

**POYA INTERNATIONAL CO., LTD.**

**FINANCIAL STATEMENTS AND REVIEW REPORT**

**OF INDEPENDENT ACCOUNTANTS**

**JUNE 30, 2014 AND 2013**

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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.

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

We have reviewed the accompanying balance sheets of POYA International Co., Ltd. as of June 30, 2014 and 2013, and the related statements of comprehensive income for the three-month and six-month periods ended June 30, 2014 and 2013, and the statements of changes in equity and of cash flows for the six-month periods ended June 30, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission of the Republic of China.



PricewaterhouseCoopers, Taiwan

Republic of China

July 28, 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.

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POYA INTERNATIONAL CO., LTD.  
BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)  
(The June 30, 2014 and 2013 amounts are reviewed, but not audited)

Assets		Notes	June 30, 2014		December 31, 2013		June 30, 2013	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 990,219	23	\$ 700,491	18	\$ 711,821	20
1150	Notes receivable, net		4,898	-	7,299	-	6,346	-
1170	Accounts receivable, net	6(2)	220,576	5	288,163	7	198,473	6
1200	Other receivables		2,371	-	7,439	-	1,204	-
130X	Inventories	5(2) and						
		6(3)	1,433,237	34	1,417,479	36	1,440,952	40
1410	Prepayments		51,671	1	39,300	1	67,219	2
11XX	Total current assets		2,702,972	63	2,460,171	62	2,426,015	68
Non-current assets								
1600	Property, plant and equipment	6(4)(19)	1,312,962	31	1,299,689	33	915,860	26
1840	Deferred income tax assets	6(16)	11,270	-	9,515	-	9,693	-
1920	Refundable deposits	6(18)	146,111	4	127,030	3	117,912	3
1985	Long-term prepaid rents		100,246	2	89,094	2	79,664	2
1990	Other non-current assets		11,033	-	12,877	-	11,852	1
15XX	Total non-current assets		1,581,622	37	1,538,205	38	1,134,981	32
1XXX	Total assets		\$ 4,284,594	100	\$ 3,998,376	100	\$ 3,560,996	100

(Continued)

**POYA INTERNATIONAL CO., LTD.**  
**BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)  
(The June 30, 2014 and 2013 amounts are reviewed, but not audited)

Liabilities and Equity		Notes	June 30, 2014		December 31, 2013		June 30, 2013	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>								
2150	Notes payable		\$ 322,213	8	\$ 313,973	8	\$ 322,818	9
2170	Accounts payable		739,257	17	656,943	17	592,092	17
2200	Other payables	6(19)	782,802	18	409,454	10	633,078	18
2230	Current income tax liabilities	6(16)	71,109	2	72,599	2	57,162	2
2310	Receipts in advance		13,522	-	14,677	-	13,453	-
2320	Long-term liabilities, current portion	6(5)	215,242	5	238,391	6	106,266	3
2399	Other current liabilities		12,193	-	10,782	-	7,542	-
21XX	<b>Total current liabilities</b>		<u>2,156,338</u>	<u>50</u>	<u>1,716,819</u>	<u>43</u>	<u>1,732,411</u>	<u>49</u>
<b>Non-current liabilities</b>								
2540	Long-term borrowings	6(5)	158,768	4	249,362	6	67,969	2
2570	Deferred income tax liabilities	6(16)	-	-	-	-	1,798	-
2640	Accrued pension liabilities	5(2) and 6(6)	7,123	-	7,781	-	13,973	-
2645	Guarantee deposits received		3,118	-	3,118	-	2,758	-
25XX	<b>Total non-current liabilities</b>		<u>169,009</u>	<u>4</u>	<u>260,261</u>	<u>6</u>	<u>86,498</u>	<u>2</u>
2XXX	<b>Total liabilities</b>		<u>2,325,347</u>	<u>54</u>	<u>1,977,080</u>	<u>49</u>	<u>1,818,909</u>	<u>51</u>
<b>Equity</b>								
<b>Share capital</b>		6(7)						
3110	Common stock		929,073	22	929,073	23	916,267	26
3150	Stock dividends to be distributed		60,291	1	-	-	49,163	1
3200	Capital surplus	6(8)	346,318	8	346,318	9	309,961	9
<b>Retained earnings</b>		6(7)(9)(16)						
3310	Legal reserve		284,378	7	228,493	6	228,493	6
3350	Unappropriated retained earnings		339,187	8	517,412	13	238,203	7
3XXX	<b>Total equity</b>		<u>1,959,247</u>	<u>46</u>	<u>2,021,296</u>	<u>51</u>	<u>1,742,087</u>	<u>49</u>
<b>Significant Contingent Liabilities and Unrecognized Contract</b>		6(18) and 9						
<b>Commitments</b>								
<b>Total liabilities and equity</b>			<u>\$ 4,284,594</u>	<u>100</u>	<u>\$ 3,998,376</u>	<u>100</u>	<u>\$ 3,560,996</u>	<u>100</u>

