POYA INTERNATIONAL CO., LTD.

FINANCIAL STATEMENTS AND REPORT OF

INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2015 AND 2014

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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, 2015 and 2014, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended. 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, 2015 and 2014, and its financial performance and cash flows for the years then ended in conformity with the "Regulations Governing the Preparation 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

February 22, 2016

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
DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2015 AMOUNT	%	December 31, 2014 AMOUNT	%
Current assets					
Cash and cash equivalents	6(1) and 8	$ 763,608	14	$ 771,751	16
Notes receivable, net		7,239	-	8,338	-
Accounts receivable, net	6(2)	566,726	10	433,248	9
Other receivables	6(21)	2,356	-	154,382	3
Inventories	5(2) and 6(3)	2,067,638	36	1,765,613	36
Prepayments	6(4)	107,441	2	62,223	1
Other current financial assets	8	6,050	-	-	-
Total current assets		3,521,058	62	3,195,555	65
Non-current assets					
Property, plant and equipment	6(5)(21)	1,830,435	32	1,407,485	29
Deferred income tax assets	6(18)	18,180	-	15,779	1
Refundable deposits	6(20)	206,292	4	157,552	3
Other non-current financial assets	8	2,550	-	-	-
Long-term prepaid rent		80,806	2	103,655	2
Other non-current assets		10,406	-	10,961	-
Total non-current assets		2,148,669	38	1,695,432	35
Total assets		$ 5,669,727	100	$ 4,890,987	100

(Continued)

POYA INTERNATIONAL CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2015 AMOUNT	%	December 31, 2014 AMOUNT	%
Current liabilities					
Notes payable		$ 562,291	10	$ 444,820	9
Accounts payable		1,010,818	18	927,106	19
Other payables	6(6)(21)	538,814	10	506,503	10
Current income tax liabilities	6(18)	113,836	2	110,557	2
Receipts in advance		12,790	-	12,640	-
Long-term liabilities, current portion	6(7)	329,493	6	263,780	6
Other current liabilities		16,179	-	18,051	1
Total current liabilities		2,584,221	46	2,283,457	47
Non-current liabilities					
Long-term borrowings	6(7)	338,006	6	197,633	4
Deferred income tax liabilities	6(18)	2,865	-	2,574	-
Net defined benefit liabilities-non-current	5(2) and 6(8)	2,869	-	2,092	-
Guarantee deposits received		5,026	-	3,133	-
Total non-current liabilities		348,766	6	205,432	4
Total liabilities		2,932,987	52	2,488,889	51
Equity					
Share capital					
Common stock	6(9)(11)(17)	952,774	17	941,131	19
Capital surplus	6(9)(10)	473,319	8	394,551	8
Retained earnings	6(9)(11)(17)(18)				
Legal reserve		357,480	6	284,378	6
Unappropriated retained earnings		953,167	17	782,038	16
Total equity		2,736,740	48	2,402,098	49
Significant Contingent Liabilities and Unrecognized Contract Commitments	6(20) and 9				
Total liabilities and equity		$ 5,669,727	100	$ 4,890,987	100

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

POYA INTERNATIONAL CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

		2015		2014	
Items	Notes	AMOUNT	%	AMOUNT	%
Operating revenue	6(12)	$ 10,687,825	100	$ 9,167,590	100
Operating costs	6(3)	(6,310,255)	(59)	(5,456,820)	(59)
Net operating margin		4,377,570	41	3,710,770	41
Operating expenses	6(16)(17)(20) and 7				
Selling expenses		(2,708,757)	(25)	(2,277,795)	(25)
General and administrative expenses		(540,198)	(5)	(538,082)	(6)
Total operating expenses		(3,248,955)	(30)	(2,815,877)	(31)
Operating profit		1,128,615	11	894,893	10
Non-operating income and expenses					
Other income	6(13)	36,379	-	38,985	-
Other gains and losses	6(14)	(9,113)	-	10,549	-
Finance costs	6(5)(15)(21)	(6,966)	-	(7,395)	-
Total non-operating income and expenses		20,300	-	42,139	-
Profit before income tax		1,148,915	11	937,032	10
Income tax expense	6(18)	(196,770)	(2)	(164,570)	(2)
Net income for the year		$ 952,145	9	$ 772,462	8
Other comprehensive income (loss) (Net)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
Remeasurement of defined benefit obligations	6(8)	($ 2,490)	-	$ 3,969	-
Income tax relating to the components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(18)	423	-	(675)	-
Total other comprehensive (loss) income for the year		($ 2,067)	-	$ 3,294	-
Total comprehensive income for the year		$ 950,078	9	$ 775,756	8
Basic earnings per share (in dollars)					
Net income	6(19)	$ 10.00		$ 8.14	
Diluted earnings per share (in dollars)					
Net income	6(19)	$ 9.96		$ 8.10	

