MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements for the

Years Ended December 31, 2014 and 2013 and
Independent Auditors' Report

Representation Letter

The entities that are required to be included in the combined financial statements of Makalot Industrial Co., Ltd. as of and for the year ended December 31, 2014, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as those included in the consolidated financial statements prepared in conformity with the Statement of Financial Accounting Standards NO. 7, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Makalot Industrial Co., Ltd. and Subsidiaries do not prepare a separated set of combined financial statements.

Very truly yours,

Makalot Industrial Co., Ltd.

By

Frank Chou
Chairman

Marh 25, 2015

KPMG

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei, 11049, Taiwan, R.O.C.

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

Board of Directors of
Makalot Industrial Co., Ltd.

We have audited the accompanying consolidated balance sheets of Makalot Industrial Co., Ltd. and subsidiaries (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. The financial statements of certain subsidiaries were not audited by us. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included below, was based solely on the report of the other auditors. The book value of the total assets of the subsidiaries audited by other auditors amounted to $1,633,284 thousand and $1,376,634 thousand as of December 31, 2014 and 2013, respectively, constituting 14% and 14% of the total consolidated assets, and the net revenue were $8,264 thousand and $25,066 thousand for the years then ended, respectively, both constituting 0% of the consolidated net revenue. The financial statements of certain investments under equity method of the Company and its subsidiaries were not audited by us. Those investments were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included below, was based solely on the reports of the other auditors. The book value of the investments under equity method audited by other auditors of the Company amounted to $210,296 thousand and $134,206 thousand, respectively, constituting 2% and 1% of the consolidated total assets, and the related share of income or loss from subsidiaries and affiliates under equity method were ($23,580) thousand and ($866) thousand, constituting (1%) and 0% of the income before income tax.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the other auditors' report provide a reasonable basis for our opinion.

In our opinion, based on our audits and the other auditors' report, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Makalot Industrial Co., Ltd. and subsidiaries as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commissions R.O.C. with the effective dates.

We have also audited the financial statements of Makalot industrial Co., Ltd. as of and for the years ended December 31, 2014 and 2013, on which we have issued a modified-unqualified report.

KPMG

Taipei, Taiwan (the Republic of China)
March 25, 2015

Notes to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the International Accounting Standards endorsed by Financial Supervisory Commission, R.O.C. and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

This document is an English translation of a report originally issued in Chinese. In the event of a conflict between the English translation and the original Chinese version, the Chinese-language accountants' report and financial statements shall prevail.

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

DECEMBER 31, 2014 and 2013
(Expressed in thousands of New Taiwan Dollars)

Assets	2014.12.31 Amount	%	2013.12.31 Amount	%
Current Assets:				
Cash and cash equivalents (note 6(a)(t))	$ 1,648,409	14	1,018,069	11
Financial assets at fair value though profit or loss－current (notes 6(b)(t))	53,290	-	162,723	1
Notes receivable, net (note 6(c)(t))	552	-	11,408	-
Accounts receivable, net (note 6(c)(t))	1,318,156	11	281,834	3
Inventories, manufacturing (note 6(d))	2,745,101	23	2,872,299	28
Other financial assets－current (notes 6(c)(t))	1,127,216	10	955,528	9
Other current assets (note 6(h))	266,167	2	249,219	3
Total current assets	7,158,891	60	5,551,080	55
Non-current assets:				
Investment under equity method (note 6(e))	210,296	2	134,206	1
Property, plant and equipment (note 6(f) and 8)	4,367,751	36	4,121,238	41
Intangible assets (note 6(g))	42,471	-	35,965	-
Deferred income tax assets (note 6(o))	43,328	-	41,276	1
Other non-current assets (note 6(h)(t) and 8)	171,408	2	211,683	2
Total non-curent assets	4,835,254	40	4,544,368	45
Total Assets	$ 11,994,145	100	10,095,448	100

Liabilities and Equity	2014.12.31 Amount	%	2013.12.31 Amount	%
Current Liabilities:				
Short-term borrowings (note 6(i)(t))	$ 100,001	1	-	-
Financial liabilities at fair value through profit or loss—current (note 6(b)(t))	380	-	-	-
Notes payable (note 6(t))	6,028	-	12,552	-
Accounts payable (note 6(t))	1,384,504	12	1,427,573	14
Accounts payable-related parties (note 6(t) and 7)	66,109	-	7,628	-
Other payables (note 6(t))	1,236,191	10	1,095,144	11
Current income tax liabilities	257,191	2	195,304	2
Current provision for employee benefits (notes 6(n))	25,779	-	21,511	-
Current other provision (note 6(m))	231,752	2	189,426	2
Current portion of convertible bond payable (note 6(l)(t))	303,112	3	-	-
Other current liabilities-others	5,278	-	61,055	1
Total current liabilities	3,616,325	30	3,010,193	30
Non-current liabilities:				
Convertible bond payable (notes 6(k)(t))	-	-	439,613	4
Long-term borrowings (notes 6(j)(t))	-	-	1,200,000	12
Deferred income tax liabilities(note 6(o))	12,125	-	2,555	-
Accrued pension liability (note 6(n))	126,345	1	101,125	1
Other liabilities	16,093	-	11,846	-
Total non-current liabilities	154,563	1	1,755,139	17
Total liabilities	3,770,888	31	4,765,332	47
Equity (Note 6(k)(o)(p)(q)(v))				
Common stock	1,909,695	16	1,690,722	17
Capital surplus	3,385,665	28	1,244,647	12
Retained earnings	2,761,090	23	2,366,578	24
Exchange differences on translation in the financial statements of foreign operation	150,917	2	(2,593)	-
Equity attributable to owners of the parent company	8,207,367	69	5,299,354	53
Non-controlling interests	15,890	-	30,762	-
Total equity	8,223,257	69	5,330,116	53
Total Liabilities and Equity	$ 11,994,145	100	10,095,448	100

See accompanying notes to financial statements.

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Statements of Consolidated Comprehensive Income

For the year ended December 31, 2014 and 2013
(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	2014		2013	
	Amount	**%**	**Amount**	**%**
Net revenues	$ 20,888,798	100	17,910,935	100
Costs of revenue (note 6(d)(n) and 7 and 12)	16,361,727	78	14,343,598	80
Gross profit	4,527,071	22	3,567,337	20
Operating expenses (notes 6(l)(n)(q) and 12):				
Selling expenses	1,380,488	7	1,073,568	6
Administrative and general expenses	1,059,543	5	869,479	5
Total operating expenses	2,440,031	12	1,943,047	11
Operating income	2,087,040	10	1,624,490	9
Non-operating income and expenses:				
Other income (notes 6(s))	77,941	-	41,767	-
Other gains and losses (notes 6(k)(s))	11,686	-	43,176	-
Financial costs (notes 6(k)(s))	(58,215)	-	(62,058)	-
Shares of income or loss from subsidiaries and affiliates under equity method	(23,580)	-	(866)	-
Income before income tax	2,094,872	10	1,646,309	9
Less: Income tax (note 6(o))	389,420	2	304,055	2
Net income	1,705,452	8	1,342,254	7
Other comprehensive income:				
Exchange difference on translation in the financial statements of foreign operation	154,393	1	81,714	1
Less: income tax relating to components of other comprehensive income	-	-	-	-
Total other comprehensive income , net of income tax	154,393	1	81,714	-
Total comprehensive income for the period	**$ 1,859,845**	**9**	**1,423,968**	**8**
Profit attributable to:				
Owners of the parent company	$ 1,705,256	8	1,341,006	7
Non-controlling interests	196	-	1,248	-
	$ 1,705,452	**8**	**1,342,254**	**7**
Total comprehensive income attributable to:				
Owners of the parent company	$ 1,858,766	9	1,423,008	8
Non-controlling interests	1,079	-	960	-
	$ 1,859,845	**9**	**1,423,968**	**8**
Earnings per share (note 6(r))				
Basic earnings per share (in TWD)	**$ 9.62**		**8.02**	
Diluted earnings per share (in TWD)	**$ 9.28**		**7.66**	

See accompanying notes to financial statements.

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Statements of Consolidated Changes in Equity

For the year ended December 31, 2014 and 2013
(Expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent company									
			Retained earnings				Other adjustments to equity			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange difference on translation in the financial statements of foreign operation	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance, January 1, 2013	$ 1,654,547	1,038,762	755,961	24,656	1,274,382	2,054,999	(84,595)	4,663,713	12,102	4,675,815
Net income in 2013	-	-	-	-	1,341,006	1,341,006	-	1,341,006	1,248	1,342,254
Other comprehensive income in 2013	-	-	-	-	-	-	82,002	82,002	(288)	81,714
Total comprehensive income in 2013	-	-	-	-	1,341,006	1,341,006	82,002	1,423,968	960	1,423,968
Reversal of special reserves	-	-	-	(24,656)	24,656	-	-	-	-	-
Appropriation and distribution of retained earnings										
Appropriation of legal reserve	-	-	117,522	-	(117,522)	-	-	-	-	-
Appropriation of special reserve	-	-	-	103,113	(103,113)	-				
Cash dividends to shareholders	-	-	-	-	(1,029,427)	(1,029,427)	-	(1,029,427)	-	(1,029,427)
Conversion of convertible bonds	36,175	226,215	-	-	-	-	-	262,390	-	262,390
Equity components of convertible bonds	-	(20,330)	-	-	-	-	-	(20,330)	-	(20,330)
Non-controlling interests	-	-	-	-	-	-	-	-	17,700	17,730
Balance, January 1, 2014	1,690,722	1,224,647	873,483	103,113	1,389,982	2,366,578	(2,593)	5,299,354	30,762	5,330,116
Net income for 2014	-	-	-	-	1,705,256	1,705,256	-	1,705,256	196	1,705,452
Other comprehensive income in 2014	-	-	-	-	-	-	153,510	153,510	883	154,393
Total comprehensive income in 2014	-	-	-	-	1,705,256	1,705,256	153,510	1,858,766	1,079	1,859,845
Reversal of special reserve	-	-	-	(100,520)	100,520	-	-	-	-	-
Appropriation and distribution of retained earnings										
Appropriation of legal reserve	-	-	134,101	-	(134,101)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(1,310,744)	(1,310,744)	-	(1,310,744)	-	(1,310,744)
Capital increase by cash	200,000	1,915,000	-	-	-	-	-	2,115,000	-	2,115,000
Conversion of convertible bonds	18,973	136,502	-	-	-	-	-	155,475	-	155,475
Equity components of convertible bonds	-	(11,696)	-	-	-	-	-	(11,696)	-	(11,696)
Share-based payment	-	101,212	-	-	-	-	-	101,212	-	101,212
Non-controlling interest	-	-	-	-	-	-	-	-	(15,951)	(15,951)
Balance, December 31, 2014	$ 1,909,695	3,385,665	1,007,584	2,593	1,750,913	2,761,090	150,917	8,207,367	15,890	8,223,257

See accompanying notes to financial statements.

