POYA INTERNATIONAL CO., LTD.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2014 AND 2013

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, 2014 and 2013, 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, 2014, and 2013, and its financial performance and cash flows for the years then ended in conformity with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

PricewaterhouseCoopers, Taiwan
Republic of China
February 24, 2015

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
DECEMBER 31,2014 AND 2013
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2014 AMOUNT		%	December 31, 2013 AMOUNT		%
Current assets							
Cash and cash equivalents	6(1)	$	771,751	16	$	700,491	18
Notes receivable, net			8,338	-		7,299	-
Accounts receivable, net	6(2)		433,248	9		288,163	7
Other receivables			154,382	3		7,439	-
Inventories	5(2) and 6(3)		1,765,613	36		1,417,479	36
Prepayments			62,223	1		39,300	1
Total current assets			3,195,555	65		2,460,171	62
Non-current assets							
Property, plant and equipment	6(4)(20)		1,407,485	29		1,299,689	33
Deferred income tax assets	6(17)		15,779	1		9,515	-
Refundable deposits	6(19)		157,552	3		127,030	3
Long-term prepaid rent			103,655	2		89,094	2
Other non-current assets			10,961	-		12,877	-
Total non-current assets			1,695,432	35		1,538,205	38
Total assets		$	4,890,987	100	$	3,998,376	100

(Continued)

POYA INTERNATIONAL CO., LTD.
BALANCE SHEETS
DECEMBER 31,2014 AND 2013
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2014 AMOUNT	%	December 31, 2013 AMOUNT	%
Current liabilities					
Notes payable		$ 444,820	9	$ 313,973	8
Accounts payable		927,106	19	656,943	17
Other payables	6(5)(20)	506,503	10	409,454	10
Current income tax liabilities	6(17)	110,557	2	72,599	2
Receipts in advance		12,640	-	14,677	-
Long-term liabilities, current portion	6(6)	263,780	6	238,391	6
Other current liabilities		18,051	1	10,782	-
Total current liabilities		2,283,457	47	1,716,819	43
Non-current liabilities					
Long-term borrowings	6(6)	197,633	4	249,362	6
Deferred income tax liabilities	6(17)	2,574	-	-	-
Accrued pension liabilities	5(2) and 6(7)	2,092	-	7,781	-
Guarantee deposits received		3,133	-	3,118	-
Total non-current liabilities		205,432	4	260,261	6
Total liabilities		2,488,889	51	1,977,080	49
Equity					
Share capital					
Common stock	6(8)(10)	941,131	19	929,073	23
Capital surplus	6(8)(9)	394,551	8	346,318	9
Retained earnings	6(8)(10)(17)				
Legal reserve		284,378	6	228,493	6
Unappropriated retained earnings		782,038	16	517,412	13
Total equity		2,402,098	49	2,021,296	51
Significant Contingent Liabilities and Unrecognized Contract Commitments	6(19) and 9				
Total liabilities and equity		$ 4,890,987	100	$ 3,998,376	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, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	2014 AMOUNT	2014 %	2013 AMOUNT	2013 %
Operating revenue	6(11)	$ 9,167,590	100	$ 7,249,459	100
Operating costs	6(3)	(5,456,820)	(59)	(4,374,265)	(60)
Net operating margin		3,710,770	41	2,875,194	40
Operating expenses	6(7)(15)(16)(19) and 7				
Selling expenses		(2,277,795)	(25)	(1,842,597)	(26)
General and administrative expenses		(538,082)	(6)	(435,952)	(6)
Total operating expenses		(2,815,877)	(31)	(2,278,549)	(32)
Operating profit		894,893	10	596,645	8
Non-operating income and expenses					
Other income	6(12)	38,985	-	86,531	1
Other gains and losses	6(13)	10,549	-	(4,274)	-
Finance costs	6(4)(14)	(7,395)	-	(4,571)	-
Total non-operating income and expenses		42,139	-	77,686	1
Profit before income tax		937,032	10	674,331	9
Income tax expense	6(17)	(164,570)	(2)	(115,479)	(1)
Profit for the year		$ 772,462	8	$ 558,852	8
Other comprehensive income					
Actuarial gain on defined benefit plan	6(7)	$ 3,969	-	$ 5,344	-
Income tax relating to the components of other comprehensive income	6(17)	(675)	-	(908)	-
Total other comprehensive income for the year		$ 3,294	-	$ 4,436	-
Total comprehensive income for the year		$ 775,756	8	$ 563,288	8
Basic earnings per share (in dollars)					
Net income	6(18)	$ 8.22		$ 5.97	
Diluted earnings per share (in dollars)					
Net income	6(18)	$ 8.19		$ 5.95	