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

**POYA INTERNATIONAL CO., LTD.**  
**STATEMENTS OF INCOME**  
(Expressed in thousands of New Taiwan dollars, except for basic and diluted earnings per share)  
(REVIEWED, BUT NOT AUDITED)

			For the three-month periods ended June 30,				For the six-month periods ended June 30,			
			2014		2013		2014		2013	
Items	Notes		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(10)	\$ 2,109,807	100	\$ 1,691,881	100	\$ 4,128,560	100	\$ 3,335,526	100
5000	Operating costs	6(3)	( 1,270,876)	( 60)	( 1,034,393)	( 61)	( 2,481,772)	( 60)	( 1,984,118)	( 60)
5900	Net operating margin		<u>838,931</u>	<u>40</u>	<u>657,488</u>	<u>39</u>	<u>1,646,788</u>	<u>40</u>	<u>1,351,408</u>	<u>40</u>
	Operating expenses	6(6)(14)(15) (18) and 7								
6100	Selling expenses		( 538,596)	( 26)	( 442,306)	( 26)	( 1,029,375)	( 25)	( 854,286)	( 25)
6200	General and administrative expenses		( 111,622)	( 5)	( 97,910)	( 6)	( 230,290)	( 5)	( 192,797)	( 6)
6000	Total operating expenses		( 650,218)	( 31)	( 540,216)	( 32)	( 1,259,665)	( 30)	( 1,047,083)	( 31)
6900	Operating profit		<u>188,713</u>	<u>9</u>	<u>117,272</u>	<u>7</u>	<u>387,123</u>	<u>10</u>	<u>304,325</u>	<u>9</u>
	Non-operating income and expenses									
7010	Other income	6(11)	11,043	1	23,641	1	19,801	-	42,200	2
7020	Other gains and losses	6(12)	( 220)	-	( 274)	-	( 1,429)	-	( 2,684)	-
7050	Finance costs	6(4)(13)(19)	( 1,572)	-	( 760)	-	( 3,317)	-	( 1,675)	-
7000	Total non-operating income and expenses		<u>9,251</u>	<u>1</u>	<u>22,607</u>	<u>1</u>	<u>15,055</u>	<u>-</u>	<u>37,841</u>	<u>2</u>
7900	Profit before income tax		<u>197,964</u>	<u>10</u>	<u>139,879</u>	<u>8</u>	<u>402,178</u>	<u>10</u>	<u>342,166</u>	<u>11</u>
7950	Income tax expense	6(16)	( 34,564)	( 2)	( 23,698)	( 1)	( 69,273)	( 2)	( 58,087)	( 2)
8200	Profit for the period		<u>\$ 163,400</u>	<u>8</u>	<u>\$ 116,181</u>	<u>7</u>	<u>\$ 332,905</u>	<u>8</u>	<u>\$ 284,079</u>	<u>9</u>
8500	Total comprehensive income for the period		<u>\$ 163,400</u>	<u>8</u>	<u>\$ 116,181</u>	<u>7</u>	<u>\$ 332,905</u>	<u>8</u>	<u>\$ 284,079</u>	<u>9</u>
Basic earnings per share (in dollars)										
9750	Net income	6(17)	<u>\$ 1.76</u>		<u>\$ 1.26</u>		<u>\$ 3.58</u>		<u>\$ 3.07</u>	
Diluted earnings per share (in dollars)										
9850	Net income	6(17)	<u>\$ 1.76</u>		<u>\$ 1.25</u>		<u>\$ 3.57</u>		<u>\$ 3.05</u>	

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)

(REVIEWED, BUT NOT AUDITED)

Notes	Share capital		Capital surplus Additional paid-in capital	Retained earnings		Total equity		
	Common stock	Stock dividends to be distributed		Legal reserve	Unappropriated retained earnings			
<u>For the six-month period ended June 30, 2013</u>								
	\$	916,267	\$	-	\$	309,961		
				\$	185,168	\$	382,282	
							\$	1,793,678
					</			

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

POYA INTERNATIONAL CO., LTD.  
STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)  
(REVIEWED, BUT NOT AUDITED)