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARES

Statements of Consolidated Cash Flows

For the year ended December 31, 2014 and 2013
(Expressed in thousands of New Taiwan Dollars)

	2014	2013
Cash flows from operating activities:		
Net income before tax	$ 2,094,872	1,646,309
Adjustments		
Income(loss) not impact cash flow:		
Depreciation	246,944	192,955
Amortization	12,969	10,027
Change in fair value of financial assets and liabilities through profit or loss	5,787	(14,073)
Interest expense	37,024	36,438
Interest revenue	(13,595)	(24,124)
Share-based compensation costs	101,212	-
Shares of income or loss from subsidiaries and affiliates under equity method	23,580	866
Loss on disposal of property, plant and equipment	4,091	-
Loss (gain) on disposal of other assets	-	(1,161)
Loss (gain) on disposal of investments	5,628	-
Receivables impairment loss (reversal)	9,752	(110)
Other	-	1,495
Total Income and Loss not impact cash flow	433,392	202,313
Changes in assets or liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Available-for-sale financial assets	98,430	9,528
Notes receivable	10,856	(11,408)
Accounts receivable	(1,046,074)	56,936
Inventories	127,198	(482,847)
Other financial assets	(171,385)	(419,474)
Other operating assets	18,895	(33,391)
Total net changes in assets relating to operating activities	(962,080)	(880,656)
Net changes in liabilities relating to operating activities		
Notes payable	(6,524)	296
Account payable	(43,069)	161,629
Account payable－related parties	58,481	7,628
Other payables	141,438	79,471
Other current liabilities	(55,777)	50,792
Accrued pension liabilities	25,220	(17,175)
Other operating liabilities	42,751	23,328
Total net changes in liabilities relating to operating activities	162,520	305,969
Total net changes in assets or liabilities relating to operating activities	(799,560)	(574,687)
Total adjustments	(366,168)	(372,374)
Cash inflows from operating activities:	1,728,704	1,273,935
Interest received	13,292	24,566
Interest paid	(30,169)	(24,620)
Income taxes paid	(320,015)	(280,539)
Net Cash inflows from operating activities:	1,391,812	993,342
Cash flows from investing activities		
Acquisition of investments under equity method	(91,050)	(133,129)
Acquisition of property, plant and equipment	(402,972)	(3,166,541)
Increase in long-term prepayments	(66,669)	(71,656)
Proceeds from sales of property, plant and equipment	38,354	2,236
Increase in refundable deposits	(8,123)	(10,926)
Acquisition of intangible assets	(18,103)	(24,409)
Net cash outflow from investing activities	(548,563)	(3,404,425)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	100,001	(17,473)
Cash dividends	(1,310,744)	(1,029,427)
Increase in long-term borrowings	-	1,200,000
Decrease in long-term borrowings	(1,200,000)	-
Capital increase by cash	2,115,000	-
Non-controlling interest	(15,951)	17,700
Net cash (outflow) inflow from financing activities	(311,694)	170,800
Effect of exchange rate	98,785	41,770
(Decrease)increase in cash and cash equivalents	630,340	(2,198,513)
Cash and cash equivalents, beginning of period	1,018,069	3,216,582
Cash and cash equivalents, end of period	$ 1,648,409	1,018,069

See accompanying notes to financial statements.

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

1. Organization and Business

Makalot Industrial Co., Ltd. (the Company) was incorporated in January 10, 1990 and registered with the Ministry of Economic Affairs, R.O.C. The Company's consolidated financial statements, as of December 31, 2014, comprise the Company and its subsidiaries (the Group). It has mainly been involved in the manufacturing, processing, and wholesale of garment.

2. Approval date and procedures of the consolidated financial statements

The consolidated financial statements were authorized for issue by the board of directors on March 25, 2015.

3. Application of new and revised International Financial Reporting Standards and Interpretations

(a) The impact of the 2013 International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet effective

According to the Rule No. 1030010325 endorsed by FSC on April 3, 2014, listed, OTC and emerging companies will have to prepare the financial statements applying the 2013 IFRSs (which does not include IFRS 9) with fully adoption on 2015. Relevant new releases, modification and amendments to standards and interpretations are as following:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendments to IFRS 1 "Severe hyperinflation and removal of fixed dates for first-time adopters"	July 1, 2011
Amendments to IFRS 1 "Government loans"	January 1, 2013
Amendment to IFRS 7 "Disclosures-Transfers of Financial Assets"	July 1, 2011
Amendment to IFRS 7 "Disclosures-Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
IFRS 10 "Consolidated Financial Statements"	January 1, 2013 (effective date for investment entity will be January, 1 2014)
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 "Employee Benefits"	January 1, 2013
IAS 27 "Separate Financial Statements"	January 1, 2013
Amendment to IAS 32 "Offsetting of Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

Except for the following items, the Group believes that the adoption of aforementioned 2013 Taiwan-IFRSs and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers will not have any significant effect on the consolidated financial statements.

1. Amendments to IAS 19, "Employee Benefits"

   The amendments to IAS 19 require the Group to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on the planned assets used in IAS 19 before amendment. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs. However, they are required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost will be expensed immediately when it incurs and no longer be amortized over the average period before vesting on a straight-line basis. The termination benefits is recognized as a liability and an expense at the earlier of the date when the entity recognizes its related restructuring costs and the date when the entity can no longer withdraw the offer of the termination benefits. A more extensive disclosure related to defined benefit plan is required to comply with the above standard.

   According to the retrospective application of the aforementioned amendments, the Group shall recognize all actuarial losses. The Group shall include adjustments in accrued pension liability, accrued pension cost, actuarial losses, and the adjustment in retained earnings retrospectively.

2. Amendments to IAS 1, "Presentation of Items of Other Comprehensive Income"

   The standard amended the presentation of OCI. According to the amendments to IAS 1, the items of other comprehensive income will be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The Group shall follow the aforementioned standard to disclose its comprehensive income statement.

(Continued)

3. IFRS 12, “Disclosure of Interests in Other Entities”

   IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group will disclose the information of the consolidated entities and unconsolidated entities as the standard requires.

4. IFRS 13, “Fair Value Measurement”

   IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. After evaluation, there is no significant impact to the Group, and the Group would follow the aforementioned standard to amend the related disclosure of the fair value measurement.

   According to the retrospective application of the aforementioned amendments as of December 31, 2014 and January 1, 2014, the primary impacts on the Group would include the adjustments in accrued pension liabilities for an increase of $61,036 thousand and $41,290 thousand, respectively; the adjustments in retained earnings for a decrease of $60,527 thousand and $41,399 thousand, respectively; and the adjustments in non-controlling interest for a decrease in $509 thousand and an increase in $109 thousand, respectively. For the year ended December 31, 2014, the Group shall include the adjustments of the operating expense for a decrease of $136 thousand, and the other comprehensive income for a decrease of $19,881 thousand.

(a) The IFRSs issued by IASB but not endorsed by FSC

The following IFRSs issued by the IASB but not endorsed by the FSC.

New, Revised or Amended Standards and Interpretations	**Effective date issued by IASB**
IFRS 9 “Financial instruments”	January 1, 2018
Amendment to IFRS 10 and IAS 28 “Sale of Assets Between and Investor and its Associate or Joint Venture”	January 1, 2016
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
Amendment to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date issued by IASB
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "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

The Group is currently evaluating the impacts from the abovementioned standards and amendments to the consolidated financial position and operating results. Any related impacts will be disclosed when the evaluation is completed.

4. Summary of Significant Accounting Policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those described otherwise, the following accounting policies were applied consistently to the consolidated financial statements for years ended December 31, 2014 and 2013.

(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, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commissions R.O.C. with the effective dates.

(b) Basis of preparation

(1) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the Consolidated Balance Sheets.

(i) Financial instruments measured at fair value through profit or loss (including derivative financial instruments); and

(ii) The defined benefit assets are recognized as plan assets, plus, unrecognized past service cost and the unrecognized actual loss, less, the unrecognized actual gain and the present value of the defined benefit obligation.

(Continued)

(2) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(1) Basis of preparing the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

The subsidiaries are consolidated from the date their control is transferred to the Company. They are de-consolidated from the date their control ceases.

Comprehensive income is attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated.

Changes in a Group's ownership interest in a subsidiary that do not result in losing the control over its subsidiary are accounted for as equity transactions.

(2) Subsidiaries included in the consolidated financial statements:

		Main Business	Ownership %		
Investor	**Subsidiary**	**Activity**	**2014.12.31**	**2013.12.31**	**Note**
The Company	PT Crystal Garment (PT Crystal)	Manufacture of garments	99.40%	99.40%	
The Company	Global Trading Int'l Corp. (Global)	Sale of textile	100.00%	100.00%	
The Company	Loyal Trading Int'l Co., Ltd. (Loyal)	Sale of textile	100.00%	100.00%	
The Company	Leader Garments Corp. (Leader PH)	Manufacture of garments	99.99%	99.99%	
The Company	Diamond Apparel Mfg., Inc. (Diamond)	Manufacture of garments	99.99%	99.99%	
The Company	Primeline Fashion, Inc. (Primeline)	Manufacture of garments	99.99%	99.99%	
The Company	Fortune Star Investment Limited (Fortune Star)	Investments holding	100.00%	100.00%	
The Company	Triple Int'1 Corp. (Triple)	Investments holding	100.00%	100.00%	
The Company	Ecolot Textile Co., Ltd.	Sale of garments	100.00%	100.00%	

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investor	Subsidiary	Main Business Activity	Ownership % 2014.12.31	Ownership % 2013.12.31	Note
The Company	Asobi Investment Co., Ltd.	Trade services	50.00%	50.83%	Liquidating
Global	PT Glory Industrial Semarang (PT Glory)	Manufacture of garments	95.00%	95.00%	
Global	Makalot Garments (Cambodia) Co., Ltd. (Makalot Cambodia)	Manufacture of garments	100.00%	100.00%	
Global	Makalot Garments (Vietnam) Co., Ltd. (Makalot Vietnam)	Manufacture of garments	100.00%	100.00%	
Fortune Star	Fund Eagle International Limited (Fund Eagle)	Investments holding	100.00%	100.00%	
Fortune Star	Wintop Industrial Limited (Wintop)	Investments holding	100.00%	100.00%	
Fortune Star	Crown Era Industrial Limited (Crown Era)	Investments holding	100.00%	100.00%	
Fortune Star	Crownway International Development Limited (Crownway)	Investments holding	100.00%	100.00%	
Fortune Star	PT Starlight Garment Semarang (PT Starlight)	Manufacture of garments	95.00%	95.00%	
Triple	Moha Garments Co., Ltd. (Moha)	Manufacture of garments	100.00%	100.00%	
Triple	Triple Garment (Vietnam) Co., Limited (Triple Vietnam)	Manufacture of garments	100.00%	100.00%	
Fund Eagle	Yangzhou Feng Yang Garments Co., Limited	Manufacture of garments	100.00%	100.00%	
Crownway	Jiaxing Ruiyang Garment Co., Limited	Manufacture of garments	100.00%	100.00%	
Crownway	Jiaxing Rising Garment Co., Limited	Manufacture of garments	100.00%	100.00%	
Wintop	Shanghai Makalot Garment Co., Limited	Manufacture of garments	100.00%	100.00%	
Wintop	Eco-Lot Textile Co., Ltd.	Trade services	100.00%	100.00%	
Crown Era	Jiaxing Suntex Garment Co., Limited	Manufacture of garments	100.00%	100.00%	
Ecolot Textile Co., Ltd.	Great Time Global Co., Ltd.	Sale of garments	100.00%	100.00%	
Ecolot Textile Co., Ltd.	Top Shiny Industrial Limited(TOP)	Investments holding	100.00%	-	

(3) Subsidiaries not included in the consolidated financial statements: None.

(Continued)

(d) Foreign currency

(1) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction. Exchange differences arising on the translation are included in profit or loss.

(2) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the functional currency at average rate of reporting periods. Exchange differences arising are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(Continued)

(e) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

(1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(2) It holds the asset primarily for the purpose of trading;

(3) It expects to realize the asset within twelve months after the reporting date; or

(4) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

(1) It expects to settle the liability in its normal operating cycle;

(2) It holds the liability primarily for the purpose of trading;

(3) The liability is due to be settled within twelve months after the reporting period; or

(4) It does not have an unconditional right to defer settlement of the liability 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.

