

Kino Biotech Co., Ltd. and Subsidiaries

**Consolidated Financial Statements and Independent
Auditor's Report**
2014 and 2013

Address: 178 Paya Lebar Road #04-02, Singapore 409030

Tel.: 65-62813888

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Independent Auditor's Report

To: Kino Biotech Co., Ltd.

We have audited the accompanying consolidated balance sheets of Kino Biotech Co., Ltd. as of December 31, 2014 and 2013, and the related consolidated statement of income, retained earnings, and cash flows for the January 1 to December 31, 2014 and 2013. The consolidated financial statements are the responsibility of the management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing Auditing and Certifications of Financial Statements by Certified Public Accountants and generally accepted auditing standards. 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 financial position of Kino Biotech Co., Ltd. as of December 31, 2014 and the results of its operations and its cash flows for the for the January 1 to December 31, 2014 and 2013 are in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRSs) approved by the Financial Supervisory Commission.

Deloitte & Touche
CPA Vita Kuo

CPA Yu-Wei Fan

Securities & Futures Committee of the
Ministry of Finance approval no.
Tai.cai.jen (VI) tzi No. 0920123784

Securities & Futures Committee of the
Ministry of Finance approval no.
Tai.cai.jen (VI) tzi No. 0920123784

March 31, 2015

Kino Biotech Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2014 and 2013

Unit: NTD Thousand

Code	Assets	December 31, 2014		December 31, 2013	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalent (Note IV & VI)	\$ 82,622	22	\$ 160,658	41
1170	Accounts receivable – net (Note IV, V, & VII)	123,778	33	89,325	23
1220	Current income tax assets (Note IV & XV)	-	-	1,527	-
130X	Inventories (Note IV, V, & VIII)	50,931	13	39,564	10
1470	Other current assets	30,999	8	21,057	5
11XX	Total current assets	<u>288,330</u>	<u>76</u>	<u>312,131</u>	<u>79</u>
	Noncurrent assets				
1600	Property, plant, and equipment (Note IV, IX, & XX)	78,153	21	73,499	19
1840	Deferred income tax assets (Note IV, V & XV)	1,601	-	1,460	-
1920	Guarantee deposit and margin paid (Note XIX)	6,716	2	5,888	1
1980	Other financial assets – noncurrent (Note IV & XX)	2,940	1	2,944	1
15XX	Total noncurrent assets	<u>89,410</u>	<u>24</u>	<u>83,791</u>	<u>21</u>
1XXX	Total assets	<u>\$ 377,740</u>	<u>100</u>	<u>\$ 395,922</u>	<u>100</u>
	Liabilities & Shareholder's equity				
	Current liabilities				
2170	Accounts payable	\$ 24,020	6	\$ 542	-
2200	Other payable (Note XI)	36,686	10	23,125	6
2230	Current income tax liability (Note IV & XV)	1,912	1	-	-
2250	Liability reserve – current (Note IV & XII)	4,326	1	4,074	1
2320	Long-term liability due in one year (Note X & XX)	3,298	1	1,743	1
21XX	Total current liability	<u>70,242</u>	<u>19</u>	<u>29,484</u>	<u>8</u>
	Noncurrent liability				
2540	Long-term loan (Note X & XX)	11,735	3	33,959	9
2570	Deferred income tax liability (Note IV & XV)	789	-	1,507	-
2645	Guarantee deposit and margin received (Note XIX)	502	-	518	-
25XX	Total noncurrent liability	<u>13,026</u>	<u>3</u>	<u>35,984</u>	<u>9</u>
2XXX	Total liabilities	<u>83,268</u>	<u>22</u>	<u>65,468</u>	<u>17</u>
	Equity attributable to the Company's shareholder (Note IV & XIII)				
3110	Common stock capital	202,130	54	218,000	55
3200	Additional paid-in capital	69,006	18	74,424	19
	Retained earnings				
3320	Special reserve	3,393	1	2,625	-
3350	Unappropriated retained earnings	27,237	7	38,798	10
3300	Total retained earnings	<u>30,630</u>	<u>8</u>	<u>41,423</u>	<u>10</u>
3410	Exchange difference from the translation of financial statements of foreign operations	741	-	(3,393)	(1)
3500	Treasury stocks	(8,035)	(2)	-	-
3XXX	Total equity	<u>294,472</u>	<u>78</u>	<u>330,454</u>	<u>83</u>
	Total Liabilities and Shareholder's equity	<u>\$ 377,740</u>	<u>100</u>	<u>\$ 395,922</u>	<u>100</u>

The Notes are an integral part of the financial statements.

Chairman: Ting Yen Hock

Manager: Chong Ka Wee

Chief Accountant: Jennifer Chin

Kino Biotech Co., Ltd. and Subsidiaries

Consolidated Income Statement

January 1 ~ December 31, 2014 and 2013

Unit: NTD Thousand, except for earnings per share in NTD

Code		2014		2013	
		Amount	%	Amount	%
	Operating income				
4110	Total sales income	\$ 485,815	108	\$ 377,836	106
4170	Sales return and discount	(37,028)	(8)	(22,091)	(6)
4100	Sales income – net (Note IV, V & XIX)	448,787	100	355,745	100
4300	Rent income (Note XIX)	742	-	1,257	-
4000	Total operating income	449,529	100	357,002	100
5000	Operating cost (Note IV, VIII, & XIV)	139,286	31	118,901	33
5900	Gross profit	310,243	69	238,101	67
	Operating expense (Note XIV & XIX)				
6100	Marketing expense	177,917	39	129,962	36
6200	Administrative expense	111,084	25	98,130	28
6000	Total operating expense	289,001	64	228,092	64
6900	Operating net income	21,242	5	10,009	3
	Non-operating income and expense (Note IV & XIV)				
7020	Other gains and losses	598	-	(1,114)	-
7050	Financial cost	(1,770)	-	(2,965)	(1)
7190	Other income	5,573	1	8,515	2
7000	Total Non-operating income and expense	4,401	1	4,436	1
7900	Net income before tax	25,643	6	14,445	4
7950	Income tax expense (Note IV & XV)	2,870	1	2,064	1
8200	Net income	22,773	5	12,381	3

(Continuing)

(Continuing)

<u>Code</u>		<u>2014</u>		<u>2013</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	Other comprehensive profit and loss				
8310	Exchange difference from the translation of financial statements of foreign operations	<u>\$ 4,134</u>	<u>1</u>	<u>(\$ 4,385)</u>	<u>(1)</u>
8500	Total comprehensive profit and loss - current	<u>\$ 26,907</u>	<u>6</u>	<u>\$ 7,996</u>	<u>2</u>
	Net income attributable to:				
8610	The company's shareholders	<u>\$ 22,773</u>	<u>5</u>	<u>\$ 12,381</u>	<u>3</u>
	Comprehensive profit and loss attributable to:				
8710	The company's shareholders	<u>\$ 26,907</u>	<u>6</u>	<u>\$ 7,996</u>	<u>2</u>
	Earnings per share (Note XVI)				
9710	Basic	<u>\$ 1.09</u>		<u>\$ 0.57</u>	

The Notes are an integral part of the financial statements.

Chairman: Ting Yen

Hock Manager: Chong Ka Wee

Chief Accountant: Jennifer Chin

Kino Biotech Co., Ltd. and Subsidiaries
Consolidated Statement of Retained Earnings
January 1 ~ December 31, 2014 and 2013

Unit: NTD Thousand

Equity attributable to the Company's shareholders

Code		Common stock capital		Additional paid-in capital – stock premium	Retained earnings		Other equity	Treasury stocks	Total Shareholder's equity
		Shares (in Thousand shares)	Amount		Special reserve	Unappropriated retained earnings	Exchange difference from the translation of financial statements of foreign operations		
A1	Balance – 1/1/2013	21,800	\$ 218,000	\$ 74,424	\$ 1,523	\$ 75,479	\$ 992	\$ -	\$ 370,418
	2012 Earnings appropriation and distribution								
B3	Special reserve	-	-	-	1,102	(1,102)	-	-	-
B5	Cash dividend	-	-	-	-	(47,960)	-	-	(47,960)
D1	2013 Net income	-	-	-	-	12,381	-	-	12,381
D3	2013 Other comprehensive profit and loss	-	-	-	-	-	(4,385)	-	(4,385)
Z1	Balance – 12/31/2013	21,800	218,000	74,424	2,625	38,798	(3,393)	-	330,454
	2013 Earnings appropriation and distribution								
B3	Special reserve	-	-	-	768	(768)	-	-	-
B5	Cash dividend	-	-	-	-	(11,118)	-	-	(11,118)
L1	Repurchase of 1,938 shares of treasury stock	-	-	-	-	-	-	(51,771)	(51,771)
L3	Repurchase of 1,587 shares of treasury stock	(1,587)	(15,870)	(5,418)	-	(22,448)	-	43,736	-
D1	2014 Net income	-	-	-	-	22,773	-	-	22,773
D3	2014 Other comprehensive profit and loss	-	-	-	-	-	4,134	-	4,134
Z1	Balance – December 31, 2014	20,213	\$ 202,130	\$ 69,006	\$ 3,393	\$ 27,237	\$ 741	(\$ 8,035)	\$ 294,472

The Notes are an integral part of the financial statements.