	Notes	For the six-month periods ended June 30,	
		2014	2013
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax for the period		\$ 402,178	\$ 342,166
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(4)(14)	137,441	112,103
Interest expense	6(13)	3,658	1,805
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		2,401	3,174
Accounts receivable		67,587	31,063
Other receivables		5,068	8,489
Inventories		( 15,758 )	( 113,624 )
Prepayments		( 12,371 )	( 16,047 )
Net changes in liabilities relating to operating activities			
Notes payable		8,240	39,831
Accounts payable		82,314	34,176
Other payables		48,884	9,284
Receipts in advance		( 1,155 )	10
Other current liabilities		1,411	( 5,370 )
Accrued pension liabilities		( 658 )	( 742 )
Cash generated from operations		729,240	446,318
Interest paid		( 3,317 )	( 1,675 )
Income tax paid		( 72,518 )	( 54,724 )
Net cash provided by operating activities		653,405	389,919
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(19)	( 221,204 )	( 124,330 )
Interest payments for acquisition of property, plant and equipment	6(4)(13)(19)	( 341 )	( 130 )
Increase in refundable deposits		( 19,081 )	( 3,508 )
(Increase) decrease in long-term prepaid rents		( 11,152 )	38,977
Decrease in other non-current assets		1,844	1,116
Net cash used in investing activities		( 249,934 )	( 87,875 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from long-term borrowings		10,000	-
Repayment of long-term borrowings		( 123,743 )	( 69,211 )
Increase in guarantee deposits received		-	40
Net cash used in financing activities		( 113,743 )	( 69,171 )
Increase in cash and cash equivalents		289,728	232,873
Cash and cash equivalents at beginning of period	6(1)	700,491	478,948
Cash and cash equivalents at end of period	6(1)	\$ 990,219	\$ 711,821

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

POYA INTERNATIONAL CO., LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)  
(REVIEWED, BUT NOT AUDITED)

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 Gre Tai Securities Market 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 July 28, 2014.

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")

None.

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan Gre Tai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Improvements to IFRSs 2010	January 1, 2011
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Disclosures — Transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	January 1, 2012



New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures – Offsetting financial assets and financial liabilities (amendment to IFRS 7)	January 1, 2013
IFRS 10, ‘Consolidated financial statements’	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, ‘Joint arrangements’	January 1, 2013
IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2013
IFRS 13, ‘Fair value measurement’	January 1, 2013
IAS 19 (revised), ‘Employee benefits’	January 1, 2013
IAS 27, ‘Separate financial statements’ (as amended in 2011)	January 1, 2013
IAS 28, ‘Investments in associates and joint ventures’ (as amended in 2011)	January 1, 2013
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	January 1, 2013
Improvements to IFRSs 2009 – 2011	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014

Based on the Company’s assessment, the adoption of the 2013 version of IFRS has no significant impact on the financial statements of the Company, except for the following:

1. 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.

2. IFRS 13, ‘Fair value measurement’

The standard defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. Based on the Company’s assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Company will disclose additional information about fair value measurements accordingly.

For the above items, the Company is assessing their impact on the financial statements and will disclose the affected amounts accordingly.

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
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
Services related contributions from employees or third parties (amendments to IAS 19R)	July 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRIC 14, 'Regulatory deferral accounts'	January 1, 2016
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
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
IFRS 9, 'Financial instruments'	Not yet been decided

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.

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" and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

(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 conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “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 consolidated 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:

- 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.
2. 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) 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 re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(6) Loans and receivables

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 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 discount is insignificant, they are measured subsequently at original invoice amount.

(7) Inventories

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 recognises the full amount collected from customers as revenue when the 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 profit 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) Impairment of financial assets

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:
  - 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; or
  - 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.

(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 improvements	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 recognized 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 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 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 recognized.

(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 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 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 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.

(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 recognized 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 recognized in other comprehensive income in the period in which they arise, and presented in retained earnings.

C. Past service costs are recognized 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.

D. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial

year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. The related information is disclosed accordingly.

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

Employees' bonus 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. 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 recognized 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 substantively 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, unrecognised and recognised 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 realize the asset and settle the liability simultaneously.

6. 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 possible that future taxable profit will be available against which the unused tax credits can be utilised.
7. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pre-tax income of the interim period, and the related information is disclosed accordingly.

(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 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. 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 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.

(2) As of June 30, 2014, the carrying amount of inventories was \$1,433,237.

#### 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 June 30, 2014, the carrying amount of accrued pension obligations was \$7,123. 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 \$7,414 and \$10,647, respectively.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Cash			
Cash on hand	\$ 23,725	\$ 20,849	\$ 19,261
Checking deposits and demand deposits	<u>966,494</u>	<u>679,642</u>	<u>692,560</u>
	<u>\$ 990,219</u>	<u>\$ 700,491</u>	<u>\$ 711,821</u>

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 June 30, 2014, December 31, 2013 and June 30, 2013.

### (2) Accounts receivable, net

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Accounts receivable	<u>\$ 220,576</u>	<u>\$ 288,163</u>	<u>\$ 198,473</u>

1. The Company has no significant past due but not impaired accounts receivable.
2. As of June 30, 2014, December 31, 2013 and June 30, 2013, 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 June 30, 2014, December 31, 2013 and June 30, 2013 is the carrying amount of accounts receivable.
4. The Company did not pledge accounts receivable as collateral as of June 30, 2014, December 31, 2013 and June 30, 2013.

