy		-	-	-	-		
Earnings in current period		195,490	285,841	336,358	433,245		
Basic EPS (note 1)	Before dilution (Note 1)	2.69	3.26	3.72	4.75		
	After dilution (Note 2)	2.05	2.94	3.68	4.72		

Note 1: the calculation is made on the basis of the weighted average quantity of outstanding shares.

Note 2: The capitalization of employee bonus and retained earnings into new shares is required by the accounting principles generally accepted in the ROC for tracking the total quantity of outstanding shares before and after dilution for comparison of the earrings per share of each year.

(III) Names of the certified public accountants and audit opinions in the last 5 years

FY	CPA Firm	Names of CPAs	Audit Opinion
2009	PricewaterhouseCoopers	Lin Chi-Yu, Wang Kuo-Hua	Unqualified
2010	PricewaterhouseCoopers	Lee Ming-Hsien, Lin Chi-Yu	Unqualified
2011	PricewaterhouseCoopers	Lee Ming-Hsien, Lin Chi-Yu	Unqualified
2012	PricewaterhouseCoopers	Lee Ming-Hsien, Lin Chi-Yu	Modified unqualified
2013	PricewaterhouseCoopers	Lee Ming-Hsien, Lin Chi-Yu	Unqualified

II. Financial analyses in the last 5 years

(I) Financial analysis - IFRS

Title		FY	Financial information in the last 5 years (note 1)					Financial information in 2014 to March 31 (Note 2)
			2009	2010	2011	2012	2013	
Financial structure	Debt to Total Asset Ratio（%）		N/A	N/A	N/A	44.77	49.45	43.19
	Long-term capital to real estate, plants, and equipment ratio (%)					216.06	174.71	186.50
Ability to repay debt	Current ratio（%）					159.98	143.30	161.33
	Quick ratio （%）					55.27	58.44	63.69
	Debt service coverage ratio					202.39	148.52	118.03
Utility	A/R turnover (time) (note 3)					-	-	-
	Average days of cash receipt (note 3)					-	-	-
	Inventory turnover (time)					2.96	3.19	3.48
	A/P turnover (time)					4.69	4.83	5.50
	Average days of sales					123.31	114.42	104.89
	Turnover of real estate, plants,and equipment (time)					7.08	6.64	6.26
	Total turnover (time)					2.00	2.00	2.06
Profitability	ROA（%）					13.63	15.53	17.41
	ROE（%）					24.84	29.30	32.19
	Ratio to paid-in capital (%)	Operating income				48.99	64.22	85.42
		EBT				56.07	72.58	87.92
	Net Profit Margin（%）					6.79	7.71	8.40
	EPS (NTD) after dilution (note 5)					4.62	6.03	1.82
Cash flow	Cash flow ratio（%）					48.48	52.50	18.22
	Cash flow adequacy ratio（%）					94.50	101.04	109.71
	Cash reinvestment ratio（%）					12.51	16.32	7.97
Leverage	Operation leverage					4.89	4.50	34.38
	Financial leverage					1.01	1.01	1.01

The reasons for the changes in financial ratios in the last 2 years (changes in less than ±20% are not required for further analysis).
Debt services coverage ratio: the expansion of new business locations and shop renovation in 2013 dictated for additional capital through long-term financing, to the extent that interest expenses in this period increased and debt services coverage fell accordingly.
Operating income in proportion to paid-in capital (%): this is the result of an increase in revenue and the effective control of operating expenses in FY2013.
Earnings before Taxation (EBT) in proportion to paid-in capital (%): this is the result of an increase in revenue and the effective control of operating expenses in FY2013.
Cash reinvestment ratio (%): this is the result of an increase in revenue in FY 2013, to the extent that net cash flow from operation increased and cash reinvestment ratio also increased.

Note 1: POYA International adopted the International Financial Reporting Standard (IFRS) since January 1 2013 in accounting. Inasmuch as the insufficiency of data covering a period of 5 years, the statement (II) below was prepared in accordance with the Statement of Financial Accounting (SFAS) of the ROC.

Note 2: The financial information as of March 31 2014 was reviewed by CPA.

Note 3: POYA International is in the retailing industry, and this is not applicable here.

Note 4: The equations for the calculation of the above financial ratios (under IFRS) are shown below:

1. Financial structure
   (1) Debt to Total Asset Ratio = total liabilities/total assets
   (2) Long-term capital to real estate, plants, and equipment ratio = (total equity + non-current liabilities)/net value of real estate, plants, and equipment
2. Ability to repay debts
   (1) Current ratio = current assets/ current liabilities
   (2) Quick ratio = (current assets – inventory – prepayments) / current liabilities
   (3) Debt services coverage ratio = EBIT/interest expenses in current period
3. Utility
   (1) Receivables (including account receivables and note receivables deriving from business operation) turnover rate = net sales/the average receivable balance in each period (including account receivables and note receivables deriving from business operation)
   (2) Average days for cash receipt = 365 days/receivable turnover rate
   (3) Inventory turnover = cost of goods sold / average inventory
   (4) Payables (including account payables and note payables deriving from business operations) turnover = cost of goods sold/ average payable balance in each period (including account payables and note payables deriving from business operation).
   (5) Average days of sales = 365 days/ inventory turnover rate.
   (6) Real estate, plants, and equipment turnover rate = net sales/net value of real estate, plants, and equipment.
   (7) Total assets turnover = net sales/ average total assets.

4. Profitability
   (1) ROA = [Corporate earnings + interest expense x (1- tax rate)] / average total assets
   (2) ROE = Corporate earnings /average total equity
   (3) Net profit rate = Corporate earnings / net sales
   (4) EPS = (Earnings attributable to the owners of parent – preferred stock dividend)/ weighted average quantity of outstanding shares
5. Cash flow
   (1) Cash flow ratio = net cash flow from operation / current liabilities
   (2) Net cash flow adequacy ratio = net cash flow from operation in the last 5 years/ (capital expenditure + increase in inventory + cash dividend) in the last 5 years
   (3) Cash reinvestment ratio = (net cash flow from operation – cash dividend) /gross real estate, plants, and equipment + long-term investment + other non-current assets + working capital)
6. Leverage:
   (1) Operation leverage = (net sales – cost of goods sold and expenses) /operating income
   (2) Financial leverage = operating income / (operation income – interest expenses)

Note 5: Attention to the following is advised in assessing the equation for the calculation of earnings per share:

1. Based on the weighted average quantity of outstanding common shares in current year.
2. For capitalization of employee bonus and retained earnings into new shares, adjustment in proportion of the amount of capital raised shall be made in the calculation of the annual or semi-annual earnings per share of the previous year.

(II) Financial analysis - SFAS

Items of analyses			2009	2010	2011	2012	2013
Financial structure	Debt to Total Asset Ratio (%)		55.28	47.06	44.89	43.30	N/A
	Long Term Fund to Fixed Asset Ratio (%)		184.73	195.59	203.04	221.95	
Ability to repay debt	Current ratio (%)		138.30	153.75	161.16	165.11	
	Quick ratio (%)		39.62	56.60	49.40	56.55	
	Debt service coverage ratio		38.06	57.86	109.18	205.73	
Utility	A/R turnover (time) (note 1)		-	-	-	-	
	Average days of cash receipt (note 1)		-	-	-	-	
	Inventory turnover (time)		3.34	3.52	3.44	3.28	
	A/P turnover (time)		4.89	4.91	5.01	5.19	
	Average days of sales		109.18	103.62	106.21	111.28	
	Turnover of real estate, plants, and equipment (time)		6.86	7.10	7.18	7.57	
	Total turnover (time)		1.95	2.08	2.10	2.13	
Profitability	ROA (%)		7.50	9.98	11.33	13.82	
	ROE (%)		15.80	18.32	20.78	24.60	
	Ratio to paid-in capital (%)	Operating income	30.71	31.76	39.73	49.92	
		EBT	35.65	39.08	45.03	57.00	
	Net Profit Margin (%)		3.49	4.67	5.36	6.47	
	EPS (NTD) after dilution (note 2)		2.25	3.26	3.71	4.75	
Cash flow	Cash flow ratio (%)		28.90	52.27	29.45	52.47	
	Cash flow adequacy ratio (%)		51.74	71.30	74.99	95.99	
	Cash reinvestment ratio (%)		13.57	26.72	4.60	13.55	
Leverage	Operation leverage		6.57	6.10	5.39	4.80	
	Financial leverage		1.03	1.02	1.01	1.01	

Note 1: POYA International is in the retailing industry, and this is not applicable here.

Note 2: Attention to the following is advised in assessing the equation for the calculation of the aforementioned earnings per share:

(1) Based on the weighted average quantity of outstanding common shares in current year.

(2) For capitalization of employee bonus and retained earnings into new shares, adjustment in proportion of the amont of capital raised shall be made in the calculation of the annual or semi-annual earnings per share of the previous year.

Note 3: the equations for the analyses are shown below:

Note 4: The equations for the calculation of the above financial ratios (under SFAS) are shown below:

1. Financial structure
   (1) Debt to Total Asset Ratio = total liabilities/total assets
   (2) Long Term Fund to Fixed Asset Ratio = (total shareholders' equity + long-term liabilities)/net fixed assets
2. Ability to repay debts
   (1) Currnt ratio = current assets/ current liabilities
   (2) Quick ratio = (current assets – inventory – prepayments) / current liabilities
   (3) Debt services coverage ratio = EBIT/interest expenses in current period
3. Utility
   (1) Receivables (including account receivables and note receivables deriving from business operation) turnover rate = net sales/the average receivable balance in each period (including account receivables and note receivables deriving from business operation)
   (2) Average days for cash receipt = 365 days/receivable turnover rate
   (3) Inventory turnover = cost of goods sold / average inventory
   (4) Payables (including account payables and note payables deriving from business operations) turnover = cost of goods sold/ average payable balance in each period (including account payables and note payables deriving from business operation).
   (5) Average days of sales = 365 days/ inventory turnover rate.
   (6) Fixed assets turnover rate = net sales/net value fixed assets.
   (7) Total assets turnover = net sales/ average total assets.
4. Profitability
   (1) ROA = [Corporate earnings + interest expense x (1- tax rate)] / average total assets
   (2) ROE = Corporate earnings /average net shareholders' equity
   (3) Net profit rate = Corporate earnings / net sales
   (4) EPS = (Earnings– preferred stock dividend)/ weighted average quantity of outstanding shares (note 4)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operation / current liabilities
   (2) Net cash flow adequacy ratio = net cash flow from operation in the last 5 years/ (capital expenditure + increase in inventory + cash dividend) in the last 5 years
   (3) Cash reinvestment ratio = (net cash flow from operation – cash dividend) /gross fixed assets + long-term investments + other assets + working capital) (note 5)
6. Leverage:
   (1) Operation leverage = (net sales – cost of goods sold and expenses) /operating income (note 6)
   (2) Financial leverage = operating income / (operation income – interest expenses)

III. Supervisors' Review Report on Financial Statement of Last Fiscal Year

POYA International Co., Ltd.

Supervisor's Review Report

Attn to: 2014 Annual Meeting of Shareholders

The Board of Directors have prepared and submitted the business report, financial statements and profit distribution proposal for the year 2013, among which the financial statements have been audited and reviewed by Lee Ming Hsien and Lin Tzu Shu, who are both certified accounts from the accounting firm of PwC Taiwan, and they have issued an audit report. The above mentioned report and documents have been reviewed by the Supervisors of the Company and the Supervisors are of the opinion that they are in order, and hereby issue this report in accordance to Article 219 of the Company Act.

POYA International Co., Ltd.

Supervisor De-Shiang Tsai

Supervisor Ming-Shian Chen

Supervisor Zong-Kun Shie

March 17, 2014

IV. Financial information in last fiscal year:

Please refer to P.86~133. POYA International does not have any subsidiary and no consolidated financial statement is necessary. Only the financial statement on the company itself is required.

V. The audited financial statement in the last fiscal year:

None

VI. Any insolvency for the company and affiliates in the last fiscal period and to the date this report was printed, and the effect on the financial position of the company: None.