Chairman: Ting Yen Hock

Manager: Chong Ka Wee

Chief Accountant: Jennifer Chin

Kino Biotech Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flow
January 1 ~ December 31, 2014 and 2013

Unit: NTD Thousand

Code		2014	2013
	Cash flow from operating activities		
A10000	Net income	\$ 25,643	\$ 14,445
A20000	Adjustments:		
A20100	Depreciation expense	7,104	4,768
A20900	Interest expense	1,770	2,965
A23700	Falling (Rising) price of inventory	909	(2,637)
A21200	Interest income	(478)	(1,399)
A24100	Foreign exchange loss - net	364	963
A29900	Appropriated (Reversal) liability reserve	287	(1,328)
A20300	Bad debt expense	167	142
A22500	Disposal and obsolescent loss of property, plant, and equipment	-	213
A30000	Net changes in operating assets and liabilities		
A31150	Accounts receivable	(33,321)	28,677
A31200	Inventory	(11,673)	12,025
A31240	Other current assets	(9,664)	(14,683)
A32150	Accounts payable	23,489	(10,793)
A32180	Other payables	13,084	(3,534)
A33000	Cash inflow from operating activities	17,681	29,824
A33100	Interest received	478	1,399
A33500	Income tax paid	(239)	(2,025)
AAAA	Net cash inflow from operating activities	17,920	29,198
	Cash flow from investing activities		
B02700	Purchase of property, plant, and equipment	(11,721)	(9,559)
B03700	Increase of guarantee deposit and margin paid	(742)	(4,934)
B02800	Disposal of property, plant, and equipment	72	-
B06800	Decrease of other financial assets	-	6,238
BBBB	Net cash outflow from investing activities	(12,391)	(8,255)
	Cash flow from financing activities		
C04900	Cost of treasury stock repurchase	(51,771)	-
C01700	Long-term loan repaid	(21,217)	(2,941)
C04500	Dividend paid to the Company's shareholders	(11,118)	(47,960)

(Continuing)

(Continuing)

<u>Code</u>		<u>2014</u>	<u>2013</u>
C05600	Interest paid	(\$ 1,890)	(\$ 2,989)
C03100	Decrease of guarantee deposit and margin received	(24)	(427)
CCCC	Net cash outflow from financing activities	(86,020)	(54,317)
DDDD	Exchange rate effect on cash and cash equivalent	2,455	(1,489)
EEEE	Decrease of cash and cash equivalent	(78,036)	(34,863)
E00100	Cash and cash equivalent balance - beginning	<u>160,658</u>	<u>195,521</u>
E00200	Cash and cash equivalent balance - ending	<u>\$ 82,622</u>	<u>\$ 160,658</u>

The Notes are an integral part of the financial statements.

Chairman: Ting Yen Hock

Manager: Chong Ka Wee

Chief Accountant: Jennifer Chin

Kino Biotech Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
January 1 ~ December 31, 2014 and 2013
(Unless otherwise provided, Unit: NTD Thousand)

I. Company background and business operation

Kino Biotech Co., Ltd. (hereinafter referred to as the “Company”) was incorporated at British Cayman Islands on August 9 2010 primarily for the reorganization for trading of securities registered at GreTai Stock Market of the ROC. The business operation of the Group is for the sales of beauty healthcare products. The Company’s stock shares have been traded at GreTai GTSM since December 2011.

The Company’s functional currency is in Singapore Dollar. Since the Company is traded over the counter in Taiwan, to improve the comparability and consistency of financial statements, the consolidated financial statements are prepared in New Taiwan Dollar.

II. Financial statements passing date and procedure

The Board of Directors approved the consolidated financial statements for publication on March 31, 2015.

III. Application of newly published and amended standards and interpretations

(I) The Criteria for the Compilation of Financial Statements by Securities Issuers, which will be effective later, and the 2013 edition of IFRS, IAS, IFRIC, and SIC recognized by Financial Supervisory Commission (hereinafter referred to as the “FSC”).

According to FSC Letter Chin-Kuan-Cheng-Shen-Zi No. 1030029342 and Letter Chin-Kuan-Cheng-Shen-Zi No. 1030010325, consolidated operations shall adopt the 2013 edition of IFRS, IAS, IFRIC and SIC (hereinafter collectively known as “IFRSs”) released by IASB and recognized by FSC from 2015 onwards and related amendment to the Criteria for the Compilation of Financial Statements by Securities Issuers.

<i>The newly published / amended / revised standards and interpretations</i>	IASB announcement effective date (Note)
IFRSs “IFRSs revision - IAS 39 amendment (2009)” amendment	January 1, 2009 or January 1, 2010
IAS 39 “Embedded Derivatives” amendment	Effective in the period after June 30, 2009

(Continuing)

(Continuing)

<i>The newly published / amended / revised standards and interpretations</i>	<i>IASB announcement effective date (Note)</i>
"IFRSs improvement (2010)"	July 1, 2010 or January 1, 2011
"2009 – 2011 annual improvement"	January 1, 2014
IFRS 1 "Limited exemption for the first-time adoption of IFRS 7 comparative disclosure" amendment	January 7, 2010
IFRS 1 "Severe hyperinflation and first-time adoption fixed date removal" amendment	January 7, 2011
IFRS 1 "Government loans" amendment	January 1, 2014
IFRS 7 "Disclosure - Financial assets and financial liabilities offset" amendment	January 1, 2014
IFRS 7 "Disclosures - Financial assets transfer" amendment	January 7, 2011
IFRS 10 "Consolidated financial statements"	January 1, 2014
IFRS 11 "Joint agreement"	January 1, 2014
IFRS 12 "Disclosure of interests in other entities"	January 1, 2014
IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, joint agreement, and disclosure of interests in other entities: transitional and guidelines" amendment	January 1, 2014
IFRS 10, IFRS 12, and IAS 27 "Investment entity" amendment	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2014
IAS 1 "Expression of other comprehensive profit and loss" amendment	January 7, 2012
IAS 12 "Deferred income tax: Recovery of underlying assets" amendment	January 1, 2012
IAS 19 "Employees benefits" amendment	January 1, 2014
IAS 28 "Investment in affiliated companies and joint venture" amendment	January 1, 2014
IAS 32 "Financial assets and financial liabilities offset" amendment	January 1, 2014
IFRIC 20 "Stripping cost in the production phase of mine"	January 1, 2014

Note: Unless otherwise stated, the aforementioned newly published / amended / revised standards or interpretation is effective in the years after the respective date refers to above.

Except for the following illustrations, the application of these IFRSs 2013 version and the related "Regulations Governing the Preparation of Financial Reports by Securities Firms" amendments would not cause significant changes in the accounting policies of the Consolidated Company.

1. IFRS 13 "Fair Value Measurement"

IFRS 13 provides guidelines for the measurements of fair value. The fair value is defined, the fair value structure is established, and the measurement of fair value is disclosed in accordance with the guidelines referred to above. In addition, the contents of disclosure defined by the Standards is more extensive than the current standards, for example, current standards require only financial

instruments measured at fair value to be disclosed in accordance with the three-tier fair value. According to IFRS 13 all assets and liabilities subject to the Standards must be with the foregoing disclosure provided.

The measurement requirement in IFRS 13 can be adopted since the year of 2015.

2. IAS 1 “Expression of other comprehensive profit and loss” amendment

According to the amended standards, other comprehensive profit and loss items shall be classified by their nature and grouped as (1) not reclassified to profit and loss and (2) may be reclassified to profit and loss subsequently. The related income tax should also be grouped on the same basis. The aforementioned grouping is not mandatory before the said amendment in effect.

The consolidated income statements with the application of the aforementioned amendments by the consolidated operations in 2015 in retrospect. The titles of profits and loss accounts that may be subject to reclassification are expected to include the exchange difference between the financial statements of overseas operations.

Further to the above influence, the consolidated operations continue to assess the 2013 edition of IFRS on the financial performance in various fiscal periods to the date this financial statement is approved and released. Related influence shall be subject to disclosure after being properly assessed.

(II) IFRSs is published by the IASB but not yet recognized by the FSC.

The Consolidated Company has not adopted the following IFRSs published by the IASB but not yet recognized by the FSC. The FSC has not yet announced the effective date up to the date the consolidated financial report has been approved and published.

<i>The newly published / amended / revised standards and interpretations</i>	IASB announcement effective date (Note 1)
“2010 – 2012 annual improvement”	July 1, 2014 (Note 2)
“2011 – 2013 annual improvement”	July 1, 2014
“2012 – 2014 annual improvement”	January 1, 2016 (Note 4)
IFRS 9 “Financial instruments”	January 1, 2018
IFRS 9 and IFRS 7 “Mandatory effective date and transitional disclosure” amendment	January 1, 2018
IFRS 10 and IAS 28 amendment “Assets sales or contribution between the investor and the affiliated company or joint venture.”	January 1, 2016 (Note 3)
IFRS 10, IFRS 12, and IAS 28 amendments “Investment entity: Application of the exceptions to the consolidated financial statements.”	January 1, 2016
IFRS 11 amendment “Acquisition of joint operation equity.”	January 1, 2016
IFRS 14 “Restrictive deferred account”	January 1, 2016
IFRS 15 “Income from customer contracts”	January 1, 2017
IAS 1 amendment “Disclosure Plan”	January 1, 2016
IAS 16 and IAS 38 amendments “An acceptable explanation of the depreciation and amortization method.”	January 1, 2016

(Continuing)

(Continuing)

<i>The newly published / amended / revised standards and interpretations</i>	IASB announcement effective date (Note 1)
IAS 16 and IAS 41 amendment “Agriculture: Production Plant”	January 1, 2016
IAS 19 “Defined benefit plan: Employee contribution” amendment	July 1, 2014
IAS 36 “Disclosure of non-financial assets recoverable amount” amendment	January 1, 2014
IAS 39 “The change in derivatives contract and the continuance of hedging accounting” amendment	January 1, 2014
IFRIC 21 “Taxation”	January 1, 2014

Note 1: Unless otherwise stated, the aforementioned newly published / amended / revised standards or interpretation is effective in the years after the respective date refers to above.

Note 2: The grant date of the share-based payment transactions after July 1, 2014 is entitled to the IFRS 2 amendment. The acquisition date of the business merger after July 1, 2014 is entitled to IFRS 3 amendment. IFRS 13 amendment is effective immediately. The remaining amendments are effective in the years after July 1, 2014.

Note 3: It can be adopted for the transactions taking place in the years after January 1, 2016.

Note 4: Further to the adoption of the amended IFRS 5, which is deferred to the fiscal years beyond January 1 2016, all other amendments shall be applicable to the fiscal period starting from January 1 2016.

In addition to the following instructions, the implementation of the aforementioned newly published / amended / revised standards or interpretations will not cause significant changes to the consolidated company’s accounting policies:

1. IFRS 9 “Financial instruments”

Recognition and measuring of the financial assets

In the aspect of the financial assets, all those, which previously belonged to IAS 39 recognition and measuring scope of the “financial instruments” and the subsequent measuring of the financial assets, were measured with the post-amortization cost or with the measuring of fair values. IFRS 9 has financial assets classified as follows:

The investment of the consolidated operations in financial assets beyond debt instruments shall be accounted for at fair value the change of which shall be recognized as profit or loss. However, the Consolidated Company may choose at the time of original recognition to have the not-held-for-trade equity investment measured at the fair value through other comprehensive profit and loss. For this type of financial assets, dividend income is recognized in profit and loss; also, other related profit and loss is recognized in other comprehensive profit and loss without assessing impairments subsequently.