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

POYA INTERNATIONAL CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	Common stock	Capital Surplus: Additional paid-in capital	Retained Earnings: Legal reserve	Retained Earnings: Unappropriated retained earnings	Total equity
2014						
Balance at January 1, 2014		$ 929,073	$ 346,318	$ 228,493	$ 517,412	$ 2,021,296
Distribution of 2013 net income:						
Legal reserve		-	-	55,885	(55,885)	-
Cash dividends	6(11)	-	-	-	(445,954)	(445,954)
Stock dividends	6(9)(11)	9,291	-	-	(9,291)	-
Employees' stock bonuses	6(9)(21)	2,767	48,233	-	-	51,000
Net income for the year ended December 31, 2014		-	-	-	772,462	772,462
Other comprehensive income for the year ended December 31, 2014		-	-	-	3,294	3,294
Balance at December 31, 2014		$ 941,131	$ 394,551	$ 284,378	$ 782,038	$ 2,402,098
2015						
Balance at January 1, 2015		$ 941,131	$ 394,551	$ 284,378	$ 782,038	$ 2,402,098
Distribution of 2014 net income:						
Legal reserve		-	-	73,102	(73,102)	-
Cash dividends	6(11)	-	-	-	(696,436)	(696,436)
Stock dividends	6(9)(11)	9,411	-	-	(9,411)	-
Employees' stock bonuses	6(9)(21)	2,232	78,768	-	-	81,000
Net income for the year ended December 31, 2015		-	-	-	952,145	952,145
Other comprehensive income for the year ended December 31, 2015		-	-	-	(2,067)	(2,067)
Balance at December 31, 2015		$ 952,774	$ 473,319	$ 357,480	$ 953,167	$ 2,736,740

(Note) The employees' bonues were $51,000 and $81,000, and the directors' remuneration were both $4,800 in 2013 and 2014, respectively which had been deducted from statements of comprehensive income.

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, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax for the year		$ 1,148,915	$ 937,032
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(5)(16)	349,820	296,514
Loss (gain) on disposal of property, plant and equipment	6(14)	2,141	(13,375)
Interest income	6(13)	(2,534)	(2,404)
Interest expense	6(15)	6,966	7,395
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		1,099	(1,039)
Accounts receivable		(133,478)	(145,085)
Other receivables		9,026	(3,943)
Inventories		(302,025)	(348,134)
Prepayments		(45,218)	(22,923)
Net changes in liabilities relating to operating activities			
Notes payable		117,471	130,847
Accounts payable		83,712	270,163
Other payables		119,316	171,712
Receipts in advance		150	(2,037)
Other current liabilities		(1,872)	7,269
Net defined benefit liabilities-non-current		(1,713)	(1,720)
Cash generated from operations		1,351,776	1,280,272
Interest received		2,534	2,404
Interest paid		(6,966)	(7,395)
Income tax paid		(195,178)	(130,977)
Net cash provided by operating activities		1,152,166	1,144,304
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other current financial assets		(6,050)	-
Cash paid for acquisition of property, plant and equipment	6(21)	(780,728)	(620,120)
Interest paid for acquisition of property, plant and equipment	6(5)(15)(21)	(598)	(573)
Cash received from disposal of property, plant and equipment	6(21)	143,410	63,095
Increase in refundable deposits		(48,740)	(30,522)
Increase in other non-current financial assets		(2,550)	-
Decrease (increase) in long-term prepaid rent		22,849	(14,561)
Decrease in other non-current assets		555	1,916
Net cash used in investing activities		(671,852)	(600,765)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		550,000	320,000
Repayment of long-term borrowings		(343,914)	(346,340)
Increase in guarantee deposits received		1,893	15
Cash dividends paid	6(11)	(696,436)	(445,954)
Net cash used in financing activities		(488,457)	(472,279)
(Decrease) increase in cash and cash equivalents		(8,143)	71,260
Cash and cash equivalents at beginning of year	6(1)	771,751	700,491
Cash and cash equivalents at end of year	6(1)	$ 763,608	$ 771,751

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

POYA INTERNATIONAL CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) POYA International Co., Ltd. (the "Company") was 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 Taipei Exchange since September 2002.

2. 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 February 22, 2016.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as the "2013 version of IFRS") in preparing the financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 1, 'Presentation of financial statements'

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Company will adjust its presentation of the statement of comprehensive income.

B. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value from market participants' perspective, and requires disclosures about fair value measuremtnts. For non-financial assets only, fair value is determined based on the highest and best use of the asset. Based on the

Company's assessment, the adoption of the standard has no significant impact on its financial statements, and the Company will disclose additional information about fair value measurements accordingly.

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

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Investment entities: applying the consolidated exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Improvements to IFRSs 2012-2014	January 1, 2016
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
IFRS 9, 'Financial instruments'	January 1, 2018

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by InternationalAccounting Standards Board

The Company is assessing the potential impact of the new standards, interpretations and amendments above. The impact will be disclosed when the assessment is complete.

4. 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

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. 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 less present value of defined benefit obligation.

B. The preparation of financial statements in conformity 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.

A. 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.

B. 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.

C. 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.

D. In the statement of comprehensive income, all foreign exchange gains and losses are presented in "Other gains and losses".

(4) Classification of current and non-current items

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

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

b. Assets held mainly for trading purposes;

c. Assets that are expected to be realized within twelve months from the balance sheet date;

d. 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.