An entity shall classify all other liabilities as non-current.

(f) Cash and cash equivalents

Cash comprised cash balances and demand deposits. Cash equivalents that are readily convertible to known amounts of cash are subject to an insignificant risk of changes in value. Cash equivalents comprise the time deposits when aforementioned requirement is met, and they are held for the purpose of meeting short-term cash commitments instead of investment or other purposes.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(Continued)

(g) Financial instruments

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

(1) Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables.

(i) Financial assets at fair value through profit or loss

Financial assets classified under this category are mainly the financial assets held-for-trading or financial assets reported at fair value through profit or loss.

The purposes of financial assets held-for-trading are for repurchasing or selling in short-term.

Under the following conditions, financial assets will be recognized as financial assets reported at fair value through profit or loss:

i) Measurement and recognition vary because of the elimination or the material reduction of gain or loss with different measurement basis for assets and liabilities.

ii) Financial assets measured at fair value.

iii) Mixed instruments with embedded derivatives.

At initial recognition, financial assets classified under this category are measured at fair value. Related transaction costs are recognized in profit or loss as incurred. Subsequent valuation is measured at fair value and changes therein, which takes into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

If this type of financial assets is classified as equity investment that does not have any quoted market price in an active market and the fair value cannot be measured reliably, this type of financial assets is measured at cost after deducting the impairment loss and is reported under “financial assets measured at cost”.

(ii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprised trade receivables and other receivables. Such assets are recognized initially at fair value, plus, any directly related transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

(iii) Impairment of financial asset

A financial asset which is not at fair value through profit or loss evaluates impairments at the reporting date.

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

All individually significant receivables are assessed for specific impairment, and then assessed for impairment by grouping together. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and delayed account receivables related to the changing of national or regional economic trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate.

The carrying amount of a financial asset is reduced for an impairment loss, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off against the allowance account. Any subsequent recovery from written off receivable is charged to the allowance account. Changes in the allowance accounts are recognized in profit or loss.

(Continued)

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment loss is recognized at the reversal date.

(iv) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss shall be recognized in profit or loss.

On partial derecognition of a financial assets, the relative fair value of the partial derecognized financial assets at the transfer date is used to apportion the original book value of the financial assets on a pro-rata basis, to the portion of continual recognition resulted from continual participation and of derecognition. The difference between the carrying amount apportioned to the portion of the derecognized and the sum of the consideration received or receivable shall be recognized in profit or loss.

(2) Financial liabilities and equity instruments

(i) Classification of liabilities or equity instruments

Debt or equity instruments issued by the Group are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Equity instruments are any contractual agreement that can manifest the Group’s residual interest after assets, less, liabilities. Equity instruments issued are recognized based on amount of consideration received, less, the direct cost of issuing.

Compound financial instruments issued by the Group comprise convertible bonds payable that can be converted to share capital at the option of the holder when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

(Continued)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interests, losses or gains related to the financial liability are recognized in profit or loss.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

(ii) Financial liabilities reported at fair value through profit or loss

Financial liabilities classified under this category are mainly the financial liabilities held-for-trading or financial liabilities reported at fair value through profit or loss.

The purposes of financial liabilities held-for-trading are for repurchasing or selling in short-term.

Under the following conditions, financial liabilities will be recognized as financial liabilities reported at fair value through profit or loss:

i) Measurement and recognition vary because of the elimination or material reduction of gain or loss with different measurement basis for assets and liabilities.

ii) Financial liabilities measured at fair value.

iii) Mixed instruments with embedded derivatives.

At initial recognition, this type of financial liabilities is measured at fair value; transaction costs are recognized in profit or loss if occurred, and subsequent measurement is measured at fair value. Remeasurement gains or losses, including relevant interest expense, are recognized in profit or loss.

(iii) Other financial liabilities

At initial recognition, financial liabilities not classified as held-for-trading, or designated as fair value through profit or loss, which consist of loans and borrowings, and trade and other payables are measured at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss.

(Continued)

(iv) Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expired.

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

(v) Offsetting of financial liabilities and assets

The Group presents financial assets and liabilities on net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(3) Derivatives and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate fluctuation exposures. At initial recognition, derivatives are recognized at fair value; and related transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein, are recognized in profit or loss.

(h) Inventories

Inventories are stated at the lower of cost or net realizable value. Costs comprise necessary expenditures and charges, which include purchasing, manufacturing, processing or other expenditures, to bring the inventory to a salable and useable condition and location, and are calculated using the weighted-average method. Cost includes an appropriate share of production overheads based on normal operating capacity of labor hours or machine hours, and is allocated to finish goods and work-in-progress.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling cost.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

(Continued)

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of investment includes transaction costs. The carrying amount of investment in associates includes goodwill arising from the acquisition, less, any accumulated impairment losses.

The consolidated financial statements include the Group's share of the income or loss and other comprehensive income of subsidiaries and affiliates under equity method, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(j) Property, plant and equipment

(1) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprised the material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost eligible for capitalization. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When property, plant and equipment include different components, which are relatively material to the total cost of the item, different depreciation rate or methods may be applied. These components should be viewed as individual items (main parts) in the property, plant or equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss.

(Continued)

(2) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure can be assessed reasonably, and will flow into the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

(3) Depreciation

Depreciation is calculated based on the depreciable amount of an asset using the straight-line basis over its useful life. The depreciation amount of an asset is determined based on the cost, less, its residual value. The depreciation is assessed according to the material components of each item. If the useful life of one component is different from the others, this component should be depreciated individually. The depreciation charge for each period is recognized in profit or loss.

If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use will be the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life, and therefore, is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(i) Buildings: 8 to 50 years.

(ii) Machinery and equipment: 5 to 16 years.

(iii) Office and other equipments: 3 to 20 years.

Depreciation methods, useful lives, and residual values are reviewed at reporting date. If the expectation of useful life differs from the previous estimate, the change is accounted for as a change in an accounting estimate.

(Continued)

(k) Leased assets

All leases are classified as operating leases; the Group does not recognize them in the balance sheet.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Contingent lease payable is recognized as an expense in the period when the lease adjustment is affirmed.

(l) Intangible assets

(1) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost, less, accumulated amortization and any accumulated impairment losses.

(2) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(3) Amortization:

The amortizable amount is the cost of an asset or other amount substituted for cost, less, its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date when they are made available for use. The estimated useful life for the current and comparative periods is 2 to 5years.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(Continued)

(m) Impairment of non-financial assets

Non-derivative financial assets except for inventories, deferred tax assets and assets arising from employee benefits are assessed at the reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount (fair value, less, cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value, less, costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. The reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Every financial year-end, impairment tests should be conducted for goodwill, intangible asset with an indefinite useful life, and intangible assets unavailable for use. The difference between the recoverable amount and the carrying amount should be recognized as impairment loss.

For the purpose of impairment testing, goodwill acquired in a business combination, from the acquisition date, is allocated to each of the acquirer’s cash-generating units, or groups of cash-generating units, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

(Continued)

(n) Provision

Provisions are recognized when the Group has a present obligation 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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(o) Revenue recognition

(1) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer. Recovery of the consideration is probable. The associated costs and possible return of goods can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of significant risks and rewards of ownership transferred to the customers depends on the individual contractual agreements. Export sales mainly are FOB shipping point, which risk and rewards of ownership change to the buyer at the shipping port. Domestic sales transferred risk and rewards of ownership to the buyer when the goods are accepted in customers' warehouses.

(2) Service

The Group provides consulting services to the customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(p) Employee benefits

(1) Defined contribution plan

Obligations for contributions to defined contribution pension plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(2) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by the employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. The expense is recognized immediately in profit or loss to the extent that the benefits vested immediately.

The Group recognizes a portion of its actuarial gains and losses arising subsequently from defined benefit plans in profit or expense if the net cumulative unrecognized actuarial gains and losses at the reporting date exceeded the greater of

(i) 10% of the present value of the defined benefit obligation at that date; and
(ii) 10% of the fair value of any plan assets at that date.

(Continued)

The Group recognized gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation, and any related actuarial gains or losses, and past service cost that had not previously been recognized.

(3) Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable for more than 12 months after the reporting period, then they are discounted to their present value.

(4) Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed when related service are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combination, or those recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax receivables on taxable income (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to tax payable in prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

(1) Assets and liabilities that are initially recognized but are not related to the business combination and have no the effect on net income or taxable gains (losses) during the transaction.

(2) Temporary differences arising from equity investments on subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(3) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(1) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(2) The taxing of deferred tax assets and liabilities fulfil one of the below scenarios:

(i) Levied by the same taxing authority; or

(ii) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for unused tax losses, unused tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(r) Business consolidation

The Group uses the transfer price on the acquisition date as fair value, including any none controlling interest amount attributable to the investee, to reduce the net amount of identifiable assets and liabilities acquired to measure goodwill. If the amount is negative, the Group should remeasure to whether correctly identify all identifiable assets and liabilities acquired before recognizing the purchasing benefit in profit or loss.

(Continued)

The Group is based on trade-by-trade, using fair value on acquisition date or identifiable net assets based on non-controlling interest percentage to measure non-controlling interest.

During step by step acquisition, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value. Any gain or loss generated from the above remeasurement will be recognized in profit or loss. Changes in equity of investees recognized in other comprehensive income before acquisition date should be settled the same manner as the Group settled directly its former held investee. If changes in equity of investees are reclassified to profit or loss, the amount shall be reclassified to profit or loss.

If the original consolidated accounting treatment is not finished yet before the reporting date of consolidation, the Group should report unfinished part at a temporary amount which should be adjusted retrospectively or recognized extraordinary in assets or liabilities to reflect the new information about facts and condition that already existed on the acquisition date during the measurement period. The measurement period should not exceed 1 year since acquisition date.

Except for debt and equity issuing tools, transactions cost related to consolidation should be recognized immediately as expense of the Group when occurred.

(s) Earnings per share

The Group reports the basic earnings per share and the diluted earnings per share. The basic earnings per share are calculated based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds and employee bonus. The Group’s dilutive potential ordinary shares are convertible bonds and accrued employee bonus.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about the resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

(Continued)

(u) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of the change and the future period of their impact.

Information on critical judgments in applying accounting policies that have the most significant effect to the amounts recognized in the consolidated financial statements is included in notes 6(n), defined benefit plan.

6. Description of the significant accounts

(a) Cash and Cash Equivalents

	2014.12.31	2013.12.31
Cash	$ 5,389	3,537
Demand deposit	817,060	799,481
Time deposit	825,960	215,051
	$ 1,648,409	1,018,069

Please refer to note 6(t) for the sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities reported at fair value through profit or loss

Financial assets/liabilities at fair value through profit or loss follows:

	2014.12.31	2013.12.31
Financial assets held for trading	$ 53,290	162,723
Financial liabilities held for trading	$ 380	-

Derivatives not applying hedge accounting

The Group entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The Group did not apply hedge accounting for the derivative contracts and report them as held for trade from operating activities. For the years ended December 31, 2014 and 2013, the details for derivatives held for trade were as follows:

	2014.12.31			
	Amount (in thousands)		Currency	Maturity Dates
Forward exchange contracts sold	USD	2,000	USD to CNY	2015.1.6~2015.1.22
Forward exchange contracts sold	USD	3,000	USD to TWD	2015.2.5~2015.2.10

	2013.12.31			
	Amount (in thousands)		Currency	Maturity Dates
Forward exchange contracts sold	USD	11,000	USD to CNY	2014.1.7~2014.2.11
Forward exchange contracts sold	USD	6,000	USD to TWD	2014.1.2~2014.1.9

(c) Note receivables, account receivables and other receivables (include amount due from related parties)

Details:

	2014.12.31	2013.12.31
Notes receivable	$ 552	11,408
Accounts receivable	1,331,175	285,101
Other financial assets－current	1,127,216	955,528
Less: allowance for doubtful accounts	(13,019)	(3,267)
Total	$ 2,445,924	1,248,770

As of December 31, 2014 and 2013, other financial asset – current comprises timed deposit amounted to 326,235 thousand and 114,053 thousand, respectively.

