

Les Enphants Co., Ltd. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2014 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 27 “Consolidated and Separate Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

LES ENPHANTS CO., LTD.

By

JAMES WANG
Chairman

March 26, 2015

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Les Enphants Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013, and their consolidated financial performance and their consolidated 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 and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the financial statements of the parent company, Les Enphants Co., Ltd., as of and for the years ended December 31, 2014 and 2013, on which we have issued an unqualified report.

March 26, 2015

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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)	\$ 849,033	10	\$ 522,505	7
Financial assets at fair value through profit or loss - current (Notes 7 and 38)	28,392	-	31,536	-
Available-for-sale financial assets - current (Notes 8 and 27)	1,597	-	2,122	-
Notes receivable (Note 10)	46,264	1	42,740	1
Trade receivables, net (Note 10)	1,054,050	13	1,037,125	13
Trade and notes receivables from related parties (Note 37)	32,467	1	17,113	-
Other receivables, net (Notes 10 and 38)	91,130	1	55,979	1
Current tax assets (Note 30)	10,184	-	8,752	-
Inventories (Note 11)	2,513,953	31	2,430,115	31
Prepayments for lease (Note 17)	3,838	-	3,687	-
Prepayments	244,742	3	277,045	4
Other current assets (Note 18)	4,104	-	4,488	-
Total current assets	<u>4,879,754</u>	<u>60</u>	<u>4,433,207</u>	<u>57</u>
NONCURRENT ASSETS				
Financial assets measured at cost - noncurrent (Note 9)	12,584	-	15,880	-
Investments accounted for using the equity method (Notes 12 and 27)	121,802	1	168,584	2
Property, plant and equipment (Notes 13 and 38)	1,701,528	21	1,737,714	22
Investment properties (Notes 14 and 38)	892,572	11	907,068	12
Goodwill (Note 15)	11,423	-	11,423	-
Other intangible assets (Note 16)	34,809	-	27,935	-
Deferred tax assets (Note 30)	234,863	3	196,537	2
Refundable deposits	121,317	1	125,430	2
Long-term prepayments for lease (Note 17)	142,837	2	141,222	2
Other noncurrent assets (Note 18)	43,538	1	40,507	1
Total noncurrent assets	<u>3,317,273</u>	<u>40</u>	<u>3,372,300</u>	<u>43</u>
TOTAL	<u>\$ 8,197,027</u>	<u>100</u>	<u>\$ 7,805,507</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19, 37 and 38)	\$ 695,689	9	\$ 639,072	8
Short-term bills payable (Note 20)	24,988	-	-	-
Notes payable (Note 23)	11,437	-	11,442	-
Trade payables (Note 23)	958,963	12	728,425	9
Trade and notes payables to related parties (Note 37)	5,902	-	40,030	1
Equipment payable	48,676	1	18,375	-
Other payables (Note 24)	682,208	8	584,018	8
Current tax liabilities (Note 30)	12,971	-	6,161	-
Provisions - current (Note 25)	24,911	-	24,240	-
Deferred revenue (Note 24)	14,412	-	10,653	-
Receipts in advance	115,916	2	110,886	2
Current portion of long-term borrowings (Notes 22 and 38)	69,340	1	98,307	1
Other current liabilities (Note 24)	30,767	-	50,723	1
Total current liabilities	<u>2,696,180</u>	<u>33</u>	<u>2,322,332</u>	<u>30</u>
NONCURRENT LIABILITIES				
Bonds payable (Notes 21 and 27)	589,428	7	579,296	7
Long-term borrowings, net of current portion (Notes 22 and 38)	816,803	10	828,203	11
Deferred tax liabilities (Note 30)	252,615	3	264,813	3
Accrued pension liabilities (Note 26)	349,622	4	367,938	5
Guarantee deposits (Note 37)	43,433	1	34,561	-
Total noncurrent liabilities	<u>2,051,901</u>	<u>25</u>	<u>2,074,811</u>	<u>26</u>
Total liabilities	<u>4,748,081</u>	<u>58</u>	<u>4,397,143</u>	<u>56</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Common shares	2,112,958	26	2,112,958	27
Capital surplus	942,435	12	919,163	12
Retained earnings				
Legal reserve	177,552	2	177,552	2
Special reserve	63,206	1	63,206	1
Accumulated deficits	(93,803)	(1)	(13,975)	-
Total retained earnings	146,955	2	226,783	3
Other equity	122,632	1	34,443	-
Total equity attributable to owners of the Company	3,324,980	41	3,293,347	42
NONCONTROLLING INTERESTS	<u>123,966</u>	<u>1</u>	<u>115,017</u>	<u>2</u>
Total equity	<u>3,448,946</u>	<u>42</u>	<u>3,408,364</u>	<u>44</u>
TOTAL	<u>\$ 8,197,027</u>	<u>100</u>	<u>\$ 7,805,507</u>	<u>100</u>

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

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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 28 and 37)	\$ 9,329,927	100	\$ 9,305,249	100
OPERATING COSTS (Notes 11, 26, 29 and 37)	<u>4,741,060</u>	<u>51</u>	<u>4,803,135</u>	<u>52</u>
GROSS PROFIT	<u>4,588,867</u>	<u>49</u>	<u>4,502,114</u>	<u>48</u>
OPERATING EXPENSES (Notes 26, 29, 32 and 37)				
Selling and marketing expenses	3,851,349	41	3,773,587	41
General and administrative expenses	<u>821,024</u>	<u>9</u>	<u>792,855</u>	<u>8</u>
Total operating expenses	<u>4,672,373</u>	<u>50</u>	<u>4,566,442</u>	<u>49</u>
LOSS FROM OPERATIONS	<u>(83,506)</u>	<u>(1)</u>	<u>(64,328)</u>	<u>(1)</u>
NONOPERATING INCOME AND EXPENSES (Notes 9, 12, 29 and 37)				
Other income	83,143	1	35,822	1
Other gains and losses	(68,756)	(1)	(21,334)	-
Finance costs	(60,976)	(1)	(66,724)	(1)
Share of profit or loss of associates and joint ventures	<u>(12,433)</u>	<u>-</u>	<u>5,017</u>	<u>-</u>
Total nonoperating income and expenses	<u>(59,022)</u>	<u>(1)</u>	<u>(47,219)</u>	<u>-</u>
LOSS BEFORE INCOME TAX	(142,528)	(2)	(111,547)	(1)
INCOME TAX BENEFIT (Note 30)	<u>48,264</u>	<u>1</u>	<u>52,936</u>	<u>1</u>
NET LOSS FOR THE YEAR	<u>(94,264)</u>	<u>(1)</u>	<u>(58,611)</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (Notes 8, 12, 26, 27 and 30)				
Exchange differences on translating foreign operations	109,821	1	128,625	1
Unrealized loss on available-for-sale financial assets	(525)	-	(250)	-
Actuarial gain arising from defined benefit plans	30,889	-	4,390	-
Share of other comprehensive income of associates and joint ventures	48	-	41	-
Income tax relating to components of other comprehensive income	<u>(23,370)</u>	<u>-</u>	<u>(22,199)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>116,863</u>	<u>1</u>	<u>110,607</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 22,599</u>	<u>-</u>	<u>\$ 51,996</u>	<u>1</u>

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LES ENPHANTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	%
NET (LOSS) PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ (105,293)	(1)	\$ (72,304)	(1)
Noncontrolling interests	<u>11,029</u>	<u>-</u>	<u>13,693</u>	<u>-</u>
	<u>\$ (94,264)</u>	<u>(1)</u>	<u>\$ (58,611)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 8,361	-	\$ 36,266	1
Noncontrolling interests	<u>14,238</u>	<u>-</u>	<u>15,730</u>	<u>-</u>
	<u>\$ 22,599</u>	<u>-</u>	<u>\$ 51,996</u>	<u>1</u>
LOSS PER SHARE (NEW TAIWAN DOLLARS; Note 31)				
Basic	<u>\$ (0.50)</u>		<u>\$ (0.34)</u>	

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

(Concluded)

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company									
	Share Capital (Note 27)	Capital Surplus (Notes 21, 27 and 30)	Retained Earnings (Notes 27 and 30)			Other Equity (Notes 8, 12, 27 and 30)		Total	Noncontrolling Interests (Notes 27 and 32)	Total Equity
			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	\$ 2,112,958	\$ 890,056	\$ 161,244	\$ 63,206	\$ 218,794	\$ (68,316)	\$ (2,061)	\$ 3,375,881	\$ 97,484	\$ 3,473,365
Appropriation of the 2012 earnings										
Legal reserve	-	-	16,308	-	(16,308)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(147,907)	-	-	(147,907)	-	(147,907)
Equity component of convertible bonds issued by the Company	-	29,107	-	-	-	-	-	29,107	-	29,107
Net loss in 2013	-	-	-	-	(72,304)	-	-	(72,304)	13,693	(58,611)
Other comprehensive income in 2013, net of income tax	-	-	-	-	3,750	105,070	(250)	108,570	2,037	110,607
Share-based payment arrangement	-	-	-	-	-	-	-	-	1,810	1,810
Noncontrolling interests	-	-	-	-	-	-	-	-	(7)	(7)
BALANCE AT DECEMBER 31, 2013	2,112,958	919,163	177,552	63,206	(13,975)	36,754	(2,311)	3,293,347	115,017	3,408,364
Change from investments in associates and joint ventures accounted for using equity method	-	23,272	-	-	-	-	-	23,272	-	23,272
Appropriation of the 2013 earnings										
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(6,174)	(6,174)
Net loss in 2014	-	-	-	-	(105,293)	-	-	(105,293)	11,029	(94,264)
Other comprehensive income in 2014, net of income tax	-	-	-	-	25,465	88,714	(525)	113,654	3,209	116,863
Share-based payment arrangement	-	-	-	-	-	-	-	-	885	885
BALANCE AT DECEMBER 31, 2014	<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>	<u>\$ 123,966</u>	<u>\$ 3,448,946</u>