### (3) Inventories

<u>June 30, 2014</u>		
	<u>Cost</u>	<u>Allowance for price decline of inventories</u>
Merchandise	<u>\$ 1,433,237</u>	<u>\$ -</u>
		<u>Carrying amount</u>
		<u>\$ 1,433,237</u>
<u>December 31, 2013</u>		
	<u>Cost</u>	<u>Allowance for price decline of inventories</u>
Merchandise	<u>\$ 1,417,479</u>	<u>\$ -</u>
		<u>Carrying amount</u>
		<u>\$ 1,417,479</u>

	June 30, 2013		
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	\$ 1,440,952	\$ -	\$ 1,440,952

The cost of inventories recognized as expense for the period:

	For the three-month periods ended June 30,	
	2014	2013
Cost of inventories sold	\$ 1,264,749	\$ 1,028,190
Loss on physical inventory	6,127	6,203
Cost of goods sold	<u>\$ 1,270,876</u>	<u>\$ 1,034,393</u>
	For the six-month periods ended June 30,	
	2014	2013
Cost of inventories sold	\$ 2,468,924	\$ 1,973,287
Loss on physical inventory	12,848	10,831
Cost of goods sold	<u>\$ 2,481,772</u>	<u>\$ 1,984,118</u>

(4) Property, plant and equipment

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2014</u>								
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 )
	<u>\$ 168,160</u>	<u>\$ 19,778</u>	<u>\$ 6,905</u>	<u>\$ 318,029</u>	<u>\$ 600,401</u>	<u>\$ 104,567</u>	<u>\$ 81,849</u>	<u>\$ 1,299,689</u>
<u>For the six-month period ended June 30, 2014</u>								
At January 1, 2014	\$ 168,160	\$ 19,778	\$ 6,905	\$ 318,029	\$ 600,401	\$ 104,567	\$ 81,849	\$ 1,299,689
Additions	-	-	-	-	-	-	150,714	150,714
Transferred after acceptance inspection	-	-	2,456	78,444	98,442	17,460	( 196,802 )	-
Depreciation	-	( 334 )	( 1,374 )	( 56,265 )	( 61,441 )	( 18,027 )	-	( 137,441 )
Disposal-Cost	-	-	( 910 )	( 39,965 )	( 48,839 )	( 10,755 )	-	( 100,469 )
Accumulated depreciation	-	-	910	39,965	48,839	10,755	-	100,469
At June 30, 2014	<u>\$ 168,160</u>	<u>\$ 19,444</u>	<u>\$ 7,987</u>	<u>\$ 340,208</u>	<u>\$ 637,402</u>	<u>\$ 104,000</u>	<u>\$ 35,761</u>	<u>\$ 1,312,962</u>
<u>At June 30, 2014</u>								
Cost	\$ 168,160	\$ 20,000	\$ 16,136	\$ 620,609	\$ 1,201,830	\$ 249,475	\$ 35,761	\$ 2,311,971
Accumulated depreciation	-	( 556 )	( 8,149 )	( 280,401 )	( 564,428 )	( 145,475 )	-	( 999,009 )
	<u>\$ 168,160</u>	<u>\$ 19,444</u>	<u>\$ 7,987</u>	<u>\$ 340,208</u>	<u>\$ 637,402</u>	<u>\$ 104,000</u>	<u>\$ 35,761</u>	<u>\$ 1,312,962</u>

	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment before acceptance inspection	Total
<u>At January 1, 2013</u>						
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)
	<u>\$ 7,059</u>	<u>\$ 218,372</u>	<u>\$ 531,806</u>	<u>\$ 109,801</u>	<u>\$ 17,994</u>	<u>\$ 885,032</u>
For the six-month period ended <u>June 30, 2013</u>						
At January 1, 2013	\$ 7,059	\$ 218,372	\$ 531,806	\$ 109,801	\$ 17,994	\$ 885,032
Additions	-	-	-	-	142,931	142,931
Transferred after acceptance inspection	1,005	63,056	58,262	7,680	130,003	-
Depreciation	( 1,139)	( 40,382)	( 55,218)	( 15,364)	-	( 112,103)
Disposal-Cost	-	( 22,993)	( 6,364)	( 312)	-	( 29,669)
Accumulated depreciation	<u>-</u>	<u>22,993</u>	<u>6,364</u>	<u>312</u>	<u>-</u>	<u>29,669</u>
At June 30, 2013	<u>\$ 6,925</u>	<u>\$ 241,046</u>	<u>\$ 534,850</u>	<u>\$ 102,117</u>	<u>\$ 30,922</u>	<u>\$ 915,860</u>
<u>At June 30, 2013</u>						
Cost	\$ 13,837	\$ 495,774	\$ 1,062,697	\$ 227,338	\$ 30,922	\$ 1,830,568
Accumulated depreciation	( 6,912)	( 254,728)	( 527,847)	( 125,221)	-	( 914,708)
	<u>\$ 6,925</u>	<u>\$ 241,046</u>	<u>\$ 534,850</u>	<u>\$ 102,117</u>	<u>\$ 30,922</u>	<u>\$ 915,860</u>