The aging of overdue but unimpaired note receivables, account receivables and other receivables of the Group are as followed.

	2014.12.31	2013.12.31
Overdue <60 days	$ 165	16,376

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Group believes that the unimpaired past due amount are still collectible based on historic payment behavior and customer financial position.

Changes in allowance for doubtful accounts of note receivables, account receivables and other receivables of the Group for 2014 and 2013 are as followed.

	Individually assessed for impairment	Collectively assessed for impairment	Total
Beginning balance as of January 1,2014	$ -	3,267	3,267
Recognized impairment loss	-	9,752	9,752
Ending balance as of December 31, 2014	**$ -**	**13,019**	**13,019**

	Impairment loss of separate assessment	Impairment loss of combined assessment	Total
Beginning balance as of January 1,2013	$ -	3,377	3,377
Recognized impairment loss	-	(110)	(110)
Ending balance as of December 31, 2013	**$ -**	**3,267**	**3,267**

None of the accounts receivables and notes receivables held by the Group were pledged or collateralized as of December 31, 2014 and December 31, 2013.

The Group factored its accounts receivable to certain financial institutions without recourse, and under the agreement, the Group is not required to bear uncollectible risk of the underlying accounts receivables within the factoring credit limit. The factored accounts receivable are conformed to the derecongition when the ownership and the significant risks of the factored accounts receivable are transferred to the banks. As of December 31, 2014 and 2013, the factored accounts receivable were $757,439 thousand and $741,819 thousand, respectively, and they were included in “other financial assets－current” in the accompanying balance sheets.

As Of December 31, 2014 and 2013, the relevant information of derecognized accounts receivable factored were as follows:

December 31, 2014							
Factoring financial institution	**Factoring credit limit**	**Advance amount credit limit**	**Factored amount (Derecognized amount)**	**Advance amount**	**Interest rate**	**Important derecognized provision**	**Collateral**
HSBC Bank	USD 99,500 thousand	USD 83,250 thousand	$ 1,866,613	1,241,083	(Note 2)	(Note1)	Promissory note USD 96,250 thousand (Note 3)
Standard Chartered Bank	USD 17,500 thousand	USD 15,750 thousand	207,873	132,226	“	“	N/A
CTBC Bank	USD 20,500 thousand	USD 18,450 thousand	56,676	23,280	“	“	“
Chang Hwa Commercial Bank	USD 4,000 thousand	USD 3,600 thousand	22,866	-	“	“	“
Total			$ 2,154,028	1,396,589			

December 31, 2013							
Factoring financial institution	**Factoring credit limit**	**Advance amount credit limit**	**Factored amount (Derecognized amount)**	**Advance amount**	**Interest rate**	**Important derecognized provision**	**Collateral**
HSBC Bank	USD 94,500 thousand	USD 83,250 thousand	$ 1,582,716	1,156,028	(Note 2)	(Note1)	Promissory note USD 87,700 thousand (Note 3)
Citi Bank	USD 72,000 thousand	USD 72,000 thousand	783,899	641,778	“	“	N/A
CTBC Bank	USD 19,000 thousand	USD 17,100 thousand	130,497	-	“	“	“
Standard Chartered Bank	USD 14,000 thousand	USD 12,600 thousand	91,041	64,529	“	“	“
Chang Hwa Commercial Bank	USD 4,000 thousand	USD 3,600 thousand	51,599	35,598	“	“	“
Total			$ 2,639,752	1,897,933			

(Note 1) According to the accounts receivable purchase agreements or the approval letters issued by the factoring financial institutions, the accounts receivables were factored without recourse. The funds are transferred to the appointed reserve accounts or the factoring financial institutions.

(Note 2) For 2014 and 2013, the average interest rates on factored accounts receivable were 0.82%~1.91% and 0.90%~1.91%, respectively.

(Note 3) The aggregate credit limit of the promissory note includes letter of credits, export bill negotiations, borrowings, derivatives, and factoring accounts receivable.

(d) Inventories

	2014.12.31	2013.12.31
Raw materials	$ 2,211,381	2,174,525
Work in progress	218,273	366,871
Finished goods	315,447	330,903
	$ 2,745,101	**2,872,299**

In 2014, the write-downs of inventories to the net realized value amounted to $32,952 thousand. In 2013, the reversal of write-downs amounted to $3,682 thousand. The write-downs and reversals were included in cost of sales.

None of the inventories held by the Company were pledged or collateral as of December 31, 2014 and 2013.

(e) Investment under equity method

A summary of the Group's financial information for its subsidiaries and affiliates under equity method at the reporting date is as follows:

	December 31, 2014	December 31, 2013
Associate company	$ 210,296	134,206

The Group invested in Namtex Co., Ltd. with the amount of $133,129 thousand in 2013, and invested the additional amount of $91,050 thousand in 2014. The Group's purpose for this investment was to add the value in its total solution.

The financial information of the Group's associate company which is unproportionate to the ownership ratio of the Group is as follows:

	2014.12.31	2013.12.31
Total assets	$ 1,025,463	844,269
Total liabilities	$ 653,113	630,833

	2014	2013
Revenue	$ 1,252,379	1,290,907
Net income	$ (38,466)	20,206

None of the investment under equity method held by the Group was pledged as collateral as of December 31, 2014 and 2013.

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(f) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the Company for the year ended December 2014 and 2013 are as follows:

		Land	Buildings	Machinery	Office and other equipment	Total
Cost:						
Balance at January 1, 2014	$	2,676,784	908,299	1,169,741	916,766	5,671,590
Additions		796	42,144	227,520	132,512	402,972
Disposals		-	(84,072)	(39,011)	(31,865)	(154,948)
Reclassification		-	76,387	627	830	77,844
Exchange difference on translation		8,146	22,567	72,225	34,930	137,868
Balance as of December 31 , 2014	**$**	**2,685,726**	**965,325**	**1,431,102**	**1,053,173**	**6,135,326**
Balance at January 1, 2013	$	64,881	473,551	1,026,388	756,668	2,321,488
Additions		2,499,727	410,681	151,365	104,768	3,166,541
Disposals		-	-	(1,355)	(8,605)	(9,960)
Reclassification		111,871	5,472	(11,917)	12,502	117,928
Exchange difference on translation		305	18,595	5,260	51,433	75,593
Balance as of December 31 , 2013	**$**	**2,676,784**	**908,299**	**1,169,741**	**916,766**	**5,671,590**
Depreciation and impairment loss:						
Balance at January 1, 2014	$	-	186,639	752,405	611,308	1,550,352
Depreciation for the year		-	43,413	111,497	92,034	246,944
Disposals		-	(47,074)	(35,540)	(26,068)	(107,682)
Reclassification		-	(17)	-	12	5
Exchange difference on translation		-	(8,221)	49,918	36,269	77,966
Balance as of December 31 , 2014	**$**	**-**	**174,740**	**879,280**	**713,555**	**1,767,575**
Balance at January 1, 2013	$	-	116,552	650,591	560,765	1,327,908
Depreciation for the year		-	20,806	100,666	71,483	192,955
Disposals		-	-	(858)	(6,162)	(7,020)
Reclassification		-	-	(5,155)	(1,744)	(6,899)
Exchange difference on translation		-	49,281	7,161	(13,034)	43,408
Balance as of December 31 , 2013	**$**	**-**	**186,639**	**752,405**	**611,308**	**1,550,352**
Carrying amounts:						
Balance as of December 31 , 2014	**$**	**2,685,726**	**790,585**	**551,822**	**339,618**	**4,367,751**
Balance as of December 31 , 2013	**$**	**2,676,784**	**721,660**	**417,336**	**305,458**	**4,121,238**
Balance at January 1, 2013	**$**	**64,881**	**356,999**	**375,797**	**195,903**	**993,580**

(1) Idle assets

As of December 31, 2014 and December 31, 2013, the carrying amount of idle assets in property, plant and equipment amounted to $75,473 thousand and $119,414 thousand, respectively.

(2) Collateral

A summary of the pledged assets as of December 31, 2014 and 2013 is in note 8.

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(g) Intangible assets

The costs of intangible assets, amortization, and the impairment loss of the Group in 2014 and 2013 are as follows:

		Intangible assets
Cost:		
Balance at January 1, 2014	$	144,800
Purchases		18,103
Reclassification		1,374
Exchange difference on translation		46
Balance as of December 31 , 2014	**$**	**164,323**
Balance at January 1, 2013	$	113,316
Purchases		24,409
Reclassification		(11,725)
Exchange difference on translation		18,800
Balance as of December 31 , 2013	**$**	**144,800**
Depreciation and impairment losses:		
Balance at January 1,2014	$	108,835
Amortization for the year		12,969
Exchange difference on translation		48
Balance as of December 31, 2014	**$**	**121,852**
Balance at January 1,2013	$	97,460
Amortization for the year		10,027
Reclassification		(12,490)
Exchange difference on translation		13,838
Balance as of December 31 , 2013	**$**	**108,835**
Book value:		
Balance at December 31, 2014	**$**	**42,471**
Balance at December 31, 2013	**$**	**35,965**
Balance at January 1, 2013	**$**	**15,856**

Amortization for 2014 and 2013 are recognized as operating expenses in the comprehensive income statement.

(Continued)

(h) Other current and noncurrent assets

	2014.12.31	2013.12.31
Prepayments for land, equipment, and construction in progress	$ 71,371	110,229
Prepayments for inventory	58,812	66,654
Prepaid sales tax and overpaid sales tax	122,698	87,892
Refundable deposits	73,734	65,611
Prepaid rent	26,303	36,144
Other	84,657	94,372
Total	$ 437,575	460,902

(i) Short-term borrowings

Details of short-term borrowings of the Group are as follows:

	2014.12.31	2013.12.31
L/C	$ 100,001	-
Unused facilities	$ 3,079,490	2,258,046
Range of interest rates	0.99%~2.01%	1.11%~2.16%

The Group pledged assets as collaterals to secure bank loans is described in note 8.

(j) Long-term borrowings

Long-term borrowings were as follows:

	2014.12.31	2013.12.31
Secured bank loans	$ -	1,200,000
Unused facilities	$ -	1,130,000
Range of interest rates	-	1.7%

(1) For the year ended December 31, 2014, the repayments of secured bank loans amounted to $1,200,000 thousand. The secured bank loans were $1,200,000 and borrowed in 2013.

(2) The Group pledged assets as collaterals to secure bank loans is described in note 8.

(k) Convertible bond payable

	2014.12.31	2013.12.31
Amount of convertible bond issued	$ 700,000	1,300,000
Unamortized bond discount	(15,488)	(31,787)
Cumulative converted amount	(381,400)	(828,600)
Balance of convertible bond	303,112	439,613
Less: current portion	(303,112)	-
	$ -	439,613
Embedded derivative-put and call options (accounted as financial assets (liabilities) at fair value through profit or loss－current	$ -	-
Equity component-conversion options (accounted for as capital surplus)	$ 24,386	36,082

	2014	2013
Embedded derivative-put and call options (accounted for as evaluation loss (gain) on financial instruments)	$ 32	(4,588)
Interest expense (accounted as financial cost)	$ 7,246	11,427

The Company issued the No. 4 five-year unsecured convertible bonds in Taiwan without coupon rate. These convertible bonds cover a period from August 24, 2012 to August 24, 2017.

