

Les Enphants Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2014 and 2013 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Les Enphants Co., Ltd. (the "Company") as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. 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 auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Les Enphants Co., Ltd. as of December 31, 2014 and 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The accompanying schedules of the major accounting items of Les Enphants Co., Ltd. as of and for the year ended December 31, 2014 are presented for the purpose of additional analysis. Such schedules have been subjected to the auditing procedures described in the second paragraph. In our opinion, such schedules are consistent, in all material respects, with the financial statements referred to in the first paragraph.

March 26, 2015

Notice to Readers

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

For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

LES ENPHANTS CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 244,762	4	\$ 79,010	1
Financial assets at fair value through profit or loss - current (Notes 7 and 34)	28,392	1	26,504	1
Available-for-sale financial assets - current (Notes 8 and 23)	1,597	-	2,122	-
Notes receivable (Note 10)	1,170	-	766	-
Trade receivables, net (Note 10)	207,911	4	203,585	4
Trade and notes receivables from related parties (Note 33)	116,143	2	79,269	1
Other receivables, net (Notes 10 and 34)	53,990	1	29,953	1
Current tax assets (Note 26)	9,820	-	7,509	-
Inventories (Note 11)	839,936	15	784,145	14
Prepayments	11,423	-	7,930	-
Other current assets (Note 16)	733	-	325	-
Total current assets	<u>1,515,877</u>	<u>27</u>	<u>1,221,118</u>	<u>22</u>
NONCURRENT ASSETS				
Financial assets measured at cost - noncurrent (Note 9)	12,584	-	15,880	-
Investments accounted for using equity method (Notes 12 and 23)	2,988,958	54	3,096,732	57
Property, plant and equipment (Notes 13 and 34)	800,270	14	817,469	15
Investment properties (Notes 14 and 34)	81,981	2	108,151	2
Intangible assets (Note 15)	20,482	-	12,417	-
Deferred tax assets (Note 26)	62,326	1	73,174	2
Refundable deposits	46,998	1	47,836	1
Other noncurrent assets (Note 16)	42,048	1	39,102	1
Total noncurrent assets	<u>4,055,647</u>	<u>73</u>	<u>4,210,761</u>	<u>78</u>
TOTAL	<u>\$ 5,571,524</u>	<u>100</u>	<u>\$ 5,431,879</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 50,000	1	\$ -	-
Notes payable (Note 20)	7,562	-	9,738	-
Accounts payables (Note 20)	252,373	5	194,957	4
Accounts and notes payables to related parties (Note 33)	9,638	-	37,571	1
Equipment payable	9,150	-	6,898	-
Other payables (Note 21)	157,342	3	168,544	3
Current tax liabilities (Note 26)	5,259	-	-	-
Deferred revenue - current (Note 21)	6,130	-	5,137	-
Receipts in advance (Note 33)	52,951	1	52,631	1
Current portion of long-term borrowings (Notes 19 and 34)	64,000	1	-	-
Other current liabilities (Note 21)	2,162	-	1,993	-
Total current liabilities	<u>616,567</u>	<u>11</u>	<u>477,469</u>	<u>9</u>
NONCURRENT LIABILITIES				
Bonds payable (Notes 18, 23 and 26)	589,428	11	579,296	11
Long-term borrowings, net of current portion (Notes 19 and 34)	450,000	8	460,000	8
Deferred tax liabilities (Note 26)	252,289	4	264,522	5
Accrued pension liabilities (Note 22)	336,632	6	355,223	6
Guarantee deposits (Note 33)	1,628	-	2,022	-
Total noncurrent liabilities	<u>1,629,977</u>	<u>29</u>	<u>1,661,063</u>	<u>30</u>
Total liabilities	<u>2,246,544</u>	<u>40</u>	<u>2,138,532</u>	<u>39</u>
EQUITY				
Ordinary shares	2,112,958	38	2,112,958	39
Capital surplus	942,435	17	919,163	17
Retained earnings				
Legal reserve	177,552	3	177,552	3
Special reserve	63,206	1	63,206	1
Accumulated deficit	(93,803)	(1)	(13,975)	-
Total retained earnings	146,955	3	226,783	4
Other equity	122,632	2	34,443	1
Total equity	<u>3,324,980</u>	<u>60</u>	<u>3,293,347</u>	<u>61</u>
TOTAL	<u>\$ 5,571,524</u>	<u>100</u>	<u>\$ 5,431,879</u>	<u>100</u>

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

LES ENPHANTS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 33)	\$ 2,991,507	100	\$ 2,912,785	100
OPERATING COSTS (Notes 11, 22, 25 and 33)	<u>1,553,500</u>	<u>52</u>	<u>1,527,664</u>	<u>52</u>
GROSS PROFIT	1,438,007	48	1,385,121	48
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	<u>(579)</u>	<u>-</u>	<u>(700)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,437,428</u>	<u>48</u>	<u>1,384,421</u>	<u>48</u>
OPERATING EXPENSES (Notes 22, 25, 28 and 33)				
Selling and marketing expenses	1,206,203	40	1,200,140	41
General and administrative expenses	<u>202,066</u>	<u>7</u>	<u>187,918</u>	<u>7</u>
Total operating expenses	<u>1,408,269</u>	<u>47</u>	<u>1,388,058</u>	<u>48</u>
PROFIT (LOSS) FROM OPERATIONS	<u>29,159</u>	<u>1</u>	<u>(3,637)</u>	<u>-</u>
NONOPERATING INCOME AND EXPENSES (Notes 9, 12, 25 and 33)				
Other income	28,883	1	28,248	1
Other gains and losses	6,518	-	(3,260)	-
Finance costs	(18,603)	-	(14,954)	(1)
Share of profit or loss of subsidiaries, associates and joint ventures	<u>(169,678)</u>	<u>(6)</u>	<u>(91,538)</u>	<u>(3)</u>
Total nonoperating income and expenses	<u>(152,880)</u>	<u>(5)</u>	<u>(81,504)</u>	<u>(3)</u>
LOSS BEFORE INCOME TAX	(123,721)	(4)	(85,141)	(3)
INCOME TAX BENEFIT (Note 26)	<u>18,428</u>	<u>-</u>	<u>12,837</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(105,293)</u>	<u>(4)</u>	<u>(72,304)</u>	<u>(3)</u>
OTHER COMPREHENSIVE INCOME (Notes 8, 12, 22 and 26)				
Unrealized loss on available-for-sale financial assets	(525)	-	(250)	-
Actuarial gain on defined benefit plans	30,624	1	4,727	-

(Continued)

LES ENPHANTS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2014		2013	
	Amount	%	Amount	%
Share of other comprehensive income of subsidiaries, associates and joint ventures	\$ 106,880	4	\$ 126,349	5
Income tax relating to components of other comprehensive income	<u>(23,325)</u>	<u>(1)</u>	<u>(22,256)</u>	<u>(1)</u>
Other comprehensive income for the year, net of income tax	<u>113,654</u>	<u>4</u>	<u>108,570</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 8,361</u>	<u>-</u>	<u>\$ 36,266</u>	<u>1</u>
LOSS PER SHARE (NEW TAIWAN DOLLARS; Note 27)				
Basic	<u>\$ (0.50)</u>		<u>\$ (0.34)</u>	

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

(Concluded)

LES ENPHANTS CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)**

	Share Capital (Note 23)		Capital Surplus (Notes 18 and 23)	Retained Earnings (Notes 23 and 26)			Other Equity (Notes 8, 12 and 23)		Total Equity
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	
BALANCE AT JANUARY 1, 2013	211,296	\$ 2,112,958	\$ 890,056	\$ 161,244	\$ 63,206	\$ 218,794	\$ (68,316)	\$ (2,061)	\$ 3,375,881
Appropriation of the 2012 earnings									
Legal reserve	-	-	-	16,308	-	(16,308)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(147,907)	-	-	(147,907)
Equity component of convertible bonds issued by the Company	-	-	29,107	-	-	-	-	-	29,107
Net loss in 2013	-	-	-	-	-	(72,304)	-	-	(72,304)
Other comprehensive income in 2013, net of income tax	-	-	-	-	-	3,750	105,070	(250)	108,570
BALANCE AT DECEMBER 31, 2013	211,296	2,112,958	919,163	177,552	63,206	(13,975)	36,754	(2,311)	3,293,347
Change from investments in subsidiaries, associates and joint ventures accounted for using equity method	-	-	23,272	-	-	-	-	-	23,272
Net loss in 2014	-	-	-	-	-	(105,293)	-	-	(105,293)
Other comprehensive income in 2014, net of income tax	-	-	-	-	-	25,465	88,714	(525)	113,654
BALANCE AT DECEMBER 31, 2014	<u>211,296</u>	<u>\$ 2,112,958</u>	<u>\$ 942,435</u>	<u>\$ 177,552</u>	<u>\$ 63,206</u>	<u>\$ (93,803)</u>	<u>\$ 125,468</u>	<u>\$ (2,836)</u>	<u>\$ 3,324,980</u>

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

LES ENPHANTS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (123,721)	\$ (85,141)
Adjustments for:		
Depreciation expenses	77,257	79,796
Amortization expenses	6,598	7,154
Impairment loss (reversal of impairment loss) on trade receivables	1,063	(287)
Net (gain) loss on fair value change of financial assets designated as at fair value through profit or loss	(1,888)	268
Finance costs	18,603	14,954
Interest income	(2,129)	(2,261)
Dividend income	(1,529)	(41)
Compensation cost of employee share options	248	543
Share of loss of subsidiaries, associates and joint ventures	169,678	91,538
Loss on disposal of property, plant and equipment	2,165	6,737
Net loss (gain) on disposal of available-for-sale financial assets	624	(99)
Unrealized gain on transactions with subsidiaries, associates and joint ventures	579	700
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	274	320
(Increase) decrease in notes receivable	(404)	1,154
Increase in trade receivables	(4,326)	(1,105)
Increase in trade and notes receivable from related parties	(5,224)	(6,118)
(Increase) decrease in other receivables	(25,100)	316
(Increase) decrease in inventories	(55,791)	13,311
(Increase) decrease in prepayments	(3,493)	3,990
(Increase) decrease in other current assets	(408)	2
(Decrease) increase in notes payable	(2,176)	4,962
Increase (decrease) in accounts payables	57,416	(27,211)
Decrease in accounts and notes payables from related parties	(27,933)	(19,495)
Decrease in other payables	(11,217)	(45,134)
Increase in receipts in advance	320	1,033
Increase in other current liabilities	169	113
Increase in accrued pension liabilities	12,033	10,888
Increase (decrease) in deferred revenue	993	(91)
Cash generated from operations	<u>82,681</u>	<u>50,796</u>
Interest received	2,129	2,261
Interest paid	(8,456)	(5,218)
Income tax paid	<u>(3,334)</u>	<u>(21,959)</u>
Net cash generated from operating activities	<u>73,020</u>	<u>25,880</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of financial assets measured at cost	4,430	-
Acquisition of subsidiaries/associates/joint ventures	-	(309,683)
Net cash inflow on disposal of subsidiaries/associates/joint ventures	44,156	-