VII. Financial Position, Operation in review, and Risk Assessment

Financial Position, Operation in review, and Risk Assessment

I. Financial Position

Comparison of financial positions

Unit: Thousands of New Taiwan Dollars

Title \ FY	FY2013	FY2012	Change	
			Amount	%
Current assets	$2,460,171	$2,106,197	353,974	16.81%
Real estate, plants and equipment	1,299,689	885,032	414,657	46.85%
Other assets	238,516	256,713	(18,197)	-7.09%
Total assets	3,998,376	3,247,942	750,434	23.10%
Current liabilities	1,716,819	1,316,544	400,275	30.40%
Non-current liabilities	260,261	137,720	122,541	88.98%
Total liabilities	1,977,080	1,454,264	522,816	35.95%
Capital stock	929,073	916,267	12,806	1.40%
Capital surplus	346,318	309,961	36,357	11.73%
Retained earnings	745,905	567,450	178,455	31.45%
Total shareholders' equity	2,021,296	1,793,678	227,618	12.69%

I. Notes to analysis of changes:

1. Current assets: the expansion of the scale of operation in 2013 resulted in an increase of cash.
2. Real estate, plants and equipment: the renovation and decorations of the branches and expansion of new business locations in 2013.
3. Current liabilities: the expansion of the scale of operation in 2013 resulted in an increase in payables to the suppliers and the payment for the works of shop renovation and decoration in the same year.
4. Non-current liabilities: mainly because of the increase in long-term liabilities in 2013.
5. Regained earnings: mainly because of the increase in profit in FY2013.

II. Responding measures in the future:

The working capital deriving from business operation will be funded by the financing of financial institutions, and this source of working capital is sufficient for supporting the operation of the company in the future.

II. Financial performance

Comparison of financial performance

Unit: Thousands of New Taiwan Dollars

FY / Title	FY2013	FY2012	Change in amount	Change in proportion (%)
Revenue	7,249,459	6,272,815	976,644	15.57%
Operating cost	(4,374,265)	(3,906,418)	(467,847)	11.98%
Gross profit	2,875,194	2,366,397	508,797	21.50%
Operating expense	(2,278,549)	(1,917,483)	(361,066)	18.83%
Operating income	596,645	448,914	147,731	32.91%
Non-operating income and expense	77,686	64,834	12,852	19.82%
EBT	674,331	513,748	160,583	31.26%
Income tax expense	(115,479)	(87,577)	(27,902)	31.86%
Earnings in current period	558,852	426,171	132,681	31.13%

I. Notes to the analysis of the changes in the last 2 fiscal years:

(1) Revenue: mainly because of the growth of the branches and the addition of new branches.

(2) Gross profit: mainly because of the increase in revenue in 2013 and the economy of scale that contributed to the increase in gross profit.

(3) Operating expense: mainly because of the addition of new branches and the increase in the depreciations of the shops in renovation in 2013.

(4) Operating income: mainly because of the increase in revenue in 2013.

(5) EBT: mainly because of the increase in revenue and the economy of scale, with subsequent increase in earnings before taxation.

(5) Income tax expense: mainly because of the increase in profit in 2013.

(6) Earnings in current period: mainly because of the increase in revenue and the economy of scale that contributed to the increase in earnings.

II. Projection of sales volume in the year ahead and the basis of projection:

POYA International will continue to expand its business locations in the year ahead for larger scale of operation and higher sales volume. The forecast of possible economic change and the progress of expanding the operation with addition of shops indicated that the revenue of the year ahead will still be on the growth.

III. Analysis of the change in gross profit:

Mainly because of the increase in revenue in 2013 and the economy of scale that contributed to the increase in gross profit.

III. Cash flow

Analysis of the change in cash flow in last fiscal year, the remedy for insufficient liquidity, and the analysis of cash flow in the year ahead

(I) Analysis of change in cash flow in current period

Cash balance at beginning (1)	Net cash flow from operation in the period (2)	Cash outflow (inflow) in the period (3)	Cash surplus (short) (1)+(2)-(3)	Remedy for cash gap	
				Investment plan	Financial plan
$ 478,948	901,262	679,719	700,491	-	Bank loans

The analysis:

(1) Operation: Net cash inflow from operation amounted to NT$901 million, which is the primary source of increase in earnings.

(2) Investment: Net cash flow from investment amounted to NT$549 million mainly for the renovation of shops and the purchase of fixed assets for the development of branch locations, and the payment of refundable deposits.

(3) Financing: Net cash outflow from financing amounted to NT$131 million mainly because of the distribution of cash dividend in current period.

(II) Remedy for cash gap: Not applicable.

(III) Analysis of cash flow in the year ahead

Cash balance at beginning (1)	Net cash flow from operation in the period (2)	Cash outflow (inflow) in the period (3)	Cash surplus (short) (1)+(2)-(3)	Remedy for cash gap	
				Investment plan	Financial plan
700,491	991,388	747,691	944,188	-	Bank loans

1. The analysis:
   (1) Operation: Revenue in FY2014 is expected to grow in stable paces and will generate net cash inflow.
   (2) Investment: Net cash outflow from investment is mainly the the projected procurement of fixed assets, refundable deposits, and deferred expenses.
   (3) Financing: mainly for the projected distribution of cash dividend, remunerations to directors and supervisors, and the retirement of long-term loans.
2. Projected cash gap and remedy, and liquidity analysis:

   POYA International plans to increase the size of long-term loans from banks to sustain its development of branch locations that dictated for additional capital expenditures that caused the inadequacy of working capital. Loans from banks can help to maintain a safe level of balance for working capital.

IV. Major capital expenditure in the last fiscal year and its effect on financial position and operation

(I) Major capital expenditure and implementation, and sources of funding

Project	Actual or expected sources of funding	Actual or expected date of completion	Total amount required	Actual or estimated spending			
				FY2012	FY2011	FY2012	FY2013
Expansion of business locations	Working capital and financial institutions	2013.12.31	356,958				356,958
Renovation of existing shops	Working capital and financial institutions	2013.12.31	208,481				208,481

(II) Effect on financial position and operation

The purpose of recent capitalization of employee bonus and retained earnings into new shares is the expansion of business locations, which is necessary for maintaining the business growth and upgrading the competitiveness of POYA International in long-term development. This move will yield result incrementally and will contribute to corporate earnings and shareholders' equity.

In consideration of the effect on earnings per share, cost of capital, stable operation, financial structure security, and shareholders' equity, the capitalization of employee bonus and retained earnings into new shares is the most preferred source of financing for the time being.

V. Direct investment policy in the last fiscal year, the main reason for profit or loss, the remedy, and investment plan in the year ahead: no.

VI. Risk analysis and assessment

(I) The effect of exchange rate fluctuation and inflation on the income status of the company, and the responses:

1. The effect on the income status of the company:

Title	FY2013 (NTD1,000; %)
Net interest income (expense)	-2,946
Net exchange gains/loss	0
Net interest income (expense) to net sales ratio	-0.04%
Net interest income (expense) to EBT ratio	-0.44%
Net exchange gains/loss to net sales ratio	0%
Net exchange gains/loss to EBT ratio	0%

(1) Interest rate fluctuation:

As of the end of 2013, POYA International had long-term debt amounting to NT$487.753 million (including current portion of long-term debts or with maturity in one operation period). Corporate earnings will be decreased by NT$17,000 if the interest rate in market is up by 110%, given other factors remain unchanged. The current policy of the Central Bank is the stabilization of consumer prices and the financial position with a view for boosting economic growth thereby keeps the interest rate stable. The rapid cash inflow and rapid retirement of debts by POYA International makes it less sensitive to and unaffected by interest rate fluctuation on income status.

(2) Exchange rate fluctuation:

POYA International buys and sells in NTD, and is not engaged in exports. Imported items accounted for a very low proportion of its total sales. In addition, there is no trade agreement involving foreign exchanges. As such, exchange rate fluctuation does not cause significant effect on the revenue and profit of the company.

(3) Inflation:

POYA International pays close attention to the fluctuation of prices in market and keeps abreast of information on CPI fluctuation and inflation. As such, inflation does not cause significant effect on the income status of the company.

2. Plans for the future:

(1) Response to interest rate fluctuation

Continue to keep track on the trend of interest rate, and bargain with the service financial institutions with an attempt to control the cost of financing at a relative low point in market.

(2) Response to exchange rate fluctuation

The principal business of POYA International is domestic sales and is denominated in NTD, which helps to avoid the risk of exchange rate fluctuation.

(3) Response to inflation

POYA International spares no effort in expanding its economy of scale in operation to reduce the pressure from cost up due to inflation and the influence on its operation.

(II) Engagement in risk, high leverage investment, financing a third party, endorsement and guarantee in favor of a third party, and derivative trade policy, the main reason for profit or loss, and the remedial actions:

POYA International focuses on retailing business and is not engaged in high risk and high leverage investment, financing a third party, endorsement and guarantee in favor of a third party, and derivative trade. For the effective control of related risk, and enhancement of financial operation security, POYA International has established the “Operational Procedures for Loaning of Company Funds”, “Operational Procedures for Endorsements and Guarantees”, and “Operational Procedures for Acquisition or Disposal of Assets” as required by applicable legal rules of the Securities and Futures Bureau. In addition, the auditing function of POYA International has also established related risk management and assessment of related systems in accordance with the “Regulations Governing the Establishment of Internal Control System by Public Companies” of the Securities and Futures Bureau.

(III) R&D plan in the future and projected expenditures on R&D:

A system of backup at alternate site will be introduced to the computer center in Tainan. The equipment of IDC computer room in Taiwan will be replicated to Taipei IDC computer room. In addition to the replication of hardware, the data and network architecture are also replicated. This alternate backup site (Taipei IDC) will be taken as a network segment of the intranet (Class C) for synchronization. In case of an emergency caused by a disaster, Chunghwa Telecom will change its HiLink setup and all other equipment will be automatically switched to the IDC segment in Tainan under the NAT technology so that the shops can link to Taipei IDC computer room without making any change and access to database. With the switching of DNS, external suppliers can successfully link to the web server of Taipei IDC via the internet for picking up orders. The switching time is less than 4 hours.

(IV) The effect of changes in vital policies and legal environment at home and overseas on the financial position and operation of the company, and the responses to such changes:

1. The effect of changes in vital policies and legal environment at home and overseas on the financial position and operation of the company:

(1.1) The Protection of Personal Information Act has come into full force on October 1 2012.This law applies to all natural persons, institutions, and groups consisting of more than 3 persons. For the company, any disclosure of the information on the consumers is bound to be held liable for the damage thereof and the claim could be sky high. As such, POYA International has mapped out the plan for the security of the personal data files of the consumers in compliance with this law to protect the privacy of the customers, reduce possible financial loss, and the risk or causing damage to good will of the company.

(1.2) For the enhanced advocacy of corporate governance, Financial Supervisory Commission has mapped out the blue print for intensifying corporate governance in 2013. Through relevant institutionalization of rules and regulations, self-discipline of the enterprises, and market supervision, FSC makes the enterprises to make positive effort in carving the culture of corporate governance, prompt the actions of the shareholders, upgrade the function of the Board of Directors, disclosure of vital information, and fortification of the legal framework as the guidelines for the corporate governance policy of the enterprises. POYA Intentional will support the cause of intensifying corporate governance advocated by FSC.

2. The responses: POYA International has appointed designated personnel to pay close attention to any change in applicable legal rules and information released by the government, and feed the information to the management and related personnel timely.

(V) The effect of technological and industrial change on the financial position and operation of the company, and the responses to the change:

POYA International pays close attention to the development of consumer related technologies like e-commerce, telecommunications, and consumer banking. With its ever expanding scale of operation, product management becomes essential. The use of information system for quick access to sales information could effectively help to control the purchase of merchandises to the minimum level of inventory without losing any sale opportunity. As such, the use of information technology could fortify real-time supply of products and services will be vital for development under competition and breakthrough. Technological change causes no significant influence on the financial position of the company.

(VI) The effect of corporate image on crisis management of the enterprise, and the responses to the crisis:

Further to the operation of its registered business, POYA International spares no effort in performing its corporate social responsibility and social charity in the long run. In 2013, POYA International made donation to Down Syndrome Foundation of ROC to help the social misfortunes. In addition, POYA International also sponsored Tainan City Slow Pitch Software Association and Tainan Municipal Sports Federation for the encouragement of sportsmanship. POYA International has also established relevant rules and regulations for the prevention of disasters like typhoon and fire with proper education and training. These efforts help to minimize the damage caused by disasters quickly. As of the date this report was printed, there is no event that caused damage to the corporate image of the company.

(VII) Expected result and possible risks deriving from mergers and acquisitions, and the responses: no

(VIII) Expected result and possible risks deriving from plant expansion, and the responses: no.

(IX) The risk deriving from concentration of purchase or sales, and the responses:

POYA International is a retailer and there is no concentration of purchase. There is also no single supplier that accounted for more than 10% of the purchase made by the company. This is because the company seeks to diversify its sources of merchandise supply with purchase and sales in great variety of items. As such, there is no risk deriving from the concentration of purchase or sales.

(X) Transfer of equity shares in large quantity by directors, supervisors or dominant shareholders that hold more than 10% of the shares each or the replacement of directors, supervisors, or dominant shareholders holding more than 10% of the company shares each, the effect and risk to the company, and the response: no.

(XI) The effect of the change in ownership on the company, the risk derived thereof, and the response: no.