At any time on or after September 25, 2012, and prior to July 15, 2017, the Company may redeem the bonds with cash at face value with certain circumstances.

From July 24, 2015 to August 23, 2015, the bondholders may request the Company to repurchase the convertible bonds at 100.7519% of the face value. From July 24, 2016 to August 23, 2016, the bondholders may request the Company to repurchase the convertible bond at 101.0038% of the face value.

The bondholders may request to convert the bond to the Company’s common stock at any time on or after September 25, 2012, and prior to August 14, 2017. The Company will pay the principal in cash when the bonds are not converted into common stock nor redeemed at the maturity date. As of December 31, 2014, the conversion price was $77.6.

The Company reclassifies the bond payable as of December 31, 2014 as current liabilities in accordance with the put option of the bondholders effective at any time from August 24, 2015 to August 25, 2106. The reclassification is based on the conservative principle rather than represents the bonds payable should be settled within one year.

(Continued)

(l) Operating lease

Non-cancellable operating lease rentals are as follows:

	2014.12.31	2013.12.31
Less than one year	$ 64,474	54,922
Between one and five years	63,074	117,649
Over five years	17,327	35,737
	$ 144,875	**208,308**

For the years ended December 31, 2014 and 2013, operating lease expenses were $113,022 thousand and $137,981 thousand, respectively.

(m) Provisions

	Provisions
Balance at January 1, 2014	$ 189,426
Addition	35,221
Exchange difference on translation	7,105
Balance at December 31, 2014	**$ 231,752**
Balance at January 1, 2013	$ 176,396
Addition	14,842
Exchange difference on translation	(1,812)
Balance at December 31, 2013	**$ 189,426**

Provisions mainly are accrued for abnormal losses from operating and others.

(n) Employee Benefits

(1) Defined benefit plans

Adjustments for the present value of defined benefit obligation and the fair value of plan assets are as follows:

	2014.12.31	2013.12.31
Total present value of obligations	$ (227,805)	(181,024)
Fair value of plan assets	40,424	38,739
Funded status	(187,381)	(142,285)
Unamortized actuarial gains and losses	61,036	41,160
Defined benefit liabilities	**$ (126,345)**	**(101,125)**

(Continued)

Employee's benefits provision of the Group is as follows:

	2014.12.31	2013.12.31
Long-term paid leaves provisions	$ 25,779	21,511

Under the plan, contributions are made to an independent fund that is deposited in Bank of Taiwan. Employees are eligible for retirement, and payments of retirement benefits are based on the years of service and the average salary for the last six months before the employee's retirement according to the Labor Standards Act.

(i) Composition of the plan assets

The retirement funds deposited by the Company according to the Labor Standards Act are managed by the Labor Pension Fund Supervisory Committee (the "LPFSC"). According to Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the usage of funds and their minimum amount of return distributed by the final accounts shall not be less than the income calculated by the two-year deposit interest rate of the local bank.

The balance in the pension account at the reporting date was $37,938 thousand. The data of usage of the plan asset includes return rate of the fund and fund asset allocation. Please refer to the website of LPFSC.

(ii) Changes in fair value of the defined benefit obligations were as follows:

	2014	2013
Defined benefit obligations on January 1	$ 181,024	269,337
Benefits paid	(394)	(31,733)
Current service cost and interest	23,796	23,250
Curtailment gains	-	(13,411)
Actuarial losses	19,201	(36,648)
Exchange difference on translation	4,178	(29,771)
Defined benefit obligations on December 31	$ 227,805	181,024

(Continued)

(iii) Changes in fair value of the plan asset were as follows:

		2014	2013
Fair value of plan assets on January 1	$	38,739	40,778
Appropriated amount to the plan		675	687
Benefits paid by plan assets		-	(3,137)
Expected return of plan assets		806	683
Actuarial gains or losses		86	(330)
Exchange difference on translation		118	58
Fair value of plan assets on December 31	**$**	**40,424**	**38,739**

(iv) Expense recognized in profit or loss

Expense recognized in profit or loss for the year ended December 31, 2014 and 2013 were as follows:

		2014	2013
Service cost	$	15,406	13,368
Interest cost		8,390	9,882
Curtailment gains		-	(13,411)
Amortization on actuarial losses and others		1,094	20,971
Expected return from the plan asset		(803)	(683)
	$	**24,087**	**30,127**

(v) Actuarial assumptions

	2014	2013
Discount rate	2.00%~8.00%	2.00%~9.00%
Expected return on plan assets	2.00%~4.00%	2.00%~9.00%
Future salary changes	2.25%~10.00%	2.25%~10.00%

The expected long-term rate of return on assets is based on the portfolio as a whole and not on the sum of the returns on the individual asset categories; such return is based exclusively on historical returns without adjustments.

(Continued)

(vi) Historical information for experience adjustments:

		2014.12.31	2013.12.31	2012.12.31	2012.01.01
Present value of the defined benefit obligation	$	227,805	181,024	269,337	226,741
Fair value of plan assets		(40,424)	(38,739)	(40,778)	(39,581)
Net liabilities of defined benefit obligations	$	187,381	142,285	228,559	187,160
Experience adjustments of present value of defined benefit plan	$	7,602	8,900	2,988	-
Experience adjustments of fair value of plan assets	$	172	207	393	-

The Group plans to appropriate $34,042 thousand the defined benefit plan one year after the reporting date.

(vii) The Group shall use estimations and judgments on its actuarial assumptions such as attrition rate, future salary changes, and etc when calculating the present value on the defined benefit obligations at the reporting date.

As of December 31, 2014, the Group's accrued pension liabilities amounted to $126,345 thousand. If the discount rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have decreased by $3,673 thousand or increased by $4,564 thousand, respectively.

(2) Defined contribution plan

The Company and subsidiaries in Taiwan contribute an amount equal to 6% of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act, under which, the Company is not required to bear the regulated or putative obligation subsequent to the payment of fixed-rate contribution.

The Group's pension costs under the defined contribution pension plan amounted to $46,321 thousand and $40,922 thousand in 2014 and 2013, respectively.

(o) Income Tax

(1) Income tax expense

The details of income tax expense in 2014 and 2013 were as follows:

		2014	2013
Current income tax expense	$	381,902	292,246
Deferred income tax expense (benefit)		7,518	11,809
Total income tax expense	$	389,420	304,055

(Continued)

The reconciliation between income tax expense and income before tax are as follow:

	2014	2013
Income before tax	$ 2,094,872	1,646,309
Income tax based on the Company's domestic tax rate	356,128	279,873
Others	33,292	24,182
	$ 389,420	**304,055**

(2) Deferred tax liabilities and assets

(i) Unrecognized deferred tax assets and liabilities

As of December 31, 2014 and 2013, the temporary differences associated with the investments in subsidiaries were not recognized as deferred income tax assets and liabilities as the Group has the ability to control the timing of reversal of these temporary differences which are not expected to reverse in the foreseeable future. The related amounts were as follows:

Unrecognized amount of deferred tax liabilities:

	2014.12.31	2013.12.31
Temporary differences associated with investments in subsidiaries	**$ 55,341**	**49,362**

Unrecognized amount of deferred tax assets:

	2014.12.31	2013.12.31
Temporary differences associated with investments in subsidiaries	$ 29,434	26,334
Tax losses	12,271	5,960
	$ 41,705	**32,294**

(Continued)

Net losses filed by the Group or approved by the tax authority could be used to deduct the taxable income in the preceding years. As of December 31, 2014, the deduction periods for the deferred tax assets as losses incurred by the Group in the preceding years were as follows:

Expiration year		Remaining deductable losses
2015	$	89
2016		3,034
2017		818
2018		1,240
2019		7,090
	$	**12,271**

(ii) Recognized deferred tax assets and liabilities

		Defined benefit plan	Provision	Others	Total
Deferred tax assets					
January 1, 2013	$	30,088	10,172	10,853	51,113
Credit (debit) income statement		(24,786)	466	14,483	(9,837)
December 31, 2013	**$**	**5,302**	**10,638**	**25,336**	**41,276**
January 1, 2014	$	5,302	10,638	25,336	41,276
Credit (debit) income statement		597	4,722	(3,267)	2,052
December 31, 2014	**$**	**5,899**	**15,360**	**22,069**	**43,328**

		Unrealized exchange gain	Others	Total
Deferred tax liabilities				
January 1, 2013	$	307	276	583
Credit income statement		2,248	(276)	1,972
December 31, 2013	**$**	**2,555**	**-**	**2,555**
January 1, 2014	$	2,555	-	2,555
Debit income statement		9,471	99	9,570
December 31, 2014	**$**	**12,026**	**99**	**12,125**

(Continued)

(3) Income tax approval

The Company's income tax returns have been examined and approved through 2012 by the ROC tax authorities.

(4) Information related to the imputation credit account and creditable ratio is summarized below:

	2014.12.31	2013.12.31
Unappropriated earnings of 1998 and after	$ 1,750,913	1,389,982
Balance of imputation credit account (ICA)	$ 340,906	331,777

	2014 (Estimated)	2013(Actual)
Tax creditable ratio for earnings distribution to ROC residents	20.83%	20.92%

The above information about ICA has been comforted to amended Article No. 10204562810 of the Income Tax Act issued by the Finance Committee of Legislative Yuan of the Republic of China on October 17, 2013.

According to the amended Income Tax Act which was announced in June 2014, the amount of the deductible tax of an individual shareholder residing in the territory of R.O.C. is calculated by 50% of its original tax deduction ratio.

(p) Stockholders' equity

As of May 8, 2014, the Company issued 20,000 thousand shares, with a par value of NT$10 per share, by increasing its capital amounting to $200,000 thousand; therefore, the total proceeds amounted to $2,115,000 thousand. The issuance above was approved by the FSC on August 21, 2014 as the date of the capital increase; and the registration process has already been completed.

As of December 31, 2014 and 2013, the authorized capital of the Company amounted to $2,000,000 thousand, consisting of 200,000 thousand shares, at a par value of NT$10 per share, with the issued capital of 190,969 thousand shares and 169,072 thousand shares, respectively. All proceeds from the share issued have been collected.

(Continued)

The movements in outstanding shares for the years ended December 31, 2014 and 2013 were as follows:

	Common stock (thousand shares) 2014	Common stock (thousand shares) 2013
Beginning balance at January 1	$ 169,072	165,455
Addition: Issued for cash	20,000	-
Conversion of convertible bonds	1,897	3,617
Ending balance at December 31	**$ 190,969**	**169,072**

(1) Capital Surplus

The balances of capital were as follows:

	2014.12.31	**2013.12.31**
Surplus arising from bond conversion option	$ 1,327,293	1,190,791
Paid-in capital in excess of par value	2,015,905	-
Capital surplus-premium from combination	593	593
Equity components of convertible bonds	24,386	36,082
Capital surplus-interest payable reimbursement	17,181	17,181
Expired stock options	307	-
	$ 3,385,665	**1,244,647**

According to the amended ROC Company Law in January, 2012, the realized capital surplus can be transferred to common stock or distributed as cash dividends after deducting the accumulated deficit, if any. Realized capital surplus includes the additional paid-in capital from issuance of common stock in excess of the common stock's par value and donation from others. Paid-in capital in excess of par value is transferrable to common stock but shall not exceed 10% of the total issued and outstanding common stock in each year according to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

(Continued)

(2) Retained earnings

According to the Company's articles of incorporation, 10% of annual net earnings (net of income taxes), after deducting accumulated deficits, must be set aside 10% as legal reserve. Unless and until the accumulated legal reserve equals the Company's total capital, the Company may set aside a special reserve in accordance to Article 41 of the Securities and Exchange Act. After the board of directors considers the Company's budget for funding needs, financial structures, current period earnings, and steady profit distribution when proposing the distribution of earnings, the proposal should be resolved during the stockholders' meeting and set aside the following items accordingly:

(i) No more than 5% as bonus to directors.