The change in fair value accumulated in other comprehensive profit and loss will not be reclassified to profit and loss.

Impairment of financial assets

IFRS 9 adopts “Expected credit loss model” to recognize impairments of financial assets. Financial assets accounted for on the basis of amortized cost, receivables from lease, and the contract assets of “Incomes from customer contracts” as stated in IFRS 15. If the credit risk of the financial assets referred to above has not been significantly increased since the original recognition, the allowance for credit losses is measured in accordance with the expected credit losses within the next 12 months. If the credit risk of the financial assets referred to above has been significantly increased since the original recognition and the credit risk is significant, the allowance for credit losses is measured in accordance with the expected credit losses in the remaining duration period. For the accounts receivable, that do not include significant financial composition, the allowance for credit loss must be measured in accordance with the expected credit loss in the duration period.

In addition, for the financial assets with credit impairment incurred at the original recognition, the Consolidated Company should have calculated the effective interest rate after the credit adjustment with the expected credit losses incurred at the original recognition included for consideration. In addition, the subsequent allowance for credit losses is measured in accordance with the subsequently accumulated changes in expected credit loss.

2. IFRS 15 “Income from customer contracts”

IFRS 15 specifies the recognition principle of income generated from the customer contracts; also, the guidelines will replace IAS 18 “Income,” IAS 11 “Construction Contracts,” and related interpretations.

The Consolidated Company after adopting IFRS 15 has income recognized according to the following steps:

- (1) Identify customer contracts;
- (2) Identify performance obligations in the contract;
- (3) Determine the transaction price;
- (4) Amortization of the transaction price to the contractual obligations of the contracts; and
- (5) Recognize as income when contractual obligation is fulfilled.

When IFRS 15 is in effect, the Consolidated Company may choose to apply retroactively to the period of comparison or have the cumulative effect applicable for the first-time recognized in the first-time adoption day.

3. IAS 1 amendment “Disclosure Plan”

The amendment explicitly states that the purpose of consolidated financial statements is for the disclosure of materiality. Essential account titles shall be disclosed separately by nature and by function, and shall not be disclosed together with materiality so that the consolidated financial statements could be more understandable.

In addition, the amendment also explicitly states that consolidated operations shall consider the consolidated financial statements must be

understandable and comparative to determine a systematic set of notes to financial statements.

In addition to the impact referred to above, the Consolidated Company continued to assess the impact of the other standards and interpretation on the financial position and financial performance up to the date the consolidated financial statements approved and published; also, the relevant influences would be disclosed upon the completion of assessment.

IV. Summary of Significant Accounting Policies

(I) Declaration of compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved by the FSC.

(II) Basis of preparation of the consolidated financial statements

Except for the financial instruments measured at fair value, the consolidated financial statements have been prepared based on historical cost. Historical cost is generally determined in accordance with the fair value of the considerations paid for the asset.

(III) Guidelines for the classification of assets and liabilities as current and noncurrent items

Current assets including:

1. Available-for-trade assets;
2. Assets expected to be realized within 12 months after the balance sheet date, and
3. Cash and cash equivalent.

Current liabilities including:

1. Available-for-trade liabilities;
2. Liabilities expected to be liquidated within 12 months after the balance sheet date, and
3. Liabilities that cannot be deferred for liquidation for at least 12 months after the balance sheet date.

Items other than the aforementioned current assets or liabilities are classified as noncurrent assets or noncurrent liabilities.

(IV) Principles of consolidation

1. Principle of preparation of consolidated financial statements

The consolidated financial report includes the financial statements of the Company and the business entities (subsidiaries) controlled by the Company.

Subsidiaries' financial statements have been adjusted to have the accounting policies in consistent with the consolidated company's accounting policies.

The transactions, account balances, income and earnings, and expense and loss between business entities have been written off while preparing the consolidated financial statements.

2. Subsidiaries included in the consolidated financial statements

The main business body of the consolidated financial statements prepared is as follows:

Investing Company	Name of Subsidiary	Business operation	Shareholding ratio		Remark
			December 31, 2014	December 31, 2013	
The Company	Kino Biotech Pte. Ltd. (KBS)	Sales of beauty healthcare products	100%	100%	—
	TRN Marketing (M) Sdn. Bhd. (TRM)	Sales of beauty healthcare products	100%	100%	—
	Kino Life Science Limited (KLS)	Group purchasing center	100%	100%	—
	TR Networks (M) Sdn. Bhd. (TRM)	Property management	100%	100%	—
	Kino Brands Pte. Ltd. (KB Brands)	Trademark and patent management	100%	100%	Established on August 20, 2013

3. The subsidiaries not included in the consolidated financial statements: None

(V) Foreign currency

For the transactions conducted in a currency other than the business entity's functional currency (foreign currency), it is to be translated to the functional currency in accordance with the exchange rate on the transaction date when preparing the individual financial statements.

The monetary items in foreign currency are translated in accordance with the closing exchange rate on each balance sheet date. The exchange difference resulted from the settlement of monetary items or translation of monetary items is recognized as profit and loss upon occurrence.

The non-monetary items in foreign currency measured at fair value are translated in accordance with the exchange rate on the date the fair value is determined; also, the exchange difference is booked as profit and loss. However, for the change in fair value recognized as other comprehensive profit and loss, the exchange difference resulted should be booked in the "Other comprehensive profit and loss".

The non-monetary items in foreign currency measured at historical cost are translated in accordance with the exchange rate on the transaction date and will not be retranslated.

The assets and liabilities of the consolidated company's foreign institutions (including subsidiaries that locate in the operating country or use the currency different from the Company) should be translated into New Taiwan Dollar in accordance with the exchange rate on each balance sheet date when preparing the consolidated financial statements. Income, earnings, expense, and losses are translated in accordance with the average exchange rate at the time and with the resulted exchange differences booked in the "Other comprehensive profit and loss".

(VI) Inventory

Inventory is mostly raw material and finished goods. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. The net cash value is the estimated selling price net of the cost needed to have the remaining work completed and the estimated cost needed to complete the sale under normal circumstance. Inventory cost is calculated in accordance with the moving average method.

(VII) Property, plant, and equipment

Property, plant, and equipment are valued at the cost and then measured subsequently at the cost net of accumulated depreciation and accumulated impairment loss.

Property, plant, and equipment are depreciated in accordance with the straight-line method. Depreciation of each major part is appropriated separately. The consolidated company has the estimated useful lives, residual values, and depreciation method reviewed at the end of each fiscal year. The impact of changes in accounting estimates is handled in accordance with the defer method.

The profit or loss from the disposal of property, plant, and equipment is an amount of the difference between the net disposal proceeds and the book value of the asset; also, it is recognized as current profit or loss.

(VIII) Tangible Assets impairment

The consolidated operations shall consider any sign implicating possible impairment of tangible assets on each balance sheet date. Where any sign of impairment was found existent, the Merging Company estimated the recoverable amount of such assets. If the recoverable amount of the asset cannot be assessed, the consolidated company is to assess the recoverable amount of the cash-generating unit of the assets.

The recoverable amount is the fair value net of the cost of goods sold and the value in use whichever is higher. If the recoverable amount of an individual asset or cash-generating unit is less than its book value, reduce the book value of the asset or cash-generating unit to its recoverable amount.

When the impairment loss is reversed subsequently, increase the book value of the asset or cash-generating unit to the recoverable amount after amendment, but the increased book value may not exceed the book value (net of amortization or depreciation) of the asset or cash-generating unit without recognizing impairment loss in previous years. The reversed impairment loss is recognized in profit or loss.

(IX) Financial instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheet when the consolidated company becomes a party to the financial instrument contract.

When the financial assets and financial liabilities are initially recognized, if the financial assets or financial liabilities are not measured at fair value through profit or loss, they are measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost that is directly attributable to the acquisition or issuance of the financial assets or financial liabilities measured at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

The customary transaction of financial assets is recognized and de-recognized in accordance with the trade date accounting.

(1) Classification of measurement

The type of financial assets held by the consolidated company is financial assets, loans, and receivables measured at fair value through profit or loss.

A. Financial assets measured at fair value through profit or loss

Financial assets at fair value through income statement are the financial assets for disposal.

Financial assets at fair value through income statement are the assets assessed based on fair value and for measurement of profits or loss (including but not limiting to any dividend or interest from these financial assets) shall be recognized as profits or loss.

B. Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, and other financial assets) are measured in accordance with the effective interest method at amortized cost net of impairment loss, but the insignificant interest of short-term accounts receivable is not subject to this requirement.

Cash equivalents include the time deposit acquired with high liquidity, readily convertible to known amounts of cash, and with very little risk of changes in value within 3 months from the date of acquisition that is used to meet short-term cash commitments.

(2) Impairment of financial assets

In addition to having financial assets measured at fair value through profit or loss, the consolidated company assesses at each balance sheet date whether there is objective evidence of impairment occurred to other financial assets. When there is objective evidence of the loss occurred to the estimated future cash flow of financial assets due to one or more events occurred after the initial recognition, the financial assets are with impairment.

If the financial assets based on cost after amortization are account receivables and particular asset indicates no impairment supported by objective evidence shall be subject to assessment of impairment collectively. The objective evidence of the collective impairment occurred to accounts receivable may include the consolidated company's experience of collection, the increase of the overall delay in payment for over 120-day average credit period, as well as the observable changes in national or regional economic conditions relevant to the receivables arrearage.

The impairment loss amount of the financial assets booked at the amortized cost is the difference between the book value of the financial assets and the present value of the estimated future cash flow discounted at the financial asset's initial effective interest rate.

If the impairment loss amount of the financial assets recognized at the amortized cost is reduced in the subsequent periods and it is determined objectively that the impairment reduction is related to the events occurred after recognizing impairment, the previously recognized impairment loss is directly or by adjusting the allowance account reversed and recognized in profit or loss. However, the reversal should not cause the book value of the financial asset exceeding the amortized cost on the reversal date before recognizing impairment.

The impairment loss of all financial assets is deducted directly from the book value of the financial assets; however, the book value of accounts receivable is reduced by adjusting the allowance account. When accounts receivable is determined to be uncollectible, it is to be written off against the allowance account. The recovery of an amount that was previously written off is credited to the allowance account. Except for writing off the uncollectible accounts receivable against the allowance account, the change in the book value of the allowance account is recognized in profit or loss.