(XII) Major law suits, non-contentious matters, or administrative actions involving the directors, supervisors, president, owners, shareholders that hold more than 10% of the equity shares, with sentence or pending on court decision, the result of which may significantly affect the shareholders' equity or stock price of the company, specify the action taken in response to the aforementioned disputes, the target amount involved, the date on which the law suit started, the parties concerned, and the status as of the day this report was printed: no.

(XIII) Other important risks and responses: no.

VII. Other important notice: no

VIII. Special notes

Special Notes

I. Information on affiliates

(I) Consolidated business report: no
(II) Consolidated financial statement: no
(III) Report on affiliates: no

II. From the last fiscal year to the date this report was printed, any issuance of securities through private placement: no

III. From the last fiscal year to the date this report was printed, the holding or disposition of equity shares by the company: no

IV. Other supplementary note: no

V. From the last fiscal year to the date this report was printed, is there any event that affects the shareholders' equity or stock price of the company as stated in Article 36- II- (II) of the Securities and Exchange Act: no.

IX. Supplementary Disclosure

Supplementary Disclosure

I. Key performance indicators

KPI	FY2013	FY2012
Operating income rate (%)	8.23%	7.16%
Net profit margin (%)	7.71%	6.79%
Earnings per share(NTD)	6.03	4.62
ROE(%)	29.3%	24.84%

II. The basis of the account titles for recognition of assets and liabilities assessment

(I) Inventory

1. Inventory for proprietary business: bookkeeping is based on the cost of acquisition. Method of the lower the net cash value and retailing price is adopted for the accounting.
2. Shop counters: suppliers will establish their own counters at the shops of POYA International, and they must comply with the principles of (1) respective supplier shall responsible for the transactions at the counters and supply the customers with related products or services; (2) POYA International shall be entitled specific percentage or amount of the profit from the sales at these counters; (3)Where the shop counter may have to assume credit risks from the customers, the difference between the amount of customer payment net of the fee for the use of the counter shall be recognized as the sales of POYA International. Any items left unsold at the end of the period shall be recognized as the properties of the counters and not stated in the book as inventory of POYA International. If the aforementioned conditions are not satisfied, the total proceeds from the customers at the counter shall be recognized as the sales revenue of POYA International.

(II) Provision for doubtful accounts

Title of assets and liabilities for evaluation	Basis of evaluation	Principle of evaluation
Allowance for bad debts	Aging of accounts approach	The account receivables have an age of more than one year and is unlikely to recover shall be subject to recognition for provisions for doubtful accounts (at 100%)

(III) Evaluation financial assets at fair value

The method and hypothesis adopted by POYA International in the evaluation of financial assets at fair value:

1. The effect of discount value for short-term financial products is marginal and the book value shall be recognized as the fair value. This method is applicable to cash and cash equivalents note and account receivables, other receivables, note and account payables, income tax payables, payables, other payables and current portion of long-term debts or debts with maturity of one operation period.
2. Refundable security deposits shall be based on the discount value of expected cash flow volume for assessing its fair value. The discount rate shall be based on the fixed interest rate for time deposit of one year term post by Postal Savings and Remittances Bank at the end of the period.
3. The fair value of long-term loans and deposits on receipts shall be assessed on the basis of the discount value of its expected cash flow volume. The discount rate shall

be based on the interest rate at which the company can make long-term loans under similar terms and conditions (with approximated maturity dates).

III. The purpose and methods of hedge accounting:

(I) For purpose of hedging:

If the conditions of hedge accounting were satisfied, the accounting of hedge instruments for hedge offsetting on the basis of different hedge relation, and the effect of income deriving from the changes in the fair value of the hedge instruments shall be:

1. Fair value hedge: The measurement of the value of hedge instruments at fair value for a second instance, or the difference in book value caused by exchange rate fluctuation, shall be recognized as incomes or loss in current period. The gain or loss deriving for the risk being hedged off with the hedge instruments shall be adjusted in book value on the hedge items and recognized as gain or loss in current period.
2. Cash flow hedge: the gains or loss from hedge instruments shall be recognized as an adjustment item under the title of shareholders' equity.

(II) The long-term loans of POYA International is the debts under floating rate, any fluctuation of interest rate shall cause corresponding change to the effective interest rate for the long-term loans, to the extent that cash flow will also be affected. Yet, the fluctuation of interest rate is expected to the marginal and will not cause significant interest risk. As such, no hedge instrument is being considered in accounting.

IV. The certification of the personnel related to the transparency of financial information by the competent authority

(I) Certification of related fields of specializations:

Passing the examination of Certified Public Bookkeepers held by the Ministry of Examination: one person from Auditing Office.

Stock Affair Specialist test held by Securities and Futures Commission: one person from Finance and Accounting Division.

International Project Management Professional (PMP): one person from Finance and Accounting Division.

(II) Professional training:

Professional trainings for the directors and supervisors:

Title	Name	Date of office	Date of training	Organizer	Name of course	Hours of study	Compliant or not
Diretor and President	Chen Zong-Cheng	2011.06.22	2013.12.18	Securities and Futures Institute	Advanced Seminar for the Practices of Supervisors and Directors	3	Yes
Independent Director	Shih Bo-Ren	2011.06.22	2013.03.27	NCKU Research and Development Foundation	Seminar of the Practice of Corporate Governance	3	Yes
Independent Director	Lin Cai-Yuan	2011.06.22	2013.03.27	NCKU Research and Development Foundation	Seminar of the Practice of Corporate Governance	3	Yes
Representative of institutional shareholder	Sun Da-Wen	2011.06.22	2013.05.16	Securities and Futures Institute	Colloquium on the Functions of Independent Directors in List Companies	3	Yes
Supervisor	Shie Zong-Kun	2011.06.22	2013.03.27	NCKU Research and Development Foundation	Seminar of the Practice of Corporate Governance	3	Yes
Supervisor	Chen Ming-Shian	2011.06.22	2013.08.06	Securities and Futures Institute	The Framework of Subsidiaries and the Segregation of Duties of the Directors and Supervisors	3	Yes
Manager of Finance and Accounting Division	Shen Hong-Yu	2008.11.01	2013.12.12~13	National Cheng Kung University	13^{th} Session of Chief Accounting Officers Continuing Education Program	12	Yes

Chief Auditor and all internal auditors:

According to the “Regulations Governing the Establishment of Internal Control System by Public Companies” , these personnel shall take several hours of training on topics related to internal control and report to Securities and Futures Bureau every year. In 2013, 2 persons have participated in the training of information security and audit methods for 12 hours each, with 6 hours for the course “Prevention, Detection and Investigation of Fraud”, and 6 hours for “The Required Skills for Contemporary Internal Auditors – Professionalism, Communication, and Problem Solving”.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of POYA International Co., Ltd.

We have audited the accompanying balance sheets of POYA International Co., Ltd. as of December 31, 2013, December 31, 2012, and January 1, 2012, and the related statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of POYA International Co., Ltd. as of December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and cash flows for the years ended December 31, 2013 and 2012 in conformity with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

Republic of China

March 17, 2014

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

POYA INTERNATIONAL CO., LTD
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2013 AMOUNT	%	December 31, 2012 AMOUNT	%	January 1, 2012 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 700,491	18	$ 478,948	15	$ 450,586	15
1150	Notes receivable, net		7,299	-	9,520	-	979	-
1170	Accounts receivable, net	6(2)	288,163	7	229,536	7	159,707	5
1200	Other receivables		7,439	-	9,693	-	1,449	-
130X	Inventories	5(2) and 6(3)	1,417,479	36	1,327,328	41	1,310,986	43
1410	Prepayments		39,300	1	51,172	2	61,869	2
11XX	**Total Current Assets**		2,460,171	62	2,106,197	65	1,985,576	65
	Non-current assets							
1600	Property, plant and equipment	6(4)(19)	1,299,689	33	885,032	27	886,128	29
1840	Deferred income tax assets	6(16)	9,515	-	10,700	-	8,257	-
1920	Refundable deposits	6(18)	127,030	3	114,404	4	104,910	4
1985	Long-term prepaid rents		89,094	2	118,641	4	37,358	1
1990	Other non-current assets		12,877	-	12,968	-	15,604	1
15XX	**Total Non-current assets**		1,538,205	38	1,141,745	35	1,052,257	35
1XXX	**Total Assets**		$ 3,998,376	100	$ 3,247,942	100	$ 3,037,833	100

(Continued)

POYA INTERNATIONAL CO., LTD
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

			December 31, 2013		December 31, 2012		January 1, 2012	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2150	Notes payable	6(19)	$ 313,973	8	$ 282,987	9	$ 277,416	9
2170	Accounts payable	6(19)	656,943	17	557,916	17	548,426	18
2200	Other payables		409,454	10	269,523	8	257,140	9
2230	Current income tax liabilities	6(16)	72,599	2	54,806	2	39,426	2
2310	Receipts in advance		14,677	-	13,443	1	6,486	-
2320	Long-term liabilities, current portion	6(5)	238,391	6	124,957	4	127,100	4
2399	Other current liabilities		10,782	-	12,912	-	8,839	-
21XX	**Total Current Liabilities**		1,716,819	43	1,316,544	41	1,264,833	42
	Non-current liabilities							
2540	Long-term borrowings	6(5)	249,362	6	118,489	4	122,099	4
2570	Deferred income tax liabilities	6(16)	-	-	1,798	-	1,722	-
2640	Accrued pension liabilities	5(2) and 6(6)	7,781	-	14,715	-	10,220	-
2645	Guarantee deposits received		3,118	-	2,718	-	1,818	-
25XX	**Total Non-current Liabilities**		260,261	6	137,720	4	135,859	4
2XXX	**Total Liabilities**		1,977,080	49	1,454,264	45	1,400,692	46
	Equity							
	Share capital							
3110	Common stock	6(7)	929,073	23	916,267	28	900,867	30
3200	Capital surplus	6(7)(8)	346,318	9	309,961	9	285,357	9
	Retained earnings	6(7)(9)(16)						
3310	Legal reserve		228,493	6	185,168	6	151,532	5
3350	Unappropriated retained earnings		517,412	13	382,282	12	299,385	10
3XXX	**Total equity**		2,021,296	51	1,793,678	55	1,637,141	54
	Contingent Liabilities and Commitments	6(18) and 9						
	Total liabilities and equity		$ 3,998,376	100	$ 3,247,942	100	$ 3,037,833	100

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

POYA INTERNATIONAL CO., LTD
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for basic and diluted earnings per share)

			Year ended December 31			
			2013		2012	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(10)	$ 7,249,459	100	$ 6,272,815	100
5000	**Operating costs**	6(3)	(4,374,265)	(60)	(3,906,418)	(62)
5900	**Net operating margin**		2,875,194	40	2,366,397	38
	Operating expenses	6(6)(14)(15)(18) and 7				
6100	Selling expenses		(1,842,597)	(26)	(1,637,788)	(26)
6200	General & administrative expenses		(435,952)	(6)	(279,695)	(5)
6000	**Total operating expenses**		(2,278,549)	(32)	(1,917,483)	(31)
6900	**Operating profit**		596,645	8	448,914	7
	Non-operating income and expenses					
7010	Other income	6(11)	86,531	1	68,992	1
7020	Other gains and losses	6(12)	(4,274)	-	(1,607)	-
7050	Finance costs	6(4)(13)	(4,571)	-	(2,551)	-
7000	**Total non-operating income and expenses**		77,686	1	64,834	1
7900	**Profit before income tax**		674,331	9	513,748	8
7950	Income tax expense	6(16)	(115,479)	(1)	(87,577)	(1)
8200	**Profit for the year**		$ 558,852	8	$ 426,171	7
8360	Actuarial gain (loss) on defined benefit plans	6(6)	$ 5,344	-	($ 6,199)	-
8399	Income tax relating to the components of other comprehensive income	6(16)	(908)	-	1,054	-
8300	**Other comprehensive income for the year**		$ 4,436	-	($ 5,145)	-
8500	**Total comprehensive income for the year**		$ 563,288	8	$ 421,026	7
	Basic earnings per share(in dollars)	6(17)				
9750	**Net income**		$ 6.03		$ 4.62	
	Diluted earnings per share(in dollars)	6(17)				
9850	**Net income**		$ 6.01		$ 4.59	

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

POYA INTERNATIONAL CO., LTD
STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings: Legal reserve	Retained Earnings: Unappropriated retained earnings	Total equity
For the year ended December 31, 2012						
Balance at January 1, 2012		$ 900,867	$ 285,357	$ 151,532	$ 299,385	$ 1,637,141
Distribution of 2011 net income(Note):						
Legal reserve		-	-	33,636	(33,636)	-
Cash dividends	6(9)	-	-	-	(295,484)	(295,484)
Stock dividends	6(9)	9,009	-	-	(9,009)	-
Employees' stock bonus	6(7)	6,391	24,604	-	-	30,995
Net income for the year ended December 31,2012		-	-	-	426,171	426,171
Other comprehensive income for the year December 31,2012		-	-	-	(5,145)	(5,145)
Balance at December 31, 2012		$ 916,267	$ 309,961	$ 185,168	$ 382,282	$ 1,793,678
For the year ended December 31, 2013						
Balance at January 1, 2013		$ 916,267	$ 309,961	$ 185,168	$ 382,282	$ 1,793,678
Distribution of 2012 net income(Note):						
Legal reserve		-	-	43,325	(43,325)	-
Cash dividends	6(9)	-	-	-	(375,670)	(375,670)
Stock dividends	6(9)	9,163	-	-	(9,163)	-
Employees' stock bonus	6(7)(9)	3,643	36,357	-	-	40,000
Net income for the year ended December 31,2013		-	-	-	558,852	558,852
Other comprehensive income for the year December 31,2013		-	-	-	4,436	4,436
Balance at December 31, 2013		$ 929,073	$ 346,318	$ 228,493	$ 517,412	$ 2,021,296

(Note)The employees' bonuses were $31,000 ($5 were paid in cash) and $40,000, and the directors' and supervisors' remuneration were $4,800 and $4,800 in 2011 and 2012, respectively, which had been deducted from net income for the years.