(Continued)

LES ENPHANTS CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
Payments for property, plant and equipment	\$ (33,801)	\$ (72,655)
Decrease in refundable deposits	838	207
Increase in trade receivables from related parties - short-term financing	(31,650)	-
Payments for intangible assets	(14,663)	(4,224)
Increase in other noncurrent assets	(2,946)	(2,772)
Dividends received	<u>22,762</u>	<u>2,431</u>
Net cash used in investing activities	<u>(10,874)</u>	<u>(386,696)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	50,000	(120,000)
Proceeds of the issue of convertible bonds	-	603,000
Proceeds of long-term borrowings	560,000	645,000
Repayments of long-term borrowings	(506,000)	(670,000)
Decrease in refundable deposits	(394)	(354)
Dividends paid	-	(147,907)
Payments for transaction costs attributable to the issue of debt instruments	<u>-</u>	<u>(5,200)</u>
Net cash generated from financing activities	<u>103,606</u>	<u>304,539</u>
NET (DECREASE) INCREASE IN CASH	165,752	(56,277)
CASH AT THE BEGINNING OF THE YEAR	<u>79,010</u>	<u>135,287</u>
CASH AT THE END OF THE YEAR	<u>\$ 244,762</u>	<u>\$ 79,010</u>

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

(Concluded)

LES ENPHANTS CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Les Enphants Co., Ltd. (the “Company”) was established in 1971. The Company’s shares have been listed on the Taiwan Stock Exchange. The Company mainly manufactures and sells clothes and toys for children and infants.

The financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 26, 2015.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC not yet effective

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Company should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013

(Continued)

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Except for the following, whenever applied, the initial application of the above 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company’s accounting policies:

1) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

2) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

3) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

4) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Company will retrospectively apply the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans and share of remeasurements of the defined benefit plans of associates and joint ventures accounted for using equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets and share of the other comprehensive income (except the share of remeasurements of the defined benefit plans of associates and joint ventures accounted for using the equity method). However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

5) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

There is no material effect on financial statements when the Company retrospectively applied revised IAS 19.

6) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 “Income Taxes”.

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Group and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version in 2015 is expected to have material effect on the consolidated balance sheet as of January 1, 2014. In preparing the consolidated financial statements for the year ended December 31, 2015, the Group would present the consolidated balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclose related information in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, but not required to make disclosures about the line items of the balance sheet as of January 1, 2014.

As of the date the financial statements were authorized for issue, the Company is continuingly assessing the possible impact that the application of the above New Regulations will have on the Company’s financial position and operating result, and will disclose the relevant impact when the assessment is complete.

b. New IFRSs in issue but not yet endorsed by the FSC

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) Amendment to IAS 19: Amendment in 2013

The amended IAS 19 states that if contributions from employees or third parties are not linked to service, these contributions affect the remeasurement of the net defined benefit liability (asset). If the contributions are linked solely to service, the employees’ service rendered in that period in which they are paid, these contributions may be recognized as a reduction of service cost in the same period. If the contributions depend on the number of years of service, an entity is required to attribute these contributions to service periods as a reduction of service cost.

3) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Company is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

4) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Company or another entity in the same group or the market price of the equity instruments of the Company or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Company as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Company, but also of other entities outside the Group.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Company is a related party of the Company. Consequently, the Company is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

5) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

6) Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”

The amendments require that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. Accordingly, a joint operator that is an acquirer of such an interest has to:

- Measure most identifiable assets and liabilities at fair value;
- Expense acquisition-related costs (other than debt or equity issuance costs);
- Recognize deferred taxes;
- Recognizing any goodwill or bargain purchase gain;
- Perform impairment tests for the cash generating units to which goodwill has been allocated;
- Disclose information required relevant for business combinations.

The amendments also apply to the formation of a joint operation if, and only if, an existing business is contributed to the joint operation on its formation by one of the parties that participate in the joint operation.

The amendments do not apply on the acquisition of an interest in a joint operation when the parties sharing control are under common control before and after the acquisition.

7) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

8) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

9) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

10) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) "held for sale" and non-current assets "held for distribution to owners" does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for "held for distribution to owners" and do not meet the criteria for "held for sale" should be treated in the same way as assets that cease to be classified as held for sale.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. In addition, the amendments clarify that the offsetting disclosures are not explicitly required for all interim periods; however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 under specific conditions.

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level).

11) Amendment to IAS 1 "Disclosure Initiative"

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Company should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Company should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

As of the date the financial statements were authorized for issue, the Company is continually assessing the possible impact that the application of the above New Regulations will have on the Company's financial position and operating result, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulations").

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the parent company only financial statements.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. 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.

Assets and liabilities that are not classified as current are classified as noncurrent.

Foreign Currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

Inventories

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

Investments Accounted for Using Equity Method

Investments in subsidiaries and associates are accounted for by the equity method.

a. Investment in subsidiaries

Subsidiaries (including special purpose entities) are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized for goodwill shall not be reversed in a subsequent period.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss.

Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

b. Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a Company entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation is recognized using the straight line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life.

b. Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Tangible and Intangible Assets Other than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when a entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

c) Loans and receivables

Loans and receivables (including accounts receivables, cash and cash equivalents, and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Equity instruments

Debt and equity instruments issued by a entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

a. Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- 1) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- 3) The amount of revenue can be measured reliably;
- 4) It is probable that the economic benefits associated with the transaction will flow to the Company;
and
- 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Sales of goods that result in award credits for customers, under the Company's award scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value, the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

b. Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

c. Dividend and interest income

Dividend income from investments is recognized when the stockholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

a. The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

Share-based Payment Arrangements

Employee share options granted to employee by subsidiary

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of employee share options that will eventually vest, with a corresponding increase in investments accounted for using equity method. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the investments accounted for using equity method.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Income taxes

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Impairment of investment in the associate

The Company immediately recognizes impairment loss on its net investment in the associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Company's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate, including growth rate of sale and capacity of production facilities estimated by the associate's management. The Company also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

c. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2014	2013
Cash on hand	\$ 4,814	\$ 5,751
Checking accounts and demand deposits	214,488	73,259
Cash equivalent (investments with original maturities less than three months)		
Time deposits	<u>25,460</u>	<u>-</u>
	<u>\$ 244,762</u>	<u>\$ 79,010</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2014	2013
Financial assets held for trading		
Non-derivative financial assets		
Mutual funds	\$ 27,035	\$ 27,035
Valuation adjustments of financial assets	<u>1,357</u>	<u>(531)</u>
	<u>\$ 28,392</u>	<u>\$ 26,504</u>

Refer to Note 34 for information relating to financial assets at FVTPL pledged as security.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2014	2013
Domestic investments		
Listed shares and emerging market shares	\$ 1,622	\$ 1,622
Depository receipt	<u>2,811</u>	<u>2,811</u>
	4,433	4,433
Unrealized loss on financial assets	<u>(2,836)</u>	<u>(2,311)</u>
	<u>\$ 1,597</u>	<u>\$ 2,122</u>

9. FINANCIAL ASSETS MEASURED AT COST

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Domestic unlisted common shares	\$ <u>12,584</u>	\$ <u>15,880</u>

On June 10, 2014, the capital reduction of WK Technology Fund (WKTF) was approved at the meeting of the board of directors, and the Company received a capital return of \$3,296 thousand in August 2014.

On April 11, 2013, the dissolution of Constellate Auto Car Co., Ltd. and the related registration with the authorities were approved at the meeting of the board of directors, and the liquidation process was completed in July 2014.

In April 2014 and August 2014, the Company received a total of \$1,134 thousand on the distribution of WKTF's liquidation proceeds, recorded under gain on disposal of investment.

Management believed that the above unlisted equity investments held by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ <u>1,170</u>	\$ <u>766</u>
<u>Trade receivables</u>		
Trade receivables	\$ <u>207,911</u>	\$ <u>203,585</u>
<u>Other receivables</u>		
Restricted assets	\$ 52,241	\$ 24,354
Others	<u>2,812</u>	<u>5,599</u>
	55,053	29,953
Allowance for impairment loss	<u>(1,063)</u>	<u>-</u>
	<u>\$ 53,990</u>	<u>\$ 29,953</u>

a. Trade receivables

The average credit period on sales of goods was 60 days. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss were recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss, because there was not a significant change in credit

quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of trade receivables that were past due but not impaired was as follow:

	December 31	
	2014	2013
Less than 30 days	\$ 13	\$ 548
31-60 days	45	11
91-150 days	-	12
151 days - 1 year	2	\$ -
More than 1 year	<u>12</u>	<u>-</u>
	<u>\$ 72</u>	<u>\$ 571</u>

The above aging schedule was based on the past due date.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2013	\$ -	\$ 287	\$ 287
Less: Impairment losses reversed	<u>-</u>	<u>(287)</u>	<u>(287)</u>
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b. Other receivable

The aging of other receivables that were past due but not impaired was as follow:

	December 31	
	2014	2013
61-90 days	\$ 430	\$ 420
91-150 days	-	88
151 days - 1 year	-	796
More than 1 year	<u>-</u>	<u>9</u>
	<u>\$ 430</u>	<u>\$ 1,313</u>

The above aging schedule was based on the invoice date.