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, 2014 AND 2013
(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
2013						
Balance at January 1, 2013		$ 916,267	$ 309,961	$ 185,168	$ 382,282	$ 1,793,678
Distribution of 2012 net income (Note):						
Legal reserve		-	-	43,325	(43,325)	-
Cash dividends	6(10)	-	-	-	(375,670)	(375,670)
Stock dividends	6(8)(10)	9,163	-	-	(9,163)	-
Employees' stock bonuses	6(8)	3,643	36,357	-	-	40,000
Net income for the year ended December 31, 2013		-	-	-	558,852	558,852
Other comprehensive income for the year ended December 31, 2013		-	-	-	4,436	4,436
Balance at December 31, 2013		$ 929,073	$ 346,318	$ 228,493	$ 517,412	$ 2,021,296
2014						
Balance at January 1, 2014		$ 929,073	$ 346,318	$ 228,493	$ 517,412	$ 2,021,296
Distribution of 2013 net income (Note):						
Legal reserve		-	-	55,885	(55,885)	-
Cash dividends	6(10)	-	-	-	(445,954)	(445,954)
Stock dividends	6(8)(10)	9,291	-	-	(9,291)	-
Employees' stock bonuses	6(8)	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

(Note) The employees' bonuses were $40,000 and $51,000, and the directors' and supervisors' remuneration were $4,800 and $4,800 in 2012 and 2013, respectively, which had been deducted from net income for the years.

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

POYA INTERNATIONAL CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		$ 937,032	$ 674,331
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)(15)	296,514	238,453
Gain on disposal of property, plant and equipment	6(13)	(13,374)	-
Interest Income	6(12)	(2,404)	(1,625)
Interest expense	6(14)	7,968	4,900
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable		(1,039)	2,221
Accounts receivable		(145,085)	(58,627)
Other receivables		(3,943)	2,254
Inventories		(348,134)	(90,151)
Prepayments		(22,923)	11,872
Net changes in liabilities relating to operating activities			
Notes payable		130,847	30,986
Accounts payable		270,163	99,027
Other payables		171,139	92,260
Receipts in advance		(2,037)	1,234
Other current liabilities		7,269	(2,130)
Accrued pension liabilities		(1,719)	(1,590)
Cash generated from operations		1,280,274	1,003,415
Interest received		2,404	1,625
Interest paid		(7,395)	(4,571)
Income tax paid		(130,979)	(99,207)
Net cash provided by operating activities		1,144,304	901,262
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(20)	(620,120)	(565,439)
Interest payments for acquisition of property, plant and equipment	6(4)(14)(20)	(573)	(329)
Proceeds from disposal of property, plant and equipment	6(20)	63,095	-
Increase in refundable deposits		(30,522)	(12,626)
(Increase)Decrease in long-term prepaid rent		(14,561)	29,547
Decrease in other non-current assets		1,916	91
Net cash used in investing activities		(600,765)	(548,756)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		320,000	430,000
Repayment of long-term borrowings		(346,340)	(185,693)
Increase in guarantee deposits received		15	400
Cash dividends paid	6(10)	(445,954)	(375,670)
Net cash used in financing activities		(472,279)	(130,963)
Increase in cash and cash equivalents		71,260	221,543
Cash and cash equivalents at beginning of year	6(1)	700,491	478,948
Cash and cash equivalents at end of year	6(1)	$ 771,751	$ 700,491

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

POYA INTERNATIONAL CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(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 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 February 24, 2015.