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

POYA INTERNATIONAL CO., LTD
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		$ 674,331	$ 513,748
Adjustments to reconcile net income to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(4)(14)	238,453	206,575
Gain from disposal of property, plant and equipment	6(12)	-	(896)
Interest expense	6(13)	4,900	3,436
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		2,221	(8,541)
Accounts receivable		(58,627)	(69,829)
Other receivables		2,254	(8,244)
Inventories		(90,151)	(16,342)
Prepayments		11,872	10,697
Net changes in liabilities relating to operating activities			
Notes payables		30,986	6,567
Accounts payable		99,027	9,490
Other payables		92,260	58,382
Receipts in advance		1,234	6,957
Other current liabilities		(2,130)	4,073
Accrued pension liabilities		(1,590)	(1,704)
Cash provided by generated from operations		1,005,040	714,369
Interest paid		(4,571)	(2,551)
Income tax paid		(99,207)	(73,510)
Net cash provided by operating activities		901,262	638,308
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(19)	(565,439)	(222,830)
Interest payments for acquisition of property, plant and equipment	6(4)(13)(19)	(329)	(885)
Proceeds from disposal of property, plant and equipment		-	2,252
Increase in refundable deposits		(12,626)	(9,494)
Decrease (increase) in long-term prepaid rents		29,547	(81,283)
Decrease in other non-current assets		91	2,636
Net cash used in investing activities		(548,756)	(309,604)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		430,000	130,009
Repayment of long-term borrowings		(185,693)	(135,762)
Increase in guarantee deposits received		400	900
Cash dividends paid		(375,670)	(295,484)
Cash paid for odd lots		-	(5)
Net cash used in financing activities		(130,963)	(300,342)
Increase in cash and cash equivalents		221,543	28,362
Cash and cash equivalents at beginning of year	6(1)	478,948	450,586
Cash and cash equivalents at end of year	6(1)	$ 700,491	$ 478,948

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

POYA INTERNATIONAL CO., LTD
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in thousands of New Taiwan Dollars, excepts otherwise indicated)

HISTORY AND ORGANIZATION

(1) POYA International Co., LTD (the "Company") is incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in selling fashion accessories, arts and crafts, food, stationery and a variety of products.

(2) The common shares of the Company have been listed on the Gre Tai Securities Market since September 2002.

THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These financial statements were authorized for issuance by the Board of Directors on March 17, 2014.

APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

Not applicable as it is the first-time adoption of IFRSs by the Company this year.

Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company.

IFRS 9, 'Financial Instruments: Classification and measurement of financial assets'

1. The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November, 2009, which will take effect on January 1, 2013 with early application permitted. (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application) Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), 'Financial Instruments: Recognition and Measurement' reissued in 2009.

2. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Company.

3. The Company has not evaluated the overall effect of the IFRS 9 adoption. However, based on preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as 'available-for-sale financial assets' held by the Company, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognized in other comprehensive income should not be reclassified to profit or loss when such assets are derecognized. The Company did not recognize fair value changes in available-for-sale financial instruments in other comprehensive income for the year ended December 31, 2013.

IFRSs issued by IASB but not yet endorsed by the FSC

The following are the assessment of new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First-time adopters are allowed to apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognize related gains on the date of transition to IFRSs.	July 1, 2011
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'.	January 1, 2012
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the	July 1, 2012

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
	amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, 'Financial instruments', and IAS 20, 'Accounting for government grants and disclosure of government assistance', prospectively to government loans that exist at the date of transition to IFRSs; and first-time adopters should not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Disclosures - Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11,'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013
IFRS 12,'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRS 13, ‘Fair value measurement’	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, ‘Employee benefits’ (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past-service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognised in other comprehensive income.	January 1, 2013
IAS 27,‘Separate financial statements’ (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, ‘Consolidated financial statements’.	January 1, 2013
IAS 28,‘Investments in associates and joint ventures’ (as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, ‘Joint arrangements’, IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	Stripping costs that meet certain criteria should be recognised as the ‘stripping activity asset’. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, ‘Inventories’.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	November 19, 2013 (Not mandatory)
IFRS 9 "Financial assets: hedge accounting" and amendments to IFRS 9, IFRS 7 and IAS 39	1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity. 2. An entity can elect to early adopt the requirement to recognise the changes in fair value attributable to changes in an entity's own credit risk from financial liabilities that are designated under the fair value option in 'other comprehensive income'.	November 19, 2013 (Not mandatory)
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit of loss instead of consolidating them.	January 1, 2014
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognised amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	January 1, 2014
Services related contributions from employees or third parties (amendments to IAS 19R)	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

The Company is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

1. These financial statements are the first financial statements prepared by the Company in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

2. In the preparation of the balance sheet as of January 1, 2012 (the Company's date of transition to IFRSs), the Company has adjusted the amounts that were reported in the financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to IFRSs on the Company's financial position, financial performance and cash flows.

(2) Basis of preparation

1. Except for the following items, these financial statements have been prepared under the historical cost convention:

A. Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

B. Defined benefit liabilities recognized based on the net amount of pension fund assets plus unrecognized past service cost and unrecognized actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.

2. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

1. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

2. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

3. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

4. In the statement of comprehensive income, all foreign exchange gains and losses related to borrowings and cash and cash equivalents are presented in "Other income" or "Finance costs", while other foreign exchange gains and losses are presented in "Other gains and losses".

(4) Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(2) Assets held mainly for trading purposes;

(3) Assets that are expected to be realized within twelve months from the balance sheet date;

(4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

2. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(1) Liabilities that are expected to be paid off within the normal operating cycle;

(2) Liabilities arising mainly from trading activities;

(3) Liabilities that are to be paid off within twelve months from the balance sheet date;

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Financial assets at fair value through profit or loss

1. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

2. For regular way purchase or sale, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

3. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(6) <u>Loans and receivables</u>

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, for short-term accounts receivable without bearing interest, as the effect of discount is insignificant, they are measured subsequently at original invoice amount.

(7) <u>Inventories</u>

1. Self-owned inventories: Inventories are initially recognised at cost and subsequently stated at the lower of cost and net realizable value.

2. Licensed income: The concessionaire recognised the full amount collected from customers as revenue while following criteria are met: (1) Concessionaire acts as a principal and provides goods or services to customers. (2) The Company earns a fixed amount or percentage of profits in the transaction. (3) Concessionaire assumes credit risks. The difference between the full amount collected from customers and the amount paid to concessionaire is recognised as licensed income by the Company. If the above are not met, the full amount collected from customers is recognised as revenue.

(8) <u>Impairment of financial assets</u>

1. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. The criteria that the Company uses to determine whether there is objective evidence of impairment loss is as follows:

   (1) Significant financial difficulty of the issuer or debtor;

   (2) The disappearance of an active market for that financial asset because of financial difficulties;

   (3) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(4) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(9) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset expire.

(10) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

2. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3. Property, plant and equipment apply the cost model. Except for land, other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.

4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	30 years
Transportation equipment	5 years
Office equipment	3~5 years
Leasehold improvement	2~15 years
Other equipment	5 years

(11) Leased assets/ leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(12) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognised.

(13) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method. However, for short-term accounts payable without bearing interest, as the effect of discount is insignificant, they are measured subsequently at original invoice amount.

(14) Borrowings

1. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(15) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

2. Pensions

   (1) Defined contribution plans

   For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

   (2) Defined benefit plans

   A. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in such corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

B. Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise, and presented in retained earnings.

C. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortized on a straight-line basis over the vesting period.

3. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the shareholders at their shareholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. The Company calculates the number of shares of employees' stock bonus based on the fair value per share at the preceding day of the shareholders' meeting held in the year following the financial reporting year, after taking into account the effects of ex-rights and ex-dividends.

(16) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

3. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an

intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

6. A deferred income tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures, to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(17) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(18) Revenue recognition

1. Revenue is measured at the fair value of the consideration received or receivable taking into account the value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods should be recognised when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

2. The Company has customer loyalty programmes where the Company grants loyalty awards credits (such as 'points'; the award credits can be used to exchange for free or discounted goods) to customers as part of a sales transaction. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the initial sale of goods and the award credits. The amount of proceeds allocated to the award credits is measured by reference to the fair value of goods that can be redeemed by using the award credits and the proportion of award credits that are expected to be redeemed by customers. The Company recognizes the deferred portion of the proceeds allocated to the award credits are revenue only when it has fulfilled its obligations in respect of the award credits.

(19) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgments in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

1. Impairment assessment of tangible assets

   The Company assesses impairment based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future.

2. Evaluation of inventories

   (1) As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgments and estimates. Because of the change in market demand and the sales strategy, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on the balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

   (2) As of December 31, 2013, the carrying amount of inventories was $1,417,479.

3. Calculation of accrued pension obligations

   (1) When calculating the present value of defined pension obligations, the Company must apply judgments and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

   (2) As of December 31, 2013, the carrying amount of accrued pension obligations was $7,781. If the adopted discount rate used in the actuarial valuation had increased/decreased by 1%, the Company's accrued pension liabilities would decrease/increase by $8,073 and $9,988, respectively.

DETAILS OF SIGNIFICANT ACCOUNTS

(3) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash:			
Cash on hand	$ 20,849	$ 17,410	$ 18,435
Checking deposits and demand deposits	679,642	461,538	432,151
	$ 700,491	$ 478,948	$ 450,586

1. The Company transacts with a variety of financial institutions all with high credit rankings to diversify credit risk, so it expects that the probability of counterparty default is remote. The Company's maximum exposure to credit risk at the balance sheet date is the carrying amount of all cash and cash equivalents.
2. The Company has no cash and cash equivalents pledged to others as of December 31, 2013, December 31, 2012 and January 1, 2012.

(4) Accounts receivable, net

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable	$ 288,163	$ 229,536	$ 159,707

1. The Company has no significant past due but not impaired accounts receivable.
2. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company's accounts receivable that are neither past due nor impaired are of good credit quality.
3. The maximum exposure to credit risk at December 31, 2013, December 31, 2012 and January 1, 2012 is the carrying amount of accounts receivable.
4. The Company did not pledge accounts receivable as collateral as of December 31, 2013, December 31, 2012 and January 1, 2012.

(5) Inventories

	December 31, 2013		
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	$ 1,417,479	$ -	$ 1,417,479

	December 31, 2012		
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	$ 1,327,328	$ -	$ 1,327,328

	January 1, 2012		
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	$ 1,310,986	$ -	$ 1,310,986

The costs of inventories recognised as expense were $4,374,265 and $3,906,418 for the years ended December 31, 2013 and 2012, respectively.