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

a. Liabilities that are expected to be paid off within the normal operating cycle;

b. Liabilities arising mainly from trading activities;

c. Liabilities that are to be paid off within twelve months from the balance sheet date;

d. 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) Receivables

Accounts receivable are 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, including vendor sponsorship receivable from purchase cost adjustments generated from main operating activities. Accounts receivable are initially recognized 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 discounting is insignificant, they are measured subsequently at original invoice amount.

(6) Inventories

A. Self-owned inventories: Inventories are initially recognised at cost and subsequently stated at the lower of cost and net realizable value using the retail inventory method.

B. Comcessionaire: The concessionaire recognises the full amount collected from customers as revenue when the following criteria are met: a. Concessionaire acts as a principal and provides goods or services to customers; b. The Company earns a fixed amount or percentage of profit in the transaction; and c. Concessionaire assumes credit risks. The difference between the full amount collected from customers and the amount paid to concessionaire is recognised as license income by the Company. Unsold goods on the balance sheet date belong to the Concessionaire, and are not included in the ending balance of the Company's inventories. If the above are not met, the full amount collected from customers is recognised as revenue.

(7) Impairment of financial assets

A. 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.

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

a. Significant financial difficulty of the issuer or debtor;

b. The disappearance of an active market for that financial asset because of financial difficulties;

c. 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;

d. 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.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

For financial assets measured at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(8) Derecognition of financial assets

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

(9) Property, plant and equipment

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

B. 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.

C. 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.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. 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:

Asset	Useful lives
Buildings	30~40 years
Transportation equipment	5 years
Office equipment	3~5 years
Leasehold improvements	2~20 years
Other equipment	5 years

(10) Leases (lessee)

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

(11) 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 recognized 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 of disposal 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 recognized.

(12) 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 recognized 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 discounting is insignificant, they are measured subsequently at original invoice amount.

(13) Borrowings

A. 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.

B. 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 drawdown 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.

(14) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(15) Employee benefits

A. 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.

B. Pensions

a. Defined contribution plan

For the defined contribution plan, 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.

b. Defined benefit plan

I. The liability recognized in the balance sheet in respect of defined benefit pension plan 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 government bonds (at the balance sheet date).

II. Remeasurement arising on defined benefit plan is recognized in other comprehensive income in the period in which they arise, and presented in retained earnings.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(16) Income tax

A. 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.

B. 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.

C. 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.

D. 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, unrecognised and recognised deferred income tax assets are reassessed.

E. 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 realize the asset and settle the liability simultaneously.

F. A deferred income tax asset shall be recognised for the carry forward of unused tax credits resulting from research and development expenditures, to the extent that it is probable 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

A. 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 is 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.

B. 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 as 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.

5. 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. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, and the related information is addressed below:

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

Revenue recognition on a net/gross basis

The determination of whether the Company is acting as principal or agent in a transaction is based on an evaluation of the Company's exposure to the significant risks and rewards associated with the sale of goods or the rendering of service in accordance with the business model and substance of the transaction. Where the Company acts as a principal, the amount received or receivable from customer is recognised as revenue on a gross basis. Where the Company acts as an agent, net revenue is recognised representing commissions earned.
The following characteristicts of a principal are used as indicators to determine whether the Company shall recognise revenue on a gross basis:

A. The Company has primary responsibilities for the goods or services it provides.

B. The Company bears inventory risk

C. The Company has a latitude in establishing prices for the goods or services, either directly or indirectly.

D. The Company bears credit risks of customers.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

a. As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable 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 realizable 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.

b. As of December 31, 2015, the carrying amount of inventories was $2,067,638.

B. Calculation of net defined benefit liabilities-non-current

a. When calculating the present value of defined benefit obligations, the Company must apply judgments and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined benefit obligations.

b. As of December 31, 2015, the carrying amount of net defined benefit liabilities-non-current was $2,869.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash:		
Cash on hand	$ 31,179	$ 25,722
Checking deposits and demand deposits	732,429	746,029
	$ 763,608	$ 771,751

A. 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.

B. As of December 31, 2015 and 2014, details of the Company's cash and cash equivalents pledged to others as collateral are provided in Note 8, "Pledged assets".

(2) Accounts receivable, net

	December 31, 2015	December 31, 2014
Accounts receivable - sponsorship	$ 554,084	$ 422,754
Accounts receivable - customer	12,642	10,494
	$ 566,726	$ 433,248

A. The Company has no significant past due but not impaired accounts receivable as of December 31, 2015 and 2014.

B. As of December 31, 2015 and 2014, the Company's accounts receivable that were neither past due nor impaired were from the customers who have good credit quality.