(3) De-recognition of financial assets

The consolidated company has financial assets de-recognized only when the contractual rights of the financial assets cash flows is invalid, or the financial assets have been transferred and almost all the risks and returns related to the financial assets have been transferred to other enterprises.

Upon the de-recognition of a financial asset in its entirety, the difference between the book value and the considerations received plus any accumulated profit or loss recognized in the “other comprehensive profit and loss” is recognized in profit or loss.

2. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at the amortized cost in accordance with the effective interest method.

(2) De-recognition of financial liabilities

When financial liabilities are de-recognized, the difference between the book value and the considerations paid (including the transfer of any non-cash assets or assumed liabilities) is recognized in profit and loss.

(X) Liabilities reserve

The liabilities reserve amount recognized is the best estimate of the expenditure needed for settling the obligations on the balance sheet date with the risks and uncertainties of obligations considered. Provision for liabilities shall be assessed on the discount rate of estimated cash flow prepared for the settlement of debt obligations.

(XI) Income recognition

Income is measured in accordance with the fair value of the considerations received or receivable and net of the customer's sales return, discount, and other similar discount. Sales return is appropriated according to the prior experience and the future sales return amount reasonably estimated in accordance with the relevant factors.

Liabilities reserves for sales return and discount is credited to operating income in the year of the product sold in accordance with the estimated product return and discount based on the historical experience, management's judgment, and other known causes.

1. Sales of goods

The sale of goods is recognized as income at the time when the following conditions are fully fulfilled:

- (1) The consolidated company has the significant risks and returns of the instruments transferred to the buyer.
- (2) The consolidated company does not involve in the management of the instruments sold nor maintain effective control.
- (3) The amount of income can be measured reliably.
- (4) The transaction-related economic benefits is likely to flow to the consolidated company; and
- (5) The transaction-related cost incurred or to be incurred can be measured reliably.

2. Interest income

The interest income generated from financial assets is recognized when the economic benefit is likely to flow to the consolidated company and the amount of income can be reliably measured. Interest income is recognized on an accrual basis in accordance with the time lapped, the outstanding principal amount, and the applicable effective interest rate.

(XII) Lease

Operating lease income / benefit is recognized as income / expense in accordance with a straight-line method over the lease period. For operating leases, contingent rent is recognized as income / expense upon incurrence.

(XIII) Retirement benefits

The pension of the Defined Contribution Pension Plan is recognized as current expense throughout the service years of the employees.

(XIV) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Current income tax

The unappropriated earnings calculated in accordance with the Income Tax Law are with additional 10% income tax levied and recognized as expense in the year of the resolution reached in the shareholders' meeting.

The adjustment to the income tax payable of prior years is recognized in the current income tax.

2. Deferred income tax

Deferred income tax is recognized in accordance with the temporary differences arising from the book value of the assets and liabilities in the consolidated financial statements and the tax base for calculating taxable income. Deferred income tax liabilities are generally recognized in accordance with all taxable temporary differences. Deferred income tax assets are recognized when there is likely having taxable income to be used to write-off income tax generated from the temporary difference, loss credit, and investment credit.

The book value of deferred income tax asset is to be reexamined on each balance sheet date and the book value for those may no longer have sufficient taxable income to have part or all assets recovered should be reduced. The originally un-recognized deferred income tax assets should be reexamined on each balance sheet date and the book value for those may generate taxable income in the future to have part or all assets recovered should be increased.

Deferred income tax assets and liabilities are measured in accordance with the current tax rate when the expected liability liquidated or the asset realized. The tax rate is based on the legislated or substantive legislated tax rate and tax law on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequence resulted from the book value of the assets or liabilities expected to be recovered or liquidated on the balance sheet date.

3. Current and deferred income tax of the year

Current and deferred income tax shall be recognized as profit or loss. However, deferred income tax recognized in related to other profits or loss accounts in current period shall be recognized as other incomes.

V. Material accounting judgment, estimates, and main source of assumption uncertainties

The consolidated company at the time of adopting accounting policies, for the information hard to obtain from other sources, should have the relevant judgments, estimates, and assumptions made by the management in accordance with the historical experience and other essential factors. Actual results may differ from the estimates.

The management will continue to review and estimate the basic assumptions. If the correction of estimation affects only the current period, it is recognized upon amendment. If the correction of accounting estimates affects both current and future periods, it is recognized in current and future periods.

(I) Income recognition

Principally speaking, the incomes from product sales shall be recognized at the time profit is made. Provision for sales return and discount is based on historical experience and known reasons for setting the proportion in the estimation of possible return and discount, and as a debit item under the sale of this product in the year of sale. The management shall review at regular intervals to ensure reasonable estimation.

(II) Income tax

As of December 31 2014 and December 31 2013, the book value of deferred income Tax assets amounted to NT\$1,601 thousand and NT\$1,460 thousand, respectively. The realization of deferred income tax assets mainly depends on whether there is sufficient profit in the future or taxable temporary differences. If the actual profit generated in the future is less than expected, may have significant deferred tax assets reversed; therefore, the reversed amount should be recognized in profit and loss upon incurrence.

(III) The estimated impairment of accounts receivable

When there is objective evidence to indicate the occurrence of impairment, the consolidated company shall consider the estimated future cash flow. The amount of impairment loss is measured in accordance with the difference between the book value of the asset and the estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the original effective interest rate of the financial asset. If the actual future cash flow is less than expected, a material impairment loss may arise.

(IV) Impairment of inventory

The net realizable value of inventories is measured in accordance with the estimated selling price in the normal course of business net of the estimated cost needed to complete the project and the estimated cost needed to complete the sale. These estimates are assessed in accordance with the current market conditions and historical sales of similar products. Changes in market conditions could materially affect the estimate results.

VI. Cash and cash equivalent

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash on hand and working capital	\$ 1,673	\$ 1,155
Check deposit	64,267	26,988
Demand deposit	4,565	2,802
Time deposit	<u>12,117</u>	<u>129,713</u>
	<u>\$ 82,622</u>	<u>\$160,658</u>

The market interest rate interval of bank deposit on the balance sheet date is as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Bank deposit	0.05%~0.61%	0.002%~0.79%

VII. Accounts receivable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Accounts receivable	\$124,160	\$ 89,537
Less: Allowance for bad debt	(<u>382</u>)	(<u>212</u>)
Net amount	<u>\$123,778</u>	<u>\$ 89,325</u>

The consolidated company gives an average of 90-day credit period to the sales of instruments; also, accounts receivable is without interest bearing. When determining the recoverability of accounts receivable, the consolidated company shall consider any changes in the credit quality of accounts receivable from the initial credit date to the balance sheet date. The historical experience shows that the accounts receivable overdue for more than 365 days cannot be recovered; therefore, the consolidated company shall appropriated 100% allowance for bad debt for any accounts receivable overdue for more than 365 days. For accounts receivable overdue for 121 days ~ 365 days, the allowance for bad debt is estimated by referring to the counterparty's defaults record in the past and analyzing the counterparty's current financial situation.

For an accounts receivable overdue on the balance sheet date that is without the allowance for bad debt appropriated, if the credit quality is without a significant change and the consolidated company's management believes that the amount can still be recovered, the consolidated company does not have any collateral held or any credit enhancement protection acquired for the said accounts receivable.

The aging analysis of the accounts receivable overdue but without impairment is as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Below 120 days	<u>\$ 22,347</u>	<u>\$ 36,620</u>

The aforementioned aging analysis is based on the number of days overdue.

Changes in the allowance for bad debt of the accounts receivable are as follows:

	<u>Impairment under group assessment</u>
Balance – 1/1/2013	\$ 71
Add: Expenses of impairment/doubt accounts recognize in current period.	142
Foreign currency translation differences	(1)
Balance – 12/31/2013	<u>\$ 212</u>
Balance – January 1, 2014	\$ 212
Add: Expenses of impairment/doubt accounts recognize in current period.	167
Foreign currency translation differences	3
Balance – December 31, 2014	<u>\$ 382</u>

VIII. Inventory

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Finished goods	\$ 23,542	\$ 21,901
Raw material	27,389	17,663
	<u>\$ 50,931</u>	<u>\$ 39,564</u>

The cost of goods sold related to inventory in 2014 and 2013 amounted to NT\$139,286 thousand and NT\$118,901 thousand, respectively.

The cost of goods sold in 2014 and 2013 covered falling price of inventory amounted to NT\$909 thousand and net realizable value gain of inventory amounted to NT\$2,637 thousand. The gain from net realizable value of inventory is the result of downward adjustment of inventory level for reversal of loss from falling price of inventory.

IX. Property, plant, and equipment

	<u>Proprietary land</u>	<u>Architecture</u>	<u>Machinery equipment</u>	<u>Transportati on equipment</u>	<u>Office equipment</u>	<u>Lease betterment</u>	<u>Other equipment</u>	<u>Total</u>
<u>Cost</u>								
Balance – 1/1/2013	\$ 11,524	\$ 49,326	\$ 1,164	\$ 1,378	\$ 20,053	\$ 6,463	\$ 1,045	\$ 90,953
Addition	-	-	-	4,388	4,009	759	403	9,559
Disposition	-	-	-	-	(1,906)	(1,471)	-	(3,377)
Exchange difference – net	(503)	(2,155)	(57)	(114)	(843)	(170)	(59)	(3,901)
Balance – 12/31/2013	<u>\$ 11,021</u>	<u>\$ 47,171</u>	<u>\$ 1,107</u>	<u>\$ 5,652</u>	<u>\$ 21,313</u>	<u>\$ 5,581</u>	<u>\$ 1,389</u>	<u>\$ 93,234</u>
<u>Accumulated depreciation and impairment</u>								
Balance – 1/1/2013	\$ -	\$ 3,113	\$ 261	\$ 285	\$ 12,498	\$ 2,519	\$ 261	\$ 18,937
Depreciation expense	-	973	119	712	2,016	712	236	4,768
Disposition	-	-	-	-	(1,812)	(1,352)	-	(3,164)
Exchange difference – net	-	(82)	(27)	(31)	(456)	(183)	(27)	(806)
Balance – 12/31/2013	<u>\$ -</u>	<u>\$ 4,004</u>	<u>\$ 353</u>	<u>\$ 966</u>	<u>\$ 12,246</u>	<u>\$ 1,696</u>	<u>\$ 470</u>	<u>\$ 19,735</u>
Net amount – 1/1/2013	<u>\$ 11,524</u>	<u>\$ 46,213</u>	<u>\$ 903</u>	<u>\$ 1,093</u>	<u>\$ 7,555</u>	<u>\$ 3,944</u>	<u>\$ 784</u>	<u>\$ 72,016</u>
Net amount – 12/31/2013	<u>\$ 11,021</u>	<u>\$ 43,167</u>	<u>\$ 754</u>	<u>\$ 4,686</u>	<u>\$ 9,067</u>	<u>\$ 3,885</u>	<u>\$ 919</u>	<u>\$ 73,499</u>