(ii) From 1% to 8% as profit-sharing to employees' bonus.

The Company is now in the growth stage, and profits may be distributed by way of cash dividend and stock dividend. The ratio for distributing cash dividends shall not be lower than 10% of the total distribution.

(i) Legal reserve

According to the amendment of the ROC Company Law announced on January, 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of the total capital. If the Group incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, capitalize the amount of its reserve that exceeds 25% of common stock by issuing new shares or distributing cash dividend.

(ii) Special reserve

The Company is applicable to the regulations in Interpretation No.1010012865 announced on April 6, 2012 by the FSC for recognizing special reserve. A regulation issued by the Securities and Futures Bureau requires a special reserve be made from the unappropriated earnings, equivalent to the current income or loss and the prior period-undistributed earnings from the reduction of other equity; the special reserve appropriated from the prior period-undistributed earnings cannot be distributed. If the reductions of other equity are reversed the reverse parts can be distributed.

(Continued)

(iii) Earnings appropriation and distribution

For the years ended December 31, 2014 and 2013, the employee bonuses amounted to $122,685 thousand and $96,704 thousand, respectively, and the directors' emoluments amounted to $53,675 thousand and $42,308 thousand, respectively. The aforementioned amounts were estimated according to the Group's articles of incorporation and were reported as operating expense and cost for 2014 or 2013.

The comparison between the actual distributions of the employee bonuses and directors' emoluments in 2013, and the amounts recorded in the Company's financial statements in 2013 were as follows:

	2013		
	Actual distributed amount	**Recognized amount by financial statement**	**Difference**
Emoluments to directors	$ 38,700	42,308	(3,608)

The difference between the actual emoluments to the directors and the recognized amount in 2013 was not significant, and the difference was recognized in profit or loss in 2014.

The distributions of employee bonuses and directors' emoluments in 2014 still need the approval from the stockholders meeting. Related information will be available on the Market Observation Post System after the meeting. If there is any difference between the actual distributions and the estimations, the difference will be recognized in the profit or loss in 2015.

Earnings distribution for 2013 and 2012 was decided in the general meeting of the shareholders held on June 23, 2014 and June 19, 2013, respectively. The relevant dividend distributions to the shareholders were as follows:

	2013		2012	
	Amount per share (Taiwan dollar)	**Total amount**	**Amount per share (Taiwan dollar)**	**Total amount**
Cash	$ 7.70	1,310,744	6.14	1,029,427

(Continued)

(q) Share-based payment transactions

In 2014, the Company increased its capital by cash, and reserved 2,305 thousand shares for employees' subscription. The cost of the above share-base payment was $101,202 thousand, and was recognized as expenses and capital surplus. The details was as follows:

	Equity settlement
	Capital increase by cash reserved for subscription by employ
Grant date	July 10, 2014
Grant units	2,305 thousand shares
Exercise units	2,298 thousand shares
Expire units	7 thousand shares
Grant objects	Employees of the Company
Vested conditions	Vested immediately

The company utilized the Black-Scholes model to estimate the fair value of the Share-based payment transactions; relevant input parameters were as follows:

	2014
	Capital increase by cash reserved for subscription
Fair value at granted date	43.9 (take into account the influence of the ex-right and ex-dividend factors) (in TWD)
Stock price at granted date	158.5 (in TWD)
Exercised price	106 (in TWD)
Expected fluctuation rate	33.96%
Expected conserved period	47 days
Expected dividend yield rate	4.85%
Risk free rate	1.38%

The Company did not have any share-based transaction in 2013.

(r) Earnings per share

(1) Basic earnings per share

The basic earnings per share for the years ended December 31, 2014 and 2013 are calculated on a basis of profit attributable to common shareholders and weighted-average number of outstanding common shares. Calculations are as follows:

(i) Profit attributable to common shareholders

	2014 Continuing operation unit	2013 Continuing operation unit
Profit attributable to common shareholders	**$ 1,705,256**	**1,341,006**

(i) Weighted-average number of outstanding common shares

	2014	2013
Number of outstanding common shares on January 1	$ 169,072	165,455
Effect of conversion of convertible bonds	1,061	1,764
Effect of issuing new shares by cash	7,167	-
Weighted-average number of outstanding common shares on December 31	**$ 177,300**	**167,219**

(2) Diluted earnings per shares

The diluted earnings per share for the years ended December 31, 2014 and 2013 are calculated on a basis of profit attributable to common shareholders and weighted-average number of outstanding common shares, with all potential common shares, retroactively adjusted. Calculations are as follows:

(i) Profit attributable to common shareholders (diluted)

	2014 Continuing operation unit	2013 Continuing operation unit
Profit attributable to common shareholders (basic)	$ 1,705,256	1,341,006
Interest of convertible bonds, other gains and losses	6,041	5,676
Profit attributable to common shareholders (diluted)	**$ 1,711,297**	**1,346,682**

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ii) Weighted-average number of outstanding common shares (diluted)

		2014	2013
Weighted-average number of outstanding common shares (basic)	$	177,300	167,219
Effect of conversion of convertible bonds		5,986	7,632
Effect of employee stock dividends		1,025	878
Weighted-average number of outstanding common shares on December 31 (diluted)	**$**	**184,311**	**175,729**

(s) Results from non-operating activities

(1) Other incomes

The Group's other income in 2014 and 2013 were as follows:

		2014	2013
Rental income	$	50,720	4,764
Interest income-bank deposit		13,595	24,124
Dividend income		4,738	9,499
Others		8,888	3,380
	$	**77,941**	**41,767**

(2) Other gains and losses

The Group's other gains and losses in 2014 and 2013 were as follows:

		2014	2013
Foreign exchange gain (loss)	$	48,765	33,057
Net (loss) gain on financial assets and liabilities measured at fair value		(5,787)	14,073
Loss on disposal of property, plant and equipment		(4,091)	-
Others		(27,200)	(3,954)
	$	**11,687**	**43,176**

(Continued)

(3) Financial costs

The details of finance expenses in 2014 and 2013 were as follows:

	2014	2013
Interest expense-bank borrowings	$ (29,778)	(25,011)
Interest expense-convertible bonds	(7,246)	(11,427)
Expenses from accounts receivable factoring	(21,191)	(25,620)
	$ (58,215)	(62,058)

(t) Financial Instruments

(1) Types of financial instruments

(i) Financial assets

	2014.12.31	2013.12.31
Financial assets at fair value though profit or loss:		
Financial assets held for trading	$ 53,290	161,940
Loans and receivables:		
Cash and cash equivalents	1,648,409	1,018,069
Note receivables, account receivables and other receivables	2,445,924	1,248,770
Subtotal	4,094,333	2,266,839
Refundable deposit	73,734	65,611
Total	$ 4,221,357	2,495,173

(ii) Financial liabilities

	2014.12.31	2013.12.31
Financial liabilities at fair value though profit or loss:		
Financial liabilities held for trade	$ 380	-
Financial liabilities measured at amortized cost:		
Short-term borrowings	100,001	-
Account payables	2,692,832	2,542,897
Bonds payable	303,112	439,613
Long-term borrowings	-	1,200,000
Subtotal	3,095,945	4,182,510
Total	$ 3,096,325	4,182,510

(Continued)

(2) Credit Risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum exposures to credit risk. As of December 31, 2014 and December 31, 2013 the Group’s maximum exposures to credit risk was $4,221,357 and $2,495,173, respectively.

The Group’s credit risk is impacted by each customer. For the years ended December 31, 2014 and 2013, major customers accounted for 66% and 65% of the sales, respectively. In addition, for the years ended December 31, 2014 and 2013, U.S.A accounted for 81% and 87% of the sales, respectively.

(3) Liquidity risk

The following are the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
December 31, 2014							
Non-derivative financial liabilities							
Short-term borrowings	$ 100,001	(100,354)	(100,354)	-	-	-	-
Convertible bond payable	303,112	(320,794)	-	(320,794)	-	-	-
Account payables and other payables	2,692,832	(2,692,832)	(2,692,832)	-	-	-	-
Derivatives							
Forward exchange contracts							
Outflow	380	(158,590)	(158,590)	-	-	-	-
Inflow	(226)	158,287	158,287	-	-	-	-
	$ 3,096,099	**(3,114,283)**	**(2,793,489)**	**(320,794)**	**-**	**-**	**-**
December 31, 2013							
Non-derivative financial liabilities							
Long-term borrowings	$ 1,200,000	(1,506,000)	(10,200)	(10,200)	(20,400)	(61,200)	(1,404,000)
Convertible bond payable	439,613	(474,944)	-	-	(474,944)	-	-
Account payables and other payables	2,542,897	(2,542,897)	(2,542,897)	-	-	-	-
Derivative							
Forward exchange contracts							
Outflow	-	(507,150)	(507,150)	-	-	-	-
Inflow	(1,340)	510,137	510,137	-	-	-	-
	$ 4,181,170	**(4,520,854)**	**(2,550,110)**	**(10,200)**	**(495,344)**	**(61,200)**	**(1,404,000)**

The Group does not expect the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(4) Exchange rate risk

(i) Exposure to currency risk

The Group's significant exposure to foreign currency risk was as follows:

	2014.12.31			2013.12.31		
	Foreign Currency	**Exchange Rage**	**NTD**	**Foreign Currency**	**Exchange Rage**	**NTD**
Financial assets						
Monetary items						
USD	68,554	31.718	2,174,391	74,363	29.95	2,227,175
CNY	33,273	5.1043	169,833	69,810	4.9437	345,119
IDR	5,575,073	0.002557	14,255	33,537,726	0.002457	82,402
VND	5,887,036	0.001484	8,736	589,282	0.001424	839
Financial liabilities						
Monetary items						
USD	30,751	31.718	975,354	45,315	29.95	1,354,373
CNY	30,370	5.1043	155,020	66,782	4.9437	330,148
IDR	6,543,928	0.002557	16,733	5,056,204	0.002457	12,423
VND	12,959,903	0.001484	19,232	17,740,094	0.001424	25,262

(ii) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivables, other receivables, loans, accounts payables and other payables. A 1% depreciation or appreciation of the TWD against the USD, CNY, IDR, and VND as of December 31, 2014 and 2013 would have increased or decreased the net income after tax by $12,009 thousand and $9,333 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is based on the same basis.

(5) Interest rate analysis

The Group's borrowings are mainly the fixed interest rate; thus, there is no significant interest rate risk.

(6) Fair value

(i) Fair value and carrying amount

Except for the table listed below, the management of the Group considers that the book value of financial assets and liabilities that are recorded by amortized cost approached to their fair values.

	2014.12.31		2013.12.31	
	Book value	**Fair value**	**Book value**	**Fair value**
Financial liabilities				
Liability components of convertible bonds	303,112	302,208	439,613	438,619

(ii) Assumption and method to determine fair value

The Group uses the following methods in determining the fair value of its financial assets and liabilities:

i. The fair value of financial assets and liabilities traded in an active market, such as listed stock that is based on the quoted market price.

ii. The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value of non-option derivative is determined based on the discounted cash flow analysis calculated based on the applicable yield curve through the expected life of the derivative instruments. The fair value of option derivatives is determined using the option pricing modes.

iii. For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis of the expected future cash flows.