C. The Company did not hold any collateral as security as of December 31, 2015 and 2014.

(3) Inventories

	December 31, 2015		
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	$ 2,067,638	$ -	$ 2,067,638

	December 31, 2014		
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	$ 1,765,613	$ -	$ 1,765,613

The cost of inventories recognized as expense for the year:

	Year ended December 31, 2015	Year ended December 31, 2014
Cost of inventories sold	$ 6,281,990	$ 5,430,107
Loss on physical inventory	28,265	26,713
Cost of goods sold	$ 6,310,255	$ 5,456,820

(4) Prepayments

	December 31, 2015	December 31, 2014
Prepaid rent	$ 83,619	$ 21,283
Overpaid sales tax	13,574	11,857
Prepayment for purchases	1,536	4,513
Other prepaid expenses	8,712	24,570
	$ 107,441	$ 62,223

(5) Property, plant and equipment

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment before acceptance inspection	Total
At January 1, 2015								
Cost	$ -	$ -	$ 19,134	$ 692,933	$ 1,422,075	$ 283,244	$ 78,313	$ 2,495,699
Accumulated depreciation	-	-	(9,361)	(306,036)	(620,108)	(152,709)	-	(1,088,214)
	$ -	$ -	$ 9,773	$ 386,897	$ 801,967	$ 130,535	$ 78,313	$ 1,407,485
For the year ended December 31, 2015								
At January 1	$ -	$ -	$ 9,773	$ 386,897	$ 801,967	$ 130,535	$ 78,313	$ 1,407,485
Additions	240,242	8,017	-	-	-	-	527,062	775,321
Transferred after acceptance inspection	-	-	6,568	147,639	298,551	68,840	(521,598)	-
Depreciation	-	(117)	(4,041)	(140,168)	(158,146)	(47,348)	-	(349,820)
Disposal-Cost	-	-	(1,291)	(84,500)	(222,713)	(40,403)	-	(348,907)
Accumulated depreciation	-	-	1,081	83,325	221,744	40,206	-	346,356
At December 31	$ 240,242	$ 7,900	$ 12,090	$ 393,193	$ 941,403	$ 151,830	$ 83,777	$ 1,830,435
At December 31, 2015								
Cost	$ 240,242	$ 8,017	$ 24,411	$ 756,072	$ 1,497,913	$ 311,681	$ 83,777	2,922,113
Accumulated depreciation	-	(117)	(12,321)	(362,879)	(556,510)	(159,851)	-	(1,091,678)
	$ 240,242	$ 7,900	$ 12,090	$ 393,193	$ 941,403	$ 151,830	$ 83,777	$ 1,830,435

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment before acceptance inspection	Total
At January 1, 2014								
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
For the year ended December 31, 2014								
At January 1	$ 168,160	$ 19,778	$ 6,905	$ 318,029	$ 600,401	$ 104,567	$ 81,849	$ 1,299,689
Additions	-	-	-	-	-	-	597,030	597,030
Transferred after acceptance inspection	-	-	5,848	188,339	341,317	65,062	(600,566)	-
Depreciation	-	(556)	(2,974)	(119,471)	(134,695)	(38,818)	-	(296,514)
Disposal-Cost	(168,160)	(20,000)	(1,304)	(77,536)	(71,469)	(24,588)	-	(363,057)
Accumulated depreciation	-	778	1,298	77,536	66,413	24,312	-	170,337
At December 31	$ -	$ -	$ 9,773	$ 386,897	$ 801,967	$ 130,535	$ 78,313	$ 1,407,485
At December 31, 2014								
Cost	$ -	$ -	$ 19,134	$ 692,933	$ 1,422,075	$ 283,244	$ 78,313	$ 2,495,699
Accumulated depreciation	-	-	(9,361)	(306,036)	(620,108)	(152,709)	-	(1,088,214)
	$ -	$ -	$ 9,773	$ 386,897	$ 801,967	$ 130,535	$ 78,313	$ 1,407,485

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

	Year ended December 31, 2015	Year ended December 31, 2014
Amount capitalized	$ 598	$ 573
Interest rate range	0.95% ～1.71%	1.34%～1.91%

(6) Other payables

	December 31, 2015	December 31, 2014
Salaries and bonuses payable	$ 171,649	$ 155,623
Accrued employees' remuneration (bonuses) and directors' remuneration	86,800	85,800
Equipment payable	84,385	90,390
Rent payable	57,931	34,893
Labor and health insurance payable	31,209	25,071
Others	106,840	114,726
	$ 538,814	$ 506,503

(7) Long-term borrowings

Nature	Borrowing period	Range of interest rates	Collateral	December 31, 2015
Long-term bank borrowings				
Unsecured bank borrowings	8.20.2013～ 8.20.2018	1.32%～1.64%	None	$ 667,499
Less: current portion of long-term borrowings				(329,493)
				$ 338,006

Nature	Borrowing period	Range of interest rates	Collateral	December 31, 2014
Long-term bank borrowings				
Unsecured bank borrowings	8.22.2012～ 8.18.2017	1.54%～1.70%	None	$ 461,413
Less: current portion of long-term borrowings				(263,780)
				$ 197,633

(8) Pensions

A. 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. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March. Information on the Company's aforementioned pension plan is as follows:

a. The amounts recognised in the balance sheet are as follows:

	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	($ 51,425)	($ 48,002)
Fair value of plan assets	48,556	45,910
Net defined benefit liability	($ 2,869)	($ 2,092)

b. Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	($ 48,002)	$ 45,910	($ 2,092)
Current service cost	(395)	-	(395)
Interest (expense) income	(960)	918	(42)
	(49,357)	46,828	(2,529)
Remeasurements:			
Return on plan assets	-	292	292
Change in financial assumptions	(2,491)	-	(2,491)
Experience adjustments	(291)	-	(291)
	(2,782)	292	(2,490)
Pension fund contribution	-	2,150	2,150
Paid pension	714	(714)	-
Balance at December 31	($ 51,425)	$ 48,556	($ 2,869)
Year ended December 31, 2014			
Balance at January 1	($ 50,460)	$ 42,679	($ 7,781)
Current service cost	(372)	-	(372)
Interest (expense) income	(1,009)	853	(156)
	(51,841)	43,532	(8,309)
Remeasurements:			
Return on plan assets	-	130	130
Experience adjustments	3,839	-	3,839
	3,839	130	3,969
Pension fund contribution	-	2,248	2,248
Balance at December 31	($ 48,002)	$ 45,910	($ 2,092)

c. 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 utilization 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. If the earning is less than aforementioned rates, government shall make payment for the deficit after authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

d. The principal actuarial assumptions used were as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Discount rate	1.70%	2.00%
Future salary increases	2.50%	2.50%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with Taiwan Life Insurance Industry 5th Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
December 31, 2015				
Effect on present value of defined benefit obligation	($ 7,758)	$ 9,490	$ 8,721	($ 7,342)
December 31, 2014				
Effect on present value of defined benefit obligation	($ 7,319)	$ 8,984	$ 8,292	($ 6,950)

The above sensitivity analysis was arrived at based on one assumption which changed while the other conditions which remained unchanged. In practice, more than one assumption may change all at once. The method of sensitivity analysis and the method of calculating net pension liability in the balance sheet are the same.

The methods and assumptions used in preparation of the sensitivity analysis for the year ended December 31, 2015 were consistent with those used in 2014.

e. Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2016 are $2,154.

f. As of December 31, 2015, the weighted average duration of the retirement plan is 18 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	166
2-5 years		2,781
Over 6 years		68,821
	$	71,768

B. 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 contributes 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. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2015 and 2014 were $61,185 and $49,219, respectively.

(9) Common stock

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

	Year ended December 31, 2015	Year ended December 31, 2014
At January 1	94,113	92,907
Stock dividends	941	929
Exercised employee stock bonuses	223	277
At December 31	95,277	94,113

B. On June 10, 2014, the Company's shareholders adopted a resolution to issue new shares of common stock through capitalization of unappropriated retained earnings of $9,291 and employees' bonus payable of $51,000. As approved by the Securities and Futures Bureau, Financial Supervisory Commission, the effective date of the capitalization was set on August 1, 2014. Of the amount of $51,000 employees' stock bonuses, 277 thousand shares were calculated based on the fair value per share at the preceding day of the shareholders' meeting, 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-additional paid-in capital.

C. After the abovementioned capitalization, the Company's total authorized capital was $1,200,000 (including $20,000 reserved for employee stock options) and the paid-in capital was $941,131 (94,113 thousand shares) with par value of $10 (in dollars) per share.

D. On June 10, 2015, the Company's shareholders adopted a resolution to issue new shares of common stock through capitalization of unappropriated retained earnings of $9,411 and employees' bonus payable of $81,000. As approved by the Securities and Futures Bureau, Financial Supervisory Commission, the effective date of the capitalization was set on August 1, 2015. Of the amount of $81,000 employees' stock bonuses, 223 thousand shares were calculated based on the fair value per share at the preceding day of the shareholders' meeting, 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-additional paid-in capital.

E. After the abovementioned capitalization, the Company's total authorized capital was $1,200,000 (including $20,000 reserved for employee stock options) and the paid-in capital was $952,774 (95,277 thousand shares) with par value of $10 (in dollars) per share.

(10) Capital surplus

Pursuant to the Company Act, capital surplus 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 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 surplus should not be used to cover accumulated deficit unless the legal reserve is used.

(11) Retained earnings

A. The legal reserve shall be exclusively used to cover 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.

B. Under the Company's Articles of Incorporation, 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. 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 by the 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%; with directors and supervisors' remuneration shall not exceed 6%. The remaining balance shall be appropriated as dividends to shareholders, 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).

On June 10, 2014, the Company's shareholders adopted a resolution to amend the Company's Articles of Incorporation. According to the amended Articles of Incorporation, 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. 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 is the distributable net profit of this period, which is added to the unappropriated retained earnings from prior years to arrive at the accumulated distributable net profit. After considering business environment, future operations, the need for reinvestment, and so on, the Board of Directors will propose a resolution for the distribution of earnings which will be approved at the shareholders' meeting. The distributable net profit shall be appropriated as: 50%~100% of accumulated distributable net profit will be appropriated as dividends and bonuses to shareholders, 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).

C. 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.

D. The Company recognized dividends distributed to owners amounting to $696,436 ($7.40 dollars per share) and $445,954 ($4.80 dollars per share) for cash dividends; $9,411 ($0.10 dollars per share) and $9,291 ($0.10 dollars per share) for stock dividends for the years ended December 31, 2015 and 2014, respectively. On February 22, 2016, the Company's Board of Directors proposed that total dividends for the distribution of earnings for the year of 2015 was $838,441 ($8.80 dollars per share) for cash dividends and $9,528 ($0.10 dollars per share) for stock dividends.