(Continuing)

(Continuing)

	Proprietary land	Architecture	Machinery equipment	Transportati on equipment	Office equipment	Lease betterment	Other equipment	Total
<u>Cost</u>								
Balance – January 1, 2014	\$ 11,021	\$ 47,171	\$ 1,107	\$ 5,652	\$ 21,313	\$ 5,581	\$ 1,389	\$ 93,234
Addition	-	-	48	-	10,309	694	933	11,984
Disposition	-	-	-	-	(144)	-	-	(144)
Reclassified	(1,036)	-	-	-	-	1,036	-	-
Exchange difference – net	(43)	(207)	(8)	(12)	(48)	26	(4)	(296)
Balance – December 31, 2014	<u>\$ 9,942</u>	<u>\$ 46,964</u>	<u>\$ 1,147</u>	<u>\$ 5,640</u>	<u>\$ 31,430</u>	<u>\$ 7,337</u>	<u>\$ 2,318</u>	<u>\$104,778</u>
<u>Accumulated depreciation and impairment</u>								
Balance – January 1, 2014	\$ -	\$ 4,004	\$ 353	\$ 966	\$ 12,246	\$ 1,696	\$ 470	\$ 19,735
Depreciation expense	-	957	120	909	4,066	741	311	7,104
Disposition	-	-	-	-	(72)	-	-	(72)
Reclassified	-	(377)	-	-	-	377	-	-
Exchange difference – net	-	(43)	(19)	(11)	(60)	6	(15)	(142)
Balance – December 31, 2014	<u>\$ -</u>	<u>\$ 4,541</u>	<u>\$ 454</u>	<u>\$ 1,864</u>	<u>\$ 16,180</u>	<u>\$ 2,820</u>	<u>\$ 766</u>	<u>\$ 26,625</u>
Net amount – December 31, 2014	<u>\$ 9,942</u>	<u>\$ 42,423</u>	<u>\$ 693</u>	<u>\$ 3,776</u>	<u>\$ 15,250</u>	<u>\$ 4,517</u>	<u>\$ 1,552</u>	<u>\$ 78,153</u>

The depreciation of the consolidated company's property, plant, and equipment is appropriated in accordance with a straight-line method over the following years of useful life:

Architecture	50 years
Machinery equipment	10 years
Transportation equipment	5 years
Office equipment	5~10 years
Lease betterment	Estimated useful life or lease period whichever is shorter
Other equipment	5~10 years

Please refer to Note XX for the consolidated company's property, plant, and equipment mortgaged as collateral.

X. Loans

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<u>Long-term loans-Guaranteed loan</u>		
Loans for the purchase of land and buildings	\$ 15,033	\$ 35,702
Less: Amount due in one year	(3,298)	(1,743)
	<u>\$ 11,735</u>	<u>\$ 33,959</u>

The loan for the purchase of land and plant facilities was M\$4,640 thousand with a basic loan interest rate minus 2% in the first year since 2010, a basic loan interest rate in the second year, a basic loan plus 0.75% in the third year and not less than 4%. A total of 180 installments are to be paid on a monthly basis since February 2010 and ended on February 28, 2025. For the vitalization of financial structures and reduce the cost of capital, the consolidated operations retired the loan of MYR 2,000 thousand before May 2014. The

actual interest rate in 2014 and until December 31 2013 was 7.35%. The bank loan is with the collateral of the consolidated company's proprietary land and architecture.

Please refer to Note XIX and Note XX for the guarantees and collateral provided by the consolidated company's management as of December 31, 2014.

XI. Others payable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Salary and bonus payable	\$ 13,193	\$ 10,315
Marketing expense payable	8,246	4,946
Labor expense payable	2,867	2,661
Advertising expenses payable	2,271	942
Vacation benefit payable	1,506	1,366
Interest payable	96	212
Others	<u>8,507</u>	<u>2,683</u>
	<u>\$ 36,686</u>	<u>\$ 23,125</u>

XII. Liabilities reserve

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Sales return and discount	<u>\$ 4,326</u>	<u>\$ 4,074</u>
		<u>Sales return and discount</u>
Balance – 1/1/2013		\$ 5,512
Reversal in current period		(1,328)
Exchange difference – net		(110)
Balance – 12/31/2013		<u>\$ 4,074</u>
Balance – January 1, 2014		\$ 4,074
Addition		287
Exchange difference – net		(35)
Balance – December 31, 2014		<u>\$ 4,326</u>

XIII. Equity

(I) Common stock capital

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Authorized stock shares (in thousand shares)	<u>40,000</u>	<u>40,000</u>
Authorized capital	<u>\$400,000</u>	<u>\$400,000</u>
Number of shares issued and monies received (in thousand shares)	<u>20,213</u>	<u>21,800</u>
Outstanding capital	<u>\$202,130</u>	<u>\$218,000</u>

Common stock share is issued at NT\$10 Par and each share is entitled to one voting right and the right to receive dividends.

(II) Additional paid-in capital

Unless otherwise provided by law and regulations, according to the Company's Articles of Incorporation, the additional paid-in capital, capital redemption reserve, and earnings reserve from stock premium can be capitalized.

(III) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, annual net earnings, if any, in addition to paying tax, making up accumulated losses over the years, and appropriating special reserve according to law and regulations, the Board of Directors may have earnings reserve appropriated due to business needs. For the remaining amount, if any, dividends and bonuses are to be distributed to shareholders in accordance with the resolutions reached in the shareholders' meeting. The dividend amount should not be less than 20% of the balance, of which, the proportion of cash dividends shall be not be less than 10%.

The Company has special reserve appropriated and reversed in accordance with the FSC.Cert.Far.Tzi No. 1010012865 Letter, FSC.Cert.Far.Tzi No. 1010047490 Letter, and "Appropriation of Special Reserve Q&A after the Adoption of International Financial Reporting Standards (IFRSs). An amount equivalent to the debit to shareholder's equity reversed subsequently can be used for earnings distribution.

The Company had a shareholders' meeting held on June 11, 2014 and June 19, 2013 with the 2013 and 2012 distribution of earnings resolved as follows:

	Earnings distribution		Dividend per share (NTD)	
	2013	2012	2013	2012
Special reserve	\$ 768	\$ 1,102		
Cash dividend	11,118	47,960	\$ 0.53	\$ 2.20

For the 2012 distribution of earnings, it is based on the 2012 financial statements prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms before amendment and the R.O.C. generally accepted accounting principle and the balance sheet as of December 31, 2012 prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms after amendment and IFRSs.

The Board of Directors had the distribution of 2014 earnings and dividend per share proposed on March 31, 2015 as follows:

	Earnings distribution	Dividend per share (NTD)
Reversal of special reserve	(\$ 3,393)	
Cash dividend	19,526	\$ 0.98

The distribution of 2014 earnings is yet to be resolved in the shareholders' meeting that is to be convened on June 22, 2015.

Please visit Taiwan Stock Exchange "Market Observation Post System, MOPS" for the bonus to employees and remuneration to directors and supervisors proposed by the Company's board of directors and resolved in the shareholders' meeting.

(IV) Treasury stocks

Cause	Number of shares-beginning of year	Increase in the year	Decrease	Number of shares-end of year
<u>January 1 ~ December 31, 2014</u>				
Repurchase for cancellation (1,000 shares)	-	1,938	1,587	351

For the protection of the credit standing of the company and the rights of the shareholders, the Board of the Company resolved on April 23 2014, July 1 2014, and November 10 2014 to repurchase treasury shares from the centralized market in the periods of April 24 to June 23, 2014, July 1 to August 31, 2014, and November 10 2014 to January 9 2015, respectively. The planned quantity of treasury shares for repurchase was 2,180 thousand shares, 990 thousand shares, and 2,021 thousand shares. As of December 31 2014, the Company repurchased 1,938 thousand shares of treasury stock amounting to NT\$51,771 thousand with 1,587 shares cancelled on September 14 2014.

The company's Treasury stock may not be pledged in accordance with the Security and Exchange Law; moreover, it is without the privilege of dividend and voting right.

XIV. Net income from continuing operations

Net income from continuing operations includes the following items:

(I) Other income

	2014	2013
Government grant income	\$ 3,086	\$ 7,069
Interest income – bank deposit	478	1,399
Others	<u>2,009</u>	<u>47</u>
	<u>\$ 5,573</u>	<u>\$ 8,515</u>

(II) Other gains and losses

	<u>2014</u>	<u>2013</u>
Foreign exchange gains (losses) - net	\$ 1,573	(\$ 830)
Disposal loss of property, plant, and equipment	-	(213)
Held-for-trade financial assets gains (losses) (1)	(449)	71
Others	<u>(526)</u>	<u>(142)</u>
	<u>\$ 598</u>	<u>(\$ 1,114)</u>

- (1) The net profit or loss of financial assets for disposals in 2014 and 2013 was derived from forwards contracts. The undertaking of forwards trade by the consolidated operations aims at hedging off the risk of assets and liabilities denominated in foreign currencies under exchange rate fluctuation. The forwards contracts held by the consolidated operations did not meet the conditions for hedge. As such, hedge accounting is not applicable.