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

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	\$ (142,528)	\$ (111,547)
Adjustments for:		
Depreciation expenses	270,596	259,375
Amortization expenses	16,652	13,331
Impairment loss recognized on trade receivables	3,108	101
Net (gain) loss on fair value change of financial assets designated as at fair value through profit or loss	(1,856)	316
Finance costs	60,976	66,724
Interest income	(5,859)	(5,308)
Dividend income	(1,529)	(41)
Compensation cost of employee share options	885	1,810
Share of profit or loss of associates and joint ventures	12,433	(5,017)
Loss on disposal of property, plant and equipment	8,903	9,204
Net loss (gain) on disposal of available-for-sale financial assets	579	(432)
Amortization of prepayments for lease	3,709	3,660
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	5,332	5,432
(Increase) decrease in notes receivable	(3,524)	3,695
(Increase) decrease in trade receivables	(17,551)	49,633
Increase in trade and notes receivables from related parties	(15,354)	(302)
Increase in other receivables	(37,898)	(14,481)
(Increase) decrease in inventories	(84,688)	284,788
Decrease in prepayments	32,303	5,766
Decrease in other current assets	384	1,655
(Decrease) increase in notes payable	(5)	3,001
Increase (decrease) in trade payables	230,538	(133,254)
Decrease in trade and notes payables to related parties	(34,128)	(9,010)
Increase (decrease) in other payables	98,184	(50,528)
Increase in provisions	639	4,021
Increase (decrease) in receipts in advance	5,030	(4,677)
(Decrease) increase in other current liabilities	(19,956)	5,482
Increase in accrued pension liabilities	12,573	11,334
Increase in deferred revenue	<u>3,759</u>	<u>875</u>
Cash generated from operations	401,707	395,606
Interest received	5,859	5,308
Interest paid	(50,838)	(59,381)
Income tax paid	<u>(13,497)</u>	<u>(42,750)</u>
Net cash generated from operating activities	<u>343,231</u>	<u>298,783</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of financial assets measured at cost	4,430	-
Acquisition of investments accounted for using the equity method	-	(1,822)
Proceeds on sale of investments accounted for using equity method	47,298	-

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LES ENPHANTS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	\$ (136,655)	\$ (404,245)
Proceeds from disposal of property, plant and equipment	1,481	7,338
Decrease in refundable deposits	4,113	2,411
Payments for intangible assets	(23,027)	(8,862)
Increase in other noncurrent assets	(3,031)	(2,423)
Dividends received	<u>11,987</u>	<u>2,431</u>
Net cash used in investing activities	<u>(93,404)</u>	<u>(405,172)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	56,617	(527,987)
Proceeds from short-term bills payable	24,988	-
Proceeds from issue of convertible bonds	-	603,000
Proceeds from long-term borrowings	560,000	645,000
Repayments of long-term borrowings	(613,373)	(694,592)
Decrease in refundable deposits	8,872	16,225
Dividends paid	-	(147,907)
Change in noncontrolling interests	(6,174)	14,548
Payments for transaction costs attributable to issue of debt instruments	<u>-</u>	<u>(5,200)</u>
Net cash generated from (used in) financing activities	<u>30,930</u>	<u>(96,913)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>45,771</u>	<u>64,434</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	326,528	(138,868)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>522,505</u>	<u>661,373</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 849,033</u>	<u>\$ 522,505</u>

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

(Concluded)

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Les Enphants Co., Ltd. (the “Company”) was established in 1971. Its shares are traded on the Taiwan Stock Exchange. The Company manufactures and sells clothes and toys for children and infants.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 26, 2015.

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

- a. The amendments to the Guidelines 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 Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Guidelines 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 ended 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

(Continued)

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
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 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 Guidelines Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies:

1) IFRS 10 “Consolidated Financial Statements”

IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation - Special Purpose Entities”. The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 11 “Joint Arrangements”

IFRS 11 replaces IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities - Non-monetary Contributions by Ventures”. Joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Joint ventures are accounted for using the equity method. Under IAS 31, Joint arrangements are classified as jointly controlled entities, jointly controlled assets, and jointly controlled operations, and the Group accounts for its jointly controlled entities using the proportionate consolidation method.

3) 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.

4) 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.

5) 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.

6) 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 Group 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 sharing of profit or loss of associates and jointly controlled entities accounted for using the 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, cash flow hedges, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of (associates/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.

7) 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. (Remeasurement of the defined benefit plans would be presented separately as other equity./The Group has not determined how to present the remeasurements of defined benefit plans in the consolidated statements of changes in equity.)

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.

The retrospective application of revised IAS 19 “Employee Benefits” has not had any material difference and impact on the Group.

8) 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.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

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

The Group 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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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 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

(Concluded)

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 Group’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 Group'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 Group 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 Group 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 Group 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 Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group 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 Group, 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 Group is a related party of the Group. Consequently, the Group 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.

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 Group 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 Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of preparation

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) 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 consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group 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 non-current.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including special purpose entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to noncontrolling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any noncontrolling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2) Subsidiary included in the consolidated financial statements

The consolidated entities as of December 31, 2014 and 2013 were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership	
			December 31	
			2014	2013
Les Enphants Co., Ltd.	L.E. Capital Enterprise Co., Ltd. (Notes 1 and 3)	Holding company	100.00	100.00
	Mike & Friends Co., Ltd. (Note 2)	Distribution of children's clothes and supplies	100.00	100.00

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership	
			2014	2013
L.E. Capital Enterprise Co., Ltd.	L.E. International Co., Ltd. (Note 3)	Holding company	100.00	100.00
L.E. Cayman Co., Ltd.	L.E. Cayman Co., Ltd. (Note 1)	Holding company	100.00	100.00
L.E. Venture Co., Ltd.	L.E. Venture Co., Ltd. (Note 1)	Holding company	100.00	100.00
	Shanghai Les Enphants Children Articles Co., Ltd. (Note 1)	Manufacture and distribution of children's clothes and supplies	100.00	100.00
	Suzhou Les Enphants Logist Co., Ltd.	Warehousing, transportation and distribution	100.00	100.00
Shanghai Les Enphants Children Articles Co., Ltd.	Shanghai Lead Han Trading Co., Ltd.	Distribution of children's clothes and supplies	100.00	100.00
	Beijing Les Enphants Children Articles Co., Ltd.	Distribution of children's clothes and supplies	100.00	100.00
L.E. International Co., Ltd.	PT Les Enphants (Indonesia) Co., Ltd.	Manufacture and distribution of children's clothes and supplies	100.00	100.00
	Les Enphants (Thailand) Co., Ltd.	Manufacture and distribution of children's clothes and supplies	49.00	49.00
	Les Enphants Thailand Marketing Co., Ltd.	Distribution of children's clothes and supplies	49.00	49.00
	Les Enphants (S) Marketing Pte. Ltd. (Note 3)	Distribution of children's clothes and supplies	26.08	26.08
PT Les Enphants (Indonesia) Co., Ltd.	Les Enphants (S) Marketing Pte. Ltd.	Distribution of children's clothes and supplies	73.92	73.92
	PT Les Enphants Mitraprima	Distribution of children's clothes and supplies	98.45	98.45
Les Enphants (Thailand) Co., Ltd.	Les Enphants Thailand Marketing Co., Ltd.	Distribution of children's clothes and supplies	41.00	41.00
Mike & Friends Co., Ltd.	Les Champions Co., Ltd. (Note 5)	Distribution of children's clothes and supplies	34.59	34.59
Les Champions Co., Ltd.	L.E. Genius Co., Ltd.	Holding company	51.00	51.00
L.E. Genius Co., Ltd.	Shanghai L.E. Genius Co., Ltd. (Note 4)	Distribution of children's toys	100.00	100.00

(Concluded)

Note 1: 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 (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. This last company then invested in Shanghai Les Enphants Children Articles Co., Ltd.

Note 2: In August 2013, the Company increased its investment in Mike & Friends Co., Ltd. As of December 31, 2013, the accumulated holding by the Company of the shares of Mike & Friends Co., Ltd. was 100%.

Note 3: In June 2013, the Company increased its investment in L.E. Capital Enterprise Co., Ltd. by \$8,976 (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.

Note 4: On December 24, 2012, L.E. Genius Co., Ltd. invested \$29,610 thousand (US\$1,000 thousand) to establish Shanghai L.E. Genius Co., Ltd. and acquired an equity of 100%. L.E. Genius Co., Ltd. obtained permission from the Investment Commission, Ministry of Economic Affairs to make this investment in May 2013.

Note 5: Although the holding of Mike & Friends Co., Ltd. in LCCL was only 34.59% and the Group did not have a majority interest in LCCL, the Company had 50% representation in LCCL's board. Thus, LCCL was one of the consolidated entities.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Foreign currencies

In preparing the financial statements of each individual group entity, 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.

Nonmonetary 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 nonmonetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of nonmonetary 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.

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group'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 (attributed to the owners of the Company and noncontrolling interests as appropriate).

g. 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.

h. Investment in associates and jointly controlled entities

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

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

When the Group subscribes for additional new shares of the associate and jointly controlled entity at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and jointly controlled entity. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate and jointly controlled entity, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and jointly controlled entity 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 Group's share of losses of an associate and jointly controlled entity equals or exceeds its interest in that associate and jointly controlled entity (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 Group's net investment in the associate and jointly controlled entity), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate (and jointly controlled entity) 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 Group'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 Group discontinues the use of the equity method from the date on which it ceases to have significant influence and joint control. 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 and the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the jointly controlled entity. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the jointly controlled entity on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

i. 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.