The movements of the allowance for doubtful other receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2014	\$ -	\$ -	\$ -
Impairment losses recognized on receivables	<u>-</u>	<u>1,063</u>	<u>1,063</u>
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 1,063</u>	<u>\$ 1,063</u>

Refer to Note 34 for information relating to other receivables pledged as collateral.

11. INVENTORIES

	December 31	
	2014	2013
Merchandise	\$ 729,786	\$ 698,362
Finished goods	85,925	53,736
Work in progress	16,649	20,741
Raw materials	5,037	9,367
Supplies	<u>2,539</u>	<u>1,939</u>
	<u>\$ 839,936</u>	<u>\$ 784,145</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2014 and 2013 was \$1,511,652 thousand and \$1,473,130 thousand, respectively.

The costs of inventories recognized as cost of goods sold for the year ended December 31, 2013 included a loss of \$3,731 thousand on inventory disposal; inventory write-downs of \$498 thousand; and a loss of \$6,302 thousand on physical inventory.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2014 included a loss of inventory disposal of \$6,533 thousand, inventory write-downs of \$1,313 thousand; and a loss of \$5,748 thousand on physical inventory.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2014	2013
Investments in subsidiaries	\$ 2,914,398	\$ 2,975,358
Investments in associates	<u>74,560</u>	<u>121,374</u>
	<u>\$ 2,988,958</u>	<u>\$ 3,096,732</u>

a. Investments in subsidiaries

	December 31	
	2014	2013
Unlisted companies		
L.E. Capital Enterprise Co., Ltd.	\$ 2,870,173	\$ 2,922,866
Mike & Friends Co., Ltd.	<u>44,225</u>	<u>52,492</u>
	<u>\$ 2,914,398</u>	<u>\$ 2,975,358</u>

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Company were as follows:

	December 31	
	2014	2013
L.E. Capital Enterprise Co., Ltd.	100.00%	100.00%
Mike & Friends Co., Ltd.	100.00%	100.00%

In June 2013, the Company increased its investment in L.E. Capital Enterprise Co., Ltd. by \$8,976 thousand (US\$300 thousand). L.E. Capital Enterprise Co., Ltd. then invested this amount in L.E. International Co., Ltd., which then invested in Les Enphants (S) Marketing Pte, Ltd.

In August 2013, the Company obtained permission from the Investment Commission under the Ministry of Economic Affairs to increase its investment in L.E. Capital Enterprise Co., Ltd. by \$300,700 thousand (US\$10,000 thousand). L.E. Capital Enterprise Co., Ltd. then invested this amount in L.E. Cayman Co., Ltd., which invested in L.E. Venture Co., Ltd. The last company then invested in Shanghai Les Enphants Children Articles Co., Ltd.

In August 2013, the Company increased its investment in Mike & Friends Co., Ltd. As of December 31, 2013, the Company's accumulated holding of the shares of Mike & Friends Co., Ltd. was 100%.

The investment accounted for by the equity method and the share of profit or loss and other comprehensive income of the investments for the years ended December 31, 2014 and 2013 was based on the subsidiaries' financial statements audited by the auditors for the same years.

b. Investments in associates

	December 31	
	2014	2013
Unlisted companies		
Genius Toy Taiwan Co., Ltd.	\$ 48,624	\$ 50,106
Komphort Royal of Life Co., Ltd.	25,936	25,053
Combi (Taiwan) Co., Ltd.	<u>-</u>	<u>46,215</u>
	<u>\$ 74,560</u>	<u>\$ 121,374</u>

As the end of the reporting period, the proportion of ownership and voting rights in associates held by the Company were as follows:

	December 31	
	2014	2013
Genius Toy Taiwan Co., Ltd.	20.00%	20.00%
Komphort Royal of Life Co., Ltd.	48.00%	48.00%
Combi (Taiwan) Co., Ltd.	-	25.00%

In September 2014, the Company sold 5,500 shares of Combi (Taiwan) Co., Ltd. for \$44,156 thousand and recognized a disposal loss of \$2,032 thousand.

The Company increased its investment by \$50,000 thousand in Genius Toy Taiwan Co., Ltd. to obtain 20% of ownership in October 2012. The differences between the acquisition cost and the equity calculated by its percentage of ownership in Genius Toy Taiwan Co., Ltd. are fair value of land in excess of book value for \$11,473 thousand, fair value of building in excess of book value for \$1,746 thousand and goodwill for \$26,376 thousand.

The differences between the investment cost recognized and the equity calculated by its percentage of ownership were due to amortized assets and due to non-amortized assets.

Movement in the amortized assets and non-amortized assets in 2014 and 2013 were as follow:

	Beginning of the Year	Amortization	End of the Year
<u>2014</u>			
Non-amortized assets	\$ 37,849	\$ -	\$ 37,849
Amortized assets	<u>1,378</u>	<u>368</u>	<u>1,010</u>
	<u>\$ 39,227</u>	<u>\$ 368</u>	<u>\$ 38,859</u>
<u>2013</u>			
Non-amortized assets	\$ 37,849	\$ -	\$ 37,849
Amortized assets	<u>1,746</u>	<u>368</u>	<u>1,378</u>
	<u>\$ 39,595</u>	<u>\$ 368</u>	<u>\$ 39,227</u>

The summarized financial information in respect of the Company's associates is set out below:

	<u>December 31</u>	
	2014	2013
Total assets	<u>\$ 209,822</u>	<u>\$ 529,689</u>
Total liabilities	<u>\$ 99,636</u>	<u>\$ 221,189</u>
	<u>For the Year Ended December 31</u>	
	2014	2013
Revenue	<u>\$ 669,262</u>	<u>\$ 818,012</u>
Profit for the year	<u>\$ 28,346</u>	<u>\$ 31,705</u>
Other comprehensive income	<u>\$ 240</u>	<u>\$ 204</u>
Company's share of profits or loss of associates	<u>\$ 9,784</u>	<u>\$ 6,296</u>

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2014 and 2013 was based on the associates' financial statements audited by the auditors for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment Under Finance Lease	Other Equipment	Property in Construction	Total
<u>Cost</u>						
Balance at January 1, 2013	\$ 383,498	\$ 330,872	\$ 294,060	\$ 53,740	\$ 4,571	\$ 1,066,741
Additions	-	-	43,817	8,022	17,078	68,917
Disposals	-	-	(77,551)	(19,588)	-	(97,139)
Reclassified	<u>11,195</u>	<u>7,911</u>	<u>19,218</u>	<u>-</u>	<u>(19,218)</u>	<u>19,106</u>
Balance at December 31, 2013	<u>\$ 394,693</u>	<u>\$ 338,783</u>	<u>\$ 279,544</u>	<u>\$ 42,174</u>	<u>\$ 2,431</u>	<u>\$ 1,057,625</u>

(Continued)

	Land	Buildings	Equipment Under Finance Lease	Other Equipment	Property in Construction	Total
<u>Accumulated depreciation</u>						
Balance at January 1, 2013	\$ -	\$ 94,207	\$ 121,942	\$ 33,600	\$ -	\$ 249,749
Disposals	-	-	(70,815)	(19,587)	-	(90,402)
Depreciation expense	-	6,332	64,181	8,178	-	78,691
Reclassified	-	2,118	-	-	-	2,118
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ 102,657</u>	<u>\$ 115,308</u>	<u>\$ 22,191</u>	<u>\$ -</u>	<u>\$ 240,156</u>
Carrying amounts at December 31, 2013	<u>\$ 394,693</u>	<u>\$ 236,126</u>	<u>\$ 164,236</u>	<u>\$ 19,983</u>	<u>\$ 2,431</u>	<u>\$ 817,469</u>
<u>Cost</u>						
Balance at January 1, 2014	\$ 394,693	\$ 338,783	\$ 279,544	\$ 42,174	\$ 2,431	\$ 1,057,625
Additions	-	-	24,357	4,271	7,425	36,053
Disposals	-	-	(31,613)	(9,125)	-	(40,738)
Reclassified	16,792	11,866	8,025	-	(8,025)	28,658
Balance at December 31, 2014	<u>\$ 411,485</u>	<u>\$ 350,649</u>	<u>\$ 280,313</u>	<u>\$ 37,320</u>	<u>\$ 1,831</u>	<u>\$ 1,081,598</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2014	\$ -	\$ 102,657	\$ 115,308	\$ 22,191	\$ -	\$ 240,156
Disposals	-	-	(29,449)	(9,124)	-	(38,573)
Depreciation expense	-	6,406	62,151	7,750	-	76,307
Reclassified	-	3,438	-	-	-	3,438
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 112,501</u>	<u>\$ 148,010</u>	<u>\$ 20,817</u>	<u>\$ -</u>	<u>\$ 281,328</u>
Carrying amounts at December 31, 2014	<u>\$ 411,485</u>	<u>\$ 238,148</u>	<u>\$ 132,303</u>	<u>\$ 16,503</u>	<u>\$ 1,831</u>	<u>\$ 800,270</u>

(Concluded)

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings	9-60 years
Lease improvements	3-5 years
Other equipment	3-10 years

Refer to Note 34 for the carrying amount of property, plant and equipment pledged by the Company to secure borrowings/general banking facilities granted to the Company.

14. INVESTMENT PROPERTIES

	Investment Property
<u>Cost</u>	
Balance at January 1, 2013	\$ 142,305
Reclassified	<u>(19,106)</u>
Balance at December 31, 2013	<u>\$ 123,199</u>

(Continued)

	Investment Property
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2013	\$ 16,061
Depreciation expense	1,105
Reclassified	<u>(2,118)</u>
Balance at December 31, 2013	<u>\$ 15,048</u>
Carrying amounts at December 31, 2013	<u>\$ 108,151</u>
<u>Cost</u>	
Balance at January 1, 2014	\$ 123,199
Reclassified	<u>(28,658)</u>
Balance at December 31, 2014	<u>\$ 94,541</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2014	\$ 15,048
Depreciation expense	950
Reclassified	<u>(3,438)</u>
Balance at December 31, 2014	<u>\$ 12,560</u>
Carrying amounts at December 31, 2014	<u>\$ 81,981</u> (Concluded)

The investment properties held by the Company were depreciated over 50 to 60 years of their estimated useful lives, using the straight-line method.