E. The information relating to employees' remuneration (bonuses) and directors' remuneration is described in Note 6 (17) Employee benefit expense.

(12) Operating revenue

	Year ended December 31, 2015	Year ended December 31, 2014
Merchandise sales	$ 10,359,501	$ 8,848,504
License income	328,324	319,086
	$ 10,687,825	$ 9,167,590

(13) Other income

	Year ended December 31, 2015	Year ended December 31, 2014
Rental income	$ 13,065	$ 12,202
Interest income:		
Interest income from bank deposits	1,645	2,404
Other interest income	889	-
Other income	20,780	24,379
	$ 36,379	$ 38,985

(14) Other gains and losses

	Year ended December 31, 2015	Year ended December 31, 2014
(Loss) gain on disposal of property, plant and equipment	($ 2,141)	$ 13,375
Other losses	(6,972)	(2,826)
	($ 9,113)	$ 10,549

(15) Finance costs

	Year ended December 31, 2015	Year ended December 31, 2014
Interest expense:		
Bank borrowings	$ 7,564	$ 7,968
Less: capitalization of qualifying assets	(598)	(573)
	$ 6,966	$ 7,395

(16) Expenses by nature

	Year ended December 31, 2015	Year ended December 31, 2014
	Operating expense	Operating expense
Employee benefit expense	$ 1,462,635	$ 1,274,560
Depreciation	$ 349,820	$ 296,514

(17) Employee benefit expense

	Year ended December 31, 2015	Year ended December 31, 2014
	Operating expense	Operating expense
Wages and salaries	$ 1,216,736	$ 1,075,007
Labor and health insurance fees	126,868	101,882
Pension costs	61,622	49,747
Other personnel expenses	57,409	47,924
	$ 1,462,635	$ 1,274,560

A. The Company had 4,347 and 3,609 employees for the years ended December 31, 2015 and 2014, respectively.

B. According to the Articles of Incorporation of the Company, when distributing earnings, the remuneration to the directors shall not exceed 6% of the distributable net profit of this period and the bonus to employees shall not be less than 0.1% of the distributable net profit of this period. However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee bonus, based on the current year's profit condition, in a fixed amount or a proportion of profits. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The board of directors of the Company has approved the amended Articles of Incorporation of the Company on February 22, 2016. According to the amended articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 6% for directors' remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.

C. For the years ended December 31, 2015 and 2014, employees' compensation (bonuses) was accrued at $82,000 and $81,000, respectively; while directors' remuneration was both accrued at $4,800. The aforementioned amounts were recognized in salary expenses.

For the year ended December 31, 2015, employees' compensation and directors' remuneration were estimated and accrued based on the distributable net profit of 2015 calculated by the percentage prescribed under the Company's Articles of Incorporation. The employees' compensation and directors' remuneration resolved by the board of directors were $82,000 and $4,800, respectively, and the employees' compensation will be distributed in the form of shares.

For the year ended December 31, 2014, employees' bonuses and directors' remuneration were accrued based on the after tax earnings of 2014, considering legal reserve calculated by the percentage prescribed under the Company's Articles of Incorporation. Where the accrued amounts for employees' bonuses and directors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates. The actual amount approved at the shareholder's meeting for employees' bonuses and directors' remuneration for 2014 was the same as the estimated amount recognized in the 2014 financial statements. The actual number of shares distributed as employees' bonuses for the year ended December 31, 2014 was 223 thousand shares, which was calculated based on the market share price of $362.9 (in dollars) per share.

Information about the appropriation of employees' compensation (bonuses) and directors' remuneration by the Company as proposed by the Board of Directors and resolved by the shareholders during their meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(18) Income tax

A. Income tax expense:

a. Components of income tax expense:

	Year ended December 31, 2015	Year ended December 31, 2014
Current income tax:		
Current tax on profits for the year	$ 198,145	$ 169,016
Prior year income tax under (over) estimate	312	(81)
Total current tax	198,457	168,935
Deferred income tax:		
Origination and reversal of temporary differences	(1,687)	(4,365)
Total deferred income tax	(1,687)	(4,365)
Income tax expense	$ 196,770	$ 164,570

b. The income tax relating to components of other comprehensive income is as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Remeasurements on defined benefit obligations	($ 423)	$ 675

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31, 2015	Year ended December 31, 2014
Tax calculated based on profit before tax and statutory tax rate	$ 195,316	$ 159,479
Expenses disallowed by tax regulation	1,142	471
Prior year income tax under (over) estimate	312	(81)
10% tax on undistributed earnings	-	4,701
Tax expense	$ 196,770	$ 164,570

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
- Deferred tax assets:				
Unrealized expense	$ 9,186	$ 2,296	$ -	$ 11,482
Pension	3,524	-	423	3,947
Unearned revenue	3,069	(318)	-	2,751
	15,779	1,978	423	18,180
- Deferred tax liabilities:				
Pension	(2,574)	(291)	-	(2,865)
	$ 13,205	$ 1,687	$ 423	$ 15,315

	Year ended December 31, 2014			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
- Deferred tax assets:				
Unrealized expense	$ 5,765	$ 3,421	$ -	$ 9,186
Pension	1,917	2,282	(675)	3,524
Unearned revenue	1,833	1,236	-	3,069
	9,515	6,939	(675)	15,779
- Deferred tax liabilities:				
Pension	-	(2,574)	-	(2,574)
	$ 9,515	$ 4,365	($ 675)	$ 13,205

D. As of February 22, 2016, the Company's income tax returns through 2013 have been assessed by the Tax Authority, and there were no disputes existing between the Company and the Tax Authority.