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). 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.

k. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

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 Group expects to dispose of the intangible asset before the end of its economic life.

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.

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group 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.

n. Financial instruments

Financial assets and financial liabilities are recognized when a group 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.

1) Financial assets

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

a) Measurement category

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

i. 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 or it is designated as at fair value through profit or loss.

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.

ii. Available-for-sale financial assets

Available-for-sale financial assets are nonderivatives 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 Group'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 profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including trade receivables, cash 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.

b) 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 Group'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 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 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 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.

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. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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.

c) Derecognition of financial assets

The Group 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.

2) Equity instruments

Debt and equity instruments issued by a group 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 group 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.

3) Financial liabilities

a) Subsequent measurement

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

b) 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.

4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group 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.

o. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

p. 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.

1) 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:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group 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 Group'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 Group's obligations have been fulfilled.

2) 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 Group 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.

3) 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 Group 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 Group 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.

q. Leasing

1) The Group as lessor

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

2) The Group as lessee

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

3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, lease interest of land under operating leases is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

r. 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.

s. 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 consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for (unrecognized actuarial gains and losses and) 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.

t. Share-based payment arrangements

Equity-settled share-based payment arrangements granted to employee

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 Group'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 Group 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.

u. Taxation

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

1) 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.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the period

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group'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 Group 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 Group'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 Group also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

c. Recognition and measurement of defined benefit plans

Accrued pension liabilities and the resulting pension expense under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2014	2013
Cash on hand	\$ 11,335	\$ 24,188
Checking accounts and demand deposits	812,238	498,317
Cash equivalent (investments with original maturities less than three months)		
Time deposits	<u>25,460</u>	<u>-</u>
	<u>\$ 849,033</u>	<u>\$ 522,505</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2014	2013
<u>Financial assets held for trading</u>		
Nonderivative financial assets		
Mutual funds	\$ 27,035	\$ 32,035
Valuation adjustments of financial assets	<u>1,357</u>	<u>(499)</u>
	<u>\$ 28,392</u>	<u>\$ 31,536</u>

Refer to Note 38 for information relating to financial assets at FVTPL pledged as security.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Domestic investments</u>		
Listed shares and emerging market shares	\$ 1,622	\$ 1,622
Depository receipts	<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 Group, 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>\$ 46,264</u>	<u>\$ 42,740</u>
<u>Trade receivables</u>		
Trade receivables	\$ 1,059,047	\$ 1,041,496
Allowance for impairment loss	<u>(4,997)</u>	<u>(4,371)</u>
	<u>\$ 1,054,050</u>	<u>\$ 1,037,125</u>

(Continued)

	December 31	
	2014	2013
<u>Other receivables</u>		
Restricted assets	\$ 52,241	\$ 24,354
Other receivables	<u>43,597</u>	<u>33,586</u>
	95,838	57,940
Allowance for impairment loss	<u>(4,708)</u>	<u>(1,961)</u>
	<u>\$ 91,130</u>	<u>\$ 55,979</u>
		(Concluded)

a. Trade receivables

The average credit period on sales of goods was 60 days. In determining the recoverability of a trade receivables, the Group considered any change in the credit quality of the trade receivables 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 Group 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 Group did not hold any collateral or other credit enhancements for these balances.

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

	December 31	
	2014	2013
Less than 30 days	\$ 5,404	\$ 559
31-60 days	3,801	11
61-90 days	3,786	617
91-150 days	-	12,020
151 days - 1 year	1	-
Over 1 year	<u>811</u>	<u>882</u>
	<u>\$ 13,803</u>	<u>\$ 14,089</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	\$ 3,198	\$ 1,412	\$ 4,610
Impairment losses recognized on receivables	224	679	903
Amounts written off during the period as uncollectible	-	(380)	(380)
Impairment losses reversed	(310)	(492)	(802)
Foreign exchange translation gains and losses	<u>40</u>	<u>-</u>	<u>40</u>
Balance at December 31, 2013	3,152	1,219	4,371
Impairment losses recognized on receivables	51	517	568
Impairment losses reversed	(85)	-	(85)
Foreign exchange translation gains and losses	<u>143</u>	<u>-</u>	<u>143</u>
Balance at December 31, 2014	<u>\$ 3,261</u>	<u>\$ 1,736</u>	<u>\$ 4,997</u>

The Group recognized impairment loss on trade receivables amounting to \$3,261 thousand and \$3,152 thousand as of December 31, 2014 and 2013, respectively. The Group did not hold any collateral over these balances.

Age of individually impaired trade receivables was as follows:

	December 31	
	2014	2013
Over 1 year	<u>\$ 3,261</u>	<u>\$ 3,152</u>

The above aging of trade receivables before deducting the allowance for impairment loss was presented based on the past due date.

b. Other receivables

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

	December 31	
	2014	2013
61-90 days	\$ 430	\$ 420
91-150 days	-	88
151 days - 1 year	-	796
Over 1 year	<u>-</u>	<u>10</u>
	<u>\$ 430</u>	<u>\$ 1,314</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, 2013	\$ 1,864	\$ -	\$ 1,864
Foreign exchange translation gains and losses	<u>97</u>	<u>-</u>	<u>97</u>
Balance at December 31, 2013	1,961	-	1,961
Impairment losses recognized on receivables	1,562	1,063	2,625
Foreign exchange translation gains and losses	<u>122</u>	<u>-</u>	<u>122</u>
Balance at December 31, 2013	<u>\$ 3,645</u>	<u>\$ 1,063</u>	<u>\$ 4,708</u>

The Group recognized impairment loss on other receivables amounting to \$3,645 thousand and \$1,961 thousand as of December 31, 2014 and 2013, respectively. The Group did not hold any collateral over these balances.

Age of individually impaired other receivables was as follows:

	December 31	
	2014	2013
151 days - 1 year	\$ 1,609	\$ -
Over 1 year	<u>2,036</u>	<u>1,961</u>
	<u>\$ 3,645</u>	<u>\$ 1,961</u>

The above aging of other receivables before deducting the allowance for impairment loss was presented based on the invoice date.

Refer to Note 38 for information relating to other receivables pledged as collaterals or security.

11. INVENTORIES

	December 31	
	2014	2013
Merchandise	\$ 2,367,859	\$ 2,295,885
Finished goods	85,925	54,254
Work in progress	21,585	28,336
Raw materials	11,966	26,863
Supplies	<u>26,618</u>	<u>24,777</u>
	<u>\$ 2,513,953</u>	<u>\$ 2,430,115</u>

The costs of inventories recognized as cost of goods sold were \$4,720,994 thousand in 2014 and \$4,768,481 thousand in 2013.

The cost of goods sold in 2014 included \$6,533 thousand arising from inventory disposal; \$2,119 thousand arising from inventory write-downs; and a loss of \$5,748 thousand on physical inventory.

The cost of goods sold in 2013 included \$3,731 thousand arising from inventory disposal; \$3,436 thousand arising from inventories write-downs; and a loss of \$6,302 thousand on physical inventory.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2014	2013
Investments in associates	\$ 121,802	\$ 165,272
Investments in jointly controlled entities	<u>-</u>	<u>3,312</u>
	<u>\$ 121,802</u>	<u>\$ 168,584</u>

a. Investments in associates

	December 31	
	2014	2013
Unlisted companies		
Genius Toy Taiwan Co., Ltd.	\$ 48,624	\$ 50,106
Shanghai Holyca E-business Co., Ltd.	47,242	43,898
Komphort Royal of Life Co., Ltd.	25,936	25,053
Combi (Taiwan) Co., Ltd.	<u>-</u>	<u>46,215</u>
	<u>\$ 121,802</u>	<u>\$ 165,272</u>

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

Associate	December 31	
	2014	2013
Genius Toy Taiwan Co., Ltd.	20.00%	20.00%
Shanghai Holyca E-Business Co., Ltd.	21.05%	21.05%
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.

In September 2013, the Group increased its investment in Shanghai Holyca E-Business Co., Ltd. by \$1,822 thousand (RMB379 thousand) to maintain its percentage of ownership.

The Group increased its investment by \$50,000 thousand in Genius Toy Taiwan Co., Ltd. to obtain 20% 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.

Movements of the amortized assets and non-amortized assets in 2014 and 2013 were as follows:

	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 Group's associates is set out below:

	December 31	
	2014	2013
Total assets	<u>\$ 483,107</u>	<u>\$ 672,956</u>
Total liabilities	<u>\$ 347,837</u>	<u>\$ 350,110</u>
	For the Year Ended December 31	
	2014	2013
Revenue	<u>\$ 1,841,660</u>	<u>\$ 1,680,311</u>
Profit (loss) for the year	<u>\$ (92,660)</u>	<u>\$ 25,904</u>
Other comprehensive income	<u>\$ 2,423</u>	<u>\$ 2,381</u>
Group's share of profits (loss) and other comprehensive income of associates for the year	<u>\$ (12,326)</u>	<u>\$ 5,050</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 were based on the associates' financial statements audited by the auditors for the same reporting periods.

b. Investment in jointly controlled entity

The Group had interests in the following jointly controlled entity:

	December 31	
	2014	2013
Unlisted companies		
LE - CLAIRE KIDS Co., Ltd.	<u>\$ -</u>	<u>\$ 3,312</u>

As the end of the reporting period, the proportion of ownership and voting rights in the Group's jointly controlled entity was as follows:

	December 31	
Jointly Controlled Entity	2014	2013
LE - CLAIRE KIDS Co., Ltd.	-	50.00%

The summarized financial information of the Group's jointly controlled entity is set out below:

	December 31	
	2014	2013
Current assets	\$ <u> -</u>	\$ <u> 3,248</u>
Noncurrent assets	\$ <u> -</u>	\$ <u> -</u>
Current liabilities	\$ <u> -</u>	\$ <u> -</u>
	For the Year Ended December 31	
	2014	2013
Income recognized in profit or loss	\$ <u> 3</u>	\$ <u> 11</u>
Expenses recognized in profit or loss	\$ <u> 110</u>	\$ <u> 44</u>
Other comprehensive income	\$ <u> 50</u>	\$ <u> 164</u>

Dissolution and liquidation of LE - CLAIRE KIDS Co., Ltd. was approved at the board of directors' meeting on June 5, 2013, and the Group received \$3,142 thousand (RMB650 thousand) on the distribution of liquidation proceeds and recognized a loss on liquidation of \$13 thousand (RMB3 thousand) on June 25, 2014.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for 2014 and 2013 were based on the jointly controlled entity's financial statements audited by the auditors for the same reporting periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold Improvements	Other Equipment	Property in Construction	Total
<u>Cost</u>						
Balance at January 1, 2013	\$ 405,218	\$ 632,914	\$ 1,180,416	\$ 302,991	\$ 1,013,164	\$ 3,534,703
Additions	-	21,388	96,390	39,184	230,940	387,902
Disposals	-	-	(87,359)	(58,972)	-	(146,331)
Reclassified	11,195	265,521	170,586	-	(1,259,402)	(812,100)
Effect of foreign currency exchange differences	<u>(608)</u>	<u>17,311</u>	<u>48,910</u>	<u>8,085</u>	<u>42,538</u>	<u>116,236</u>
Balance at December 31, 2013	<u>\$ 415,805</u>	<u>\$ 937,134</u>	<u>\$ 1,408,943</u>	<u>\$ 291,288</u>	<u>\$ 27,240</u>	<u>\$ 3,080,410</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2013	\$ -	\$ 175,923	\$ 784,272	\$ 221,520	\$ -	\$ 1,181,715
Disposals	-	-	(75,928)	(53,861)	-	(129,789)
Depreciation expense	-	27,071	186,540	32,619	-	246,230
Reclassified	-	(464)	(1,447)	-	-	(1,911)
Effect of foreign currency exchange differences	<u>-</u>	<u>3,514</u>	<u>36,743</u>	<u>6,194</u>	<u>-</u>	<u>46,451</u>
Balance at December 31, 2013	<u>\$ -</u>	<u>\$ 206,044</u>	<u>\$ 930,180</u>	<u>\$ 206,472</u>	<u>\$ -</u>	<u>\$ 1,342,696</u>
Carrying amounts at December 31, 2013	<u>\$ 415,805</u>	<u>\$ 731,090</u>	<u>\$ 478,763</u>	<u>\$ 84,816</u>	<u>\$ 27,240</u>	<u>\$ 1,737,714</u>

(Continued)

	Land	Buildings	Leasehold Improvements	Other Equipment	Property in Construction	Total
<u>Cost</u>						
Balance at January 1, 2014	\$ 415,805	\$ 937,134	\$ 1,408,943	\$ 291,288	\$ 27,240	\$ 3,080,410
Additions	-	-	88,480	12,066	66,410	166,956
Disposals	-	-	(51,546)	(23,910)	-	(75,456)
Reclassified	16,792	7,865	28,505	-	(31,043)	22,119
Effect of foreign currency exchange differences	<u>261</u>	<u>22,394</u>	<u>45,620</u>	<u>10,497</u>	<u>1,976</u>	<u>80,748</u>
Balance at December 31, 2014	<u>\$ 432,858</u>	<u>\$ 967,393</u>	<u>\$ 1,520,002</u>	<u>\$ 289,941</u>	<u>\$ 64,583</u>	<u>\$ 3,274,777</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2014	\$ -	\$ 206,044	\$ 930,180	\$ 206,472	\$ -	\$ 1,342,696
Disposals	-	-	(43,036)	(22,036)	-	(65,072)
Depreciation expense	-	26,628	189,426	27,874	-	243,928
Reclassified	-	673	2,765	-	-	3,438
Effect of foreign currency exchange differences	<u>-</u>	<u>4,375</u>	<u>35,552</u>	<u>8,332</u>	<u>-</u>	<u>48,259</u>
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 237,720</u>	<u>\$ 1,114,887</u>	<u>\$ 220,642</u>	<u>\$ -</u>	<u>\$ 1,573,249</u>
Carrying amounts at December 31, 2014	<u>\$ 432,858</u>	<u>\$ 729,673</u>	<u>\$ 405,115</u>	<u>\$ 69,299</u>	<u>\$ 64,583</u>	<u>\$ 1,701,528</u>

(Concluded)

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

Buildings	9-60 years
Leasehold improvements	3-5 years
Other equipment	3-15 years

Refer to Note 38 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings.

14. INVESTMENT PROPERTIES

	Investment Property
<u>Cost</u>	
Balance at January 1, 2013	\$ 113,646
Reclassified	812,100
Effect of foreign currency exchange differences	<u>9,602</u>
Balance at December 31, 2013	<u>\$ 935,348</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2013	\$ 13,029
Depreciation expense	13,145
Reclassified	1,911
Effect of foreign currency exchange differences	<u>195</u>
Balance at December 31, 2013	<u>\$ 28,280</u>
Carrying amounts at December 31, 2013	<u>\$ 907,068</u>

(Continued)

	Investment Property
<u>Cost</u>	
Balance at January 1, 2014	\$ 935,348
Reclassified	(22,119)
Effect of foreign currency exchange differences	<u>32,387</u>
Balance at December 31, 2014	<u>\$ 945,616</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2014	\$ 28,280
Depreciation expense	26,668
Reclassified	(3,438)
Effect of foreign currency exchange differences	<u>1,534</u>
Balance at December 31, 2014	<u>\$ 53,044</u>
Carrying amounts at December 31, 2014	<u>\$ 892,572</u>

The investment properties held by the Group were depreciated over useful lives of 10 to 60 years, 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>	
	<u>2014</u>	<u>2013</u>
<u>ROC</u>		
Fair value	<u>\$ 173,447</u>	<u>\$ 249,059</u>
Discount rate	1.43%-1.81%	1.56%-1.76%
<u>China</u>		
Fair value	<u>\$ 1,007,344</u>	<u>\$ 962,552</u>
Discount rate	7%	7%

All of the Group's investment property was held under freehold interests. The carrying amounts of investment properties pledged by the Group to secure borrowings were shown in Note 38.

15. GOODWILL

	2014	2013
<u>Cost</u>		
Beginning and end of the year	\$ <u>11,423</u>	\$ <u>11,423</u>

For 2014 and 2013, there was no indication that goodwill will be impaired after reviewing the recoverable amount of goodwill.

16. INTANGIBLE ASSETS

	Patents	Computer Software	Total
<u>Cost</u>			
Balance at January 1, 2013	\$ 23,140	\$ 39,878	\$ 63,018
Additions	1,638	7,224	8,862
Derecognition	-	(2,064)	(2,064)
Effect of foreign currency exchange differences	<u>-</u>	<u>1,188</u>	<u>1,188</u>
Balance at December 31, 2013	<u>\$ 24,778</u>	<u>\$ 46,226</u>	<u>\$ 71,004</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2013	\$ 15,161	\$ 16,172	\$ 31,333
Derecognition	-	(2,064)	(2,064)
Amortization expense	1,716	11,615	13,331
Effect of foreign currency exchange differences	<u>-</u>	<u>469</u>	<u>469</u>
Balance at December 31, 2013	<u>\$ 16,877</u>	<u>\$ 26,192</u>	<u>\$ 43,069</u>
Carrying amounts at December 31, 2013	<u>\$ 7,901</u>	<u>\$ 20,034</u>	<u>\$ 27,935</u>
<u>Cost</u>			
Balance at January 1, 2014	\$ 24,778	\$ 46,226	\$ 71,004
Additions	2,075	20,952	23,027
Derecognition	-	(9,357)	(9,357)
Effect of foreign currency exchange differences	<u>-</u>	<u>1,342</u>	<u>1,342</u>
Balance at December 31, 2014	<u>\$ 26,853</u>	<u>\$ 59,163</u>	<u>\$ 86,016</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2014	\$ 16,877	\$ 26,192	\$ 43,069
Derecognition	-	(9,357)	(9,357)
Amortization expense	1,700	14,952	16,652
Effect of foreign currency exchange differences	<u>-</u>	<u>843</u>	<u>843</u>
Balance at December 31, 2014	<u>\$ 18,577</u>	<u>\$ 32,630</u>	<u>\$ 51,207</u>
Carrying amounts at December 31, 2014	<u>\$ 8,276</u>	<u>\$ 26,533</u>	<u>\$ 34,809</u>

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

Patents	10 years
Computer software	3-5 years

17. PREPAYMENTS FOR LEASE

	<u>December 31</u>	
	2014	2013
Current asset	\$ 3,838	\$ 3,687
Noncurrent asset	<u>142,837</u>	<u>141,222</u>
	<u>\$ 146,675</u>	<u>\$ 144,909</u>

Shanghai Les Enphants Children Articles Co., Ltd. signed a contract with Shanghai Qi Bao Industry Co., Ltd. and Shanghai Municipal Housing Land and Resource Administrative Bureau to get land use rights amounting to RMB26,325 thousand and valid from August 20, 2007 to August 19, 2057.

In September 2008, Suzhou Les Enphants Logist Co., Ltd. acquired the rights to use state-owned land by RMB6,739 thousand from September 2008 to September 2058.