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

		For the three-month periods ended June 30,	
		2014	2013
Amount capitalized		\$ 129	\$ 72
Interest rate		1.71%	1.74%
		For the six-month periods ended June 30,	
		2014	2013
Amount capitalized		\$ 341	\$ 130
Interest rate		1.71%	1.74%

(5) Long-term borrowings

Nature	Borrowing period	Range of interest rates	Collateral	June 30, 2014
Long-term bank borrowings				
Unsecured bank borrowings	8. 24. 2011~ 5. 26. 2017	1. 56%~1. 70%	None	\$ 374, 010
Less: current portion of long-term borrowings				( 215, 242)
				<u>\$ 158, 768</u>

Nature	Borrowing period	Range of interest rates	Collateral	December 31, 2013
Long-term bank borrowings				
Unsecured bank borrowings	8. 24. 2011~ 11. 25. 2016	1. 62%~1. 80%	None	\$ 487, 753
Less: current portion of long-term borrowings				( 238, 391)
				<u>\$ 249, 362</u>

Nature	Borrowing period	Range of interest rates	Collateral	June 30, 2013
Long-term bank borrowings				
Unsecured bank borrowings	11. 30. 2010~ 12. 25. 2015	1. 62%~1. 88%	None	\$ 174, 235
Less: current portion of long-term borrowings				( 106, 266)
				<u>\$ 67, 969</u>

(6) Pensions

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.
  - (1) For the aforementioned pension plan, the Company recognized pension costs of \$132, \$201, \$264 and \$387 for the three-month periods and six-month periods ended June 30, 2014 and 2013, respectively. Details of cost and expenses recognized in comprehensive income are as follows:

	For the three-month periods ended June 30,	
	2014	2013
Selling expenses	\$ 98	\$ 140
General and administrative expenses	34	61
	<u>\$ 132</u>	<u>\$ 201</u>
	For the six-month periods ended June 30,	
	2014	2013
Selling expenses	\$ 154	\$ 217
General and administrative expenses	110	170
	<u>\$ 264</u>	<u>\$ 387</u>

- (2) Expected contributions to the defined benefit pension plans of the Company within one year from June 30, 2014 amounts to \$2,249.
2. 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 plans of the Company for the three-month periods and six-month periods ended June 30, 2014 and 2013 were \$11,928, \$9,412, \$22,667 and \$18,110, respectively.

(7) Common stock and stock dividends to be distributed

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



	For the six-month periods ended June 30,	
	2014	2013
Balance as at January 1 and June 30	92,907	91,627

2. On June 11, 2013, the Company's shareholders adopted a resolution to issue shares of common stock due to capitalization of unappropriated retained earnings of \$9,163 and employees' bonus of \$40,000. As approved by the SFC, the effective date of the capitalization was set on 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 capitalization.
3. After the event of capitalization mentioned above, the Company's total authorized 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 a par value of \$10 (in dollars) per share.
4. On June 10, 2014, the Company's shareholders adopted a resolution to issue shares of common stock due to capitalization of unappropriated retained earnings of \$9,291 and employees' bonus of \$51,000. As approved by the SFC, the effective date of the capitalization was set on August 1, 2014. Of the amount of \$51,000 employees' stock bonuses, 277 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 capitalization.
5. After the event of capitalization mentioned above, 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.

(8) Capital surplus

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.

(9) Retained earnings

1. 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.
2. 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 original 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 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%; directors and supervisors' remuneration shall not exceed 6%. The remaining shall be appropriated as shareholder 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).

On June 10, 2014, the Company's shareholders adopted an amendment to the Company's Articles of Incorporation. According to the Company's amended Articles of Incorporation, 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. 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 of for the distribution of earnings which will be approved at the shareholders' meeting. The distributions of distributable net profit are as follow:

- (1) Directors' remuneration shall not exceed 6% of the distributable net profit of this period.
  - (2) Employees' bonuses shall not be less than 0.1% of the distributable net profit of this period.
  - (3) 50%~100% of accumulated distributable net profit will be appropriated as shareholder dividends and bonuses, 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).
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 three-month and six-month periods ended June 30, 2014 and 2013, employees' bonus and directors' and supervisors' remuneration were accrued at \$16,200, \$7,950, \$32,400 and \$25,500, 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 2013 was \$55,800, which was the same as the estimated amount recognized in the 2013 financial statements. The actual number of shares distributed as employees' bonus for the year ended December 31, 2013 was 277 thousand shares. Calculation basis of the shares was based on the share price of \$191.