E. Unappropriated retained earnings:

	December 31, 2015	December 31, 2014
Earnings generated in and after 1998	$ 953,167	$ 782,038

F. As of December 31, 2015 and 2014, the balances of the imputation tax credit account were

$106,595 and $118,575, respectively. As dividends were approved at the shareholders' meeting on June 10, 2015 and June 10, 2014 with the dividend distribution date set on August 1, 2015 and August 1, 2014 by the Board of Directors, respectively, the creditable tax rate for the unappropriated retained earnings of 2014 and 2013 were 20.66% and 20.48%, respectively. The creditable tax rate for 2015 is expected to be 20.52%. The creditable tax rate will be based on the actual imputation tax credit account on the distribution date for the earnings of 2015; thus, the credit account may be subject to appropriate adjustments according to tax regulations.

(19) Earnings per share

	For the year ended December 31, 2015		
	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	$ 952,145	95,179	$ 10.00
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 952,145	95,179	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	379	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 952,145	95,558	$ 9.96

	For the year ended December 31, 2014		
	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	$ 772,462	94,892	$ 8.14
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 772,462	94,892	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	421	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 772,462	95,313	$ 8.10

A. As the Company may 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 shareholders' 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 share retroactively.

B. The abovementioned weighted average number of ordinary shares outstanding has been adjusted to unappropriated retained earnings as proportional increase in capital for the year ended December 31, 2014.

(20) Operating leases

The Company has lease contracts with the key management and non-related parties. The lease terms are between 3 and 20 years. As of December 31, 2015 and 2014, the amount of deposits paid in accordance with the lease contracts was $203,793 and $154,282, respectively and was classified as refundable deposits. The Company recognized rental expenses of $688,887 and $574,445 for these leases in profit or loss for the years ended December 31, 2015 and 2014, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2015	December 31, 2014
Within 1 year	$ 753,898	$ 608,267
Between 1 and 5 years	2,796,102	2,033,895
Over 5 years	2,964,343	1,986,235
	$ 6,514,343	$ 4,628,397

(21) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31, 2015	Year ended December 31, 2014
a. Purchase of property, plant and equipment	$ 775,321	$ 597,030
Add: Beginning balance of payable on equipment (Other payables)	90,390	114,053
Less: Ending balance of payable on equipment (Other payables)	(84,385)	(90,390)
Capitalization of interest	(598)	(573)
Cash paid for acquisition of property, plant and equipment	$ 780,728	$ 620,120

	Year ended December 31, 2015	Year ended December 31, 2014
b. Disposal of property, plant and equipment	$ 410	$ 206,095
Add: Beginning balance of receivable on land and buildings (Other receivables)	143,000	-
Less: Ending balance of receivable on land and buildings (Other receivables)	-	(143,000)
Cash received from disposal of property, plant and equipment	$ 143,410	$ 63,095

B. Financing activities without cash payments:

	Year ended December 31, 2015	Year ended December 31, 2014
Accrued employees' bonus exercised	$ 81,000	$ 51,000

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

Rental expense

	Leased subject	Determination of rental	Payment method	Year ended December 31, 2015	Year ended December 31, 2014
Key management	Underground~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 to Note 6 (20) Operating leases.

(2) Key management compensation

	Year ended December 31, 2015	Year ended December 31, 2014
Salaries and other short-term employee benefits	$ 18,242	$ 18,242
Post-employment benefits	216	216
	$ 18,458	$ 18,458

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Assets		December 31, 2015	December 31, 2014	Purpose of collateral
Demand deposits	(Note)	$ 5,000	$ -	Performance guarantee
Certificate of deposit	(Note)	3,600	-	Refundable deposits
		$ 8,600	$ -	

(Note) Classified as "Other current financial assets" and "Other non-current financial assets".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Capital expenditures contracted for but not yet incurred

	December 31, 2015	December 31, 2014
Property, plant and equipment	$ 62,077	$ 47,223

(2) For details on operating lease agreements, please refer to Note 6 (20) Operating leases.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order 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.

(2) Financial instruments

A. Fair value information of financial instruments

The Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current financial assets, refundable deposits, other non-current financial assets, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received) are based on their book value as book value approximates fair value. In addition, the fair value information of financial instruments measured at fair value is described in Note 12 (3) Fair value information.

B. Financial risk management policies

The Company adopts a comprehensive risk management system to identify all risks (including market risk, credit risk and liquidity 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.