18. OTHER ASSETS

	<u>December 31</u>	
	2014	2013
<u>Current</u>		
Others	<u>\$ 4,104</u>	<u>\$ 4,488</u>
<u>Noncurrent</u>		
Cash surrender value of life insurance	\$ 42,048	\$ 39,102
Others	<u>1,490</u>	<u>1,405</u>
	<u>\$ 43,538</u>	<u>\$ 40,507</u>

19. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	2014	2013
Unsecured bank loans	\$ 695,689	\$ 630,738
Secured bank loans	-	3,767
Loans from related parties	<u>-</u>	<u>4,567</u>
	<u>\$ 695,689</u>	<u>\$ 639,072</u>

At the end of the reporting period, the interest rates on the short-term loans were as follows:

	<u>December 31</u>	
	2014	2013
Unsecured bank loans	1.450%-7.750%	2.131%-5.600%
Secured bank loans	-	5.181%-7.750%
Loans from related parties	-	5.00%

20. SHORT-TERM BILLS PAYABLE

	<u>December 31</u>	
	2014	2013
Commercial paper	\$ 25,000	\$ -
Less: Unamortized discount on bills payable	<u>12</u>	<u>-</u>
	<u>\$ 24,988</u>	<u>\$ -</u>

December 31, 2014

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Value	Interest Rate	Collateral	The Carrying Value of Collateral
<u>Commercial paper</u>						
Mega Bills Finance	<u>\$ 25,000</u>	<u>\$ 12</u>	<u>\$ 24,988</u>	0.85%-0.88%	None	<u>\$ -</u>

21. BONDS PAYABLE

	<u>December 31</u>	
	2014	2013
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.

22. LONG-TERM LOANS

	December 31	
	2014	2013
Unsecured bank loans	\$ 324,427	\$ 275,630
Secured bank loans	<u>561,716</u>	<u>650,880</u>
	886,143	926,510
Less: Current portion	<u>69,340</u>	<u>98,307</u>
	<u>\$ 816,803</u>	<u>\$ 828,203</u>

At the end of the reporting periods, the interest rates on long-term loans were as follows:

	December 31	
	2014	2013
Unsecured bank loans	1.65%-3.00%	1.25%-3.00%
Secured bank loans	1.30%-6.63%	1.30%-6.63%

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

The secured loans of Shanghai Les Enphants Children Articles Co., Ltd. from Bank of China will due in May 2016.

Les Enphants Marketing (Thailand) Co., Ltd.'s unsecured loans will due in September 2016.

23. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Notes payable</u>		
Notes payable - operating	\$ <u>11,437</u>	\$ <u>11,442</u>
<u>Trade payables</u>		
Trade payables - operating	\$ <u>958,963</u>	\$ <u>728,425</u>

24. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Other payables</u>		
Salaries	\$ 204,925	\$ 189,868
Payable for tax	318,093	234,839
Others	<u>159,190</u>	<u>159,311</u>
	<u>\$ 682,208</u>	<u>\$ 584,018</u>
<u>Deferred revenue</u>		
Arising from customer loyalty program	<u>\$ 14,412</u>	<u>\$ 10,653</u>
<u>Other current liabilities</u>		
Others	<u>\$ 30,767</u>	<u>\$ 50,723</u>

25. PROVISIONS

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
<u>Current</u>		
Customer returns and rebates	<u>\$ 24,911</u>	<u>\$ 24,240</u>
		Customer Return and Rebates
Balance at January 1, 2013		\$ 19,456
Additional provisions recognized		36,906
Usage		(32,885)
Effect of foreign currency exchange differences		<u>763</u>
Balance at December 31, 2013		<u>24,240</u>

(Continued)

	Customer Return and Rebates
Additional provisions recognized	\$ 41,283
Usage	(40,644)
Effect of foreign currency exchange differences	<u>32</u>
Balance at December 31, 2014	<u>\$ 24,911</u> (Concluded)

The provision of customer returns and rebates was estimated on the basis of historical experience, management's judgment and other known reasons estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

26. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and Les Champions Co., Ltd. of the Group adopted a pension plan under the Labor Pension Act (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.

The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China Land. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The Company and Les Champions Co., Ltd. of the Group 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 and Les Champions Co., Ltd. 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:

	December 31			
	2014		2013	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
Discount rates	2.00%	2.00%	2.00%	2.00%
Expected return on plan assets	1.75%	1.75%	1.75%	1.75%
Expected rates of salary increase	2.00%	2.00%	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:

	2014		2013	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
	Current service cost	\$ 8,715	\$ 373	\$ 9,681
Interest cost	7,575	270	5,809	189
Expected return on plan assets	<u>(446)</u>	<u>(15)</u>	<u>(702)</u>	<u>(13)</u>
	<u>\$ 15,844</u>	<u>\$ 628</u>	<u>\$ 14,788</u>	<u>\$ 531</u>
Analysis by function				
Operating cost	\$ 2,234	\$ -	\$ 1,771	\$ -
Operating expenses	<u>13,610</u>	<u>628</u>	<u>13,017</u>	<u>531</u>
	<u>\$ 15,844</u>	<u>\$ 628</u>	<u>\$ 14,788</u>	<u>\$ 531</u>

Actuarial gains recognized in other comprehensive income were \$25,637 thousand for 2014 and \$3,644 thousand for 2013. Recognized in other comprehensive income as of December 31, 2014 and 2013 were a cumulative actuarial gain of \$19,566 thousand and a cumulative actuarial loss of \$6,071 thousand, respectively.

The amounts included in the consolidated balance sheets arising from the Group's obligation in respect of its defined benefit plans were as follows:

	December 31			
	2014		2013	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
Present value of funded defined benefit obligation	\$ 348,965	\$ 13,947	\$ 381,675	\$ 13,564
Fair value of plan assets	<u>(12,333)</u>	<u>(957)</u>	<u>(26,452)</u>	<u>(849)</u>
Net liability arising from defined benefit obligation	<u>\$ 336,632</u>	<u>\$ 12,990</u>	<u>\$ 355,223</u>	<u>\$ 12,715</u>

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

	For the Year Ended at December 31			
	2014		2013	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
Opening defined benefit obligation	\$ 381,675	\$ 13,564	\$ 389,354	\$ 12,686
Current service cost	8,715	373	9,681	355
Interest cost	7,575	270	5,809	189
Actuarial losses (gains)	(30,398)	(260)	(4,963)	334
Benefits paid	<u>(18,602)</u>	<u>-</u>	<u>(18,206)</u>	<u>-</u>
Closing defined benefit obligation	<u>\$ 348,965</u>	<u>\$ 13,947</u>	<u>\$ 381,675</u>	<u>\$ 13,564</u>

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

	For the Year Ended at December 31			
	2014		2013	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
Opening fair value of plan assets	\$ 26,452	\$ 849	\$ 40,292	\$ 754
Expected return on plan assets	446	15	702	13
Actuarial losses	226	5	(236)	(3)
Contributions from the employer	1,984	88	2,074	85
Benefits paid	<u>(16,775)</u>	<u>-</u>	<u>(16,380)</u>	<u>-</u>
Closing fair value of plan assets	<u>\$ 12,333</u>	<u>\$ 957</u>	<u>\$ 26,452</u>	<u>\$ 849</u>

For the years ended December 31, 2014 and 2013, the actual returns on plan assets were \$692 thousand and \$476 thousand, respectively.

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs, as follows:

	December 31, 2014		December 31, 2013		December 31, 2012		January 1, 2012	
	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.	The Company	Les Champions Co., Ltd.
Present value of defined benefit obligation	<u>\$ 348,965</u>	<u>\$ 13,947</u>	<u>\$ 381,675</u>	<u>\$ 13,564</u>	<u>\$ 389,354</u>	<u>\$ 12,686</u>	<u>\$ 372,565</u>	<u>\$ 11,161</u>
Fair value of plan assets	<u>\$ 12,333</u>	<u>\$ 957</u>	<u>\$ 26,452</u>	<u>\$ 849</u>	<u>\$ 40,292</u>	<u>\$ 754</u>	<u>\$ 44,000</u>	<u>\$ 669</u>
Deficit	<u>\$ 336,632</u>	<u>\$ 12,990</u>	<u>\$ 355,223</u>	<u>\$ 12,715</u>	<u>\$ 349,062</u>	<u>\$ 11,932</u>	<u>\$ 328,565</u>	<u>\$ 10,492</u>
Experience adjustments on plan liabilities	<u>\$ (30,398)</u>	<u>\$ (260)</u>	<u>\$ (4,963)</u>	<u>\$ 334</u>	<u>\$ 10,213</u>	<u>\$ 1,008</u>	<u>\$ -</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ 226</u>	<u>\$ 5</u>	<u>\$ (236)</u>	<u>\$ (3)</u>	<u>\$ (478)</u>	<u>\$ (6)</u>	<u>\$ -</u>	<u>\$ -</u>

The Group expects to make contributions of \$3,665 thousand and \$4,102 thousand to the defined benefit plans for the years ended December 31, 2015 and 2014, respectively.

27. EQUITY

a. Share capital

Common shares

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Number 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>
Share 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.