(iii) Fair value hierarchy

The table below is the analysis of financial instruments carried at fair value by the levels of the fair value hierarchy. The different levels of fair value have been defined as follows:

i) Level 1: quoted prices (unadjusted) in an active market for identified assets or liabilities.

ii) Level 2: 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)

(Continued)

iii) Level 3: prices for the assets or liabilities that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
Balance at December 31, 2014				
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	$ 53,064	-	-	53,064
Derivative financial assets	-	226	-	226
	53,064	226	-	53,290
Derivative financial liability	-	(380)	-	(380)
Total	**$ 53,064**	**(154)**	**-**	**52,910**
Balance at December 31, 2013				
Financial assets at fair value through profit or loss				
Non-derivative financial assets held for trading	$ 161,383	-	-	161,383
Derivative financial assets	-	1,340	-	1,340
	$ 161,383	**1,340**	**-**	**162,723**

There were no transfers in either direction for the years ended December 31, 2014 and 2013.

(u) Financial risk management

(1) Nature and extent

The Company is exposed to the following risks from its financial instruments:

(i) Credit risk

(ii) Liquidity risk

(iii) Market risk

This note expresses the information on risk exposure and goals, policies and procedures for the Group to measure, and manage risks. Please refer to the notes in the consolidated financial statements for further quantitative disclosures.

(2) Risk management framework

The Board of Directors is responsible to establish and oversea the risk management structure of the Group.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Group's activities. The Group, through the training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors the risks which should be in compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation of the risks faced by the Group. The internal auditor undertakes regular reviews of the risk management controls and procedures and exception management, the results of which are reported to the Board of Directors.

(3) Credit Risk

Credit risk means the potential loss of the Group if the clients or the counterparty involved in that transaction defaults. The primary potential credit risk is from the accounts receivable and financial investments of the Group.

(i) Accounts receivable and other receivables

The Group periodically review payment histories and financial positions of customers, and factored its accounts receivable to certain financial institutions without recourse to lower the credit risk. Some factored accounts receivable transferred the risks to the banks. The Group also aggressively markets the Europe and Asia area to diversify the risk of the concentrated customers in certain area.

The Group establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables, other receivables and investment. The components of this impairment allowance are specific loss component that relates to individually significant exposure and collective loss component, which the loss was incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

(ii) Financial investments

The Group diversifies its bank deposits in different financial institutions to manage the exposure of each institution to prevent the concentration risk.

As the Group deals with the banks and other external parties with good credit standing to mitigate the significant credit risk, the Group only invests the stocks of the public companies to lower the credit risk.

(iii) Guarantee

The Group only provide guarantee to wholly owned subsidiaries. The Group did not provide any guarantee to its third party as of December 31, 2014 and 2013.

(4) Liquidity risk

Liquidity risk is the risk when the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group forecasts, the necessary cash demand, including financial liabilities fulfillment, within 60 days of operation cycle, and keeps sufficient funds. The forecasting does not include unexpected potential risks, such as natural disaster. For the Group's available credit limits, please refer to note 6 (i) (j).

(5) Market Risk

Market risk is the risk that comes from changes in market prices such as changes of foreign exchange rates, interest rates and equity prices, impacting the Group's income or the value of financial instruments held by the Group. The objective of market risk management is to manage and control market risk exposures within acceptable range and optimize the return on investments.

(i) Exchange Rate Risk

The Group mainly uses the USD for its sales and purchases, with over 80% of the natural hedge. The net foreign currency position is still exposed to the exchange rate risk. The Group takes advices from professionals in banks and periodically uses the foreign currency forward contracts to hedge the net foreign currency exposure, within the range of 50% to 75%, for the next six months. The Group has effectively minimized the impact of exchange gain and loss in acceptable range.

(ii) Interest rate risk

The Group does not have any significant liability with floating interest rate, and the changing market interest does not have any significant impact to the future cash flow of the Group.

(iii) Other market risk

Except for purchase agreement to meet expecting consumptions and sales requirements, the Group does not sign any other long-term purchase agreements.

(v) Capital Management

To maintain investor relationship, market confidence, and future operation, the board maintains working capital by periodically reviewing the financial structure, and optimizes the liability and equity balance to lower the financial costs.

The Group's review comprises:

(1) Growth rate of its future sales and profit.

(2) The impacts to EPS with growth rate of shares.

(3) Various types of financial costs and relative risks.

By adjusting the amount and types of paying the dividends and market financing, the managements maintain and modify its financial structures.

The Group's self-owned capital ratios at the end of the reporting periods were as follows:

		2014.12.31	2013.12.31
Total equity	$	8,223,257	5,330,116
Total assets	$	11,994,145	10,095,448
Self-owned capital ratio		69%	53%

There were no changes in the Group's approach to capital management as of December 31, 2014.

(w) Investments and raising capitals through non-cash transactions

As of 2014 and 2013, investments and raising capitals through non-cash transactions were the conversion of convertible bonds; and the sum of common stock and capital surplus amounted to $155,475 thousand and $262,390 thousand, respectively.

7. Related-party Transactions

(a) Parent Company and Ultimate Controlling Party

The Company is the ultimate controller of the Company and the subsidiaries.

(b) Significant transactions among related parties

(1) Purchasing

The amount of significant purchasing transactions among related parties was as follows:

	2014	2013
Associates	$ 357,933	15,096

The price and payment terms provided by the associates to the Group are the same as those of the general sales.

(2) Related parties payables

Account name	Types of related parties	2014.12.31	2013.12.31
Accounts payables－related parties	Associates	$ 66,109	7,628

(3) Related parties receivables

Account name	Types of related parties	2014.12.31	2013.12.31
Other financial assets－current	Associates	$ 324	-

(4) Key Management Personnel Transactions

Key management personnel compensation comprised:

	2014	2013
Short-term employee benefits	$ 111,244	94,948
Post-employment benefits	160	190
Share-base payments	11,568	-
	$ 122,972	95,138

(Continued)

8. Pledged assets

The Group assets pledged to secure loans are as follows:

Pledged assets	Pledged to secure	2014.12.31	2013.12.31
Land	Borrowing	$ 2,484,818	2,484,818
Property, plant and equipment	Borrowing	319,240	362,043
Right to the use of the land	Borrowing	-	3,112
		$ 2,804,058	2,849,973

9. Significant Commitments and Contingencies

(a) Unrecognized significant commitments:

(i) Unused letters of credit to the Group

	2014.12.31	2013.12.31
Unused letters of credit	$ 504,124	860,030

(ii) The Group issued promissory notes to the banks to apply for borrowings, export bills negotiation, derivatives, and factoring accounts receivables. The issued promissory notes was as follows:

	2014.12.31	2013.12.31
Issued promissory	$ 7,848,302	6,215,097

10. Significant Casualty Loss: None.

11. Significant Subsequent Events:

In January 28, 2015, the Board of Directors approved the following items:

(a) The Company increases the investment of US$4,000 thousand to Triple Int’l Corp., its 100% owned subsidiary, for investing in the newly incorporated company in Vietnam and Moha Garments Co., Ltd. In addition, the Company will provide loan facilities to the said new company with a credit limit of up to US$7,600 thousand.

(Continued)

To adjust the requirements of operation practice, Fortune Star Investment Ltd. and Wintop Industrial Limited will sell Eco-Lot Textile Co., Ltd. to Ecolot Textile Co., Ltd. In addition, the Company plans to purchase Great Time Global Co., Ltd. from Ecolot Textile Co., Ltd..

12. Other

The Group's personnel, depreciation and amortization expenses, categorized by function, were as follows:

	2014			2013		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Personnel expenses						
Salaries	2,559,470	1,209,263	3,768,733	2,068,347	985,643	3,053,990
Labor and Health insurance	124,419	59,267	183,686	87,116	63,855	150,971
Pension	36,712	33,696	70,408	39,639	31,410	71,049
Others	58,171	43,337	101,508	42,020	23,619	65,639
Depreciation	194,292	52,652	246,944	161,604	31,351	192,955
Amortization	-	12,969	12,969	-	10,027	10,027

13. Other Disclosure Items

(a) Significant transaction relevant information

The information on the significant transactions in 2014 required by the Guidelines Governing the Preparation of Financial Reports of Securities issuers was as follows:

(1) Lending to other parties:

No	Name of lender	Name of borrower	Account name	affiliates	Highest balance during the period	Balance as of December 31, 2014 (note 2)	Appropriated credit as of December 31, 2014	Range of interest rates during the period	Type of financing (Note 1)	Transaction amounts	Purpose of fund financing of the borrower	Allowance for bad debt	Guarantee		Limitation on fund financing to individual party	Limitation on fund financing
													Item	Value		
0	The Company	PT Crystal	Other receivable-related patties	Y	74,220	74,220	54,762	3.0%	2	-	Operating capital	-	-	-	1,641,473	3,282,946
0	The Company	PT Glory	Other receivable-related patties	Y	609,620	609,620	449,127	3.0%	1	Processing 1,170,723	-	-	-	-	1,170,723	3,282,946
0	The Company	PT Starlight	Other receivable-related patties	Y	194,431	194,431	121,163	3.0%	1	Processing 329,698	-	-	-	-	329,698	3,282,946
0	The Company	Makalot Cambodia	Other receivable-related patties	Y	187,771	187,771	165,010	3.0%	1	Processing 1,002,855	-	-	-	-	2,569,496	3,282,946
0	The Company	Moha	Other receivable-related patties	Y	189,674	189,674	189,674	3.0%	1	Processing 662,593	-	-	-	-	1,711,042	3,282,946
0	The Company	Makalot Vietnam	Other receivable-related patties	Y	386,642	386,642	212,193	3.0%	1	Processing 942,025	-	-	-	-	942,025	3,282,946
0	The Company	Triple Vietnam	Other receivable-related patties	Y	79,295	79,295	79,295	3.0%	1	Processing 704,224	-	-	-	-	704,224	3,282,946

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

No	Name of lender	Name of borrower	Account name	affiliates	Highest balance during the period	Balance as of December 31, 2014 (note 2)	Appropriated credit as of December 31, 2014	Range of interest rates during the period	Type of financing (Note 1)	Transaction amounts	Purpose of fund financing of the borrower	Allowance for bad debt	Guarantee		Limitation on fund financing to individual party	Limitation on fund financing
													Item	Value		
1	Yangzhou Feng Yang Garments Co., Limited、Jiaxing Suntex Garment Co., Limited、Jiaxing Rising Garment Co., Limited、Jiaxing Ruiyang Garment Co., Limited、Shanghai Makalot Garment Co., Limited、Eco-Lot Textile Co., Ltd. (note 4)	Yangzhou Feng Yang Garments Co., Limited、Jiaxing Suntex Garment Co., Limited、Jiaxing Rising Garment Co., Limited、Jiaxing Ruiyang Garment Co., Limited、Shanghai Makalot Garment Co., Limited、Eco-Lot Textile Co., Ltd. (note 4)	Other receivables	Y	90,648	-	-	5.60%	2	-	Operating capital	-	-	-	820,736	1,641,473
1	Yangzhou Feng Yang Garments Co., Limited、Jiaxing Suntex Garment Co., Limited、Jiaxing Rising Garment Co., Limited、Jiaxing Ruiyang Garment Co., Limited、Shanghai Makalot Garment Co., Limited、Eco-Lot Textile Co., Ltd. (note 4)	Yangzhou Feng Yang Garments Co., Limited、Jiaxing Suntex Garment Co., Limited、Jiaxing Rising Garment Co., Limited、Jiaxing Ruiyang Garment Co., Limited、Shanghai Makalot Garment Co., Limited、Eco-Lot Textile Co., Ltd. (note 4)	Other receivables	Y	51,043	51,043	51,043	3.60%	2	-	Operating capital	-	-	-	820,736	1,641,473

Note: The ceiling on total loans granted by the Company to all parties is 40% in the net assets in the financial statements; the ceiling on the short-term financing for each entity's operating capital granted by the Company is 20% of its net assets in the financial statements; the ceiling on the loan granted by the Company to each entity with transactions is the transaction amount within a year. The policy for loans granted mutually between its overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows:

Ceiling on total loans granted by an on overseas subsidiary to all overseas subsidiaries is 20% of the Company's net assets in the financial statements; limit on loans granted by an overseas subsidiary to each overseas subsidiary is 10% of the Company's net assets in the financial statements.