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 and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" in preparing the financial statements. The related new standards, interpretations and amendments are listed below:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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
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:

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, 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 financial statements, and the Company will disclose additional information about fair value measurements 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:

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
Services related contributions from employees or third parties (amendments to IAS 19)	July 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 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
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Disclosure initiative (amendments to IAS 1)	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
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
IFRS 9, 'Financial instruments'	January 1, 2018

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

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

(2) 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, and less unrecognized actuarial gains and present value of defined benefit obligation.

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

(3) Foreign currency translation

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

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. 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) Financial assets at fair value through profit or loss

A. 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.

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

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

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

(7) Inventories

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

B. 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

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; 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.

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

Financial assets measured at amortized 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 recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(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

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 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:

Assets	Estimated useful lives
Buildings	30 years
Transportation equipment	5 years
Office equipment	3~5 years
Leasehold improvements	2~17 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 discounting is insignificant, they are measured subsequently at original invoice amount.

(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) 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.

(16) 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 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.

b. Defined benefit plans

I. 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.

II. 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.

III. 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.

C. 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.

(17) 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 acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

(18) 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.

(19) 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 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.

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.

(20) 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

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 characteristics 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, 2014, the carrying amount of inventories was $1,765,613.

B. Calculation of accrued pension obligations

a. 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.

b. As of December 31, 2014, the carrying amount of accrued pension obligations was $2,092. 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 $7,319 and $8,984, respectively.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2014	December 31, 2013
Cash		
Cash on hand	$ 25,722	$ 20,849
Checking deposits and demand deposits	746,029	679,642
	$ 771,751	$ 700,491

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. The Company's maximum exposure to credit risk at the balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Company has no cash and cash equivalents pledged to others as of December 31, 2014 and 2013.

(2) Accounts receivable, net

	December 31, 2014		December 31, 2013	
Accounts receivable - sponsorship	$	422,754	$	280,566
Accounts receivable - customer		10,494		7,597
	$	433,248	$	288,163

A. The Company has no significant past due but not impaired accounts receivable.

B. As of December 31, 2014 and 2013, the Company's accounts receivable that are neither past due nor impaired are of good credit quality.

C. The maximum exposure to credit risk at December 31, 2014 and 2013 is the carrying amount of accounts receivable.

D. The Company did not pledge accounts receivable as collateral as of December 31, 2014 and 2013.

(3) Inventories

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

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

The cost of inventories recognized as expense for the period:

	Year ended December 31, 2014		Year ended December 31, 2013	
Cost of inventories sold	$	5,430,107	$	4,344,126
Loss on physical inventory		26,713		30,139
Cost of goods sold	$	5,456,820	$	4,374,265

(4) 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, 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
2014								
At January 1, 2014	$ 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, 2014	$ -	$ -	$ 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

	Land	Buildings	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment before acceptance inspection	Total
At January 1, 2013								
Cost	$ -	$ -	$ 12,832	$ 455,711	$ 1,010,799	$ 219,970	$ 17,994	$ 1,717,306
Accumulated depreciation	-	-	(5,773)	(237,339)	(478,993)	(110,169)	-	(832,274)
	$ -	$ -	$ 7,059	$ 218,372	$ 531,806	$ 109,801	$ 17,994	$ 885,032
2013								
At January 1, 2013	$ -	$ -	$ 7,059	$ 218,372	$ 531,806	$ 109,801	$ 17,994	$ 885,032
Additions	168,160	20,000	-	-	-	-	464,950	653,110
Transferred after acceptance inspection	-	-	2,196	189,243	182,878	26,778	(401,095)	-
Depreciation	-	(222)	(2,350)	(89,586)	(114,283)	(32,012)	-	(238,453)
Disposal-Cost	-	-	(438)	(62,824)	(41,450)	(3,978)	-	(108,690)
Accumulated depreciation	-	-	438	62,824	41,450	3,978	-	108,690
At December 31, 2013	$ 168,160	$ 19,778	$ 6,905	$ 318,029	$ 600,401	$ 164,567	$ 81,849	$ 1,299,689
At December 31, 2013								
Cost	$ 168,160	$ 20,000	$ 14,590	$ 582,130	$ 1,152,227	$ 242,770	$ 81,849	$ 2,261,726
Accumulated depreciation	-	(222)	(7,685)	(264,101)	(551,826)	(138,203)	-	(962,037)
	$ 168,160	$ 19,778	$ 6,905	$ 318,029	$ 600,401	$ 104,567	$ 81,849	$ 1,299,689