A fair value assessment of investment properties was made by independent qualified professional valuers at the end of the reporting period and then a calculation was made to determine the ratio of the assessment amount to the total rental of all the investment properties. The sales comparison approach and the income approach were used in this valuation.

The significant assumptions and fair value as appraised were as follows:

	<u>December 31</u>	
	2014	2013
Fair value	<u>\$ 250,728</u>	<u>\$ 326,025</u>
Discount rate	1.43%-1.81%	1.56%-1.76%

All of the Company's investment property was held under freehold interests. The carrying amount of investment properties pledged by the Company to secure borrowings, were shown in Note 34.

15. INTANGIBLE ASSETS

	Patents	Computer Software	Total
<u>Cost</u>			
Balance at January 1, 2013	\$ 23,140	\$ 15,156	\$ 38,296
Additions	1,638	2,586	4,224
Derecognition	<u>-</u>	<u>(2,064)</u>	<u>(2,064)</u>
Balance at December 31, 2013	<u>\$ 24,778</u>	<u>\$ 15,678</u>	<u>\$ 40,456</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2013	\$ 15,161	\$ 7,788	\$ 22,949
Derecognition	-	(2,064)	(2,064)
Amortization expense	<u>1,716</u>	<u>5,438</u>	<u>7,154</u>
Balance at December 31, 2013	<u>\$ 16,877</u>	<u>\$ 11,162</u>	<u>\$ 28,039</u>
Carrying amounts at December 31, 2013	<u>\$ 7,901</u>	<u>\$ 4,516</u>	<u>\$ 12,417</u>
<u>Cost</u>			
Balance at January 1, 2014	\$ 24,778	\$ 15,678	\$ 40,456
Additions	2,075	12,588	14,663
Derecognition	<u>-</u>	<u>(8,554)</u>	<u>(8,554)</u>
Balance at December 31, 2014	<u>\$ 26,853</u>	<u>\$ 19,712</u>	<u>\$ 46,565</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2014	\$ 16,877	\$ 11,162	\$ 28,039
Derecognition	-	(8,554)	(8,554)
Amortization expense	<u>1,700</u>	<u>4,898</u>	<u>6,598</u>
Balance at December 31, 2014	<u>\$ 18,577</u>	<u>\$ 7,506</u>	<u>\$ 26,083</u>
Carrying amounts at December 31, 2014	<u>\$ 8,276</u>	<u>\$ 12,206</u>	<u>\$ 20,482</u>

The above items of intangible assets were depreciated on a straight-line basis at the following rates per annum:

Patents	10 years
Computer software	3-5 years

16. OTHER ASSETS

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Current</u>		
Payment on behalf of others	\$ <u>733</u>	\$ <u>325</u>
<u>Noncurrent</u>		
Cash surrender value of life insurance	\$ <u>42,048</u>	\$ <u>39,102</u>

17. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Unsecured bank loans	\$ <u>50,000</u>	\$ <u>-</u>

At the end of the reporting period, the interest rate on the short-term loans was as follow:

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Secured bank loans	1.45%-1.55%	-

18. BONDS PAYABLE

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Unsecured domestic convertible bonds	\$ 600,000	\$ 600,000
Less: Unamortized discount on convertible bonds	<u>10,572</u>	<u>20,704</u>
	<u>\$ 589,428</u>	<u>\$ 579,296</u>

On January 9, 2013, the Company issued three-year unsecured domestic convertible bonds for the first time, which had a total amount of \$600,000 thousand and a face value of \$100 thousand per bond and were issued at 100.5% of face value, a coupon rate of 0% and convertible price at NT\$23.5 per share.

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

- a. The book closure period for common stock, as stipulated by law;
- b. 15 business days before the book closure date for the issuance of bonus shares, the distribution of cash dividends or the subscription for new shares resulting from a capital increase, to the record date of the distribution of entitlements; and
- c. The period starting from the record date of the reverse split to the day before the bondholders' date of request for actual reverse split and stock conversion.

When the Company issues new shares or converts earnings into capital, the Company should adjust the exchange price using a formula on the basis of the rules of bond issuance. However, adjustments should always be downward, never upward.

On the bond issue date, the Company bifurcated the bonds into options and liabilities and recognized these options as equities. For some of the bonds, the option component amount of \$29,107 thousand was calculated by deducting from the proceeds of bond issue the fair value of the liability component transaction cost, the equity component transaction cost of \$253 thousand and the tax effects on the transaction cost amounting to \$43 thousand. The bond issue proceeds net of the transaction costs of liability and of options were recognized as “capital surplus - stock options.” The original effective interest rate was 1.7352%, and the recognized liability component amount of \$569,577 thousand was net of the transaction costs of \$4,947 thousand and the tax effects on the transaction cost amounting to \$841 thousand.

19. LONG-TERM BORROWINGS

	<u>December 31</u>	
	2014	2013
Unsecured bank loans	\$ 324,000	\$ 275,000
Secured bank loans	<u>190,000</u>	<u>185,000</u>
	514,000	460,000
Less: Current portion	<u>64,000</u>	<u>-</u>
	<u>\$ 450,000</u>	<u>\$ 460,000</u>

At the end of the reporting period, the interest rate on long-term loans was as follow:

	<u>December 31</u>	
	2014	2013
Unsecured bank loans	1.65%-2.00%	1.25%-1.85%
Secured bank loans	1.30%-2.00%	1.30%-1.95%

The balance of bank loan at the end of 2014 and 2013 were \$450,000 thousand and \$460,000 thousand. The Company signed an medium and long-term loan contract with financial institutions, which allowed the extension of the repayment deadlines for these loans; thus, these loans was recognized as long-term loans.

20. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31</u>	
	2014	2013
<u>Notes payable</u>		
Notes payable - operating	<u>\$ 7,562</u>	<u>\$ 9,738</u>
<u>Trade payable</u>		
Trade payable - operating	<u>\$ 252,373</u>	<u>\$ 194,957</u>

21. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Current</u>		
Other payables		
Salaries	\$ 87,974	\$ 90,970
Payable for tax	12,151	14,258
Others	<u>57,217</u>	<u>63,316</u>
	<u>\$ 157,342</u>	<u>\$ 168,544</u>
Deferred revenue		
Arising from customer loyalty program	<u>\$ 6,130</u>	<u>\$ 5,137</u>
Other current liabilities		
Others	<u>\$ 2,162</u>	<u>\$ 1,993</u>

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Discount rate(s)	2.00%	2.00%
Expected return on plan assets	1.75%	1.75%
Expected rate(s) of salary increase	2.00%	2.00%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	For the Year Ended December 31	
	2014	2013
Current service cost	\$ 8,715	\$ 9,681
Interest cost	7,575	5,809
Expected return on plan assets	<u>(446)</u>	<u>(702)</u>
	<u>\$ 15,844</u>	<u>\$ 14,788</u>
 An analysis by function		
Operating cost	\$ 2,234	\$ 1,771
Operating expenses	<u>13,610</u>	<u>13,017</u>
	<u>\$ 15,844</u>	<u>\$ 14,788</u>

Actuarial gains recognized in other comprehensive income was \$25,417 thousand for 2014 and \$3,924 thousand for 2013. Recognized in other comprehensive income as of December 31, 2014 and 2013 were a cumulative actuarial gain of \$20,468 thousand and a cumulative actuarial loss of \$4,949 thousand, respectively.

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans was as follows:

	December 31	
	2014	2013
Present value of funded defined benefit obligation	\$ 348,965	\$ 381,675
Fair value of plan assets	<u>(12,333)</u>	<u>(26,452)</u>
Net liability arising from defined benefit obligation	<u>\$ 336,632</u>	<u>\$ 355,223</u>

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	\$ 381,675	\$ 389,354
Current service cost	8,715	9,681
Interest cost	7,575	5,809
Actuarial losses/(gains)	(30,398)	(4,963)
Benefits paid	<u>(18,602)</u>	<u>(18,206)</u>
Closing defined benefit obligation	<u>\$ 348,965</u>	<u>\$ 381,675</u>

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	\$ 26,452	\$ 40,292
Expected return on plan assets	446	702
Actuarial losses/(gains)	226	(236)
Contributions from the employer	1,984	2,074
Benefits paid	<u>(16,775)</u>	<u>(16,380)</u>
Closing fair value of plan assets	<u>\$ 12,333</u>	<u>\$ 26,452</u>

For the years ended December 31, 2014 and 2013, the actual returns on plan assets were \$672 thousand and \$466 thousand, respectively.

The Company chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (January 1, 2012):

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	<u>\$ 348,965</u>	<u>\$ 381,675</u>	<u>\$ 389,354</u>	<u>\$ 372,565</u>
Fair value of plan assets	<u>\$ 12,333</u>	<u>\$ 26,452</u>	<u>\$ 40,292</u>	<u>\$ 44,000</u>
Deficit	<u>\$ 336,632</u>	<u>\$ 355,223</u>	<u>\$ 349,062</u>	<u>\$ 328,565</u>
Experience adjustments on plan liabilities	<u>\$ (30,398)</u>	<u>\$ (4,963)</u>	<u>\$ 10,213</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ 226</u>	<u>\$ (236)</u>	<u>\$ (478)</u>	<u>\$ -</u>

The Company expects to make a contribution of \$3,529 thousand and \$3,963 thousand, to the defined benefit plans within one year for the years ended December 31, 2014 and 2013, respectively.

23. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2014	2013
Numbers of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>211,296</u>	<u>211,296</u>
Shares issued	<u>\$ 2,112,958</u>	<u>\$ 2,112,958</u>

Fully paid common shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

30,000 thousand shares and 5,000 thousand shares of the Company's shares authorized were reserved for the issuance of convertible bonds and employee share options.

b. Capital surplus

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Arising from issuance of common shares	\$ 865,759	\$ 865,759
Arising from treasury share transactions	24,297	24,297
<u>May not be used for any purpose</u>		
Arising from share of changes in capital surplus of associates or joint venture	23,272	-
Arising from share warrants	<u>29,107</u>	<u>29,107</u>
	<u>\$ 942,435</u>	<u>\$ 919,163</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

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

- 1) Payment by the Company of corporate income tax on its earnings;
- 2) Offset of prior years' deficit against the current year's net income;
- 3) Legal reserve at 10% of the earnings balance;
- 4) Special reserve based on a directive by the Securities and Futures Bureau;
- 5) From the remainder after deducting above items (1) to (4), bonuses to employees of 8% of the balance as employees, and not exceeding 2% of the final balance as remuneration to directors and supervisors;
- 6) From any remaining balance, an appropriation based on a resolution passed at the stockholders' meeting.

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

For 2014 and 2013, the accumulated deficits of the Company was \$93,803 thousand and \$13,975 thousand, respectively. The Company had no earnings available for distribution, so the bonus to employees and the remunerations to director were not estimated.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The compensation of deficit for 2013 was approved in the stockholders' meetings on June 18, 2014.

The appropriations of earnings, bonuses to employees and remuneration to directors and supervisors for 2012 approved in the stockholders' meetings on June 25, 2013 were as follows:

	For the Year Ended December 31, 2012	
	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 16,308	
Cash dividends	147,907	\$0.7

	For the Year Ended December 31, 2012	
	Cash	Stock
Bonus to employees	\$ 11,742	\$ -
Remuneration to directors and supervisors	2,701	-

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP"), and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the stockholders' meetings on June 25, 2013 and the amounts recognized in the financial statements for the years ended December 31, 2012.

The offset of the 2014 deficit was proposed at the board of directors' meeting on March 26, 2015. This proposal will be presented at the stockholders' meeting on June 22, 2015 for approval.

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

d. Special reserves

	For the Year Ended December 31	
	2014	2013
Balance at January 1 and December 31	<u>\$ 63,206</u>	<u>\$ 63,206</u>

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Company appropriated for special reserve an amount of \$63,206 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

e. Others equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2014	2013
Balance at January 1	\$ 36,754	\$ (68,316)
Share of exchange difference of subsidiaries/associates accounted for using the equity method	106,832	126,523
Income tax related to share of exchange difference of subsidiaries/associates accounted for using the equity method	<u>(18,118)</u>	<u>(21,453)</u>
Balance at December 31	<u>\$ 125,468</u>	<u>\$ 36,754</u>

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2014	2013
Balance at January 1	\$ (2,311)	\$ (2,061)
Unrealized gain arising on revaluation of available-for-sale financial assets	<u>(525)</u>	<u>(250)</u>
Balance at December 31	<u>\$ (2,836)</u>	<u>\$ (2,311)</u>

24. REVENUE

	For the Year Ended December 31	
	2014	2013
Revenue from the sale of goods	\$ 2,931,143	\$ 2,835,586
Revenue from the warehouse storage	<u>60,364</u>	<u>77,199</u>
	<u>\$ 2,991,507</u>	<u>\$ 2,912,785</u>

25. NET PROFIT (LOSS)

Net profit (loss) had been arrived at after charging (crediting)

a. Other income

	For the Year Ended December 31	
	2014	2013
Royalty income	\$ 18,476	\$ 18,187
Rental income		
Operating lease rental income		
Investment property	6,749	7,759
Interest income	2,129	2,261
Dividends	<u>1,529</u>	<u>41</u>
	<u>\$ 28,883</u>	<u>\$ 28,248</u>

b. Other gains and losses

	For the Year Ended December 31	
	2014	2013
Net foreign exchange gains	\$ 3,917	\$ 2,131
Net gain/(loss) arising on financial assets designated as at FVTPL	1,888	(268)
Other revenue	5,580	6,964
Net loss on disposal of property, plant and equipment	(2,165)	(6,737)
Depreciation expense of investment property	(950)	(1,105)
Gain/(loss) on disposal of available-for-sale financial assets	(624)	99
Direct operating expense of investment property	(562)	(659)
Other expense	<u>(566)</u>	<u>(3,685)</u>
	<u>\$ 6,518</u>	<u>\$ (3,260)</u>

c. Finance costs

	For the Year Ended December 31	
	2014	2013
Interest on bank loans	\$ 8,200	\$ 5,148
Interest on convertible bonds	10,132	9,719
Other interest expense	<u>271</u>	<u>87</u>
Interest expense for financial liabilities measured at amortized cost	<u>\$ 18,603</u>	<u>\$ 14,954</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
Property, plant and equipment	\$ 76,307	\$ 78,691
Investment property	950	1,105
Intangible assets	<u>6,598</u>	<u>7,154</u>
	<u>\$ 83,855</u>	<u>\$ 86,950</u>
An analysis of deprecation by function		
Operating costs	\$ 2,014	\$ 1,924
Operating expenses	74,293	76,767
Other gains and losses	<u>950</u>	<u>1,105</u>
	<u>\$ 77,257</u>	<u>\$ 79,796</u>
An analysis of amortization by function		
Operating costs	\$ 533	\$ 596
Operating expenses	<u>6,065</u>	<u>6,558</u>
	<u>\$ 6,598</u>	<u>\$ 7,154</u>

e. Employee benefits expense

	Operating Cost	Operating Expense	Total
<u>2014</u>			
Short-term employee benefits	\$ 53,349	\$ 518,372	\$ 571,721
Post-employment benefits			
Defined contribution plans	3,193	19,451	22,644
Defined benefit plans	<u>2,234</u>	<u>13,610</u>	<u>15,844</u>
	<u>5,427</u>	<u>33,061</u>	<u>38,488</u>
Share-based payments			
Equity - settled	<u>-</u>	<u>248</u>	<u>248</u>
Other employee benefits	<u>2,473</u>	<u>18,404</u>	<u>20,877</u>
	<u>\$ 61,249</u>	<u>\$ 570,085</u>	<u>\$ 631,334</u>
<u>2013</u>			
Short-term employee benefits	\$ 54,478	\$ 501,138	\$ 555,616
Post-employment benefits			
Defined contribution plans	2,553	18,769	21,322
Defined benefit plans	<u>1,771</u>	<u>13,017</u>	<u>14,788</u>
	<u>4,324</u>	<u>31,786</u>	<u>36,110</u>
Share-based payments			
Equity - settled	<u>-</u>	<u>543</u>	<u>543</u>
Other employee benefits	<u>2,111</u>	<u>19,530</u>	<u>21,641</u>
	<u>\$ 60,913</u>	<u>\$ 552,997</u>	<u>\$ 613,910</u>

As of December 31, 2014 and 2013, the Company had 1,251 and 1,271 employees, respectively.

26. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	For the Year Ended December 31	
	2014	2013
Current tax		
In respect of the current year	\$ 9,059	\$ 4,134
Adjustments for prior periods	(2,777)	(891)
Foreign royalty income tax	<u>-</u>	<u>2,429</u>
	<u>6,282</u>	<u>5,672</u>
Deferred tax		
In respect of the current year	(32,564)	(18,748)
Adjustments for prior periods	<u>7,854</u>	<u>239</u>
	<u>(24,710)</u>	<u>(18,509)</u>
Income tax benefit recognized in profit or loss	<u>\$ (18,428)</u>	<u>\$ (12,837)</u>

A reconciliation of accounting profit and income tax benefits is as follows:

	<u>For the Year Ended December 31</u>	
	2014	2013
Loss before tax	\$ (123,721)	\$ (85,141)
Income tax benefit calculated at the statutory rate	\$ (21,033)	\$ (14,474)
Nondeductible expenses in determining taxable income	756	(228)
Unrecognized deductible temporary differences	(3,228)	88
Foreign royalty income tax	-	2,429
Assessments for prior years' tax	(466)	-
Adjustments for prior years' tax	<u>5,543</u>	<u>(652)</u>
Income tax benefit recognized in profit or loss	<u>\$ (18,428)</u>	<u>\$ (12,837)</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC.

b. Income tax recognized directly in equity

	<u>For the Year Ended December 31</u>	
	2014	2013
Deferred tax		
Equity component of convertible bonds	\$ <u>(14)</u>	\$ <u>29</u>

c. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2014	2013
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ (18,118)	\$ (21,453)
Actuarial losses on defined benefit plan	<u>(5,207)</u>	<u>(803)</u>
Total income tax recognized in other comprehensive income	<u>\$ (23,325)</u>	<u>\$ (22,256)</u>

d. Current tax assets and liabilities

	<u>December 31</u>	
	2014	2013
Current tax assets		
Tax refund receivable	\$ <u>9,820</u>	\$ <u>7,509</u>
Current tax liabilities		
Income tax payable	<u>\$ 5,259</u>	<u>\$ -</u>

e. Deferred tax assets and liabilities

The Company offset certain deferred tax assets and deferred tax liabilities which met the offset criteria.