(6) Property, plant and equipment

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvement	Other equipment	Construction in progress	Total
At January 1, 2013								
Cost	$ -	$ -	$ 12,832	$ 455,711	$ 1,010,799	$ 219,970	$ 17,994	$ 1,717,306
Accumulated depreciation	-	-	(5,773)	(237,339)	(478,993)	(110,169)	-	(832,274)
	$ -	$ -	$ 7,059	$ 218,372	$ 531,806	$ 109,801	$ 17,994	$ 885,032
2013								
At January 1, 2013	$ -	$ -	$ 7,059	$ 218,372	$ 531,806	$ 109,801	$ 17,994	$ 885,032
Additions	168,160	20,000	-	-	-	-	464,950	653,110
Reclassification	-	-	2,196	189,243	182,878	26,778	(401,095)	-
Depreciation charge	-	(222)	(2,350)	(89,586)	(114,283)	(32,012)	-	(238,453)
Disposal - Cost	-	-	(438)	(62,824)	(41,450)	(3,978)	-	(108,690)
Accumulated depreciation	-	-	438	62,824	41,450	3,978	-	108,690
At December 31, 2013	$ 168,160	$ 19,778	$ 6,905	$ 318,029	$ 600,401	$ 104,567	$ 81,849	$ 1,299,689
At December 31, 2013								
Cost	$ 168,160	$ 20,000	$ 14,590	$ 582,130	$ 1,152,227	$ 242,770	$ 81,849	$ 2,261,726
Accumulated depreciation	-	(222)	(7,685)	(264,101)	(551,826)	(138,203)	-	(962,037)
	$ 168,160	$ 19,778	$ 6,905	$ 318,029	$ 600,401	$ 104,567	$ 81,849	$ 1,299,689

	Transportation equipment	Office equipment	Leasehold improvement	Other equipment	Construction in progress	Total
At January 1, 2012						
Cost	$ 23,061	$ 429,133	$ 936,781	$ 195,948	$ 62,661	$ 1,647,584
Accumulated depreciation	(12,706)	(225,680)	(428,612)	(94,458)	-	(761,456)
	$ 10,355	$ 203,453	$ 508,169	$ 101,490	$ 62,661	$ 886,128
2012						
At January 1, 2012	$ 10,355	$ 203,453	$ 508,169	$ 101,490	$ 62,661	$ 886,128
Additions	-	3,323	381	326	202,805	206,835
Reclassification	922	80,220	130,648	35,682	(247,472)	-
Depreciation charge	(2,862)	(68,624)	(107,392)	(27,697)	-	(206,575)
Disposal - Cost	(11,151)	(56,965)	(57,011)	(11,986)	-	(137,113)
Accumulated depreciation	9,795	56,965	57,011	11,986	-	135,757
At December 31, 2012	$ 7,059	$ 218,372	$ 531,806	$ 109,801	$ 17,994	$ 885,032
At December 31, 2012						
Cost	$ 12,832	$ 455,711	$ 1,010,799	$ 219,970	$ 17,994	$ 1,717,306
Accumulated depreciation	(5,773)	(237,339)	(478,993)	(110,169)	-	(832,274)
	$ 7,059	$ 218,372	$ 531,806	$ 109,801	$ 17,994	$ 885,032

Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	For the years ended December 31,	
	2013	2012
Amount capitalized	$ 329	$ 885
Interest rate range	1.66%	1.68%

(7) Long-term borrowings

Nature	Borrowing period	Range of interest rates	Collateral	December 31, 2013
Long-term bank borrowings				
Unsecured bank borrowings	2011.8.24~2016.11.25	1.62%~1.80%	None	$ 487,753
Less: current portion of long-term borrowings				(238,391)
				$ 249,362

Nature	Borrowing period	Range of interest rates	Collateral	December 31, 2012
Long-term bank borrowings				
Unsecured bank borrowings	2010.5.11~2015.12.25	1.62%~1.88%	None	$ 243,446
Less: current portion of long-term borrowings				(124,957)
				$ 118,489

Nature	Borrowing period	Range of interest rates	Collateral	January 1, 2012
Long-term bank borrowings				
Unsecured bank borrowings	2010.5.11~2014.11.10	1.60%~1.97%	None	$ 249,199
Less: current portion of long-term borrowings				(127,100)
				$ 122,099

(8) Pensions

1. (1) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(2) The accrued pension liabilities recognised in the balance sheet are as follow:

	December 31, 2013	December 31 2012	January 1, 2012
Present value of funded obligations	($ 50,460)	($ 54,637)	($ 47,565)
Fair value of plan assets	42,679	39,922	37,345
Net liability in the balance sheet	($ 7,781)	($ 14,715)	($ 10,220)

(3) Changes in present value of funded obligations are as follows:

	For the years ended December 31,	
	2013	2012
At January 1	($ 54,637)	($ 47,565)
Current service cost	(450)	(367)
Interest expense	(819)	(832)
Actuarial profit or loss	5,446	(5,873)
At December 31	($ 50,460)	($ 54,637)

(4) Changes in fair value of plan assets are as follows:

	For the years ended December 31,	
	2013	2012
At January 1	$ 39,922	$ 37,345
Expected return on plan assets	599	654
Actuarial profit or loss	(102)	(326)
Employer contribution	2,260	2,249
At December 31	$ 42,679	$ 39,922

(5) Amounts of expenses recognised in comprehensive income are as follows:

	For the years ended December 31,	
	2013	2012
Service cost	$ 450	$ 367
Interest cost	819	832
Expected return on plan asset	(599)	(654)
Current pension Costs	$ 670	$ 545

Details of cost and expenses recognised in comprehensive income are as follows:

	For the years ended December 31,	
	2013	2012
Selling expenses	$ 332	$ 346
General and administrative expenses	338	199
	$ 670	$ 545

(6) Amounts recognised under other comprehensive income are as follows:

	For the years ended December 31,	
	2013	2012
Current period	$ 5,344	($ 6,199)
Accumulated amount	($ 855)	($ 6,199)

(7) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amount accrued from two-year time deposits with the interest rates offered by local banks.

Total actual return on plan assets were $497 and $328 for the years ended December 31, 2013 and 2012, respectively.

(8) The principal actuarial assumptions used were as follows:

	2013	2012	2011
Discount rate	2.00%	1.50%	1.75%
Future salary increases	2.50%	2.50%	2.50%
Expected return on plan assets	2.00%	1.50%	1.75%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

(9) Historical information of experience adjustments was as follows:

	2013	2012
Present value of defined benefit obligation	($ 50,460)	($ 54,637)
Fair value of plan assets	42,679	39,922
Deficit in the plan	($ 7,781)	($ 14,715)
Experience adjustments on plan liabilities	($ 722)	($ 2,970)
Experience adjustments on plan assets	($ 102)	$ 326

(10) Total contributions expected to be paid to the defined benefit pension plans of the Company within one year from December 31, 2013 is $2,259.

2. (1) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(2) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2013 and December 31, 2012 were $39,052 and $31,856, respectively.

(9) Share capital- Common stock

1. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	2013		2012	
At January 1	$	91,627	$	90,087
Stock dividends		916		901
Exercised Employee stock bonuses		364		639
At December 31	$	92,907	$	91,627

2. The Board of Directors of the Company adopted a resolution to increase capital by issuing new shares through unappropriated retained earnings amounting to $9,009 and employees' bonus amounting to $31,000 on June 6, 2012. As approved by Financial Supervisory Commission, Executive Yuan and registered, the effective date of the capital increase was July 19, 2012. Of the amount of $31,000 employees' stock bonuses, 639 thousand shares was calculated based on the fair value per share at the preceding day of the shareholders' meeting held in the year following the financial reporting year, after taking into account the effects of ex-rights and ex-dividends. Amounts arising in excess of par value on issuance are classified as capital surplus at the effective date of capital increase.

3. After the event of capitalisation mentioned above, the Company's authorized total capital was $1,200,000 (including $20,000 reserved for employee stock options) and the paid-in capital was $916,267 (91,627 thousand shares) with par value of $10 (in dollars) per share.

4. The Board of Directors of the Company adopted a resolution to increase capital by issuing new shares through unappropriated retained earnings amounting to $9,163 and employees' bonus amounting to $40,000 on June 11, 2013. As approved by Financial Supervisory Commission, Executive Yuan and registered, the effective date of the capital increase was August 5, 2013. Of the amount of $40,000 employees' stock bonuses, 364 thousand shares was calculated based on the fair value per share at the preceding day of the shareholders' meeting held in the year following the financial reporting year, after taking into account the effects of ex-rights and ex-dividends. Amounts arising in excess of par value on issuance are classified as capital surplus at the effective date of capital increase.

5. After the event of capitalisation mentioned above, the Company's authorized total capital was $1,200,000 (including $20,000 reserved for employee stock options) and the paid-in capital was $929,073 (92,907 thousand shares) with par value of $10 (in dollars) per share.

(10) Capital Sueplus

Pursuant to the R.O.C. Company Act, capital reserves arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserves should not be used to offset accumulated deficit unless the legal reserve is used.

(11) Retained earnings

1. Since the Company operates in a volatile business environment and is in stable growth stage, the appropriation of earnings should consider fund requirements and capital budgets to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution approved by Board of Directors and then approved at the shareholders' meeting. Of the amount to be distributed by the Company, employees' bonuses shall not be less than 0.1%; directors and supervisors' remuneration shall not exceed 6%. The remaining goes to stockholder dividends, with cash dividends being at least 1% of the total dividends. Amounts shall be distributed as stock dividends when the price per share of cash dividend is less than $0.5 (in dollars).

2. The legal reserve shall be exclusively used to offset accumulated deficit, to issue new stocks or distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.

3. In accordance with the regulations, the Company shall set aside special reserve arising from the debit balance in other equity items at the balance sheet date before distributing earnings. When debit balance in other equity items is reversed subsequently, an equal amount could then be used for distribution.

4. For the years ended December 31, 2013 and December 31, 2012, employees' bonus and directors and supervisors' remuneration were accrued at $55,800 and $44,800, respectively, which were based on the after tax earnings of related periods, considering legal reserve calculated by the percentage prescribed under the Company's Articles of Incorporation. The actual amount approved at the shareholders' meeting for employees' bonus and directors and supervisors' remuneration for 2012 was $44,800, which was the same as the estimated amount recognised in the 2012 financial statements. The actual number of shares distributed as employees' bonus for the year ended December 31, 2012 was 364 thousand shares. Calculation basis of the shares was based on the share price of $115.

   Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

5. The Company recognised dividends distributed to owners amounted to $375,670 and $295,484 ($4.10 and $3.28 dollars per share, respectively) for cash dividends; and $9,163 and $9,009 ($0.10 and $0.10 dollars per share, respectively) for stock dividends for the years ended December 31, 2013 and December 31, 2012, respectively. On March 17, 2014, the Board of Directors proposed that total dividend for the distribution of earning for the year of 2013 was $445,955 with $4.80 (in dollars) per share and $9,291 with $0.10 (in dollars) for cash and stock dividends, respectively.

(12) Operating revenue

	For the years ended December 31,	
	2013	2012
Merchandised sales	$ 7,145,284	$ 6,207,955
Licensed income	104,175	64,860
	$ 7,249,459	$ 6,272,815

(13) Other income

	For the years ended December 31,	
	2013	2012
Rental income	$ 11,020	$ 4,944
Interest income		
Bank interest income	1,625	1,490
Other income	73,886	62,558
	$ 86,531	$ 68,992

(14) Other gains and losses

	For the years ended December 31,	
	2013	2012
Gains from disposal of property, plant and equipment	$ -	$ 896
Gains on disposal of investments	9	35
Other losses	(4,283)	(2,538)
	($ 4,274)	($ 1,607)

(15) Finance costs

	For the years ended December 31,	
	2013	2012
Interest expense:		
Bank borrowings	$ 4,900	$ 3,436
Less: capitalization of qualifying assets	(329)	(885)
	$ 4,571	$ 2,551

(16) Expenses by nature

	For the years ended December 31,	
	2013	2012
	Operating expense	Operating expense
Employee benefit expenses	$ 997,526	$ 794,938
Depreciation	$ 238,453	$ 206,575

(17) Employee benefit expense

	For the years ended December 31,	
	2013	2012
	Operating expense	Operating expense
Wages and salaries	$ 838,976	$ 668,489
Labor and health insurance expenses	79,967	63,151
Pension costs	39,722	32,401
Other personnel expenses	38,861	30,897
	$ 997,526	$ 794,938

(18) Income tax

1. Income tax

(1) Component of income tax expense:

	For the years ended December 31,	
	2013	2012
Current income tax:		
Income tax expense incurred in current period	$ 114,040	$ 86,323
Adjustments in respect of prior years	(82)	(59)
Total current tax	113,958	86,264
Deferred income tax:		
Origination and reversal of temporary differences	1,521	1,313
Total deferred income tax	1,521	1,313
Income tax expense	$ 115,479	$ 87,577

(2) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2013	2012
Actuarial gains/(losses) on defined benefit obligations	($ 908)	$ 1,054

2. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31, 2013	2012
Income tax expense at the statutory tax rate	$ 114,636	$ 87,337
Effect of items that cannot be recognised for tax purpose according to the laws and regulations	416	299
Over provision of prior year income tax	(82)	(59)
10% tax on unappropriated earnings	509	-
Income tax expense	$ 115,479	$ 87,577

3. Amounts of deferred income tax assets or liabilities as a result of temporary differences, loss carryforwards and investment tax credits are as follows:

For the year ended December 31, 2013	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred income tax assets:				
Unrealized expenses	$ 3,611	$ 2,154	$ -	$ 5,765
Pensions	4,894	(2,069)	(908)	1,917
Unearned revenue	2,195	(362)	-	1,833
	10,700	(277)	(908)	9,515
—Deferred income tax liabilities:				
Pensions	(1,798)	1,798	-	-
	(1,798)	1,798	-	-
	$ 8,902	$ 1,521	($ 908)	$ 9,515

For the year ended December 31, 2012	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred income tax assets:				
Unrealized expenses	$ 2,700	$ 911	$ -	$ 3,611
Pensions	4,054	(214)	1,054	4,894
Unearned revenue	1,503	692	-	2,195
	8,257	1,389	1,054	10,700
—Deferred income tax liabilities:				
Pensions	(1,722)	(76)	-	(1,798)
	(1,722)	(76)	-	(1,798)
	$ 6,535	$ 1,313	$ 1,054	$ 8,902

4. The Company’s income tax returns through 2011 have been assessed and approved by the Tax Authority.

5. Unappropriated retained earnings:

	December 31, 2013	December 31 2012	January 1, 2012
Earnings generated in and after 1997	$ -	$ 277	$ 277
Earnings generated in and after 1998	517,412	382,005	299,108
	$ 517,412	$ 382,282	$ 299,385

6. As of December 31, 2013, December 31, 2012 and January 1, 2012, the balance of the imputation tax credit account was $45,959, $34,326 and $30,095, respectively. As dividends were approved at the shareholders' meeting on June 11, 2013 and June 6, 2012 and with the dividend distribution date set on August 5, 2013 and July 19, 2012, by the Board of Directors, the creditable tax rates for the unappropriated retained earnings of 2012 and 2011 are 20.48% and 20.51%, respectively, and the creditable tax for 2013 is expected to be 20.48%. The creditable tax rate will be based on the actual imputation tax credit account on the distribution date for the earnings of 2013; thus, the credit account may be subject to appropriate adjustments as according to tax regulations.