Of the Company's shares authorized, 30,000 thousand shares and 5,000 thousand shares 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. 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 Guidelines 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 Guidelines 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 in 2014 and 2013 and the amounts recognized in the financial statements for the years ended December 31, 2013 and 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

	<u>For the Year Ended December 31</u>	
	2014	2013
Balance at January 1 and December 31, 2014	\$ <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. Other equity items

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

	<u>For the Year Ended December 31</u>	
	2014	2013
Balance at January 1	\$ 36,754	\$ (68,316)
Exchange differences on translating the financial statements of foreign operations	106,756	126,405
Share of exchange differences of associates/jointly controlled entities accounted for using the equity method	76	118
Income tax on the exchange differences of associates/jointly controlled entities 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

	<u>For the Year Ended December 31</u>	
	2014	2013
Balance at January 1	\$ (2,311)	\$ (2,061)
Unrealized gain on the 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>

f. Noncontrolling interests

	2014	2013
Balance at January 1	\$ 115,017	\$ 97,484
Attributable to noncontrolling interests:		
Share of profit for the year	11,029	13,693
Cash dividends of subsidiaries	(6,174)	-
Exchange difference arising on translation of foreign entities	3,065	2,220
Actuarial gain and loss on defined benefit plans	173	(220)
Income tax related to actuarial gain and losses	(29)	37
Noncontrolling interests arising from warrants issued by subsidiaries (Note 32)	885	1,810
Acquisition of noncontrolling interests in subsidiaries	<u>-</u>	<u>(7)</u>
Balance at December 31	<u>\$ 123,966</u>	<u>\$ 115,017</u>

28. REVENUE

	2014	2013
Revenue from the sale of goods	\$ 9,302,126	\$ 9,257,971
Revenue from the warehouse storage	<u>27,801</u>	<u>47,278</u>
	<u>\$ 9,329,927</u>	<u>\$ 9,305,249</u>

29. NET PROFIT (LOSS)

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

a. Other income

	For the Year Ended December 31	
	2014	2013
Rental income		
Operating lease rental income		
Investment property	\$ 75,755	\$ 30,473
Interest income	5,859	5,308
Dividends	<u>1,529</u>	<u>41</u>
	<u>\$ 83,143</u>	<u>\$ 35,822</u>

b. Other gains and losses

	For the Year Ended December 31	
	2014	2013
Net gain (loss) arising on financial assets designated as at FVTPL	\$ 1,856	\$ (316)
Other revenue	18,595	17,967
Direct operating expenses of investment property	(36,087)	(22,455)

(Continued)

	For the Year Ended December 31	
	2014	2013
Depreciation expense for investment property	\$ (26,668)	\$ (13,145)
Loss on disposal of property, plant and equipment	(8,903)	(9,204)
Net foreign exchange gains (losses)	(1,470)	8,730
Gain on disposal of financial assets	(579)	432
Other expense	<u>(15,500)</u>	<u>(3,343)</u>
	<u>\$ (68,756)</u>	<u>\$ (21,334)</u>
		(Concluded)

c. Finance costs

	For the Year Ended December 31	
	2014	2013
Interest on bank loans	\$ 50,364	\$ 70,580
Interest on convertible bonds	10,132	9,719
Interest on loans from related parties	73	263
Other interests	<u>407</u>	<u>108</u>
Total interest expense for financial liabilities measured at amortized cost	60,976	80,670
Less: Amounts included in the cost of qualifying assets	<u>-</u>	<u>13,946</u>
	<u>\$ 60,976</u>	<u>\$ 66,724</u>

Information on capitalized interest is as follows:

	For the Year Ended December 31	
	2014	2013
Capitalized interest	\$ -	\$ 13,946
Capitalization rate	-	2.075%-6.900%

d. Depreciation and amortization

	For the Year Ended December 31	
	2014	2013
Property, plant and equipment	\$ 243,928	\$ 246,230
Investment property	26,668	13,145
Intangible assets	16,652	13,331
Prepayments for lease	<u>3,709</u>	<u>3,660</u>
	<u>\$ 290,957</u>	<u>\$ 276,366</u>
An analysis of depreciation by function		
Operating costs	\$ 2,683	\$ 2,847
Operating expenses	241,245	243,383
Other gains and losses	<u>26,668</u>	<u>13,145</u>
	<u>\$ 270,596</u>	<u>\$ 259,375</u>
		(Continued)

	For the Year Ended December 31	
	2014	2013
An analysis of amortization by function		
Operating costs	\$ 897	\$ 955
Operating expenses	<u>19,464</u>	<u>16,036</u>
	<u>\$ 20,361</u>	<u>\$ 16,991</u>
		(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	\$ 1,451,970	\$ 1,404,496
Post-employment benefits		
Defined contribution plans	180,868	167,237
Defined benefit plans	<u>16,472</u>	<u>15,319</u>
	<u>197,340</u>	<u>182,556</u>
Share-based payments		
Equity-settled	<u>885</u>	<u>1,810</u>
Other employee benefits	<u>113,106</u>	<u>127,722</u>
Total employee benefits expense	<u>\$ 1,763,301</u>	<u>\$ 1,716,584</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 79,898	\$ 96,623
Operating expenses	<u>1,683,403</u>	<u>1,619,961</u>
	<u>\$ 1,763,301</u>	<u>\$ 1,716,584</u>

30. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax income were as follows:

	For the Year Ended December 31	
	2014	2013
Current tax		
In respect of the current year	\$ 16,989	\$ 18,421
Adjustments for prior periods	1,723	(555)
Foreign royalty income tax	<u>-</u>	<u>2,429</u>
	18,712	20,295
Deferred tax		
In respect of the current year	<u>(66,976)</u>	<u>(73,231)</u>
Income tax benefit recognized in profit or loss	<u>\$ (48,264)</u>	<u>\$ (52,936)</u>

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

	For the Year Ended December 31	
	2014	2013
Loss before tax	\$ (142,528)	\$ (111,547)
Income tax benefit calculated at the statutory rate	\$ (40,911)	\$ (29,090)
Nondeductible expenses used in determining taxable income	12,374	3,381
Deferred tax on undistributed earnings from subsidiaries	(30,990)	(17,894)
Additional income tax on unappropriated earnings	55	877
Unrecognized deductible temporary differences	9,485	(12,084)
Foreign royalty income tax	-	2,429
Assessments for prior years' tax	(329)	-
Adjustments for prior years' tax	<u>2,052</u>	<u>(555)</u>
Income tax benefit recognized in profit or loss	\$ <u>(48,264)</u>	\$ <u>(52,936)</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized directly in equity

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

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	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>(5,252)</u>	<u>(746)</u>
Total income tax recognized in other comprehensive income	\$ <u>(23,370)</u>	\$ <u>(22,199)</u>

d. Current tax assets and liabilities

	December 31	
	2014	2013
Current tax assets		
Tax refund receivable	\$ <u>10,184</u>	\$ <u>8,752</u>
Current tax liabilities		
Income tax payable	\$ <u>12,971</u>	\$ <u>6,161</u>

e. Deferred tax assets and liabilities

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	Exchange Differences	Others	Closing Balance
<u>Deferred tax assets</u>								
Temporary differences								
Defined benefit obligation	\$ 62,943	\$ 2,157	\$ (5,252)	\$ -	\$ -	\$ -	\$ -	\$ 59,848
Accrued salaries	16,802	4,375	-	-	-	846	-	22,023
Provision for loss on inventories	13,032	(7,406)	-	-	-	194	-	5,820
Unrealized gross profit on sale	10,142	(612)	-	-	-	345	-	9,875
Payable for annual leave	6,945	(1,520)	-	-	-	209	-	5,634
Provisions	5,450	182	-	-	-	8	-	5,640
Deferred revenue	2,252	787	-	-	-	74	-	3,113
Allowance for impaired receivables	1,927	381	-	-	-	82	-	2,390
Liability component of convertible bonds issued	572	(280)	-	-	-	-	-	292
Unrealized exchange loss	41	117	-	-	-	-	-	158
Equity component of convertible bonds issued	29	-	-	-	(14)	-	-	15
Others	14,314	6,571	-	-	-	909	-	21,794
	134,449	4,752	(5,252)	-	(14)	2,667	-	136,602
Tax loss carryforwards losses	62,088	31,903	-	-	-	4,270	-	98,261
	<u>\$ 196,537</u>	<u>\$ 36,655</u>	<u>\$ (5,252)</u>	<u>\$ -</u>	<u>\$ (14)</u>	<u>\$ 6,937</u>	<u>\$ -</u>	<u>\$ 234,863</u>
<u>Deferred tax liabilities</u>								
Temporary differences								
Share of profit or loss of associates and joint venture	\$ 227,052	\$ (30,990)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196,062
Exchange differences on translating foreign operations	37,470	-	18,118	-	-	-	-	55,588
Unrealized exchange gain	-	639	-	-	-	-	-	639
Others	291	16	-	-	-	19	-	326
	<u>\$ 264,813</u>	<u>\$ (30,335)</u>	<u>\$ 18,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 252,615</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	Exchange Differences	Others	Closing Balance
<u>Deferred tax assets</u>								
Temporary differences								
Defined benefit obligation	\$ 61,834	\$ 1,855	\$ (746)	\$ -	\$ -	\$ -	\$ -	\$ 62,943
Provision for loss on inventories	11,526	1,286	-	-	-	220	-	13,032
Investment loss recognized under the equity method	1,530	(1,530)	-	-	-	-	-	-
Payable for annual leave	2,332	4,507	-	-	-	106	-	6,945
Deferred revenue	2,026	157	-	-	-	69	-	2,252

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Recognized Directly in Equity	Reclassified From Equity to Profit or Loss	Exchange Differences	Others	Closing Balance
Unrealized gross profit on sale	\$ 821	\$ 9,191	\$ -	\$ -	\$ -	\$ 130	\$ -	\$ 10,142
Doubtful debts	2,031	(29)	-	-	-	(75)	-	1,927
Provisions	4,358	892	-	-	-	200	-	5,450
Accrued salaries	24,131	(8,293)	-	-	-	964	-	16,802
Unrealized exchange loss	60	(19)	-	-	-	-	-	41
Liability component of convertible bonds issued	-	(269)	-	-	-	-	841	572
Equity component of convertible bonds issued	-	-	-	43	(14)	-	-	29
Others	11,588	5,289	-	-	-	(2,563)	-	14,314
	122,237	13,037	(746)	43	(14)	(949)	841	134,449
Tax losses	18,338	42,208	-	-	-	1,542	-	62,088
	<u>\$ 140,575</u>	<u>\$ 55,245</u>	<u>\$ (746)</u>	<u>\$ 43</u>	<u>\$ (14)</u>	<u>\$ 593</u>	<u>\$ 841</u>	<u>\$ 196,537</u>
Deferred tax liabilities								
Temporary differences								
Investment gain recognized under the equity method	\$ 244,946	\$ (17,894)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,052
Exchange differences on translating foreign operations	16,017	-	21,453	-	-	-	-	37,470
Unrealized exchange gain	70	(70)	-	-	-	-	-	-
Others	399	(36)	-	-	-	(72)	-	291
	<u>\$ 261,432</u>	<u>\$ (18,000)</u>	<u>\$ 21,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (72)</u>	<u>\$ -</u>	<u>\$ 264,813</u>