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Reclassified From Equity to Profit or Loss	Others	Closing Balance
<u>Deferred tax assets</u>							
Temporary differences							
Defined benefit obligation	\$ 60,316	\$ 2,066	\$ (5,207)	\$ -	\$ -	\$ -	\$ 57,175
Provision for loss on inventories	8,243	(7,651)	-	-	-	-	592
Payable for annual leave	1,748	(1)	-	-	-	-	1,747
Unrealized gross profit on sale	940	98	-	-	-	-	1,038
Deferred Revenue	874	168	-	-	-	-	1,042
Liability component of convertible bonds issued	572	(280)	-	-	-	-	292
Allowance for impaired receivables	425	-	-	-	-	-	425
Equity component of convertible bonds issued	29	-	-	-	(14)	-	15
Unrealized exchange loss	27	(27)	-	-	-	-	-
	<u>\$ 73,174</u>	<u>\$ (5,627)</u>	<u>\$ (5,207)</u>	<u>\$ -</u>	<u>\$ (14)</u>	<u>\$ -</u>	<u>\$ 62,326</u>
<u>Deferred tax liabilities</u>							
Temporary differences							
Share of profit or loss of subsidiaries, associates and joint ventures	\$ 227,052	\$ (30,990)	\$ -	\$ -	\$ -	\$ -	\$ 196,062
Exchange difference on foreign operation	37,470	-	18,118	-	-	-	55,588
Unrealized exchange profit	-	639	-	-	-	-	639
	<u>\$ 264,522</u>	<u>\$ (30,351)</u>	<u>\$ 18,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,289</u>

For the year ended December 31, 2013

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Reclassified From Equity to Profit or Loss	Others	Closing Balance
<u>Deferred tax assets</u>							
Temporary differences							
Defined benefit obligation	\$ 59,340	\$ 1,779	\$ (803)	\$ -	\$ -	\$ -	\$ 60,316
Provision for loss on inventories	7,691	552	-	-	-	-	8,243
Share of profit or loss of subsidiaries, associates and joint ventures	1,530	(1,530)	-	-	-	-	-
Payable for annual leave	1,722	26	-	-	-	-	1,748
Deferred Revenue	889	(15)	-	-	-	-	874
Unrealized gross profit on sale	821	119	-	-	-	-	940
Allowance for impaired receivables	425	-	-	-	-	-	425
Unrealized exchange loss	60	(33)	-	-	-	-	27
Liability component of convertible bonds issued	-	(269)	-	-	-	841	572
Equity component of convertible bonds issued	-	-	-	43	(14)	-	29
	<u>\$ 72,478</u>	<u>\$ 629</u>	<u>\$ (803)</u>	<u>\$ 43</u>	<u>\$ (14)</u>	<u>\$ 841</u>	<u>\$ 73,174</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Reclassified From Equity to Profit or Loss	Others	Closing Balance
<i>Deferred tax liabilities</i>							
Temporary differences							
Share of profit or loss of subsidiaries, associates and joint ventures	\$ 244,946	\$ (17,894)	\$ -	\$ -	\$ -	\$ -	\$ 227,052
Exchange difference on foreign operation	<u>16,017</u>	<u>-</u>	<u>21,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,470</u>
	<u>\$ 260,963</u>	<u>\$ (17,894)</u>	<u>\$ 21,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264,522</u>

(Concluded)

- f. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2014	2013
Deductible temporary differences	<u>\$ 17,260</u>	<u>\$ 36,245</u>

- g. Integrated income tax

	December 31	
	2014	2013
Imputation credits accounts	<u>\$ 17,055</u>	<u>\$ 11,959</u>

The Company had no earnings available for distributions in 2014 and 2013.

- h. Income tax assessments

The tax returns through 2012 have been assessed by the tax authorities.

27. LOSS PER SHARE

	Unit: NT\$ Per Share	
	2014	2013
Basic loss per share	<u>\$ (0.50)</u>	<u>\$ (0.34)</u>

The loss and weighted average number of ordinary shares outstanding in the computation of loss per share were as follows:

Net Loss for the Years

	2014	2013
Net loss for the period attributable to owners of the Company	<u>\$ (105,293)</u>	<u>\$ (72,304)</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	2014	2013
Weighted average number of ordinary shares outstanding in computation of basic loss per share	<u>211,296</u>	<u>211,296</u>

In 2014 and 2013, the convertible bonds were potential common shares; however, because the Company had net losses in 2014 and 2013, these bonds were excluded from the computation of diluted loss per share.

28. SHARE-BASED PAYMENT ARRANGEMENT

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

Information on employee stock options was as follows:

	2014		2013	
	Number of Options (In Thousands)	Weighted Average Exercise Price (US\$)	Number of Options (In Thousands)	Weighted Average Exercise Price (US\$)
Balance at January 1	2,665	\$0.296	2,775	\$0.296
Options granted	-	-	-	-
Options forfeited	-	-	-	-
Options exercised	-	-	-	-
Options expired	(281)	0.296	(110)	0.296
Balance at December 31	<u>2,384</u>	0.296	<u>2,665</u>	0.296
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ -</u>		<u>\$ -</u>	

Information about outstanding options as of December 31, 2014 and 2013 was as follows:

	December 31	
	2014	2013
Range of exercise price (\$)	US\$0.296	US\$0.296
Weighted-average remaining contractual life (years)	7.22	8.22

Options granted in August 2012 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

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

Compensation cost recognized was \$248 thousand and \$543 thousand for years ended December 31, 2014 and 2013, respectively.

29. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to leases of land and buildings with lease terms between 1 and 5 years. The Company does not have a bargain purchase option to acquire the leased land and buildings at the expiration of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2014	2013
Not later than 1 year	\$ 175,925	\$ 177,696
Later than 1 year and not later than 5 years	200,970	244,534
Later than 5 years	<u>-</u>	<u>-</u>
	<u>\$ 376,895</u>	<u>\$ 422,230</u>

The lease payments and sublease payments recognized in profit or loss for the current period were as follows:

	For the Year Ended December 31	
	2014	2013
Minimum lease payment	<u>\$ 214,644</u>	<u>\$ 214,893</u>

b. The Company as lessor

Operating leases relate to the investment property owned by the Company with lease terms between 1 to 5 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The future minimum lease payments of non-cancellable operating lease were as follows:

	December 31	
	2014	2013
Not later than 1 year	\$ 3,891	\$ 5,955
Later than 1 year and not later than 5 years	5,189	2,638
Later than 5 years	<u>-</u>	<u>-</u>
	<u>\$ 9,080</u>	<u>\$ 8,593</u>

30. SEASONAL OPERATIONS

The Company mainly manufactures and sells apparel for children. Spring and summer apparel sells from April to August, and fall and winter apparel sells from September to March. Because the second quarter is generally an off-season, the Company's inventory quantities at year-end are higher than those at quarter-end because of the high demand during the Chinese New Year.

31. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged in recent year.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to stockholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

2) Fair value measurements recognized in the parent company only balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	<u>\$ 28,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,392</u>
Available-for-sale financial assets				
Securities listed in ROC	\$ 935	\$ -	\$ -	\$ 935
Depository receipts	<u>662</u>	<u>-</u>	<u>-</u>	<u>662</u>
	<u>\$ 1,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,597</u>

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	\$ 26,504	\$ -	\$ -	\$ 26,504
Available-for-sale financial assets				
Securities listed in ROC	\$ 984	\$ -	\$ -	\$ 984
Depository receipts	<u>1,138</u>	<u>-</u>	<u>-</u>	<u>1,138</u>
	<u>\$ 2,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,122</u>

There were no transfers between Level 1 and 2 in the current and prior periods.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- b) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 28,392	\$ 26,504
Loans and receivables (1)	670,974	440,419
Available-for-sale financial assets (2)	14,181	18,002
<u>Financial liabilities</u>		
Amortized cost (3)	1,591,121	1,459,026

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivables, account receivables-net, accounts and notes receivables from related parties, other receivables-net and refundable deposits.
- 2) The balances included the carrying amount of available-for-sale financial assets measured at cost.
- 3) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, notes and accounts payables, notes and accounts payable from related parties, other payables, equipment payable, bonds payable and guarantee deposits.

c. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payable, bonds payable, borrowings and bill payables. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (primarily to the, interest rate risk), credit risk and liquidity risk.

The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports to the Company's risk management committee, and the internal auditors also review the implementation of the policies constantly.

1) Market risk

The Company's activities expose the Company primarily to the financial risk of changes in interest rates (see (a) below). The risk is managed by the Company by maintaining an appropriate mix of fixed- and floating- rate borrowings.

There had been no change in the Company's exposure to market risks or the manner in which these risks were measured and managed.

a) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2014	2013
Financial assets		
Fair value interest rate risk	\$ 180,127	\$ 52,196
Cash flow interest rate risk	112,063	45,417
Financial liabilities		
Fair value interest rate risk	589,428	579,296
Cash flow interest rate risk	564,000	460,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the fair value of financial asset at fixed-rate for the years ended December 31, 2014 and 2013 would decrease by \$1,801 thousand and \$522 thousand, respectively, and the cash flow from the financial assets at variable rates for the years ended December 31, 2014 and 2013 would increase by \$1,121 thousand and \$454 thousand, respectively.

If interest rates had been 1% higher/lower and all other variables were held constant, the fair value of financial liabilities at fixed-rate for the years ended December 31, 2014 and 2013 would increase by \$5,894 thousand and \$5,793 thousand, respectively; and the cash flow from the financial liabilities for the years ended December 31, 2014 and 2013 would decrease by \$5,640 thousand and \$4,600 thousand.

The Company's sensitivity to interest rates increased during the current period mainly due to the increase in variable rate debt instruments.

b) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities and beneficiary certificate.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% lower, the fair value of FVTPL and available for sale financial assets for the years ended December 31, 2014 and 2013 would have decreased by \$1,499 thousand and \$1,431 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

The Company adopted a policy of dealing only with creditworthy counterparties, which were mostly reputable department stores and shopping malls.; the Company's exposure and the operating performance of its counterparties are continuously monitored. From historical experience, the Company considers that the possibility of facing a credit-related risk is low.

The Company provided endorsements/guarantees only to subsidiaries within the Group to help them get loans from financial institutions. The loans is evaluated on the basis of their actual needs, and this evaluation and all related procedures and processes are in accordance with the policies and regulations of the Company. Further approval of the loans by the Company's Board of Directors is also required. Under this approval system, the possibility of default on endorsed/guaranteed loans is rather limited/low.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements.