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

	Year ended December 31, 2014	Year ended December 31, 2013
Amount capitalized	$ 573	$ 329
Interest rate	1.67%	1.66%

(5) Other payables

	December 31, 2014	December 31, 2013
Salaries payable	$ 135,775	$ 118,409
Equipment payable	90,390	114,053
Accrued employees' bonus, directors' and supervisors' remuneration	85,800	55,800
Rent payable	34,893	18,250
Others	159,645	102,942
	$ 506,503	$ 409,454

(6) Long-term borrowings

Nature	Borrowing period	Range of interest rates	Collateral	December 31, 2014
Long-term bank borrowings				
Unsecured bank borrowings	9.27.2011～8.18.2017	1.54%～1.70%	None	$ 461,413
Less: current portion				(263,780)
				$ 197,633

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				(238,391)
				$ 249,362

(7) Pensions

A. Defined benthif plan

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.

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

	December 31, 2014	December 31, 2013
Present value of funded defined benefit obligations	($ 48,002)	($ 50,460)
Fair value of plan assets	45,910	42,679
Net liability in the balance sheet	($ 2,092)	($ 7,781)

c. Movements in present value of defined benefit obligations are as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Present value of funded defined benefit obligations		
At January 1	($ 50,460)	($ 54,637)
Current service cost	(372)	(450)
Interest cost	(1,009)	(819)
Actuarial profit	3,839	5,446
At December 31	($ 48,002)	($ 50,460)

d. Movements in fair value of plan assets:

Fair value of plan assets	Year ended December 31, 2014	Year ended December 31, 2013
At January 1	$ 42,678	$ 39,922
Expected return on plan assets	853	599
Actuarial profit (loss)	132	(102)
Employer contributions	2,247	2,260
At December 31	$ 45,910	$ 42,679

e. Amounts of expenses recognized in statements of comprehensive income:

	Year ended December 31, 2014	Year ended December 31, 2013
Current service cost	$ 372	$ 450
Interest cost	1,009	819
Expected return on plan assets	(853)	(599)
Current pension cost	$ 528	$ 670

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

	Year ended December 31, 2014	Year ended December 31, 2013
Selling expenses	$ 252	$ 332
General and administrative expenses	276	338
Current pension cost	$ 528	$ 670

f. Amounts of actuarial gains of losses recognized under other comprehensive income are as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Recognition for current period	$ 3,969	$ 5,344
Accumulated amount	$ 3,114	($ 855)

g. The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2014 and 2013 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

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

For the years ended December 31, 2014 and 2013, the Company's actual return on plan assets was $986 and $497, respectively.

h. The Principal actuarial assumptions used were as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Discount rate	2.00%	2.00%
Future salary increases	2.50%	2.50%
Expected return on plan assets	2.00%	2.00%

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

i. Historical information of experience adjustments was as follows:

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Present value of defined benefit obligation	($ 48,002)	($ 50,460)	($ 54,637)
Fair value of plan assets	45,910	42,679	39,922
Deficit in the plan	($ 2,092)	($ 7,781)	($ 14,715)
Experience adjustments on plan liabilities	($ 3,839)	($ 722)	($ 2,970)
Experience adjustments on plan assets	$ 132	($ 102)	$ 326

j. Expected contributions expected to be paid to the defined benefit pension plans of the Company within one year from December 31, 2014 amounts to $2,247.