(Concluded)

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

	December 31	
	2014	2013
Loss carryforwards	<u>\$ 48,302</u>	<u>\$ -</u>
Deductible temporary differences	<u>\$ 19,699</u>	<u>\$ 38,340</u>

- g. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2014 comprised:

Unused Amount	Expiry Year
\$ 31,335	104
51,563	105
176,682	107
<u>186,237</u>	108
<u>\$ 445,817</u>	

h. Integrated income tax

	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
Imputation credits accounts (ICAs)		
The Company	\$ <u>17,055</u>	\$ <u>11,959</u>
Les Champions Co., Ltd.	\$ <u>16,783</u>	\$ <u>15,652</u>
Mike & Friends Co., Ltd.	\$ <u>51</u>	\$ <u>1,418</u>

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

i. Income tax assessments

The tax returns of the Company and Mike & Friends Co., Ltd. through 2012 had been assessed and cleared by the tax authorities. The tax return of Les Champions Co., Ltd. through 2013 had been assessed and cleared by the tax authorities.

31. 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 common 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 common shares outstanding (in thousand shares):

	2014	2013
Weighted average number of common shares outstanding used in the 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.

32. SHARE-BASED PAYMENT ARRANGEMENTS

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 paid-in capital, the exercise price is adjusted accordingly.

Information on employee stock options is 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	<u>(281)</u>	0.296	<u>(110)</u>	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 on 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 model; 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 costs recognized were \$885 thousand for 2014 and \$1,810 thousand for 2013.

33. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of land and buildings with lease terms between 1 and 5 years. The Group 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	\$ 407,986	\$ 420,981
Later than 1 year and not later than 5 years	622,222	625,967
Later than 5 years	<u>-</u>	<u>83,574</u>
	<u>\$ 1,030,208</u>	<u>\$ 1,130,522</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>\$ 560,574</u>	<u>\$ 579,906</u>

b. The Group as lessor

Operating leases relate to the investment property owned by the Group 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	\$ 83,732	\$ 53,912
Later than 1 year and not later than 5 years	150,591	101,618
Later than 5 years	<u>-</u>	<u>-</u>
	<u>\$ 234,323</u>	<u>\$ 155,530</u>

34. 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.

35. CAPITAL MANAGEMENT

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

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

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

Key management personnel of the Group 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 Group 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.

36. 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 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 the 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	<u>\$ 31,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,536</u>
Available-for-sale financial assets				
Securities listed in the 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 Levels 1 and 2 in 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>	
	2014	2013
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 28,392	\$ 31,536
Loans and receivables (1)	2,194,261	1,800,892
Available-for-sale financial assets (2)	14,181	18,002
<u>Financial liabilities</u>		
Amortized cost (3)	3,946,867	3,561,729

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivable-net, trade and notes receivable 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, short-term bills payable, notes and trade payables, notes and trade payable to related parties, other payables, equipment payable, bonds payable and guarantee deposits.

c. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, bonds payable, borrowings and bill payables. The Group'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 Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

1) Market risk

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

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

a) Interest rate risk

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

The carrying amounts of the Group'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	\$ 205,857	\$ 76,965
Cash flow interest rate risk	684,082	445,706
Financial liabilities		
Fair value interest rate risk	793,163	680,327
Cash flow interest rate risk	1,403,085	1,464,551

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for nonderivative 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 2014 and 2013 would decrease/increase by \$2,059 thousand and \$770 thousand, respectively, and the cash flow from the financial assets at variable rates for 2014 and 2013 would increase/decrease by \$6,841 thousand and \$4,457 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 2014 and 2013 would increase/decrease by \$7,932 thousand and \$6,803 thousand, respectively; and the cash flow from the financial liabilities for 2014 and 2013 would decrease/increase by \$14,031 thousand and \$14,646 thousand.

The Group'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 Group 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 2014 and 2013 would have decreased by \$1,499 thousand and \$1,683 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 Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

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

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

The Group 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 Group. Further approval of the loans by the Group'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 Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group'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 Group's short, medium and long-term funding and liquidity management requirements.

The Group 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>Nonderivative financial liabilities</u>		
Noninterest bearing	\$ 1,209,079	\$ -
Variable interest rate liabilities	586,461	816,624
Fixed interest rate liabilities	<u>203,555</u>	<u>589,608</u>
	<u>\$ 1,999,095</u>	<u>\$ 1,406,232</u>

December 31, 2013

	Less Than 1 Year	1-5 Years
<u>Nonderivative financial liabilities</u>		
Noninterest bearing	\$ 981,823	\$ -
Variable interest rate liabilities	636,751	827,800
Fixed interest rate liabilities	<u>100,628</u>	<u>579,699</u>
	<u>\$ 1,719,202</u>	<u>\$ 1,407,499</u>

The amounts included above for variable interest rate instruments under nonderivative financial liabilities are subject to change if changes in variable interest rates differ from the interest rates estimated at the end of the reporting period.

37. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and its 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	Associates	<u>\$ 87,278</u>	<u>\$ 66,483</u>

b. Purchases of goods

Related Parties Types	For the Year Ended December 31	
	2014	2013
Associates	<u>\$ 141,325</u>	<u>\$ 146,319</u>

c. Allocation of advertising expenses

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

d. Royalty income

Related Parties Types	For the Year Ended December 31	
	2014	2013
Associates	<u>\$ 1,331</u>	<u>\$ 1,045</u>

e. Other income

Related Parties Types	For the Year Ended December 31	
	2014	2013
Associates	\$ 1,458	\$ 1,657
Joint ventures	<u>-</u>	<u>243</u>
	<u>\$ 1,458</u>	<u>\$ 1,900</u>

f. Receivables from related parties

Line Items	Related Parties Types	December 31	
		2014	2013
Trade and note receivables from related parties	Associates	\$ 32,441	\$ 17,049
	Key management personnel	-	64
	Others	<u>26</u>	<u>-</u>
		<u>\$ 32,467</u>	<u>\$ 17,113</u>

g. Payables to related parties

Line Items	Related Parties Types	December 31	
		2014	2013
Trade and note payables to related parties	Associates	<u>\$ 5,902</u>	<u>\$ 40,030</u>

h. Guarantee deposits

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

Shanghai Les Enphants Children Articles Co., Ltd. (“LES Shanghai”) sold its own products to Shanghai Holyca E-business Co., Ltd. at 35% to 60% of retail price. The collection and payment periods for Shanghai Holyca E-business Co., Ltd. were 10 days.

The Company bought products from L.E. Genius Toy (Taiwan) Co., Ltd. at 45% to 60% of retail price. The payment period was 90 days.

Les Champion Co., Ltd. bought products from L.E. Genius Toy (Taiwan) Co., Ltd. at 35% of retail price. The payment period was 60 days.

LES Shanghai signed a contract for LE - CLAIRE KIDS Co., Ltd. to use LES Shanghai’s trademark from November 11, 2010 to December 31, 2012. Under the agreement, it can be extended to December 31, 2014. The payment is based on the net purchase (15%) of licensed brand, which LES Shanghai should receive on June 30 and November 30 every year.

The Company rents office buildings out to its related parties. The rent was based on the local average rent and was paid by month.

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

The outstanding trade receivables from related parties were 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 were unsecured.

- i. Loans from related parties

Related Parties Types	December 31	
	2014	2013
Key management personnel	\$ <u> -</u>	\$ <u> 4,567</u>

Irene Chang granted an interest loan (annual interest rate - 5%) to Les Enphants Marketing (Thailand) Co., Ltd. to help the Company meet their business requirements. The highest outstanding amounts were \$4,567 thousand and \$6,142 thousand in 2014 and 2013, respectively, and interest expenses were \$73 thousand and \$263 thousand in 2014 and 2013, respectively.

- j. Compensation of key management personnel:

	For the Year Ended December 31	
	2014	2013
Short-term employee benefit	\$ 59,997	\$ 62,902
Post-employment benefit	2,865	2,750
Share-based payments	<u>885</u>	<u>1,810</u>
	<u>\$ 63,747</u>	<u>\$ 67,462</u>

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

38. ASSETS PLEDGED AS COLLATERALS OR SECURITY

The Group'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	1,097,295	1,090,406
Investment properties	<u>892,572</u>	<u>900,495</u>
	<u>\$ 2,062,538</u>	<u>\$ 2,035,584</u>

39. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group 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 ¥12,500 thousand each 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.

40. 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.