(III) Financial cost

	<u>2014</u>	<u>2013</u>
Bank loan interest	<u>\$ 1,770</u>	<u>\$ 2,965</u>

(IV) Depreciation

	<u>2014</u>	<u>2013</u>
Property, plant, and equipment	<u>\$ 7,104</u>	<u>\$ 4,768</u>
Depreciation expense summarized by function		
Operating expense	<u>\$ 7,104</u>	<u>\$ 4,768</u>

(V) Employee welfare expense

	<u>2014</u>	<u>2013</u>
Short-term employee benefits	\$ 96,879	\$ 91,035
Retirement benefits	<u>6,530</u>	<u>6,808</u>
Total	<u>\$103,409</u>	<u>\$ 97,843</u>
Summarized by function		
Operating cost	\$ 5,406	\$ 4,839
Operating expense	<u>98,003</u>	<u>93,004</u>
	<u>\$103,409</u>	<u>\$ 97,843</u>

XV. Income tax

(I) Income tax recognized in profit and loss

The main components of income tax expense are as follows:

	<u>2014</u>	<u>2013</u>
Current income tax		
Incurred during the year	\$ 3,755	\$ 497
Prior year adjustment	-	427
Exchange difference – net	-	25
Deferred income tax		
Incurred during the year	(<u>885</u>)	<u>1,115</u>
Income tax expense recognized in profit and loss	<u>\$ 2,870</u>	<u>\$ 2,064</u>

Accounting income and income tax expense are adjusted as follows:

	<u>2014</u>	<u>2013</u>
Net income before tax	<u>\$ 25,643</u>	<u>\$ 14,445</u>
Earnings before taxation is based on the legal tax rate on income tax (profit) expense	(\$ 2,703)	\$ 878
Expenses and losses without tax exemption privilege	1,220	854
Unrecognized temporary difference and deduction for loss	9,472	95
Deductibles of income tax	(5,119)	(190)
Income tax expense of prior years adjusted in this year	<u>-</u>	<u>427</u>
Income tax expense recognized in profit and loss	<u>\$ 2,870</u>	<u>\$ 2,064</u>

The consolidated company is entitled to the individual tax rate of 25% and 17% in accordance with the Income Tax Law of Malaysia and Singapore, respectively.

(II) Current income tax asset and liability

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current income tax assets		
Refundable tax receivable	<u>\$ -</u>	<u>\$ 1,527</u>
Current income tax liabilities		
Income tax payable	<u>\$ 1,912</u>	<u>\$ -</u>

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2014

	<u>Balance - beginning</u>	<u>Recognized in profit and loss</u>	<u>Exchange difference</u>	<u>Balance - ending</u>
<u>Deferred income tax assets</u>				
Temporary difference				
Liabilities reserve	\$ 471	\$ 621	(\$ 16)	\$ 1,076
Inventory valuation and obsolescence loss	-	144	(1)	143
Unrealized exchange loss	542	(167)	7	382
Investment tax credit	<u>447</u>	<u>(454)</u>	<u>7</u>	<u>-</u>
	<u>\$ 1,460</u>	<u>\$ 144</u>	<u>(\$ 3)</u>	<u>\$ 1,601</u>

Deferred income tax
liabilities

Temporary difference				
Property, plant, and equipment	<u>\$ 1,507</u>	<u>(\$ 741)</u>	<u>\$ 23</u>	<u>\$ 789</u>

2013

	<u>Balance - beginning</u>	<u>Recognized in profit and loss</u>	<u>Exchange difference</u>	<u>Balance - ending</u>
<u>Deferred income tax assets</u>				
Temporary difference				
Liabilities reserve	\$ 1,259	(\$ 783)	(\$ 5)	\$ 471
Inventory valuation and obsolescence loss	523	(498)	(25)	-
Unrealized exchange loss	380	166	(4)	542
Investment tax credit	<u>-</u>	<u>451</u>	<u>(4)</u>	<u>447</u>
	<u>\$ 2,162</u>	<u>(\$ 664)</u>	<u>(\$ 38)</u>	<u>\$ 1,460</u>

Deferred income tax
liabilities

Temporary difference				
Property, plant, and equipment	<u>\$ 1,069</u>	<u>\$ 451</u>	<u>(\$ 13)</u>	<u>\$ 1,507</u>

XVI. Earnings per share

	Net income attributable to the Company's shareholders <u>(Numerator)</u>	The weighted average quantity of common shares (denominator) <u>(1,000 shares)</u>	Earnings per share (NTD) <u></u>
<u>2014</u>			
Basic earnings per share	\$ <u>22,773</u>	<u>20,886</u>	\$ <u>1.09</u>
<u>2013</u>			
Basic earnings per share	\$ <u>12,381</u>	<u>21,800</u>	\$ <u>0.57</u>

XVII. Capital risk management

The consolidated company manages capital to ensure the Group's enterprises to maximize shareholder's returns by optimizing the balance of debt and equity under the precondition of continuing operation. The consolidated company's overall strategy has not been changed since the year of 2010.

The consolidated company's capital structure consists of the net debt (i.e. loans net of cash and cash equivalents) and equity (i.e. stock capital, additional paid-in capital, retained earnings, and other equity items) of the consolidated company.

The consolidated company is not required to comply with other external capital requirements.

XVIII. Financial instruments

(I) Fair value information:

1. Financial instruments that are not measured at fair value;

The consolidated company's management believes that the book value of the financial assets and financial liabilities not measured at fair value is close to the fair value.

2. Fair value measurement recognized in the consolidated balance sheet

The consolidated company's financial assets and financial liabilities measured at fair value are classified into Level 1 – Level 3 in accordance with the observable extent of fair value.

(1) Level 1 fair value measurement refers to the quote of identical assets or liabilities (unadjusted) in an active market.

(2) Level 2 fair value measurement refers to, except for the public quote referred to in Level 1, the fair value deducted directly (i.e. price) or indirectly (i.e. deducted from price) from the observable input value of the asset or liability.

(3) Level 3 fair value measurement refers to the valuation technique, which the fair value is deducted from the input value of assets or liabilities that is not based on the observable market data.

The forward exchange contract underwritten by the consolidated company was measured in accordance with Level 2 fair value measurement and there is no fair value measurement transfer between Level 1 and Level 2.

3. Valuation techniques and assumptions used in fair value measurement

The fair value of forward exchange contract is measured in accordance with the forward exchange rate quote and the yield rate curve deducted from the quote interest rate in the contract period.

(II) Type of financial instrument

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<u>Financial assets</u>		
Loans and accounts receivable (Note 1)	\$216,056	\$258,815
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	76,241	59,887

Note 1: The balance includes financial assets measured at amortized cost, including cash and cash equivalents, other financial assets – noncurrent, accounts receivable, and guarantee deposit and margin paid.

Note 2: The balance covers account payables, other payables, long-term liability due in one year, long-term loans and refundable deposits are financial liabilities assessed based on cost after amortization.

(III) Financial risk management purpose and policies

The consolidated company's major financial instruments include accounts receivable, accounts payable, and loans. The consolidated company's financial risk management objectives are managing operating activities related market risk (including exchange rate risk and interest rate risk), credit risk, and liquidity risk. To reduce the relevant financial risk, the consolidated company is committed to identify, assess, and hedge market uncertainty in order to reduce the potential adverse effects of market changes on the consolidated company's financial performance.

The consolidated company has hedged exposure through derivative financial instruments to mitigate the impact of these risks. The use of derivative financial instruments is regulated by the policies passed by the consolidated company's board of directors, which is the investment written principle for exchange rate risk, interest rate risk, credit risk, the application of derivative financial instruments and non-derivative financial instruments, and residual current fund. Internal auditors continuously review the compliance of the policies and the exposure limits. The consolidated company did not carry out financial instruments trade (including derivative financial instruments) for speculative purposes.

1. Market risk

The major financial risk faced by the consolidated company resulted from the operating activities include foreign exchange rate risk [see (1) below] and interest rate risk [see (2) below]. The consolidated company conducts forward exchange contracts to hedge the exchange rate risk of the operating transactions conducted in foreign currency by TRM (the functional currency is M\$).

There is no change in the consolidated company's related financial instruments market risk exposure and the way the consolidated company manages and assesses the exposure.

(1) Exchange rate risk

A number of the consolidated company's subsidiaries are engaged in sales and purchase transactions denominated in foreign currencies, thus the consolidated company is forced to face exchange rate exposure. Eighty-six percent (53%) of the consolidated company's cost is not denominated in the functional currency of the business entity with transactions conducted. The consolidated company's exchange rate exposure management is within the permitted scope of the policies and with the use of forward foreign exchange contract to manage risk.

The consolidated company has managed to have the hedging effect maximized through derivative instruments and the contractual clauses of the hedged item.

Please refer to Note XXIII for the book value (including the written-off monetary items not denominated in functional currency in the consolidated financial statements) of the monetary assets and liabilities that are not denominated in functional currency on the balance sheet date of the consolidated company.

Sensitivity analysis

The consolidated company's operation is mainly affected by the change in the exchange rate of Malaysian currency, and U.S. dollars.

The consolidated company's sensitivity analysis when the exchange rate of Singapore dollar (functional currency) to all relevant foreign currencies increased or decreased by 1% is illustrated in the table below. The sensitivity analysis includes only the outstanding foreign currency monetary items; also, the translation at yearend is adjusted with the change in exchange rate by 1%. The amount in the table below indicates the increase or decrease of net income before tax when the exchange rate of Singapore Dollar to each respective foreign currency increased by 1%; also, the impact on net income before tax is reversed for the same amount when the exchange rate of Singapore Dollar to each respective foreign currency decreased by 1%.

	Profit and Loss	
	2014	2013
The impact of M\$	(147) (i)	(5) (i)
The impact of USD	216 (ii)	(4) (ii)

- (i) It mainly originates from the consolidated company's outstanding receivables and payables without cash flow hedging that is denominated in M\$ on the balance sheet date.
- (ii) It mainly originates from the consolidated company's outstanding cash and payables without cash flow hedging that is denominated in U.S. Dollar on the balance sheet date.

The consolidated company's exchange rate sensitivity is increased this year mainly due to the increase of accounts receivable balance denominated in Malaysian currency.

(2) Interest rate risk

The consolidated company's interest rate risk is mainly from loans with fixed and floating interest rate.

The book value of the consolidated company's financial assets and financial liabilities with interest rate exposure on the balance sheet date is as follows:

	December 31, 2014	December 31, 2013
With fair value		
interest rate risk		
Financial assets	\$ 15,057	\$132,657
With cash flow		
interest rate risk		
Financial assets	4,565	2,802
Financial liabilities	15,033	35,702

Sensitivity analysis

For liabilities with floating rate, it is analyzed by assuming the liabilities on the balance sheet date are outstanding throughout the reporting period.

If market interest rate was increased / decreased by 100 points, with all other variables held constant, the consolidated company's 2014 and 2013 net income before tax would be decreased / increased by NT\$105 thousand and NT\$329 thousand, respectively, mainly due to the consolidated company's floating rate loan exposure.