C. Significant financial risks and degrees of financial risks

a. Market risk

I. <u>Foreign exchange risk</u>

Since the main transactions of the Company are denominated in New Taiwan dollars, the Company is not engaged in foreign exchange contracts. Therefore, the Company is not exposed to significant foreign exchange risk.

II. <u>Price risk</u>

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

III. <u>Interest rate risk</u>

For the years ended December 31, 2015 and 2014, 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, 2015 and 2014 would have decreased/increased by $28 and $23, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

b. Credit risk

I. Credit risk refers to the risk of financial loss to the Company arising from default by the customers or counterparties of financial instruments on the contractual obligations. Credit risk arises mainly from cash and cash equivalents and deposits with banks and financial institutions, including outstanding receivables. For banks and financial institutions, only independently rated parties with distinguished rating are accepted.

II. For information of credit quality of the Company's financial assets, please refer to Note 6, Financial assets.

c. Liquidity risk

I. Cash flow forecasting is performed by the Company. The Company's 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.

II. 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, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Notes payable	$ 562,291	$ -	$ -	$ -
Accounts payable	1,010,818	-	-	-
Other payables	538,814	-	-	-
Long-term borrowings (including current portion)	334,633	212,668	130,611	-
Guarantee deposits received	-	5,026	-	-

December 31, 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Notes payable	$ 444,820	$ -	$ -	$ -
Accounts payable	927,106	-	-	-
Other payables	506,503	-	-	-
Long-term borrowings (including current portion)	268,185	170,526	30,408	-
Guarantee deposits received	-	3,133	-	-

(3) Fair value information

The Company had no fair value financial instruments as of December 31, 2015 and 2014.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transaction information

(In accordance with the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2015.)

A. Loans to others: None.

B. Provision of endorsements and guarantee to others provided: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to Table 1.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Total purchases or sales of goods from or to related parties reaching \$100 million or 20% of the paid-in capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of the paid-in capital or more: None.

I. Derivative financial instruments undertaken: None.

J. Significant inter-company transactions: None.

(2) Disclosure information of investee company

(Only information for the year ended December 31, 2015 is required to be disclosed.)

None.

(3) Disclosure information on indirect investments in Mainland China

(Only information for the year ended December 31, 2015 is required to be disclosed.)

As of December 31, 2015, the Company had no investments in Mainland China.

14. SEGMENT INFORMATION

(1) 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.

(2) Measurement of segment information

The Board of Directors evaluates the performance of the operating segments based on a measure of EBIT. This measurement basis excludes the effects of non-recurring earnings and expenditures from the operating segments. The accounting policies of the operating segment are the same with Note (4) on the Financial Report.

(3) Information about segment profit or loss, assets and liabilities

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

	Year ended December 31, 2015	Year ended December 31, 2014
	Retailing	Retailing
Segment revenue		
Revenue from external customers (net)	$ 10,687,825	$ 9,167,590
Depreciation	349,820	296,514
Finance cost	6,966	7,395
Segment pre-tax profit	1,148,915	937,032
Segment assets	5,669,727	4,890,987
Segment liabilities	2,932,987	2,488,889

A. The segment income or loss reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment income or loss to the income before tax for the years ended December 31, 2015 and 2014 is provided as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Reportable segments income	$ 1,148,915	$ 937,032
Other	-	-
Profit before income tax from continuing operations	$ 1,148,915	$ 937,032

B. The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the financial statements. A reconciliation of assets of reportable segment and total assets is as follows:

	December 31, 2015	December 31, 2014
Assets of reportable segments	$ 5,669,727	$ 4,890,987
Unamortised items	-	-
Total assets	$ 5,669,727	$ 4,890,987

C. The amounts provided to the chief operating decision-maker with respect to total liabilities are measured in a manner consistent with that of the financial statements. A reconciliation of assets of reportable segment and total liabilities is as follows:

	December 31, 2015	December 31, 2014
Liabilities of reportable segments	$ 2,932,987	$ 2,488,889
Unamortised items	-	-
Total liabilities	$ 2,932,987	$ 2,488,889

(4) Information on product and service

Please refer to Note 6 (12) Operating revenue for related information

(5) Geographical information

	Year ended December 31, 2015		Year ended December 31, 2014	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 10,687,825	$ 1,921,647	$ 9,167,590	$ 1,522,101

(6) Major customer information

The Company's annual revenue from each customer for the years ended December 31, 2015 and 2014 did not reach more than 10% of the revenue on the statement of comprehensive income.

POYA ENTERNATIONAL CO., LTD.

Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more

For the year ended December 31, 2015

Table 1

Expressed in thousands of NTD

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
POYA	Fengyuan Dist., Taichung City section of Bo'ai Land No. 666, 667, 743, 743 -1, 743-2, 743 -3, 743-4, 743 -5, 754 and No. 39, Fuuqian St., Fengyuan Dist., Taichung City 420, Taiwan (R .O.C.) Building No. 804	2015/5/29	$ 248,259	$ 248,259	Giant Mountain Construction Co., Ltd.	Non-related party	-	-	-	$ -	Valuation Report	For operation	None