The Company manages liquidity risk by maintaining adequate cash, reserves and using variety of equity and liability instruments, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2014

	Less Than 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>		
Non-interest bearing	\$ 335,940	\$ -
Variable interest rate liabilities	114,000	450,000
Fixed interest rate liabilities	<u>-</u>	<u>589,428</u>
	<u>\$ 449,940</u>	<u>\$ 1,039,428</u>

December 31, 2013

	Less Than 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>		
Non-interest bearing	\$ 312,480	\$ -
Variable interest rate liabilities	-	460,000
Fixed interest rate liabilities	<u>-</u>	<u>579,296</u>
	<u>\$ 312,480</u>	<u>\$ 1,039,296</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

33. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed below.

a. Sales of goods

Line Items	Related Parties Types	For the Year Ended December 31	
		2014	2013
Revenue from sale of goods	Subsidiaries	\$ 197,347	\$ 190,838
	Associates	<u>2</u>	<u>-</u>
		<u>\$ 197,349</u>	<u>\$ 190,838</u>
Revenue from the warehouse storage	Subsidiaries	<u>\$ 32,562</u>	<u>\$ 29,922</u>

b. Purchases of goods

Related Parties Types	For the Year Ended December 31	
	2014	2013
Subsidiaries	\$ 33,618	\$ 33,534
Associates	<u>96,783</u>	<u>110,387</u>
	<u>\$ 130,401</u>	<u>\$ 143,921</u>

c. Operating expenses

Related Parties Types	For the Year Ended December 31	
	2014	2013
Subsidiaries	<u>\$ 685</u>	<u>\$ 15</u>

d. Allocation of advertising expenses

Related Parties Types	For the Year Ended December 31	
	2014	2013
Subsidiaries	\$ 206	\$ 206
Associates	<u>107</u>	<u>320</u>
	<u>\$ 313</u>	<u>\$ 526</u>

e. Royalty income

Related Parties Types	For the Year Ended December 31	
	2014	2013
Subsidiaries	<u>\$ 18,476</u>	<u>\$ 18,187</u>

f. Rent income

Related Parties Types	For the Year Ended December 31	
	2014	2013
Subsidiaries	\$ 1,486	\$ 1,505
Associates	<u>1,331</u>	<u>1,045</u>
	<u>\$ 2,817</u>	<u>\$ 2,550</u>

g. Other income

Related Parties Types	For the Year Ended December 31	
	2014	2013
Subsidiaries	\$ 558	\$ 360
Associates	<u>1,308</u>	<u>1,418</u>
	<u>\$ 1,866</u>	<u>\$ 1,778</u>

h. Receivables from related parties (excluding loans to related parties)

Line Items	Related Parties Types	December 31	
		2014	2013
Trade and note receivables from related parties	Subsidiaries	\$ 84,467	\$ 79,146
	Associates	-	59
	Key management personnel	-	64
	Others	<u>26</u>	<u>-</u>
		<u>\$ 84,493</u>	<u>\$ 79,269</u>

i. Payables to related parties

Line Items	Related Parties Types	December 31	
		2014	2013
Trade and note payables to related parties	Subsidiaries	\$ 8,361	\$ 4,815
	Associates	<u>1,277</u>	<u>32,756</u>
		<u>\$ 9,638</u>	<u>\$ 37,571</u>

j. Receipts in advance

Line Items	Related Parties Types	December 31	
		2014	2013
Advance rent receipts	Subsidiaries	<u>\$ 22</u>	<u>\$ 22</u>

k. Guarantee deposits

Related Parties Types	December 31	
	2014	2013
Subsidiaries	\$ 6	\$ 6
Associates	<u>240</u>	<u>240</u>
	<u>\$ 246</u>	<u>\$ 246</u>

The Company sold its own products to Les Champions Co., Ltd. at 40% to 45% of retail price but reserves the right to change these ratios depending on market conditions.

The Company bought products from Les Champions Co., Ltd. and Genius Toy Taiwan Co., Ltd. at 45% to 60% of retail price under normal terms.

The collection and payment periods for Les Champions Co., Ltd. were 90 days and the payment period for Genius Toy Taiwan Co., Ltd. was 90 days, and for others, the collection period was 45 to 60 days and the payment period was 60 to 120 days.

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

Under an agreement with Shanghai Les Enphants Children Articles Co., Ltd. (LESC) approved by overseas authorities and valid until December 31, 2018, the LESC acquired the right to use the Company's logo. For this right, LESC paid the Company royalty fees of RMB1,000 thousand every quarter.

Under an agreement with Shanghai Lead Han Trading Co., Ltd. (LHSC) approved by overseas authorities and valid until June 30, 2014, LHSC acquired the right to use the Company's logo. For this right, LHSC s paid the Company royalty fees of RMB100 thousand every quarter.

The Company rented out houses to its related parties under operating lease contracts. The rentals were based on local rates and were paid by month.

The outstanding trade receivables from related parties are unsecured. No expense was recognized for the years ended December 31, 2014 and 2013 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

The outstanding trade payables from related parties are unsecured.

l. Loans to related parties

Refer to Table 1 for information on loans to related parties.

m. Endorsements and guarantees

Refer to Table 2 for information on endorsements and guarantees.

n. Compensation of key management personnel

	For the Year Ended December 31	
	2014	2013
Short-term employee benefit	\$ 36,805	\$ 38,773
Post-employment benefit	1,865	1,953
Share-based payments	<u>248</u>	<u>543</u>
	<u>\$ 38,918</u>	<u>\$ 41,269</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company's assets pledged as collaterals for electronic gift certificates and long-term liabilities were as follows:

	December 31	
	2014	2013
Financial assets at fair value through profit or loss - current	\$ 20,430	\$ 20,329
Other receivables - certificates of deposits - restricted	52,241	24,354
Property, plant and equipment	649,537	630,626
Investment properties	<u>81,981</u>	<u>101,578</u>
	<u>\$ 804,189</u>	<u>\$ 776,887</u>

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Company as of December 31, 2014 were as follows:

- a. The Company signed a brand licensing contract with Oshkosh Co., Ltd., effective until December 31, 2014. Under this agreement, the Company should pay the higher of a percentage of net sales of certain licensed products or minimum royalty fees. Royalty fees were \$5,590 thousand in 2014 and \$4,302 thousand in 2013.
- b. The Company signed a brand licensing agreement with Familiar Ltd., effective until January 31, 2017, and should pay royalty fees at a percentage of net sales of certain licensed products (basic royalty fees were ¥10,000 thousand every year). Royalty fees were ¥12,500 thousand in 2014 and ¥10,000 thousand in 2013.
- c. The Company signed a brand licensing contract with The Walt Disney Company (Taiwan) Ltd. ("Walt Disney") for Disney and PE logo, effective until March 31, 2016. Under those agreement, the Company should pay royalty fees at a percentage of net sales of certain licensed products. Royalty fees were \$18,231 thousand in 2014 and \$18,284 thousand in 2013.
- d. As of December 31, 2014, unused letters of credit amounted to US\$165 thousand.

36. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In their meeting on March 26, 2014, the board of directors approved a restricted stock plan for employees with a total amount of \$20,000 thousand, representing 2,000 thousand shares with a par value of NT\$10, and an issue price of NT\$0.

37. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

(In Thousands)

	December 31, 2014		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,948	31.65 (USD:NTD)	\$ 61,643
RMB	7,958	5.092 (RMB:NTD)	40,524
JPY	229	0.2646 (JPY:NTD)	61
HKD	369	4.08 (HKD:NTD)	1,504
EUR	13	38.47 (EUR:NTD)	494

(In Thousands)

	December 31, 2013		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 98	29.805 (USD:NTD)	\$ 2,914
RMB	2,299	4.904 (RMB:NTD)	11,273
JPY	319	0.2839 (JPY:NTD)	91
HKD	371	3.843 (HKD:NTD)	1,424
EUR	13	41.09 (EUR:NTD)	526

38. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1).
- 2) Endorsements/guarantees provided. (Table 2).
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 3).
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. None.
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital. None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. None.

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4).
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5).
 - 9) Trading in derivative instruments. None.
 - 10) Information on investees. (Table 6).
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7).
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

LES ENPHANTS CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 3)	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 1)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limits (Note 2)	Note
													Item	Value			
0	Les Enphants Co., Ltd. (the "Company")	PT Les Enphants (Indonesia) Co., Ltd.	Other receivables from related parties	Yes	\$ 31,650 (US\$ 1,000 thousand)	\$ 31,650 (US\$ 1,000 thousand)	\$ 31,650 (US\$ 1,000 thousand)	-	b	\$ -	Short-term borrowings reimbursement and operational needs	\$ -	-	-	\$ 332,498	\$ 664,996	

Note 1: Nature of financing was as follows:

- a Business dealings
- b Necessity of short-term financing

Note 2: Aggregate financing limits should not exceed 20% of the Company's net worth. The limit of necessity of short-term financing for each counterparty should not exceed 10% of the Company's net worth as shown in the latest audited or reviewed financial statements.

Note 3: Highest balance was calculated by exchange rate at December 31, 2014.

LES ENPHANTS CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantee Provider	Counterparty		Limits on Each Counter-party's Endorsement/ Guarantee Amounts (Note 1)	Maximum Balance for the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)
		Name	Nature of Relationship							
0	Les Enphants Co., Ltd. (the "Company")	PT Les Enphants (Indonesia) Co., Ltd.	Subsidiary of L.E. International Co., Ltd.	\$ 664,996	\$ 50,000	\$ 50,000	\$ -	\$ -	2	\$ 1,662,490
		Shanghai Les Enphants Children Articles Co., Ltd.	Subsidiary of L.E Venture Co., Ltd.	664,996	US\$ 20,800 thousand	US\$ 18,800 thousand	463,815 (US\$ 15,000 thousand)	-	18	1,662,490
		Les Enphants (Thailand) Co., Ltd.	Subsidiary of L.E. International Co., Ltd.	664,996	US\$ 720 thousand	US\$ 720 thousand	98 (THB 103 thousand)	-	1	1,662,490

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

Note 2: The maximum endorsement/guarantee amount should not exceed 50% of the Company's net worth as shown in the latest financial statements.