(19) Earnings per share

	For the year ended December 31, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 558,852	$ 92,692	$ 6.03
Diluted earnings per share			
Profit attributable to ordinary shareholders	558,852	92,692	
Assumed conversion of all dilutive potential ordinary			
Employees' bonus	-	283	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 558,852	$ 92,975	$ 6.01

	For the year ended December 31, 2012		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 426,171	$ 92,191	$ 4.62
Diluted earnings per share			
Profit attributable to ordinary shareholders	426,171	92,191	
Assumed conversion of all dilutive potential ordinary			
Employees' bonus	-	565	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 426,171	$ 92,756	$ 4.59

1. As the Company can choose to distribute employees' bonus in the form of shares, the calculation of diluted earnings per share is based on the assumption that the bonus would be issued in shares. When calculating the diluted EPS, those potential common shares that result in dilutive effect would be included in the calculation of the weighted-average outstanding common shares during the reporting period. When calculating the basic EPS, the weighted-average outstanding common shares during the reporting period is calculated based on the actual amount of shares distributed as employees' bonus under the resolution at the shareholder's meeting. In addition, since the employees' stock bonus is no longer regarded as a distribution of stock dividends, the Company did not adjust the effects on the basic and diluted earnings per shares retroactively.

2. The above mentioned weighted average number of ordinary shares outstanding to conversion has been adjusted to unappropriated retained earnings as proportional increase in capital for the year ended December 31, 2012.

(20) Operating leases

The Company has leases contracts with the key management and non-related parties. The lease terms are between 3 and 16 years. As of December 31, 2013, the amount of deposits paid, in line with the lease contracts was $122,064 and was classified as refundable deposits. The Company recognised rental expenses of $457,548 and $394,397 for these leases in profit or loss for the years ended December 31, 2013 and 2012, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2013	December 31 2012	January 1, 2012
Within 1 year	$ 495,820	$ 407,566	$ 383,713
Between 1 and 5 years	1,658,447	1,416,459	1,366,845
Over 5 years	1,584,562	1,225,287	1,094,491
	$ 3,738,829	$ 3,049,312	$ 2,845,049

(21) Non-cash transaction

1. Investing activities with partial cash payments:

	December 31, 2013	December 31, 2012
Purchase of property, plant and equipment	$ 653,110	$ 206,835
Add: Beginning balance of notes payables	-	996
Opening balance of payable on equipment (Other payables)	26,711	42,595
Less: Ending balance of payable on equipment (Other payables)	(114,053)	(26,711)
Capitalization of interest	(329)	(885)
Cash paid for acquisition of property, plant and equipment	$ 565,439	$ 222,830

2. Financing activities with no cash flow effect

	December 31, 2013	December 31, 2012
Transfers of employees' bonus for capitalisation	$ 40,000	$ 30,995

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

Rental expense

				For the years ended December 31,	
	Leased subject	Determination of rental	Payment method	2013	2012
Key management	Undergrounds~6F., No.74, Sec. 3, Minzu Rd., West Central Dist., Tainan City 700.	Negotiation	Monthly payment	$ 3,000	$ 3,000

For details on operating lease agreements, please refer Note 6 (18).

(2) Key management compensation

	December 31, 2013	December 31, 2012
Salaries and other short-term employee benefits	$ 18,152	$ 17,752

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2013	December 31 2012	January 1, 2012
Property, plant and equipment	$ 43,412	$ 4,829	$ 31,845

B. For details on operating lease agreements, please refer Note 6 (18).

10. SIGNIFICANT DISASTER LOSS:

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE:

None.

12. OTHERS

i. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to provide returns for shareholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

ii. Financial Instrument

1. Fair value information of financial instruments

Except for items disclosed in the table below, the financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivable, notes payable, accounts payable, and other payables) are based on their book value as book value approximates to fair value. The fair value information of financial instruments measured at fair value is provided in Note 12. (3) Fair value estimation.

	December 31, 2013		December 31, 2012		January 1, 2012	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Financial assets:						
Refundable deposits	$ 127,030	$ 127,030	$ 114,404	$ 114,404	$ 104,910	$ 104,910
Financial liabilities:						
Long-term borrowings (Inclusive of current portion)	$ 487,753	$ 487,753	$ 243,446	$ 243,446	$ 249,199	$ 249,199
Guarantee deposits received	3,118	3,118	2,718	2,718	1,818	1,818
	$ 490,871	$ 490,871	$ 246,164	$ 246,164	$ 251,017	$ 251,017

2. Financial risk management policies

The Company adopts an integrated risk management system to identify all risks (including market risk, credit risk, liquidity risk and cash flow risk) and to enable key management to measure and control all risks. The Company's objectives when managing market risk are achieving optimal risk exposure, maintaining appropriate liquidity and managing all market risks centrally by taking economic environment, competition and market risk effect into account.

3. Significant financial risks and degrees of financial risks

(1) Market risk

A. Foreign exchange risk

Since the main trascations of the Company are dominated in NTD, the Company is not engaged in foreign exchange contracts. Therefore, the Company is not exposed to significant foreign exchage risk.

B. Price risk

The Company is not engaged in any financial instrument or derivatives investment hence is not exposed to price risk.

C. Interest rate risk

For the years ended December 31, 2013 and 2012, if interest rates on borrowings had been 10% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2013 and 2012 would have increased /decreased by $17 and $10, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(2) Credit risk

A. Credit risk refers to the risk that the clients or counterparties of financial instruments will cause a financial loss for the Company by failing to discharge a contractual obligation. According to the Company's credit policy, managing and analysing the credit risk for each of new clients is required. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents and outstanding receivables.

B. For the credit rankings of the Company's financial assets, please refer to Note 6, Financial assets.

(3) Liquidity risk

A. Cash flow forecasting is performed by the Company. Company Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

B. The table below analyses the Company's non-derivative financial liabilities and relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Notes payable	$ 313,973	$ -	$ -	$ -
Accounts payable	656,943	-	-	-
Other payables	409,454	-	-	-
Long-term borrowings (Including current portion)	238,391	167,986	81,376	-
Guarantee deposits received	-	3,118	-	-

December 31, 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Notes payable	$ 282,987	$ -	$ -	$ -
Accounts payable	557,916	-	-	-
Other payables	269,523	-	-	-
Long-term borrowings (Including current portion)	124,957	70,073	48,416	-
Guarantee deposits received	-	2,718	-	-

January 1, 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Notes payable	$ 277,416	$ -	$ -	$ -
Accounts payable	548,426	-	-	-
Other payables	257,140	-	-	-
Long-term borrowings (Including current portion)	127,100	91,065	31,034	-
Guarantee deposits received	-	1,818	-	-

iii. Fair value estimation

The Company was not engaged in fair value financial instruments as of December 31, 2013, December 31, 2012 and January 1, 2012.

SUPPLEMENTARY DISCLOSURES

A. Significant transaction information

(According to the current regulatory requirements, the Company was only required to disclose the information for the year ended December 31, 2013).

1. Loans to others: None.
2. Endorsements/guarantee provided: None.
3. Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): None.
4. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: None.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.
9. Derivative financial instruments undertaken during the year ended December 31, 2013: None.
10. Significant inter-company transactions during the year ended December 31, 2013: None.

B. Disclosure information of Investee Company

(Only information for the year ended December 31, 2013 was required to be disclosed)

None.

C. Disclosure of information on indirect investments in Mainland China

(Only information for the year ended December 31, 2013 was required to be disclosed)

As of December 31, 2013, the Company was not involved in any investments in Mainland China.

SEGMENT INFORMATION

A. General information

The Company operates business only in a single industry. The Company’s chief operating decision-maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

B. Measurement of segment information

The chief operating decision maker evaluates the performance of operating segments based on pre-tax income excluding non-recurring income and expenditure. The policy on segment reporting is consistent with the accounting policy covered in Note 6.

C. Information about segment profit or loss, assets

The segment information provided to the chief operating decision-maker for the reportable segments was as follows:

	For the years ended December 31,	
	2013	2012
	Retailing	Retailing
Segment revenue		
Revenue from external customers (net)	$ 7,249,459	$ 6,272,815
Depreciation	238,453	206,575
Segment pre-tax profits	674,331	513,748
Segment assets	3,998,376	3,247,942
Addition of non-current asset (excluding financial instrument and deferred tax assets)	653,110	288,118
Segment liabilities	1,977,080	1,454,264

1. Sales between segments were carried out at arm’s length. Measurement remained consistent with the revenue from the statements of other comprehensive income and the revenue from external parties reported to the chief operating decision maker.

   A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2013 and 2012 is provided as follows:

	For the years ended December 31,	
	2013	2012
Reportable segments pre-tax profit and loss	$ 674,331	$ 513,748
Other	-	-
Profit before tax and continued operations	$ 674,331	$ 513,748

2. The assets provided to the chief operating decision maker adopts the same measurement for assets in the Company's financial report.

   A reconciliation of assets of reportable segment and total assets is as follow:

	For the years ended December 31,	
	2013	2012
Assets of reportable segments	$ 3,998,376	$ 3,247,942
Unallocated items	-	-
Total assets	$ 3,998,376	$ 3,247,942

3. The liabilities provided to the chief operating decision-maker with respect to total liabilities are measured in a manner consistent with that of the financial statement.

A reconciliation of liabilities of reportable segment and total liabilities is as follow:

	For the years ended December 31,	
	2013	2012
Liabilities of reportable segments	$ 1,977,080	$ 1,454,264
Unallocated items	-	-
Total liabilities	$ 1,977,080	$ 1,454,264

D. Information on products and services

The Company is in a single retail industry hence no disclosure is required.

E. Information on geographic area

As of and for the years ended December 31, 2013 and 2012, the information on geographic area is as follows:

	2013		2012	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 7,249,459	$ 1,528,690	$ 6,272,815	$ 1,131,045

F. Major customer information

In 2013 and 2012, no customers constituted more than 10% of the Company's total revenue.

INITIAL APPLICATION OF IFRSs

These financial statements are the first financial statements prepared by the Company in accordance with the IFRSs. The Company has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Company, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Company's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

A. Exemptions elected by the Company

i. Share-based payment transactions

The Company has elected not to apply the requirements in IFRS 2, 'Share-based Payment', retrospectively to equity instruments and liabilities that were vested and settled arising from share-based payment transactions prior to the transition date.

ii. Employee benefits

The Company has elected to recognize all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, 'Employee Benefits', based on their prospective amounts for financial periods from the transition date.

iii. Borrowing costs

The Company has elected to apply the transitional provisions in paragraphs 27 and 28 of IAS 23, 'Borrowing Costs', amended in 2007 and apply IAS 23 from the transition date.

B. Exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as it is not applicable to the Company.

C. Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that entity should make reconciliation for equity, comprehensive income and cash flows for the comparative periods. The Company's initial application of IFRSs has no significant effect on cash flows from operating activities, investing activities and financing activities. Reconciliation for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

1. Reconciliation for equity on January 1, 2012

	R.O.C. GAAP	Adjustments	IFRSs	Note
Current assets				
Cash and cash equivalents	$ 450,586	$ -	$ 450,586	-
Notes receivable, net	979	-	979	-
Accounts receivables, net	159,707	-	159,707	-
Other receivables	1,449	-	1,449	-
Inventory	1,310,986	-	1,310,986	-
Prepayments	75,495	(13,626)	61,869	(1)
Other current assets	73	(73)	-	(2)
Total current assets	1,999,275	(13,699)	1,985,576	
Non-current assets				
Property, plant and equipment	886,128	-	886,128	-
Deferred income tax assets	-	8,257	8,257	(1)(2)(3)(4)(5)
Refundable deposits	104,910	-	104,910	-
Long-term prepaid rents	37,358	-	37,358	-
Other non-current assets	15,604	-	15,604	-
Total Non-current assets	1,044,000	8,257	1,052,257	
Total assets	$ 3,043,275	($ 5,442)	$ 3,037,833	

	R.O.C. GAAP	Adjustments	IFRSs	Note
Current liabilities				
Notes payable	$ 277,416	$ -	$ 277,416	-
Accounts payable	548,426	-	548,426	-
Other payables	241,686	15,454	257,140	(3)(4)
Current income tax liabilities	39,426	-	39,426	-
Receipts in advance	6,486	-	6,486	-
Long-term liabilities, current portion	127,100	-	127,100	-
Other current liabilities-other	-	8,839	8,839	(5)
Total current liabilities	1,240,540	24,293	1,264,833	
Non-current liabilities				
Long-term borrowings	122,099	-	122,099	-
Deferred income tax liabilities	1,722	-	1,722	-
Accrued pension liabilities	-	10,220	10,220	(1)
Guarantee deposits received	1,818	-	1,818	-
Total non-current liabilities	125,639	10,220	135,859	
Total Liabilities	1,366,179	34,513	1,400,692	
Equity attributable to owners of the parent				
Share capital				
Common stock	900,867	-	900,867	-
Capital surplus	285,357	-	285,357	-
Retained earnings				
Legal reserve	151,532	-	151,532	-
Unappropriated retained earnings	339,340	(39,955)	299,385	(1)(3)(4)(5)
Total equity	1,677,096	(39,955)	1,637,141	
Total liabilities and equity	$ 3,043,275	($ 5,442)	$ 3,037,833	

2. Reconciliation for equity on December 31, 2012

	R.O.C. GAAP	Adjustments	IFRSs	Note
Current assets				
Cash and cash equivalents	$ 478,948	$ -	$ 478,948	-
Notes receivable, net	9,520	-	9,520	-
Accounts receivables, net	229,536	-	229,536	-
Other receivables	9,693	-	9,693	-
Inventory	1,327,328	-	1,327,328	-
Prepayments	69,518	(18,346)	51,172	(1)(4)
Other current assets	13	(13)	-	(2)
Total current assets	2,124,556	(18,359)	2,106,197	
Non-current assets				
Property, plant and equipment	885,032	-	885,032	-
Deferred income tax assets	-	10,700	10,700	(1)(2)(3)(4)(5)
Refundable deposits	114,404	-	114,404	-
Long-term prepaid rents	118,641	-	118,641	-
Other non-current assets	12,968	-	12,968	-
Total Non-current assets	1,131,045	10,700	1,141,745	
Total assets	$ 3,255,601	($ 7,659)	$ 3,247,942	

	R.O.C. GAAP	Adjustments	IFRSs	Note
Current liabilities				
Notes payable	$ 282,987	$ -	$ 282,987	-
Accounts payable	557,916	-	557,916	-
Other payables	252,635	16,888	269,523	(3)(4)
Current income tax liabilities	54,806	-	54,806	-
Receipts in advance	13,443	-	13,443	-
Long-term liabilities, current portion	124,957	-	124,957	-
Other current liabilities-other	-	12,912	12,912	(5)
Total current liabilities	1,286,744	29,800	1,316,544	
Non-current liabilities				
Long-term borrowings	118,489	-	118,489	-
Deferred income tax liabilities	1,798	-	1,798	-
Accrued pension liabilities	-	14,715	14,715	(1)
Guarantee deposits received	2,718	-	2,718	-
Total non-current liabilities	123,005	14,715	137,720	
Total Liabilities	1,409,749	44,515	1,454,264	
Equity attributable to owners of the parent				
Share capital				
Common stock	916,267	-	916,267	-
Capital surplus	309,961	-	309,961	-
Retained earnings				
Legal reserve	185,168	-	185,168	-
Unappropriated retained earnings	434,456	(52,174)	382,282	(1)(3)(4)(5)
Total equity	1,845,852	(52,174)	1,793,678	
Total liabilities and equity	$ 3,255,601	($ 7,659)	$ 3,247,942	

3. Reconciliation for comprehensive income for the year ended December 31, 2012:

	R.O.C. GAAP	Adjustments	IFRSs	Note
Operating revenue	$ 6,683,014	($ 410,199)	$ 6,272,815	(5)(6)
Operating costs	(4,312,544)	406,126	(3,906,418)	(6)
Gross profit	2,370,470	(4,073)	2,366,397	
Operating expenses				
Selling expenses	(1,633,338)	(4,450)	(1,637,788)	(1)(3)(4)
General & administrative expenses	(279,695)	-	(279,695)	
Operating profit	457,437	(8,523)	448,914	
Non-operating revenue and expenses				
Other income	68,992	-	68,992	-
Other gains and losses	(1,607)	-	(1,607)	-
Finance costs	(2,551)	-	(2,551)	-
Profit before income tax	522,271	(8,523)	513,748	
Income tax expense	(89,026)	1,449	(87,577)	(1)(3)(4)(5)
Profit for the period	433,245	(7,074)	426,171	
Other comprehensive income				
Actuarial gain (loss) on defined benefit plan	-	(6,199)	(6,199)	(1)
Income tax relating to the components of other comprehensive income	-	1,054	1,054	(1)
Other comprehensive income for the period, net of tax	-	(5,145)	(5,145)	
Comprehensive income for the period	$ 433,245	($ 12,219)	$ 421,026	

Reasons for reconciliation are outlined below:

Note	Reasons for reconciliation	Account	Amount affected Increase(Decrease) January 1, 2012 (Transition date)	December 31, 2012
(1)	A. The discount rate used to calculate pensions shall be	Prepayments	($ 13,626)	($ 14,071)
	determined with reference to the factors specified in	Deferred income tax assets	4,054	4,894
	R.O.C. SFAS 18, paragraph 23. However, IAS 19,	Accrued pension liabilities	10,220	14,715
	'Employee Benefits', requires an entity to determine	Unappropriated retained	(19,792)	(19,792)
	the rate used to discount employee benefits with	earnings	-	(1,259)
	reference to market yields at the end of the reporting	Selling expenses	-	214
	period on high quality corporate bonds of a currency	Income tax expense	-	(6,199)
	and term consistent with the currency and term of the	Actuarial loss on defined		
	benefit obligation; when there is no deep market in	benefit plan	-	1,054
	corporate bonds, an entity is required to use market	Income tax expenses relating		
	yields on government bonds (at the end of the reporting	to the components of other		
	period) instead.	comprehensive income		
	B. The Company has elected to recognise all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date			
	C. In accordance with R.O.C. GAAP, the Company recognized actuarial gains or losses as current pension expenses using the corridor method. However, according to IAS 19, the Company chose to recognize the current actuarial gain or loss in "other comprehensive income" instead.			
(2)	In accordance with R.O.C. GAAP, a deferred income tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred income tax asset or liability that is not related to an asset or liability for financial reporting, should be classified as current or	Other current assets Deferred income tax assets	(73) 73	(13) 13

Note	Reasons for reconciliation	Account	Amount affected Increase(Decrease) January 1, 2012 (Transition date)	Amount affected Increase(Decrease) December 31, 2012
	noncurrent according to the expected time period to realise or settle a deferred tax asset or liability. However, under IAS 1, ‘Presentation of Financial Statements’, an entity should not classify a deferred tax asset or liability as current. In addition, since deferred income tax assets and liabilities cannot be offset under the requirement of offsetting assets and liabilities of IAS 12, ‘Income Taxes’, the Company accordingly should reclassify deferred income tax assets and liabilities at the transition date.			
(3)	R.O.C. GAAP does not specify the rules on the cost recognition for accumulated unused compensated absences. The Company recognises such costs as expenses upon actual payment. However, IAS 19, ‘Employee Benefits’, requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.	Deferred income tax assets	1,351	2,238
		Unappropriated retained earnings	(6,595)	(6,595)
		Other payables	7,946	13,161
		Selling expenses	-	5,215
		Income tax expenses	-	(887)
(4)	In accordance with R.O.C. GAAP, for the Company’s long-term lease contracts with variable rents which are adjusted year by year, the lease payment is recognised as an expense for each period based on each rent agreement. However, in accordance with IAS 17, ‘Leases’, all lease payments stipulated in the lease contracts should be recognised as an expense over the lease term on a straight-line basis.	Prepayments	-	(4,275)
		Deferred income tax assets	1,276	1,360
		Other payables	7,508	3,727
		Unappropriated retained earnings	(6,232)	(6,232)
		Selling expenses	-	494
		Income tax expenses	-	(84)
(5)	The Company has customer loyalty programmes (when	Deferred income tax assets	1,503	2,195

Note	Reasons for reconciliation	Account	Amount affected Increase(Decrease) January 1, 2012 (Transition date)	Amount affected Increase(Decrease) December 31, 2012
	customers buy specific goods from the Company that reach a certain amount, the Company will grant loyalty award credits, such as free gifts or other considerations, to customers). In accordance with R.O.C. GAAP, the fair value of the consideration received or receivable shall be recognised as revenue upon sale, and the Company shall estimate the costs and liabilities related to the gifts or other considerations accompanying the sale that may be incurred. However, in accordance with IFRIC 13, 'Customer Loyalty Programmes', the fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the initial sale of goods and the award credits. The amount of the consideration allocated to the initial sale of goods is recognised as revenue when the initial sale occurs; the consideration allocated to the award credits shall not be recognised as revenue until the award credits are redeemed.	Other current liabilities-other	8,839	12,912
		Unappropriated retained earnings	(7,336)	(7,336)
		Operating income	-	(4,073)
		Income tax expense		(692)
(6)	In accordance with Accounting Research and Development Foundation (ARDF) Interpretation, considerations received from suppliers for slotting charges, shelf-listing expenses, and other promotion charges are recognized as operating income. However, in accordance with IFRSs, considerations received from suppliers relative to sales transactions should be regarded as reductions of operating costs.	Operating income	-	(406,126)
		Operating costs	-	(406,126)

4. Major adjustments for the statements of cash flows for the year ended December 31, 2012:

    (1) The transition of R.O.C. GAAP to IFRSs has no effect on the Company's cash flows reported.

    (2) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Company's cash flows reported.

POYA International Co., Ltd.
Statement of Declaration of Internal Control

Date: March 17 2014

POYA International Co., Ltd. has conducted internal audit in accordance with its Internal Control Regulation covering the period from January 1 to December 31 2013, and hereby declares as follows:

I. The company acknowledges and understands that, the establishment, enforcement and preservation of internal control system is the responsibility of the Board and the managers, and that the company has already established such system. The purpose it to reasonably ensure the effect and efficiency of operation (including profitability, performance and security of assets), the reliability of financial reporting and the compliance with relevant legal rules.

II. There is limitation inherent to internal control system, no matter how perfect the design. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the company features the self-monitoring mechanism. Once identified, any shortcoming will be corrected immediately.

III. The company judges the effectiveness of the internal control system in design and enforcement in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies" (hereinafter referred to as "the Criteria"). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control are composed by five elements, namely, 1.control environment, 2. Risk Evaluation, 3. Control Operation, 4. Information and Communication, and 5. Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for detail.

IV. The company has adopted the aforementioned internal control system for internal audit on the effectiveness of the design and enforcement of the internal control system.

V. Basing on the aforementioned audit findings, the company holds that has reasonably preserved the achievement of the aforementioned goals within the aforementioned period of internal control (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control are effective.

VI. This statement of declaration shall form an integral part of the annual report and prospectus on the company and will be announced. If there is any fraud, concealment and unlawful practice discovered in the content of the aforementioned information, the company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.

VII. This statement of declaration has been approved by the Board in a session held on March 17 2014 with the presence of 6 directors under unanimous consent.

Chairman: Chen Chien-Chao

CEO: Chen Zong-Cheng

POYA International Co., Ltd.