B. Defined contribution plan

a. 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.

b. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2014 and 2013 were $49,219 and $39,052, respectively.

(8) Common stock and stock dividends to be distributed

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

	Year ended December 31, 2014	Year ended December 31, 2013
At January 1	92,907	91,627
Stock dividends	929	916
Exercised employee stock bonuses	277	364
At December 31	94,113	92,907

B. 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 $40,000 as 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.

C. 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.

D. 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 $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.

E. 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.

(9) 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.

(10) Retained earnings

A. 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.

B. 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. Under 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 for the distribution of earnings which will be approved at the shareholders' meeting. The distributable net profit shall be appropriated as follows:

a. Directors' remuneration shall not exceed 6% of the distributable net profit of this period.

b. Employees' bonuses shall not be less than 0.1% of the distributable net profit of this period.

c. 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).

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. For the years ended December 31, 2014 and 2013, employees' bonus, and directors' and supervisors' remuneration were accrued at $85,800 and $55,800, respectively, which were based on the after tax earnings of related periods, considering legal reserve calculated by the percentage prescribed under the Company's Articles of Incorporation. The actual amount approved at the shareholders' meeting for employees' bonus and directors' and supervisors' remuneration for 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 $184.30. 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.

E. The Company recognized dividends distributed to owners amounting to $445,954 ($4.80 dollars per share) and $375,670 ($4.10 dollars per share) for cash dividends, and $9,291 ($0.10 dollars per share) and $9,163 ($0.10 dollars per share) for stock dividends for the years ended December 31, 2014 and 2013, respectively. On February 24, 2015, the Company's Board of Directors during its meeting proposed that total dividends for the distribution of earnings for 2014 was $696,437 with $7.40 (in dollars) per share and $9,411 with $0.10 (in dollars) per share for cash and stock dividends, respectively.

(11) Operating revenue

	Year ended December 31, 2014	Year ended December 31, 2013
Merchandise sales	$ 8,848,504	$ 6,996,962
License income	319,086	252,497
	$ 9,167,590	$ 7,249,459

(12) Other income

	Year ended December 31, 2014	Year ended December 31, 2013
Rental income	$ 12,202	$ 11,020
Interest income		
Bank interest income	2,404	1,625
Other income	24,379	73,886
	$ 38,985	$ 86,531

(13) Other gains and losses

	Year ended December 31, 2014	Year ended December 31, 2013
Gain on disposal of property, plant and equipment	$ 13,374	$ -
Gain on disposal of investments	-	9
Other losses	(2,825)	(4,283)
	$ 10,549	($ 4,274)

(14) Finance costs

	Year ended December 31, 2014	Year ended December 31, 2013
Interest expense:		
Bank borrowings	$ 7,968	$ 4,900
Less: capitalization of qualifying assets	(573)	(329)
	$ 7,395	$ 4,571

(15) Expenses by nature

	Year ended December 31, 2014	Year ended December 31, 2013
	Operating expense	Operating expense
Employee benefit expenses	$ 1,274,560	$ 997,526
Depreciation	$ 296,514	$ 238,453

(16) Employee benefit expense

	Year ended December 31, 2014	Year ended December 31, 2013
	Operating expense	Operating expense
Wages and salaries	$ 1,075,007	$ 838,976
Labor and health insurance fees	101,882	79,967
Pension costs	49,747	39,722
Other personnel expenses	47,924	38,861
	$ 1,274,560	$ 997,526

As of December 31, 2014 and 2013, the Company had 3,609 and 2,856 employees, respectively.