2. Credit risk

Credit risk refers to the counterparty's default on contractual obligations resulting in financial loss to the Group. As of the balance sheet date, the consolidated company's maximum credit risk exposure due to the financial loss resulted from the counterparty's failure in performing obligations is mainly derived from the book value of the financial assets recognized on the consolidated balance sheet.

The consolidated company adopts the policy of dealing only with creditworthy trading objects and obtaining sufficient guarantees, when necessary, in order to mitigate the risk of financial loss arising from arrearages. The consolidated company continues to monitor credit exposures and to control credit exposures by reviewing the counterparty's credit limits annually.

To mitigate credit risk, the consolidated company's management is responsible for determining the line of credit, credit approval, and other monitoring procedures to ensure taking appropriate actions for the recovery of overdue receivables. In addition, the consolidated company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the Company's management believes that the consolidated company's credit risk is significantly reduced.

In addition, the counterparty of the current fund is a bank that receives high credit rating from international credit rating agencies; therefore, the credit risk is insignificant.

The objects of receivables include many customers who locate in different geographical regions. The consolidated company continues to assess the financial condition of the customers of accounts receivable.

The credit risk of the consolidated company is mainly centralized on the top-four customers of the consolidated company. As of December 31, 2014 and 2013, total accounts receivable ratio from the said customers were 91% and 84%, respectively.

3. Liquidity risk

The consolidated company has supported the Group's business operation and mitigated the impact of changes in cash flow by managing and maintaining sufficient cash and cash equivalent position. The consolidated company's management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is an important source of liquidity to the consolidated company. As of December 31, 2014 and 2013, the outstanding short-term bank loan quota of the consolidated company was NT\$111,972 thousand and NT\$111,533 thousand, respectively.

The non-derivative financial liabilities outstanding contract analysis of the consolidated company's agreed repayment period is illustrated in the table below. It is prepared in accordance with the earliest date the consolidated company may be requested to repay the loan and the financial liabilities undiscounted cash flow, including interest and principal cash flow.

	December 31, 2014				Total
	Less than 1 year	2-3 years	4-5 years	Over 5 years	
<u>Non-derivative financial liabilities</u>					
Accounts payable	\$ 24,020	\$ -	\$ -	\$ -	\$ 24,020
Others payable	36,686	-	-	-	36,686
Long-term bank loans	4,278	4,278	4,278	4,422	17,256
Guarantee deposit and margin received	-	359	-	143	502
	<u>\$ 64,984</u>	<u>\$ 4,637</u>	<u>\$ 4,278</u>	<u>\$ 4,565</u>	<u>\$ 78,464</u>

	December 31, 2013				Total
	Less than 1 year	2-3 years	4-5 years	Over 5 years	
<u>Non-derivative financial liabilities</u>					
Accounts payable	\$ 542	\$ -	\$ -	\$ -	\$ 542
Others payable	23,125	-	-	-	23,125
Long-term bank loans	4,310	4,310	4,310	35,843	48,773
Guarantee deposit and margin received	-	365	-	153	518
	<u>\$ 27,977</u>	<u>\$ 4,675</u>	<u>\$ 4,310</u>	<u>\$ 35,996</u>	<u>\$ 72,958</u>

The aforementioned non-derivative financial liabilities amount with floating rate may be changed due to the floating rate different from the estimated interest rate and exchange rate on the balance sheet date.

XIX. Transactions with Related Parties

The transactions, account balances, income and earnings, and expense and loss between the Company and the subsidiaries (the related party of the Company) are written-off on consolidation; therefore, they are not disclosed in this note. The transactions conducted between the consolidated company and other related parties are as follows.

(I) Business transactions

Items in book	Type of related party	2014		2013	
		Amount	%	Amount	%
Sales income	Other related party – same Chairman	<u>\$ -</u>	<u>-</u>	<u>\$ 1,755</u>	<u>-</u>
Rent income	Other related party – same Chairman	<u>\$ 742</u>	<u>100</u>	<u>\$ 1,257</u>	<u>100</u>
Operating expense – rent expense	Other related party – same Chairman	<u>\$ 2,009</u>	<u>1</u>	<u>\$ 2,325</u>	<u>1</u>

<u>Items in book</u>	<u>Type of related party</u>	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Guarantee deposit and margin paid	Other related party – same Chairman	<u>\$ 335</u>	<u>5</u>	<u>\$ 330</u>	<u>6</u>
Guarantee deposit and margin received	Other related party – same Chairman	<u>\$ 359</u>	<u>72</u>	<u>\$ 353</u>	<u>68</u>

(II) Guarantees

As of December 31, 2014 and 2013, the Company's affiliated companies and the management jointly provided the consolidated company with long-term and short-term loan guarantee as follows:

<u>Type of related party</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
The management	<u>\$ 41,921</u>	<u>\$ 52,116</u>
Other related party – same Chairman	<u>\$ 40,056</u>	<u>\$ 40,247</u>

(III) Remuneration to the management

The total remuneration to directors and the management in 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Short-term employee benefits	<u>\$ 24,087</u>	<u>\$ 26,922</u>

XX. Mortgaged or pledged assets

The consolidated company has the following assets provided as collateral for bank loans:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Land and building – net	<u>\$ 52,365</u>	<u>\$ 54,188</u>
Certificates of deposit (booked in the “other financial assets – noncurrent)	<u>2,940</u>	<u>2,944</u>
	<u>\$ 55,305</u>	<u>\$ 57,132</u>

XXI. Material commitments or contingences

In addition to those described in other notes, the consolidated company's material commitments on the balance sheet date are as follows:

The consolidated company's board of directors had resolved specially on November 13, 2013 to have the subsidiary, TRN, sold. As of March 31, 2015, the consolidated company had not yet had the transaction initiated and without the knowledge of the counterparty available. The management was not expected to have this transaction completed within one year.

XXII. Significant subsequent events

The Board of the Company resolved on January 26 2015 to repurchase outstanding shares of the company for the protection of the credit standing of the company and the right of the shareholders. The upper limit of this repurchase was set at NT\$75,482 thousand and the repurchase was planned in the period from January 26 2015 to March 25 2015. There are 1,612.3 thousand shares planned to repurchase at the price ranging from NT\$16.63 to 25 per share.

XXIII. Information on the exchange rate of the financial assets and liabilities in foreign currency

The consolidated company has significant impact on the financial assets and liabilities in foreign currency as follows:

Unit: Foreign currency / Functional currency in thousand

December 31, 2014			
	Foreign currency	Exchange rate	Book Value
<u>Financial assets</u>			
<u>Monetary item</u>			
Singapore dollar	\$ 1	2.6449 (Singapore dollar : M\$)	\$ 22
M\$	2,110	0.378086 (M\$: Singapore dollar)	18,339
USD	59	1.3243 (USD : Singapore dollar)	1,870
<u>Financial liabilities</u>			
<u>Monetary item</u>			
Singapore dollar	2,762	2.6449 (Singapore dollar : M\$)	63,862
M\$	421	0.378086 (M\$: Singapore dollar)	3,658
USD	742	1.3243 (USD : Singapore dollar)	23,489
December 31, 2013			
	Foreign currency	Exchange rate	Book Value
<u>Financial assets</u>			
<u>Monetary item</u>			
Singapore dollar	\$ 108	2.5943 (Singapore dollar : M\$)	\$ 2,553
M\$	110	0.385460 (M\$: Singapore dollar)	960

(Continuing)

(Continuing)

December 31, 2013			
	Foreign currency	Exchange rate	Book Value
USD	51	1.2656 (USD : Singapore dollar)	445
<u>Financial liabilities</u>			
<u>Monetary item</u>			
Singapore dollar	4,948	2.5943 (Singapore dollar : M\$)	116,520
M\$	58	0.385460 (M\$: Singapore dollar)	507

XXIV. Supplementary disclosures

(I) Material transactions and (II) transfer investment information:

1. The Loaning of funds: Attachment 1.
2. Endorsement and Guarantee: Attachment 2.
3. Marketable securities held at yearend (excluding investments in subsidiaries, affiliated companies, and joint venture): None.
4. The cumulative purchase or sale of the same security for an amount exceeding NT\$300 million or 20% of paid-in capital: None.
5. The acquisition of real estate for an amount exceeding NT\$300 million or 20% of paid-in capital: None.
6. The disposal of real estate for an amount exceeding NT\$300 million or 20% of paid-in capital: None.
7. The purchase or sale with the related party for an amount exceeding NT\$100 million or 20% of paid-in capital: Attachment 3.
8. The receivables from the related parties for an amount exceeding NT\$100 million or 20% of paid-in capital: Attachment 4.
9. Engaged in derivative transactions: Note XIV.
10. Others: The business relationship between the parent company and its subsidiaries and among subsidiaries, and important intercompany transactions and amounts: Attachment 5.
11. Invested company information: Attachment 6.

(III) Investment in Mainland China

1. Name of the Investee Company in China, main business, paid-in capital, investment, capital inflow and outflow, shareholding ratio, profit and loss and investment profit and loss recognized, yearend investment book value, investment profit and loss received, and investment limit in Mainland China: None.
2. The significant transactions conducted with the investee company in China directly or indirectly, and the price, payment terms, and unrealized profit and loss: None.

XXV. Segment Information

The information provided to the major operating decision-maker for allocating resources and assessing segment performance is focusing on the type of product or service delivered or offered. The consolidated company's reportable segments are power drinks department and healthcare patch department.

(I) Department income and operating result

The income and operating result of the consolidated company's continuing operation is analyzed by the reportable department as follows:

	2014	
	<u>Department income</u>	<u>Department profit and loss</u>
Power drinks department	\$413,625	\$ 19,519
Healthcare patch department	23,705	1,124
Others	<u>12,199</u>	<u>599</u>
Total income from continuing operations	<u>\$449,529</u>	21,242
Other income		5,573
Financial cost		(1,770)
Other gains and losses		<u>598</u>
Net income before tax		<u>\$ 25,643</u>

	2013	
	<u>Department income</u>	<u>Department profit and loss</u>
Power drinks department	\$306,716	\$ 8,610
Healthcare patch department	43,099	1,210
Others	<u>7,187</u>	<u>189</u>
Total income from continuing operations	<u>\$357,002</u>	10,009
Other income		8,515
Financial cost		(2,965)
Other gains and losses		(1,114)
Net income before tax		<u>\$ 14,445</u>

(II) Total department assets and liabilities

The consolidated assets and liabilities are not available to the use of the decision-makers, and the amount of assessment is not being disclosed.