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 recognized dividends distributed to owners amounting to \$375,670 (\$4.10 dollars per share) for cash dividends; and \$9,163 (\$0.10 dollars per share) for stock dividends for the year ended December 31, 2013. On June 10, 2014, the Company's shareholders proposed that total dividend for the distribution of earnings for 2013 was \$445,954 with \$4.80 (in dollars) per share and \$9,291 with \$0.10 (in dollars) per share for cash and stock dividends, respectively.

(10) Operating revenue

		<u>For the three-month periods ended June 30,</u>	
		<u>2014</u>	<u>2013</u>
Merchandise sales	\$	2,076,354	\$ 1,665,619
License income		33,453	26,262
	\$	<u>2,109,807</u>	<u>\$ 1,691,881</u>
		<u>For the six-month periods ended June 30,</u>	
		<u>2014</u>	<u>2013</u>
Merchandise sales	\$	4,069,763	\$ 3,289,294
License income		58,797	46,232
	\$	<u>4,128,560</u>	<u>\$ 3,335,526</u>

(11) Other income

		<u>For the three-month periods ended June 30,</u>	
		<u>2014</u>	<u>2013</u>
Rental income	\$	3,065	\$ 2,628
Interest income			
Bank interest income		862	585
Other interest income		12	-
Other income		7,104	20,428
	\$	<u>11,043</u>	<u>\$ 23,641</u>

	For the six-month periods ended June 30,	
	2014	2013
Rental income	\$ 5,827	\$ 5,326
Interest income		
Bank interest income	997	748
Other interest income	12	-
Other income	12,965	36,126
	<u>\$ 19,801</u>	<u>\$ 42,200</u>

(12) Other gains and losses

	For the three-month periods ended June 30,	
	2014	2013
Gain on disposal of investments	\$ -	\$ 9
Other losses	( 220)	( 283)
	<u>(\$ 220)</u>	<u>(\$ 274)</u>

	For the six-month periods ended June 30,	
	2014	2013
Gain on disposal of investments	\$ -	\$ 9
Other losses	( 1,429)	( 2,693)
	<u>(\$ 1,429)</u>	<u>(\$ 2,684)</u>

(13) Finance costs

	For the three-month periods ended June 30,	
	2014	2013
Interest expense:		
Bank borrowings	\$ 1,701	\$ 832
Less: capitalization of qualifying assets	( 129)	( 72)
	<u>\$ 1,572</u>	<u>\$ 760</u>

	For the six-month periods ended June 30,	
	2014	2013
Interest expense:		
Bank borrowings	\$ 3,658	\$ 1,805
Less: capitalization of qualifying assets	( 341)	( 130)
	<u>\$ 3,317</u>	<u>\$ 1,675</u>

(14) Expenses by nature

		For the three-month periods ended June 30,	
		2014	2013
		Operating expense	Operating expense
Employee benefit expenses		\$ 291,213	\$ 235,307
Depreciation		\$ 69,957	\$ 56,424

		For the six-month periods ended June 30,	
		2014	2013
		Operating expense	Operating expense
Employee benefit expenses		\$ 573,950	\$ 461,133
Depreciation		\$ 137,441	\$ 112,103

(15) Employee benefit expense

		For the three-month periods ended June 30,	
		2014	2013
		Operating expense	Operating expense
Wages and salaries		\$ 243,002	\$ 197,635
Labor and health insurance fees		24,719	18,716
Pension costs		12,060	9,613
Other personnel expenses		11,432	9,343
		\$ 291,213	\$ 235,307

		For the six-month periods ended June 30,	
		2014	2013
		Operating expense	Operating expense
Wages and salaries		\$ 481,678	\$ 387,488
Labor and health insurance fees		46,958	37,096
Pension costs		22,931	18,497
Other personnel expenses		22,383	18,052
		\$ 573,950	\$ 461,133

(16) Income tax

1. Component of income tax expense:

	For the three-month periods ended June 30,	
	2014	2013
Current income tax:		
Current tax on profits for the period	\$ 36,321	\$ 24,309
Over provision of prior years' income tax	( 81)	( 82)
Total current tax	<u>36,240</u>	<u>24,227</u>
Deferred income tax		
Origination and reversal of temporary differences	( 1,676)	( 529)
Total deferred income tax	<u>( 1,676)</u>	<u>( 529)</u>
Income tax expense	<u>\$ 34,564</u>	<u>\$ 23,698</u>

  

	For the six-month periods ended June 30,	
	2014	2013
Current income tax:		
Current tax on profits for the period	\$ 71,109	\$ 57,162
Over provision of prior years' income tax	( 81)	( 82)
Total current tax	<u>71,028</u>	<u>57,080</u>
Deferred income tax		
Origination and reversal of temporary differences	( 1,755)	( 1,007)
Total deferred income tax	<u>( 1,755)</u>	<u>( 1,007)</u>
Income tax expense	<u>\$ 69,273</u>	<u>\$ 58,087</u>

2. As of July 28, 2014, the Company's income tax returns through 2012 have been assessed by the Tax Authority, and there were no disputes existing between the Company and the Tax Authority.