(17) Income tax

A. Income tax expense:

a. Components of income tax expense:

	Year ended December 31, 2014	Year ended December 31, 2013
Current income tax:		
Current tax on profits for the period	$ 169,016	$ 114,040
Over provision of prior year's income tax	(81)	(82)
Total current tax	168,935	113,958
Deferred income tax:		
Origination and reversal of temporary differences	(4,365)	1,521
Total deferred income tax	(4,365)	1,521
Income tax expense	$ 164,570	$ 115,479

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

	Year ended December 31, 2014	Year ended December 31, 2013
Actuarial gains on defined benefit obligations	$ 675	$ 908

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31, 2014	Year ended December 31, 2013
Tax calculated based on profit before tax and statutory tax rate	$ 159,479	$ 114,636
Expenses disallowed by tax regulation	471	416
Prior year income tax overestimate	(81)	(82)
10% tax on undistributed earnings	4,701	509
Tax expense	$ 164,570	$ 115,479

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

	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 expenses	$ 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

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

D. As of February 24, 2015, 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.

E. Unappropriated retained earnings:

	December 31, 2014	December 31, 2013
Earnings generated in and after 1998	$ 782,038	517,412

F. As of December 31, 2014 and 2013, the balances of the imputation tax credit account were $118,575 and $45,959, respectively. As dividends were approved at the shareholders' meeting on June 10, 2014 and June 11, 2013 with the dividend distribution date set on August 1, 2014 and August 5, 2013 by the Board of Directors, respectively, the creditable tax rate for the unappropriated retained earnings of 2012 and 2013 were both 20.48%. The creditable tax rate for 2014 is expected to be 19.92%.The creditable tax rate will be based on the actual imputation tax credit account on the distribution date for the earnings of 2014; thus, the credit account may be subject to appropriate adjustments according to tax regulations.

(18) Earnings per share

	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	93,952	$ 8.22
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 772,462	93,952	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	417	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 772,462	94,369	$ 8.19

	For the year ended December 31, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 558,852	93,619	$ 5.97
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 558,852	93,619	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	286	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 558,852	93,905	$ 5.95

A. 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 based on 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, 2013.

(19) 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 December 31, 2014 and 2013, the amount of deposits paid, in accordance with the lease contracts was $154,282 and $122,064, respectively and was classified as refundable deposits. The Company recognized rental expenses of $574,445 and $457,548 for these leases in profit or loss for the years ended December 31, 2014 and 2013, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2014	December 31, 2013
Within 1 year	$ 608,267	$ 495,820
Between 1 and 5 years	2,033,895	1,658,447
Over 5 years	1,986,235	1,584,562
	$ 4,628,397	$ 3,738,829

(20) Non-cash transaction

A. Investing activities and financing activities with partial cash payments:

	Year ended December 31, 2014	Year ended December 31, 2013
a. Purchase of property, plant and equipment	$ 597,030	$ 653,110
Add: Beginning balance of payable on equipment (Other payables)	114,053	26,711
Less: Ending balance of payable on equipment (Other payables)	(90,390)	(114,053)
Capitalization of interest	(573)	(329)
Cash paid for acquisition of property, plant and equipment	$ 620,120	$ 565,439

	Year ended December 31, 2014	Year ended December 31, 2013
b. Disposal of property, plant and equipment	$ 206,095	$ -
Less: Ending balance of receivable on land and building (Other receivable)	(143,000)	-
Cash received for disposal of property, plant and equipment	$ 63,095	$ -

B. Financing activities that do not directly impact on current cash flows:

	Year ended December 31, 2014	Year ended December 31, 2013
Capitalization of earnings and employees' bonus.	$ 51,000	$ 40,000

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, 2014	Year ended December 31, 2013
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. (19).

(2) Key management compensation

	Year ended December 31, 2014	Year ended December 31, 2013
Salaries and other short-term employee benefits	$ 18,242	$ 18,152
Post-employment benefits	216	216
	$ 18,458	$ 18,368

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Commitments

(1) Capital expenditures contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2014	December 31, 2013
Property, plant and equipment	$ 47,223	$ 43,412

(2) For details on operating lease agreements, please refer to Note 6. (19).