(III) Other department information

	Depreciation and Amortization	
	2014	2013
Power drinks department	\$ 6,554	\$ 4,100
Healthcare patch department	375	572
Others	175	96
	<u>\$ 7,104</u>	<u>\$ 4,768</u>

(IV) Major products and services income

The product and labor income from continuing operation of the consolidated company is analyzed as follows:

	2014	2013
Power drinks department	\$413,625	\$306,716
Healthcare patch department	23,705	43,099
Others	12,199	7,187
	<u>\$449,529</u>	<u>\$357,002</u>

(V) Regional information

The consolidated company operates primarily in two areas - Malaysia and Singapore.

The consolidated company's income from external customers of the continuing operation is classified by operating location and noncurrent asset is classified by the location of assets as follows:

	Income from external customers		Noncurrent assets	
	2014	2013	December 31, 2014	December 31, 2013
	Malaysia	\$ 287,160	\$ 294,310	\$ 67,326
Singapore	161,651	61,435	16,730	6,877
Others	718	1,257	3,753	4,522
	<u>\$ 449,529</u>	<u>\$ 357,002</u>	<u>\$ 87,809</u>	<u>\$ 82,331</u>

Noncurrent asset does not include deferred income tax assets.

(VI) Information about major customers

Income generated from a single customer for more than 10% of the consolidated company's total income is as follows:

Customer	2014		2013	
	NTD	Percentage of net operating income (%)	NTD	Percentage of net operating income (%)
Customer A	\$ 121,777	27	23,289	7
Customer B	95,941	21	86,388	24
Customer C	78,860	18	107,855	30
Customer D	77,772	17	91,725	26

Kino Biotech Co., Ltd. and Subsidiaries

The Loaning of Funds

January 1 ~ December 31, 2014

Attachment 1

Unit: Unless otherwise stated, NT\$ Thousand

No.	Creditor	Borrower	Accounting account	Whether a related party or not	Maximum balance	Ending balance	Disbursed amount	Interest rate interval	Loan nature	Transaction amount	Reason for short-term loan	Allowance for bad debt	Collateral		Loan limit to individual (Note 1)	Total loan limit (Note 2)
													Name	Value		
2	KLS	TRM	Accounts receivable	Yes	\$ 62,517	\$ 33,320	\$ 33,320	-	Business transaction	\$ 126,776	-	\$ -	-	-	\$ 117,789	\$ 117,789
2	KLS	TRN	Other receivable	Yes	38,017	38,017	18,976	-	Short-term financing	-	Loan repayment	-	-	-	117,789	117,789
2	KLS	KB Brands	Other receivable	Yes	2,399	2,399	2,399	-	Short-term financing	-	Working capital	-	-	-	117,789	117,789
2	KLS	KBS	Accounts receivable	Yes	2,932	-	-	-	Business transaction	113,859	-	-	-	-	113,859	117,789

Note 1: the upper limit for financing a particular target shall be the total amount of the company and the target in the period of 12 months prior to the financing and up to 40% of the net worth of the Company (\$294,472* 40%=\$117,789).

However, financing companies of which the Company have direct or indirect voting rights at 100% and are foreign companies shall not exceed 100% of the net worth of the Company.

Note 2: The loaning of funds of the Company and its subsidiaries may not exceed 40% of the Company's net worth, cumulatively or individually, (\$294,472 * 40% = \$117,789).

Kino Biotech Co., Ltd. and Subsidiaries

Endorsement and Guarantee

January 1 ~ December 31, 2014

Attachment 2

Unit: Foreign currency in Thousand / NT\$ Thousand

No.	Name of endorser and guarantor	Endorsee and guaranteed		Endorsement and guarantee for single enterprise	Maximum balance of endorsement and guarantee	Ending balance of endorsement and guarantee	Disbursed amount	Endorsement and guarantee with collateral of property	Ratio of cumulative endorsement and guarantee to net worth in the most recent financial statement (%)	Maximum endorsement and guarantee limit (Note 2)	Endorsement and guarantee made by parent company for subsidiaries	Endorsement and guarantee made by subsidiaries for parent company	Endorsement and guarantee made in China	Remark
		Company	Relationship											
0	The Company	TRN	Subsidiary	Note 1	\$ 43,940 (RM\$ 4,640)	\$ 41,928 (RM\$ 4,640)	\$ - (RM\$ -)	\$ -	14%	\$ 147,236	Y	—	—	
0	The Company	KLS	Subsidiary	Note 1	59,775 (SG\$ 2,200)	52,602 (SG\$ 2,200)	- (SG\$ -)	-	18%	147,236	Y	—	—	
0	The Company	TRM	Subsidiary	Note 1	15,971 (RM\$ 1,700)	15,971 (RM\$ 1,700)	- (RM\$ -)	-	5%	147,236	Y	—	—	

Note 1: The companies with over 90% shareholding held by the Company, directly and indirectly, may have endorsement and guarantee made with the Company for an amount not more than 10% net worth of the Company (\$294,472 * 10% = \$29,447). However, the endorsement and guarantee with the Company's 100% owned companies, directly or indirectly, is not subject to the said restriction.

Note 2: The Company's total amount of endorsement and guarantee, the amount of endorsement or guarantee to a single enterprise, and the total endorsement and guarantee of the Company and its subsidiaries shall not exceed 50% of the Company's net worth (\$294,472 * 50% = \$147,236) and it is limited to the net worth of the endorsee/guaranteed company. In addition, when the Company and its subsidiary engaging in endorsement and guarantee transaction due to business relationships, the total amount granted to a single object shall not exceed the total amount of business transaction completed in the 12-month prior to the endorsement and guarantee granted.

Kino Biotech Co., Ltd. and Subsidiaries

The purchase or sale with the related party for an amount exceeding NT\$100 million or 20% of paid-in capital

January 1 ~ December 31, 2014

Attachment 3

Unit: Unless otherwise stated, NT\$ Thousand

Purchasing (selling) company	Counterparty	Relationship	Transaction				Trade term differs from general trade term and the reasons		Notes and accounts receivable (payable)		Remark
			Purchas (Sale)	Amount	Percentage of total purchase (sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes and accounts receivable (payable)	
TRM	KLS	Same parent company	Purchase	\$ 126,776	83%	Note 1	Note 2	Note 1	(\$ 131,880)	(99.78%)	
KBS	KLS	Same parent company	Purchase	113,859	98%	Note 1	Note 2	Note 1	(96,150)	(99.99%)	
KLS	TRM	Same parent company	(Sale)	(126,776)	49%	Note 1	Note 2	Note 1	131,880	57.83%	
KLS	KBS	Same parent company	(Sale)	(113,859)	44%	Note 1	Note 2	Note 1	96,150	42.16%	

Note 1: Trading condition is longer than the average customer's. Payment is made according to the Company's financial status.

Note 2: It is determined with the consideration of sales profit.

Kino Biotech Co., Ltd. and Subsidiaries

The receivables from the related parties for an amount exceeding NT\$100 million or 20% of paid-in capital

December 31, 2014

Attachment 4

Unit: Unless otherwise stated, NT\$ Thousand

Accounts receivable company	Counterparty	Relationship	Receivable balance from related party	Turnover	Receivable from related party overdue		Receivable from related party collected afterwards	Allowance for bad debt
					Amount	Handling process		
KLS	TRM	Same parent company	\$131,880	1.03	\$ -	Note	\$ 11,759	\$ -
KLS	KBS	Same parent company	96,150	1.71	-	Note	8,150	-

Note: Trading condition is longer than the average customer's. Payment is made according to the Company's financial status.

Kino Biotech Co., Ltd. and Subsidiaries

The business relationship between the parent company and its subsidiaries and among subsidiaries, and important intercompany transactions and amounts

January 1 ~ December 31, 2014

Attachment 5

Unit: Unless otherwise stated, NT\$ Thousand

No.	Name of Trader	Counterparty	Relationship with trader (Note 1)	Transaction			Percentage of consolidated total operating income or total assets
				Account	NTD	Trading condition	
1	TRM	TRN	3	Guarantee deposit and margin paid	\$ 1,291	General trading condition General trading condition	-
		TRN	3	Rent expense	4,521		1%
2	KLS	KBS	3	Sales income	113,859	Note 2	25%
		KBS	3	Accounts receivable	96,150	Note 3	26%
		TRM	3	Sales income	126,776	Note 2	28%
		TRM	3	Accounts receivable	131,880	Note 3	35%
		TRN	3	Other receivable	18,976	Note 3	5%
		KB Brands	3	Other receivable	2,399	Note 3	1%

Note 1: 1. Parent company vs. subsidiaries

2. Subsidiaries vs. parent company

3. Subsidiary vs. subsidiary

Note 2: It is determined with the consideration of sales profit.

Note 3: Trading condition is longer than the average customer's. Payment is made according to the Company's financial status.

Kino Biotech Co., Ltd. and Subsidiaries

Invested company information

January 1 ~ December 31, 2014

Attachment 6

Unit: Shares in Thousand / Foreign currency in Thousand / NT\$ Thousand

Investing Company	Name of invested company	Location	Main business operation	Initial investment amount		Ending shareholding			Invested company's profit and loss	Investment profit and loss recognized	Remark
				Current yearend	Last yearend	Share	Ratio	Book Value			
The Company	KBS	Singapore	Sales of beauty healthcare products	SG\$ 278	SG\$ 278	400	100%	(\$ 13,097)	(\$ 27,532)	(\$ 27,532)	Note 1
	TRM	Malaysia	Sales of beauty healthcare products	RM 1,616	RM 1,616	500	100%	25,286	4,808	4,808	Note 1
	KLS	British Virgin Islands (Business location: Singapore)	Group purchasing center	SG 4,092	SG 4,092	306	100%	256,112	62,431	62,431	Note 1
	TRN	Malaysia	Property management	RM 1,867	RM 1,867	1,750	100%	17,901	1,124	1,124	Note 1
	KB Brands	Singapore	Trademark and patent management	SG 100	SG 100	100	100%	(2,533)	(3,923)	(3,923)	Note 1

Note 1: The investment gain (loss) is calculated in accordance with the profit and loss of the same period of time in the audited financial statements.