3. Unappropriated retained earnings:

	June 30, 2014	December 31, 2013	June 30, 2013
Earnings generated in and before 1997	\$ -	\$ -	\$ 277
Earnings generated in and after 1998	<u>339,187</u>	<u>517,412</u>	<u>237,926</u>
	<u>\$ 339,187</u>	<u>\$ 517,412</u>	<u>\$ 238,203</u>

4. As of June 30, 2014, December 31, 2013 and June 30, 2013, the balances of the imputation

tax credit account were \$118,575, \$45,959 and \$89,150, respectively. As dividends were approved at the shareholders' meeting on June 11, 2013 with the dividend distribution date set on August 5, 2013 by the Board of Directors, the creditable tax rate for the unappropriated retained earnings of 2012 is 20.48%, 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 according to tax regulations.

(17) Earnings per share

	<u>For the three-month period ended June 30, 2014</u>		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Amount after tax</u>			
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 163,400</u>	<u>92,938</u>	<u>\$ 1.76</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 163,400	92,938	
Assumed conversion of all dilutive potential ordinary shares	<u>-</u>	<u>93</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 163,400</u>	<u>93,031</u>	<u>\$ 1.76</u>
	<u>For the three-month period ended June 30, 2013</u>		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Amount after tax</u>			
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 116,181</u>	<u>92,543</u>	<u>\$ 1.26</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 116,181	92,543	
Assumed conversion of all dilutive potential ordinary shares	<u>-</u>	<u>484</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 116,181</u>	<u>93,027</u>	<u>\$ 1.25</u>

<u>For the six-month period ended June 30, 2014</u>			
	Amount after	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
	<u>tax</u>		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 332,905</u>	<u>92,938</u>	<u>\$ 3.58</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	332,905	92,938	
Assumed conversion of all dilutive potential ordinary shares	<u>-</u>	<u>186</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 332,905</u>	<u>93,124</u>	<u>\$ 3.57</u>
 <u>For the six-month period ended June 30, 2013</u>			
	Amount after	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
	<u>tax</u>		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 284,079</u>	<u>92,543</u>	<u>\$ 3.07</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	284,079	92,543	
Assumed conversion of all dilutive potential ordinary shares	<u>-</u>	<u>603</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 284,079</u>	<u>93,146</u>	<u>\$ 3.05</u>

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 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.



2. 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, 2012.
3. On June 10, 2014, the Company's shareholders adopted a proposal for distribution of 2013 profit. The effective date of capitalization was set on August 1, 2014. The pro forma information for retroactively adjusted basic and diluted earnings per share is as follow (in dollars) :

	<u>For the three-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders	<u>\$ 1.74</u>	<u>\$ 1.24</u>
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders	<u>\$ 1.74</u>	<u>\$ 1.24</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders	<u>\$ 3.55</u>	<u>\$ 3.04</u>
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders	<u>\$ 3.54</u>	<u>\$ 3.02</u>

(18) Operating leases

The Company has lease contracts with the key management and non-related parties. The lease terms are between 3 and 16 years. As of June 30, 2014, the amount of deposits paid, in accordance with the lease contracts was \$141,117 and was classified as refundable deposits. The Company recognized rental expenses of \$139,075, \$110,868, \$264,423 and \$216,000 for these leases in profit or loss for the three-month periods and six-month periods ended June 30, 2014 and 2013, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Within 1 year	\$ 573,217	\$ 495,820	\$ 219,067
Between 1 and 5 years	1,930,951	1,658,447	1,643,517
Over 5 years	<u>1,900,660</u>	<u>1,584,562</u>	<u>1,643,255</u>
	<u>\$ 4,404,828</u>	<u>\$ 3,738,829</u>	<u>\$ 3,505,839</u>

(19) Non-cash transaction

Investing activities and financing activities with partial cash payments:

		For the six-month periods ended June 30,	
		2014	2013
1.	Purchase of property, plant and equipment	\$ 150,714	\$ 142,931
	Add: Beginning balance of payable on equipment (Other payables)	114,053	26,711
	Less: Ending balance of payable on equipment (Other payables)	( 43,222)	( 45,182)
	Capitalization of interest	( 341)	( 130)
	Cash paid for acquisition of property, plant and equipment	<u>\$ 221,204</u>	<u>\$ 124,330</u>
		For the six-month periods ended June 30,	
		2014	2013
2.	Cash dividends distribution	\$ 445,954	\$ 375,670
	Less: Ending balance of payable on cash dividends (Other payables)	( 445,954)	( 375,670)
	Cash paid for cash dividends distribution	<u>\$ -</u>	<u>\$ -</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Significant transactions and balances with related parties