41. 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	\$ 2,310	31.65 (USD:NTD)	\$ 73,121
USD	25	6.1217 (USD:RMB)	782
USD	511	32.8128 (USD:THB)	16,220
USD	374	12,440 (USD:IDR)	11,971
RMB	7,958	5.092 (RMB:NTD)	40,524
KRW	1,191	0.0057 (KRW:RMB)	34
JPY	229	0.2646 (JPY:NTD)	61
JPY	2,106	0.052 (JPY:RMB)	557
HKD	369	4.08 (HKD:NTD)	1,504
HKD	16	0.7889 (HKD:RMB)	64
EUR	13	38.47 (EUR:NTD)	494
EUR	2	7.4556 (EUR:RMB)	89
NTD	38	0.1961 (NTD:RMB)	38
<u>Financial liabilities</u>			
Monetary items			
USD	1,006	31.65 (USD:NTD)	31,829
USD	15,117	6.119 (USD:RMB)	471,014

December 31, 2013

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 579	29.805 (USD:NTD)	\$ 17,262
USD	311	6.1023 (USD:RMB)	9,320
USD	513	32.6778 (USD:THB)	15,304
USD	146	12,189 (USD:IDR)	4,316
RMB	1,131	4.904 (RMB:NTD)	5,545
KRW	2,491	0.0058 (KRW:RMB)	70
JPY	319	0.2839 (JPY:NTD)	91
JPY	2,114	0.0579 (JPY:RMB)	600
HKD	371	3.843 (HKD:NTD)	1,424
HKD	13	0.7869 (HKD:RMB)	51
EUR	13	41.09 (EUR:NTD)	526
EUR	3	8.3884 (EUR:RMB)	104
NTD	22	0.2065 (NTD:RMB)	22
<u>Financial liabilities</u>			
Monetary items			
USD	740	29.805 (USD:NTD)	22,068
USD	18,000	6.1024 (USD:RMB)	538,671
USD	1	32.9494 (USD:THB)	24

42. 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) Intercompany relationships and significant intercompany transactions. (Table 6).
- 11) Information on investees. (Table 7).
- 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 8).
 - 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.

43. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Children's apparel and accessories.
- Leasing business.

Profit and loss of the Group's operating segments are the measure reported to the Group's chief operating decision maker for resource allocation and the assessment of segment performance.

a. Segment revenues and results

The analysis of the Group's revenue and results by reportable segment was as follows:

	Segment Revenue		Segment Profit (Loss)	
	For the Year Ended December 31		For the Year Ended December 31	
	2014	2013	2014	2013
Children's apparel and accessories	\$ 9,302,126	\$ 9,257,971	\$ (91,241)	\$ (76,952)
Leasing business	27,801	47,278	7,735	12,624
Total for operations	\$ 9,329,927	\$ 9,305,249	(83,506)	(64,328)
Other income			83,143	35,822
Other income and expense			(68,756)	(21,334)
Financial cost			(60,976)	(66,724)
Share of profit or loss of associates and jointly controlled entities accounted for using the equity method			(12,433)	5,017
Profit before tax			\$ (142,528)	\$ (111,547)

Segment revenue reported above was from external customers. The intersegment sales in 2014 and 2013 have not been presented because they pertained to transactions between the Company and subsidiaries, which have not been included in the consolidated financial statements.

Segment profit represents the profit earned by each segment without the investment income or loss recognized under the equity method, interest income, finance costs, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, gain or loss on disposal of properties, other income, other expense and income tax expense. This was the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

	December 31	
	2014	2013
Total segment assets	\$ -	\$ -
Other assets	8,197,027	7,805,507
Total consolidated segment assets	\$ 8,197,027	\$ 7,805,507
Total segment liabilities	\$ -	\$ -
Other liabilities	4,748,081	4,397,143
Total consolidated segment liabilities	\$ 4,748,081	\$ 4,397,143

c. Geographical information

The Group operates in four principal geographical areas - Taiwan, China, Indonesia and Thailand.

The Group's revenue from external customers by location of operations and information about its noncurrent assets by location of assets are detailed below.

	Revenue from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2014	2013	2014	2013
Taiwan	\$ 3,245,444	\$ 3,141,951	\$ 990,935	\$ 1,074,094
China	5,924,859	5,939,945	1,896,757	1,900,713
Indonesia	8,914	50,513	7,439	9,171
Thailand	<u>150,710</u>	<u>172,840</u>	<u>11,330</u>	<u>11,373</u>
	<u>\$ 9,329,927</u>	<u>\$ 9,305,249</u>	<u>\$ 2,906,461</u>	<u>\$ 2,995,351</u>

Noncurrent assets exclude noncurrent assets classified as held for sale, and exclude financial instruments, deferred tax assets, post-employment benefit assets, and assets arising from insurance contracts.

d. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2014 and 2013.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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.

Note 4: Transactions between the Company and its subsidiaries were excluded from the consolidated financial statements.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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. AND SUBSIDIARIES

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 7 and 8 for information relating to investments in subsidiaries, associates and joint ventures.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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. AND SUBSIDIARIES

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 Relationship	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	\$ -

Note: Transactions between the Company and its subsidiaries were excluded from the consolidated financial statements.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (In Thousands of New Taiwan Dollars)

No.	Name	Counterparty	Transaction Flows (Note 1)	Eliminated Accounts			% to Consolidated Total Assets or Total Revenues
				Accounts	Amount	Note	
0	Les Enphants Co., Ltd.	Shanghai Les Enphants Children Articles Co., Ltd.	a	Other receivable	\$ 7,621	Notes 2, 11 and 12	-
		Shanghai Les Enphants Children Articles Co., Ltd.	a	Nonoperating income and expenses	17,591	Notes 6, 11 and 12	-
		Les Enphants (Thailand) Co., Ltd.	a	Operating costs	1,339	Notes 6, 11 and 12	-
		Les Champions Co., Ltd.	a	Notes receivable	57,311	Notes 3, 11 and 12	1
		Les Champions Co., Ltd.	a	Accounts receivable	18,797	Notes 3, 11 and 12	-
		Les Champions Co., Ltd.	a	Accounts payable	8,361	Notes 3, 11 and 12	-
		Les Champions Co., Ltd.	a	Operating revenues	197,316	Notes 5, 11 and 12	2
		Les Champions Co., Ltd.	a	Operating revenues - warehouse revenue	32,562	Notes 4, 11 and 12	-
		Les Champions Co., Ltd.	a	Nonoperating income and expenses	1,463	Notes 4, 11 and 12	-
		Les Champions Co., Ltd.	a	Operating costs	32,279	Notes 5, 11 and 12	-
1	Souzhou Les Enphants Logist Co., Ltd.	Shanghai Les Enphants Children Articles Co., Ltd.	b	Accounts receivable	16,765	Notes 2, 11 and 12	-
		Shanghai Les Enphants Children Articles Co., Ltd.	b	Operating revenues	68,164	Notes 6, 11 and 12	1
		Beijing Les Enphants Children Articles Co., Ltd.	b	Accounts receivable	2,351	Notes 2, 11 and 12	-
		Beijing Les Enphants Children Articles Co., Ltd.	b	Operating revenues	26,653	Notes 6, 11 and 12	-
		Shanghai Lead Han Trading Co., Ltd.	b	Operating revenues	9,280	Notes 6, 11 and 12	-
		Shanghai L.C. Genius Co., Ltd.	b	Operating revenues	1,539	Notes 6, 11 and 12	-
2	Shanghai Les Enphants Children Articles Co., Ltd.	Beijing Les Enphants Children Articles Co., Ltd.	b	Accounts receivable	219,516	Notes 8, 11 and 12	3
		Beijing Les Enphants Children Articles Co., Ltd.	b	Other receivable	59,492	Notes 2, 11 and 12	-
		Beijing Les Enphants Children Articles Co., Ltd.	b	Operating revenues	677,994	Notes 9, 11 and 12	7
		Shanghai L.E. Genius Co., Ltd.	b	Nonoperating income and expenses	3,387	Notes 6, 11 and 12	-
		Shanghai Lead Han Trading Co., Ltd.	b	Accounts receivable	40,134	Notes 2, 11 and 12	-
		Shanghai Lead Han Trading Co., Ltd.	b	Accounts payable	5,299	Notes 7, 11 and 12	-
		Shanghai Lead Han Trading Co., Ltd.	b	Operating revenues	10,908	Notes 10, 11 and 12	-
		Shanghai Lead Han Trading Co., Ltd.	b	Operating costs	84,794	Notes 11 and 12	1
		Shanghai Lead Han Trading Co., Ltd.	b	Nonoperating income and expense	10,898	Notes 6, 11 and 12	-
3	Les Enphants (Thailand) Co., Ltd.	Les Enphants Thailand Marketing Co., Ltd.	b	Accounts receivable	13,286	Notes 7, 11 and 12	-
		Les Enphants Thailand Marketing Co., Ltd.	b	Operating revenues	44,225	Notes 4, 11 and 12	-

Note 1: Following are the two types of transaction flows:

- a. From the Company to the direct subsidiary.
- b. Between subsidiaries.

(Continued)

Note 2: Account settlement was based on certain agreements.

Note 3: The collection period and payment period were 90 days each.

Note 4: The related-party transactions were conducted under normal terms.

Note 5: The amount was at 40% to 45% of the unit price for sales and at 45% to 60% for purchases.

Note 6: The amount was based on intercompany transaction price negotiations.

Note 7: The collection period was 30 days.

Note 8: The payment period was 60-90 days.

Note 9: The amount was at 10% plus of the cost.

Note 10: The amount was at 8% plus of the cost.

Note 11: The amount was at 40% to 50% of the unit price for sales.

Note 12: Transactions between the Company and its subsidiaries were excluded from the consolidated financial statements.

Note 13: Only an intercompany transaction amounting to more than \$1,000 thousand is shown in this table.

(Concluded)

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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 8 for information relating to investment in Mainland China.

Note 4: The investment gain (loss) on transactions between the Company's indirect equity-method investees, the equity-method investment of investees, and the investee's net equity were excluded from the consolidated financial statements.

LES ENPHANTS CO., LTD. AND SUBSIDIARIES

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.	\$ 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 (RMB 476,921 thousand)	\$ -
	b. Development of business in Mainland China											
Shanghai Lead Han Trading Co., Ltd.	Distribution of children's clothes and supplies	162,944 (RMB 32,000 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)	-

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.

(Continued)

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.

Note 8: The investment gain (loss) on transactions between the Company's indirect equity-method investees, the equity-method investment of investees, and the investee's net equity were excluded from the consolidated financial statements.

(Concluded)