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

A. 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.

	December 31, 2014		December 31, 2013	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets:				
Refundable deposits	$ 157,552	$ 157,552	$ 127,030	$ 127,030
Financial liabilities				
Long-term borrowings (including current portion)	$ 461,413	$ 461,413	$ 487,753	$ 487,753
Guarantee deposits received	3,133	3,133	3,118	3,118
	$ 464,546	$ 464,546	$ 490,871	$ 490,871

B. 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 into account economic environment, competition and market risk.

C. Significant financial risks and degrees of financial risks

a. Market risk

I. 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.

II. Price risk

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

III. Interest rate risk

For the years ended December 31, 2014 and 2013, 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, 2014 and 2013 would have decreased/increased by $23 and $17, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

b. Credit risk

I. 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.

II. For the credit rankings 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, 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	-	-

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	-	-

III. Fair value estimation

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

A. Loans to others: None.

B. Endorsements/guarantee provided: None.

C. Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities): None.

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

E. Acquisition of individual real estate properties at costs of at least $300 million or 20% of the paid-in capital: None.

F. Disposal of individual real estate properties at prices of at least $300 million or 20% of the paid-in capital:

Company	Property Name	Transaction date	Original date of acquisition	Book value	Transaction amount	Cash received	Disposal gain and (loss)	Buyer	Relationship	Purpose of disposal	Price basis	Other agreement
POYA	Xinxing Dist., Kaohsiung City two sections of Datong Land No. 1119-0000, 1120-0000	2014/11/24 (Note 1)	2013/7/18	$ 168,160	$ 161,000	$ 58,485	($ 24,446) (Note 2)	Hung-Chieh Assets Management Co., Ltd.	Non-related party	Additional working capital	Valuation report	None
POYA	No. 148, Wenheng 2nd Rd., Xinxing Dist., Kaohsiung City Building No. 03147-000	2014/11/24 (Note 1)	2013/7/18	19,222	69,000	25,065	42,774 (Note 2)	Hung-Chieh Assets Management Co., Ltd.	Non-related party	Additional working capital	Valuation report	None

Note 1：Signing date

Note 2：Amount after-tax

G. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: None.

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

I. Derivative financial instruments undertaken during the year ended December 31, 2014: None.

J. Significant inter-company transactions during the nine-month period ended December 31, 2014: None.

(2) Disclosure information of investee company

(Only information for the year ended December 30, 2014 is required to be disclosed.)

None.

(3) Disclosure information on indirect investments in Mainland China

As of December 31, 2014, 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(6) 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, 2014 Retailing	Year ended December 31, 2013 Retailing
Segment revenue		
Revenue from external customers (net)	$ 9,167,590	$ 7,249,459
Depreciation	296,514	238,453
Finance cost	7,395	4,571
Segment pre-tax profit	937,032	674,331
Segment assets	4,890,987	3,998,376
Non-current asset (excluding financial instruments and deferred tax assets)	597,030	653,110
Segment liabilities	2,488,889	1,977,080

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, 2014 and 2013 is provided as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Reportable segments income	$ 937,032	$ 674,331
Other	-	-
Income before tax	$ 937,032	$ 674,331

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, 2014	December 31, 2013
Assets of reportable segment	$ 4,890,987	$ 3,998,376
Unamortised items	-	-
Total assets	$ 4,890,987	$ 3,998,376

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, 2014	December 31, 2013
Liabilities of reportable segment	$ 2,488,889	$ 1,977,080
Unamortised items	-	-
Total liabilities	$ 2,488,889	$ 1,977,080

(4) Information on product and service

Please refer to Note 6. (11), Operating revenue for related information.

(5) Geographical information

Geographical information for the years ended December 31, 2014 and 2013 is as follows:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 9,167,590	$ 1,679,653	$ 7,249,459	$ 1,528,690

(6) Major customer information

The Company's annual revenue from each customer for the years ended December 31, 2014 and 2013 did not reach more than 10% of the revenue on the statement of comprehensive income.