LES ENPHANTS CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
Les Enphants Co., Ltd.	<u>Mutual funds</u>							
	Hun Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss	1,276,731.60	\$ 20,000	-	\$ 20,430	(Notes 1 and 2)
	Yuanta Multi-strategy Future Fund	-	Financial assets at fair value through profit or loss	663,420.20	7,035	-	7,962	(Notes 1 and 2)
	<u>Depository receipts</u>							
	Dukang Distillers Holdings Limited	-	Available for sale financial assets - current	143,000	2,689	-	605	(Notes 1 and 2)
	Digital China Holdings Limited	-	Available for sale financial assets - current	4,000	122	-	57	(Notes 1 and 2)
	<u>Stocks</u>							
	Hua Nan Financial Holding Co., Ltd.	-	Available for sale financial assets - current	17,033	250	-	302	(Notes 1 and 2)
	Kenmec Mechanical Engineering Co., Ltd.	-	Available for sale financial assets - current	5,488	152	-	79	(Notes 1 and 2)
	Grand Ocean Retail Company Limited	-	Available for sale financial assets - current	10,000	1,220	-	554	(Notes 1 and 2)
WK Technology Fund	-	Financial assets measured at cost - noncurrent	1,318,400	12,584	0.85	15,389	(Note 3)	

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

Note 2: The fair values of the investment were determined at the net asset value of the mutual funds on the last trading day or the closing price on December 31, 2014.

Note 3: The capital reduction of WK Technology Fund was approved at the board of directors' meeting on June 10, 2014, and \$3,296 thousand was returned to the Company in August 2014.

Note 4: Refer to Tables 6 and 7 for information relating to investments in subsidiaries, associates and joint ventures.

LES ENPHANTS CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
Les Enphants Co., Ltd. (the "Company")	Les Champions Co., Ltd.	Subsidiary's investee accounted for by the equity method	Sale	\$ 197,316	7	Monthly 90 days	At 40%-45% of retail prices	Monthly 90 days	Trade receivable \$ 18,797 Notes receivable 57,311	8 98	-
Les Champions Co., Ltd.	Les Enphants Co., Ltd.	Parent company	Purchase	197,316	52	Monthly 90 days	At 40%-45% of retail prices	Monthly 90 days	Trade payable (18,797) Notes payable (57,311)	(37) (94)	-

LES ENPHANTS CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2014

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance (Foreign Currencies in Thousands)	Turnover Days	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Shanghai Les Enphants Children Articles Co., Ltd.	Beijing Les Enphants Children Articles Co., Ltd.	Subsidiary	\$ 219,516	3.00	\$ -	-	\$ 142,576	\$ -

LES ENPHANTS CO., LTD.

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2014			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2014	December 31, 2013	Shares	Percentage of Ownership	Carrying Value			
Les Enphants Co., Ltd. (the "Company")	L.E. Capital Enterprise Co., Ltd.	British Virgin Islands	Holding company	\$ 1,411,298	\$ 1,411,298	41,562,373	100.00	\$ 2,870,173	\$ (182,295)	\$ (182,295)	Subsidiary
	Mike & Friends Co., Ltd.	Taipei, Taiwan	Manufacture and distribution of children's clothes and supplies	70,000	70,000	45,000	100.00	44,225	2,833	2,833	Subsidiary
	Genius Toy Taiwan Co., Ltd.	Taichung, Taiwan	Distribution of children's clothes and supplies	50,000	50,000	625,000	20.00	48,624	7,082	678	Equity-method investee (Note 2)
	Combi (Taiwan) Co., Ltd.	Taipei, Taiwan	Distribution of children's clothes and supplies	-	5,000	-	-	-	19,424	8,223	Note 1
	Komphort Royal of Life Co., Ltd.	Taipei, Taiwan	Postpartum care center	43,200	43,200	4,320,000	48.00	25,936	1,840	883	Equity-method investee
L.E. Capital Enterprise Co., Ltd.	L.E. Cayman Co., Ltd.	Cayman Islands	Holding company	1,107,084	1,107,084	383,024,450	100.00	2,809,354	RMB (36,955) thousand		Subsidiary
	L.E. International Co., Ltd.	British Virgin Islands	Holding company	180,323	180,323	5,555,700	100.00	60,610	(2,479)		Subsidiary
Mike & Friends Co., Ltd.	Les Champions Co., Ltd.	Taipei, Taiwan	Distribution of children's clothes and supplies	32,657	32,657	3,265,680	34.59	46,486	10,760		Subsidiary
Les Champions Co., Ltd.	L.E. Genius Co., Ltd.	British Virgin Islands	Holding company	15,150	15,150	510,000	51.00	14,143	(961)		Subsidiary
L.E. Cayman Co., Ltd.	L.E. Venture Co., Ltd.	British Virgin Islands	Holding company	1,107,084	1,107,084	38,302,445	100.00	RMB 552,383 thousand	RMB (36,955) thousand		Subsidiary
L.E. International Co., Ltd.	PT Les Enphants (Indonesia) Co., Ltd.	Bandung, Indonesia	Manufacture and distribution of children's clothes and supplies	153,131	153,131	3,250	100.00	4,932	IDR (4,231,282) thousand		Subsidiary
	Les Enphants (Thailand) Co., Ltd.	Bangkok, Thailand	Manufacture and distribution of children's clothes and supplies	19,085	19,085	166,600	49.00	32,028	THB 10,272 thousand		Subsidiary
	Les Enphants Thailand Marketing Co., Ltd.	Bangkok, Thailand	Distribution of children's clothes and supplies	7,436	7,436	98,000	49.00	22,976	THB 8,274 thousand		Subsidiary
	Les Enphants (S) Marketing Pte, Ltd.	Singapore	Distribution of children's clothes and supplies	21,553	21,553	-	26.08	673	SGD (33) thousand		Subsidiary
PT Les Enphants (Indonesia) Co., Ltd.	Les Enphants (S) Marketing Pte, Ltd.	Singapore	Distribution of children's clothes and supplies	36,781	36,781	-	73.92	IDR 740,674 thousand	SGD (33) thousand		Subsidiary
	PT Les Enphants Mitraprima	Jakarta, Indonesia	Distribution of children's clothes and supplies	41,805	41,805	-	98.45	IDR (1,297,970) thousand	IDR (1,433,774) thousand		Subsidiary
Les Enphants (Thailand) Co., Ltd.	Les Enphants Thailand Marketing Co., Ltd.	Bangkok, Thailand	Distribution of children's clothes and supplies	6,687	6,687	82,000	41.00	THB 19,881 thousand	THB 8,274 thousand		Subsidiary

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

Note 2: The share of the profit was calculated as follows: (Investee's net income x the Company's % of ownership of the investee) - (Amortization of difference between fair value of investee's asset and Carrying value of investee's asset) - Deferred unrealized gain from upstream and downstream transactions with the investee.

Note 3: Refer to Table 7 for information relating to investment in Mainland China.

TABLE 7

LES ENPHANTS CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 7)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2014	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2014	Accumulated Repatriation of Investment Income as of December 31, 2014
					Outflow	Inflow						
Shanghai Les Enphants Children Articles Co., Ltd.	a. Manufacture and distribution of children's clothes, toys, bedding and pillows, etc. b. Development of business in Mainland China	\$ 1,398,930 (US\$ 44,200 thousand)	Indirect	\$ 975,828	\$ -	\$ -	\$ 975,828	\$ (185,567) (RMB(38,118) thousand)	100% indirect investment	\$ (188,567) (RMB(38,118) thousand)	\$ 2,428,481 (RMB476,921 thousand)	\$ -
Shanghai Lead Han Trading Co., Ltd.	Distribution of children's clothes and supplies	162,944 (RMB32,000 thousand)	Indirect	-	-	-	-	(22,720) (RMB (4,600) thousand)	100% indirect investment	(19,811) (RMB (3,999) thousand)	63,121 (RMB 12,396 thousand)	-
Beijing Les Enphants Children Articles Co., Ltd.	Distribution of children's clothes and supplies	50,920 (RMB 10,000 thousand)	Indirect	-	-	-	-	9,392 (RMB 1,886 thousand)	100% indirect investment	9,280 (RMB 1,849 thousand)	167,329 (RMB 32,861 thousand)	-
Shanghai Holyca E-business Co., Ltd. (Note 5)	Distribution of children's supplies	25,644 (RMB 5,040 thousand)	Indirect	-	-	-	-	(121,006) (RMB(24,560) thousand)	18.10% indirect investment	(22,110) (RMB (4,493) thousand)	47,242 (RMB 9,278 thousand)	-
LE - CLAIRE KIDS Co., Ltd. (Note 6)	Distribution of children's supplies	-	Indirect	-	-	-	-	(217) (RMB (45) thousand)	-	(107) (RMB (22) thousand)	-	-
Suzhou Les Enphants Logist Co., Ltd. (Note 2)	Warehousing, transportation and distribution services	316,500 (US\$ 10,000 thousand)	Indirect	131,256	-	-	131,256	5,381 (RMB 1,092 thousand)	100% indirect investment	5,381 (RMB 1,092 thousand)	364,091 (RMB 71,503 thousand)	-
Shanghai L.E. Genius Co., Ltd. (Note 3)	Distribution of children's toys and supplies	31,650 (US\$ 1,000 thousand)	Indirect	15,101	-	-	15,101	(961) (RMB (199) thousand)	27.44% indirect investment	(264) (RMB (55) thousand)	7,610 (RMB 1,494 thousand)	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2014	Investment Amount Approved by the Investment Commission, MOEA	Maximum Allowable Investment
\$1,107,084	\$1,479,142	\$ - (Note 4)

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

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

Note 3: The investment in Shanghai L.E. Genius Co., Ltd. was made through the subsidiary, L.E. Champions Co., Ltd.

Note 4: There was no limit on the amounts of the Company's investments in China, and these investments had been approved by the Investment Commission (as shown in approval reference No. 10320421221) under Taiwan's Ministry of Economic Affairs.

Note 5: Shanghai Holyca E-business Co., Ltd. increased its cash capital by RMB707 thousand in May 2014.

Note 6: The dissolution and liquidation of LE - CLAIRE KIDS Co., Ltd. was approved at the board of directors' meeting on June 5, 2013, and the Company received \$3,142 thousand (RMB650 thousand) on June 25, 2014 on the distribution of liquidation proceeds.

Note 7: The exchange rates for US\$1 and RMB1 were NT\$31.65 and NT\$5.092, respectively.

(Concluded)