X. Address and telephone of the corporate headquarters and the branches

Business unit Address	Telephone
Headquarters in Tainan: No.74, Sec. 3, Minzu Rd. West Central Dist. Tainan City	Telephone: (06)241-2807
Keelung Dong Ming Branch: No. 177, Dongming Rd, XinYi Dist, Keelung City	Telephone: (02)2468-0066
Taipei Min Sheng Branch: No. 163-1, Minsheng East Rd. Section V, Songshan Dist, Taipei	Telephone :(02)8787-9900
Taipei Yong He Branch: No. 239, Zhongzheng Rd., Yonghe Dist, New Taipei	Telephone: (02)8941-7717
Yonghe Zhong Shan Branch: No. 177, Zhongshan Rd. Section I, Yonghe Dist., New Taipei	Telephone: (02)2920-2727
Shulin Zhongshan Branch: 1F, NO. 111, Zhongshan Rd,. Section I, Shulin Dist, New Taipei	Telephone: (02)2686-0022
Xizhi Zhong Xing Branch: NO. 195, Zhongxing Rd., Xizhi Dist., New Taipei	Telephone: (02)2692-4444
Sanxia Zhong Hua Branch: 1F, No. 20, Zhonghua Rd., Sanxia Dist., New Taipei	Telephone: (02)8674-2121
Xinzhuang Xin Tai Branch: No. 300, Xintai Rd., Xinzhuang Dist., New Taipei	Telephone: (02)2991-4000
Xinzhuang Long An Branch: No.252-1, Longan Rd., Xinzhuang Dist., New Taipei	Telephone: (02)2202-1000
Banqiao Cong Qing Branch: 1F, No. 247, Congqing Rd., Banqiao, New Taipei	Telephone: (02)2958-1818
Banqiao Xin Hai Branch: No. 93, Xinhai Rd., Banqiao, New Taipei	Telephone: (02)2250-7766
Linkou Ren Ai Branch: No. 2, Yulin St., Linkoou, New Taipei,	Telephone :(02)8601-9191
Yingge Jian Guo Branch: No., 280, Jianguo Rd., Yingge, New Taipei	Telephone: (02)2677-4488
Longtan Zhong Zheng Branch: No. 222, Zhongzheng Rd., Longtan, Taoyuan County	Telephone: (03)470-0717
Taoyuan Nan Ping Branch: No. 399, Nanping Rd., Taoyuan, Taoyuan County	Telephone: (03)326-1100
Zhongli Zhong Yuan Branch: No. 55, Zhongbei Rd., Zhongli, Zhongli County	Telephone: (03)438-0505
Neili Zhong Xiao Branch: No. 74, Zhongxiao Rd., Zhongli, Taoyuan County	Telephone: (03)435-5000
Taoyuan Ba De Branch: No. 126,Sec. 2, Jieshou Rd., Bade, Taoyuan County	Telephone: (03)371-3838
Taoyuan Da You Branch: NO. 586, Dayou Rd., Taoyuan, Taoyuan County	Telephone: (03)316-0111
Guishan Wen Hua Branch: No. 26, Wenhua 2nd Rd., Guishan, Taoyuan County	Telephone: (03)327-5050
Hsinchu Hu Kou Branch: No. 23, Zhongxiao Rd., Hukou, Hsinchu County	Telephone: (03)590-6363
Zhubei San Min 1st Branch: No. 202, Sanmin Rd., Zhubei, Hsinchu County	Telephone: (03)555-6222
Hsinchu Dong Men Branch: No. 73, Fuxing Rd., Hsinchu City	Telephone: (03)523-2200
Hsinchu Jing Guo Branch: No. 820, Jinguo Rd., Section I, Hsinchu City	Telephone: (03)542-1616
Zhudong Chang Chun Branch: No. 100, Changchun Rd. Section III, Zhudong, Hsinchu County	Telephone: (03)595-3322
Miaoli Min Zu Branch: No. 59, Minzu Rd., Miaoli, Miaoli County	Telephone: (037)380-808
Nanmiao Zhong Zheng Branch: No. 929, Zhongzheng Rd., Miaoli, Miaoli County	Telephone: (037)361-333
Zhunan Bo Ai Branch: No. 281, Bo'ai St., Zhunan, Miaoli County	Telephone: (037)481-414
Toufen Zhong Hua Branch: No. 1167, Zhonghua Rd., Toufen, Miaoli County	Telephone: (037)670-033
Hualien Zhong Zheng Branch: No. 339-1, Zhongzheng Rd., Hualien City	Telephone: (03)834-3322
Hualien Zhong Shan Branch: No. 269, Zhongshan Rd., Hualien, Hualien County	Telephone: (03)831-6666
Yilan Station Branch: No. 6, Guangfu Rd., Yilan, Yilan County	Telephone: (03)936-0505
Luodong Cang Qian Branch: No. 66, Cangqian Rd., Luodong, Yilan County	Telephone: (03)955-1010
Taichung Wen Xin Branch: No. 597, Wenxin Rd. Section IV, Beitun Dist., Taichung City	Telephone: (04)2247-0011
Taichung Song Zhu Branch: No. 168, Songzhu Rd. Section II, Beitun Dist., Taichung	Telephone: (04)2242-2211
Taichung 1st High School Branch: No. 22-4, Taiping Rd., Taichung	Telephone: (04)2221-1023
Taichung Feng Jia Branch: NO. 420, Fuxing Rd., Taichung	Telephone: (04)2708-2007
Taichung Xue Shi Branch: No. 175, Xueshi Rd., North Dist., Taichung	Telephone: (04)2203-2000
Taichung Da Dun Branch: No. 466, Dadun Rd., Nantun Dist., Taichung	Telephone: (04)2328-2118
Taichun Li Ming Branch: No. 726, Datun 11th St., Nantun Dist., Taichung	Telephone: (04)2254-3377
Taichung Mei Cun South Branch: No. 70, Meichun South Rd., South Dist., Taichung	Telephone: (04)226-03388
Daya Zhong Qing Branch: No. 223, Zhongqing South Rd., Wenya Li, Daya Dist., Taichung	Telephone: (04)256-60202
Taichung Wu Feng Branch: No., 1095, Zhongzheng Rd., Wufeng Dist., Taichung	Telephone: (04)233-21333
Dali Zhong Xing Branch: 1F, No.550, Zhongxing Rd. Section II, Dali Dist., Taichung	Telephone: (04)2481-8181
Dali Cheng Gong Branch: No.23, Chenggong 2nd Rd., Dali Dist., Taichung	Telephone: (04)2493-7373
Taichung Tan Zi Branch: No. 2, Lane 99, Yatan Rd. Section I, Tanzi Dist., Taichung	Telephone: (04)253-20000
Taichung Sha Lu Branch: No. 628, Zhennan Rd. Section II, Shalu Dist., Taichung	Telephone: (04)2662-2446
Taichung Jing Wu East Branch: No. 97, Jingwu East Rd., East Dist., Taichung	Telephone: (04)2211-9292
Fengyuan Fu Qian Branch: 1F, No. 39, Fuqian St., Yangming Li, Fengyuan, Taichung	Telephone: (04)2524-4000
Changhua Bei Dou Branch: No. 313, Fuxing Rd., Beidou, Changhua County	Telephone: (04)888-2020
Chaunghua Yuan Lin Branch: No. 68, Sanmin St., Yuanlin, Changhua County	Telephone: (04)837-9800
Changhua Lu Gang Branch: No. 322, Fuxing Rd., Lugang, Changhua County	Telephone: (04)775-0777
Nantou Cao Tun Branch: No. 117, Zhognshan St., Caotun, Nantou County	Telephone: (049)230-2000
Nantou Da Tong Branch: No. 70, Datong South St., Nantou, Nantou County	Telephone: (049)222-5200
Nantou Pu Li Branch: No., 24, Zhognshan 2nd Rd., Puli, Nantou County	Telephone: (049)298-6060
Nantou Zhu Shan Branch: No.89, Dali Rd., Zhushan, Nantou County	Telephone: (049)263-0303
Douliu Min Sheng Branch: No. 64, Zhongjian West Rd., Douliu, Yunlin County	Telephone: (05)533-5050
Douliu Station Branch: No. 159, Minsheng Rd., Douliu, Yunlin County	Telephone: (05)537-0033

Business unit Address	Telephone
Yunlin Bei Gang Branch: No. 62, Huanan Rd., Guangfu Li, Lugang, Yulin County	Telephone: (05)783-6363
Yunlin Hu Wei Branch: No. 105-1, Heping Rd., Huwei, Yulin County	Telephone: (05)633-8811
Chiayi Cui Yang Branch: No. 459, Cuiyang Rd., Chiayi	Telephone: (05)216-6161
Tainan Xiao Bei Branch: No. 169, Ximen Rd., Section IV, Tainan	Telephone: (06)281-7806
Tainan Zhong Hua Branch: No. 273~275, Zhonghua East Rd., Tainan	Telephone: (06)260-1100
Tainan Yong Kang Branch: No. 106, Zhonghua Rd., Yongkang Dist., Tainan	Telephone: (06)311-2111
Tainan Jian Kang Branch: No. 175, Zhonghua West Rd., Section I, South Dist., Tainan	Telephone: (06)292-0202
Tainan Ma Dou Branch: No. 22-1, Bo'ai Rd., Madou Dist., Tainan	Telephone: (06)571-2211
Tainan Hai Tian Branch: 1F, No. 120, Haitian Rd. Section I, Annan Dist., Tainan	Telephone: (06)350-0011
Tainan Shan Hua Branch: No. 472, Zhongzheng Rd., Shanhua Dist., Tainan	Telephone: (06)583-0000
Tainan Dong Ning Branch: No. 229, Dongning Rd., Tainan	Telephone: (06)275-5933
Tainan Gui Ren Branch: No. 133, Zhongshan Rd. Section III, Guiren Dist., Tainan	Telephone: (06)338-8000
Xinying Min Zhi Branch: No. 227, Minzhi Rd., Xinying Dist., Tainan	Telephone: (06)656-6611
Jiali Yan Ping Branch: 1F, No. 91, Yanping Rd., Jiali Dist., Tainan	Telephone: (06)723-7700
Xiaogang Han Min Branch: No. 206, Hanmin Rd., Xiaogang Dist., Kaohsiung	Telephone: (07)802-0033
Kaohsiung Wen Heng Branch: No. 148, Wenheng 2nd Rd., Kaohsiung	Telephone: (07)261-6030
Kaohsiung Minsheng Branch: No. 1, Minsheng 1st Rd., Xinxing Dist., Kaohsiung	Telephone: (07)229-9090
Kaohsiung Da Chang Branch: No. 145, Dachang 2nd Rd., Sanmin Dist., Kaohsiung	Telephone: (07)394-3300
Kaohsiung You Chang Branch: 1F, No. 645, Houchang Rd., Zuoying Dist., Kaohsiung	Telephone: (07)363-6767
Kaohsiung Zi You Branch: No., 327, Ziyou 2nd Rd., Zuoying Dist., Kaohsiung	Telephone: (07)558-9311
Kaohsiung Rui Long Branch: No. 459, Ruilong Rd., Qianzhen Dist., Kaohsiung	Telephone: (07)713-0011
Kaohsiung Gang Shan Branch: No. 46, Minzu Rd., Gangshan Dist., Kaohsiung	Telephone: (07)625-0022
Kaohsiung Da Shun Branch: No. 110, Dashun 3rd Rd., Yaling Dist., Kaohsiung	Telephone: (07)713-1111
Kaohsiung Qi Shan Branch: No. 7-17, Dongxin St., Qishan Dist., Kaohsiung	Telephone: (07)662-2626
Kaohsiung Feng Shan Branch: No. 138, Zhongshan Rd., Fengshan Dist., Kaohsiung	Telephone: (07)747-7000
Kaohsiung Wu Jia Branch: NO. 381, Wujia 2nd Rd., Fengshan Dist., Kaohsiung	Telephone: (07)727-2111
Fenshan Qing Nian Branch: No. 471, Qingnian 2nd Rd., Fenshan Dist., Kaohsiung	Telephone: (07)767-6262
Pingtung Zi You Branch: No. 21, Taiyuan 1st Rd., Pingtung, Pingtung County	Telephone: (08)766-0202
Pingtung Min Sheng Branch: No. 248, Minsheng Rd., Pingtung, Pingtung County	Telephone: (08)765-5500
Pingtung Dong Gang Branch: No. 316, Zhongzheng Rd. Section I , Donggang, Pingtung County	Telephone: (08)831-0101
Chaozhou Xin Sheng Branch: 1F, NO. 117, Xinsheng Rd., Chaozhou, Pingtung County	Telephone: (08)788-7700
Taitung Zhong Hua Branch: 1F, NO. 513, Zhonghua Rd. Section I, Taitung, Taitung County	Telephone: (089)337-070
Taitung Xin Sheng Branch: No., 201, Xinsheng Rd., Taitung, Taitung County	Telephone: (089)322-211