#### Rental expense

			For the three-month periods ended June 30,		
	<u>Leased subject</u>	<u>Determination of rental</u>	<u>Payment method</u>	<u>2014</u>	<u>2013</u>
Key management	Underground~6F., No. 74, Sec. 3, Minzu Rd., West Central Dist., Tainan City 700	Negotiation	Monthly payment	<u>\$ 750</u>	<u>\$ 750</u>
			For the six-month periods ended June 30,		
	<u>Leased subject</u>	<u>Determination of rental</u>	<u>Payment method</u>	<u>2014</u>	<u>2013</u>
Key management	Underground~6F., No. 74, Sec. 3, Minzu Rd., West Central Dist., Tainan City 700	Negotiation	Monthly payment	<u>\$ 1,500</u>	<u>\$ 1,500</u>

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

(2) Key management compensation

	For the three-month periods ended June 30,	
	2014	2013
Salaries and other short-term employee benefits	\$ 2,229	\$ 2,972

  

	For the six-month periods ended June 30,	
	2014	2013
Salaries and other short-term employee benefits	\$ 5,201	\$ 5,111

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Commitments

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

	June 30, 2014	December 31, 2013	June 30, 2013
Property, plant and equipment	\$ 16,860	\$ 43,412	\$ 15,641

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

### (1) 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.

### (2) Financial instruments

#### 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 receivables, notes payable, accounts payable, and other payables) are based on their book value as book value approximates fair value.

	June 30, 2014		December 31, 2013		June 30, 2013	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Financial assets:						
Refundable deposits	\$ 146,111	\$ 146,111	\$ 127,030	\$ 127,030	\$ 117,912	\$ 117,912
Financial liabilities						
Long-term borrowings (Including current portion)	\$ 374,010	\$ 374,010	\$ 487,753	\$ 487,753	\$ 174,235	\$ 174,235
Guarantee deposits received	3,118	3,118	3,118	3,118	2,758	2,758
	\$ 377,128	\$ 377,128	\$ 490,871	\$ 490,871	\$ 176,993	\$ 176,993

## 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 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.

#### 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 six-month periods ended June 30, 2014 and 2013, if interest rates on borrowings had been 10% higher/lower with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2014 and 2013 would have decreased/increased by \$13 and \$7, 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 analyzing 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 utilization 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. 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

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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.

June 30, 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Notes payable	\$ 322, 213	\$ -	\$ -	\$ -
Accounts payable	739, 257	-	-	-
Other payables	782, 802	-	-	-
Long-term borrowings (Including current portion)	218, 923	131, 866	29, 617	-
Guarantee deposits received	-	3, 118	-	-

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)	242, 348	170, 774	82, 727	-
Guarantee deposits received	-	3, 118	-	-

<u>June 30, 2013</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Notes payable	\$ 322,818	\$ -	\$ -	\$ -
Accounts payable	592,092	-	-	-
Other payables	633,078	-	-	-
Long-term borrowings (Including current portion)	108,116	52,530	16,622	-
Guarantee deposits received	-	2,758	-	-

C. Fair value estimation

The Company had no fair value financial instruments as of June 30, 2014, December 31, 2013 and June 30, 2013.



### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transaction information

(According to the current regulatory requirements, the Company is only required to disclose the information for the six-month period ended June 30, 2014.)

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 \$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate properties at costs of at least \$300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate properties at prices of at least \$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: None.
8. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: None.
9. Derivative financial instruments undertaken during the six-month period ended June 30, 2014: None.
10. Significant inter-company transactions during the six-month period ended June 30, 2014: None.

#### (2) Disclosure information of Investee Company

(Only information for the six-month period ended June 30, 2014 is required to be disclosed)

None.

#### (3) Disclosure of information on indirect investments in Mainland China

(Only information for the six-month period ended June 30, 2014 is required to be disclosed)

As of June 30, 2014, the Company was not involved in any 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) Segment information

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

	For the six-month periods ended June 30,	
	2014	2013
	Retailing	Retailing
Segment revenue		
Revenue from external customers (net)	\$ 4, 128, 560	\$ 3, 335, 526
Depreciation	137, 441	112, 103
Finance cost	3, 317	1, 675
Segment pre-tax profit	402, 178	342, 166
Segment assets	4, 284, 594	3, 560, 996
Segment liabilities	2, 325, 347	1, 818, 909

(3) Reconciliation for segment income (loss)

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. The segment income reported to the chief operating decision-maker is measured in a manner consistent with that in the financial statements. Therefore, a reconciliation is not needed.