Note1: Nature of lending: 1 for counterparties with transactions and 2 for short-term operating capital.

Note2: Ending facility balance approved by BOD.

Note3: The trading companies purchase materials from the Company and sell the final products back to the Company after processing. It is the transaction between the Company and the trading companies, and the Company provides the materials through Loyal Trading Int'l Co., Ltd. to its subsidiaries for productions. According to regulation, the Company only discloses the amount of processing; however, the ceiling for its parties with transactions are based on the actual amount of the transactions of the products.

Note4: The credit limit between subsidiaries in China.

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Guarantees and endorsements for other parties:

No.	Endorsement/guarantee Provider	Counter-party/ guarantee receiver		Limit of guarantee/ endorsement amount for receiving party	Maximum balance	Ending balance	Actual amount used	Endorsement and guarantee secured by assets	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Classified as endorsement and guarantee to subsidiary by parent company	Classified as endorsement and guarantee to parent company by parent subsidiary	Classified as endorsement and guarantee to companies in Mainland China
		Name	Relation										
0	The Company	Jiaxing Ruiyang Garment Co., Limited	3	1,641,473	104,669	104,669	-	-	1.28%	4,103,683	Y	N	Y
0	The Company	Jiaxing Rising Garment Co., Limited	3	1,641,473	63,436	63,436	-	-	0.77%	4,103,683	Y	N	Y
0	The Company	Jiaxing Suntex Garment Co., Limited	3	1,641,473	63,436	63,436	-	-	0.77%	4,103,683	Y	N	Y
0	The Company	Shanghai Makalot Garment Co., Limited	3	1,641,473	63,436	63,436	-	-	0.77%	4,103,683	Y	N	Y
0	The Company	Eco-Lot Textile Co., Ltd.	3	1,641,473	47,577	47,577	-	-	0.58%	4,103,683	Y	N	Y

Note: Total guarantees amount should not exceed 50% of the Company’s net assets of financial statements; guarantees amount to each entity should not exceed 20% of the Company’s net assets in the financial statements.

Note 1: Relationship between guarantee provider and receiver is as follows:

(1) The Company has transaction with the counterparty.

(2) The Company holds more than 50% of common shares of the subsidiary.

(3) The Company and its subsidiaries hold more than 50% of common shares of the investee company.

(4) The parent company which holds, more than 50% of its outstanding common shares directly or indirectly through a subsidiary.

(5) Companies in same type of business and providing mutual endorsements/ guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.

(6) Shareholders making endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage.

(3) Information regarding securities held:

Unit: thousand shares

Company’s m	Types and issuer of marketable securities	Nature of the relationship	Account name	Ending balance				Notes
				Number of shares	Book value	Ownership %	Fair value	
The Company	Dimerco Data System Corporation (DDSC)	-	Financial assets at fair value through profit or loss－current	2,369	53,064	3.22%	53,064	

(4) Information regarding purchase or sale of securities for the period which exceeded $300 million or 20% of the Company’s paid-in capital: None.

(5) Information on acquisition of real estate for which the purchase amount exceeded $300 million or 20% of the Company’s paid-in capital: None.

(6) Information regarding the amount from disposal of real estate exceeding NT$300 million or 20% of the Company’s paid-in capital: None.

(7) Information regarding related-party purchase and sale transactions for which the amount exceeded $100 million or 20% of the Company’s paid-in capital:

Name of company which purchased or sold	Name of counter-party	Relationship with the Company	Transaction details				Reasons why and description of how the transaction conditions differ from general transactions		Accounts/notes receivable (payable)		Notes
			Purchase / sale	Amount	Percentage of total purchases / sales	Credit terms	Amount	Credit terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Global	Subsidiary	Purchasing	1,613,082	10.69%	30~60 days	Note 1	Letter of Credit, T/T, or payment within 45 ~ 60 days	(256,488)	14.00%	Note
The Company	Loyal	Subsidiary	Processing	147,714	2.73%	30~60 days	-	-	-	-	Note
The Company	Loyal	Subsidiary	Purchasing	1,171,485	7.76%	30~60 days	Note 1	-	(177,971)	9.68%	Note
The Company	Leader PH	Subsidiary	Processing	421,704	7.80%	30~90 days	-	-	(1,336)	-	Note
The Company	Makalot Cambodia	Subsidiary	Processing	1,002,855	18.55%	30~60 days	-	-	-	-	Note
The Company	PT Glory	Subsidiary	Processing	1,170,723	21.66%	30~60 days	-	-	(53,008)	2.88%	Note
The Company	Makalot Vietnam	Subsidiary	Processing	942,025	17.43%	30~90 days	-	-	(201,490)	10.96%	Note
The Company	Moha	Subsidiary	Processing	662,593	12.26%	30~60 days	-	-	-	-	Note
The Company	Triple Vietnam	Subsidiary	Processing	704,224	13.03%	30~60 days	-	-	(56,284)	3.06%	Note
The Company	PT Starlight	Subsidiary	Processing	329,698	6.10%	30~60 days	-	-	(8,602)	-	Note
The Company	Ecolot Textile Co., Ltd	Subsidiary	Sales	(191,319)	0.92%	45~60 days	-	-	-	-	Note
The Company	Ecolot Textile Co., Ltd	Subsidiary	Purchasing	315,408	2.09%	60 days	-	-	(20,077)	1.09%	Note
The Company	Namtex	Investee under Equity Method	Purchasing	352,724	2.34%	45~60 days	-	-	(66,109)	3.60%	Note
Eco-Lot Textile Co., Ltd.	Global	Associates	Sales	(344,155)	73.18%	1~30 days	-	-	38,951	8.30%	Note
Yangzhou Feng Yang Garments Co., Limited	Loyal	Associates	Sales	(373,829)	98.25%	30 days after exportation	-	-	5,116	100.00%	Note
Jiaxing Ruiyang Garment Co., Limited	Loyal	Associates	Sales	(454,842)	97.83%	〃	-	-	15,430	99.90%	Note
Jiaxing Rising Garment Co., Limited	Loyal	Associates	Sales	(216,234)	96.68%	〃	-	-	4,766	72.38%	Note
Jiaxing Suntex Garment Co., Limited	Loyal	Associates	Sales	(276,791)	97.98%	〃	-	-	7,129	100.00%	Note

Note: According to the cost or purchase order price multiplied by a fixed ratio, which is based on the cost and expense that subsidiary incurred.

(Continued)

(8) Information regarding receivables from related parties for which the amount exceeded $100 million or 20% of the Company's paid-in capital:

Name of company which has accounts receivable	Counterparty	Relationship	Ending balance of accounts receivable (in thousands)	Turnover	Past-due receivables from related party		Received subsequently (in thousands)	Allowance for bad debt
					Amount	method		
The Company	Makalot Cambodia	Subsidiary	Other receivables 166,075	-	-	-	- (Note 1)	
The Company	Makalot Vietnam	Subsidiary	Other receivables 213,902	-	-	-	- (Note 1)	
The Company	PT Glory	Subsidiary	Other receivables 452,166	-	-	-	- (Note 1)	
The Company	Moha	Subsidiary	Other receivables 190,897	-	-	-	- (Note 1)	
The Company	PT Starlight	Subsidiary	Other receivables 121,981	-	-	-	- (Note 1)	
Global	The Company	Parent company	256,488	0.02	-	-	173,812 (Note 2)	
Makalot Vietnam	The Company	Parent company	201,490	5.38	-	-	181,704 (Note 2)	
Loyal	The Company	Parent company	177,971	10.46	-	-	177,971 (Note 2)	

Note 1: The uncollected accounts receivables primarily consisted of loans.

Note 2: The amount is to be collected on February 28, 2015.

(9) Information regarding trading in derivative financial instruments: Please refer to note 6(b).

(b) Business and significant transactions among the affiliates (investees of Mainland China are not included)

Relevant information about reinvestment for 2014 is as follows:

Unit: thousand shares

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31,2014			Net Income (Loss) of the Investee	Share of profit loss of invest	Note
				December31, 2014	December 31,2013	Shares	Percentage of Ownership	Carrying Value			
The Company	Global	British Virgin Islands	Sale of textile	484,502	484,502	15,198	100.00%	648,449	29,464	27,938	Subsidiaries
The Company	Loyal	British Virgin Islands	Sale of textile	19,857	19,857	10,000	100.00%	148,041	2,478	2,478	Subsidiaries
The Company	PT Crystal	Indonesia	Manufacture of garments	34,464	34,464	993,191	99.40%	(34,112)	(27,076)	(26,019)	Subsidiaries
The Company	Leader PH	Philippine	Manufacture of garments	7,281	7,281	249,995	99.99%	29,159	4,762	4,762	Subsidiaries
The Company	Diamond	Philippine	Manufacture of garments	-	-	149,995	99.99%	3,631	(6)	(6)	Subsidiaries
The Company	Primeline	Philippine	Manufacture of garments	9,945	9,945	99,995	99.99%	83	-	-	Subsidiaries
The Company	Fortune Star	Samoa	Investments holding	828,300	704,025	26,015,000	100.00%	892,645	(17,118)	(17,118)	Subsidiaries
The Company	Triple	Samoa	Investments holding	163,351	163,351	5,000,000	100.00%	75,023	1,320	1,320	Subsidiaries
The Company	Ecolot Textile Co., Ltd	Taiwan	Sale of garments	36,000	15,000	3,600,000	100.00%	59,256	29,607	29,324	Subsidiaries
The Company	Asobi Investment Co., Ltd (ASB)	Taiwan	Trade services	10	18,300	1	50.00%	63	4	2	Subsidiaries
Global	PT Glory	Indonesia	Manufacture of garments	172,951	172,951	55,480	95.00%	232,198	6,058	5,855	Subsidiaries
Global	Makalot Cambodia	Cambodia	Manufacture of garments	107,139	107,139	1,000	100.00%	30,822	3,055	3,055	Subsidiaries
Global	Makalot Vietnam	Vietnam	Manufacture of garments	240,208	240,208	-	100.00%	271,660	16,403	16,403	Investment subsidiaries
Triple	Moha	Cambodia	Manufacture of garments	81,524	81,524	1,000	100.00%	239	(10,413)	(10,413)	Subsidiaries
Triple	Triple Vietnam	Vietnam	Manufacture of garments	81,171	81,171	-	100.00%	73,989	11,289	11,289	Subsidiaries
Fortune Star	Fund Eagle International Limited (Fund Eagle)	Hong Kong	Investments holding	98,360	98,360	2,450,000	100.00%	66,249	6,759	6,759	Subsidiaries
Fortune Star	Wintop Industrial Limited (Wintop)	Hong Kong	Investments holding	300,666	209,616	9,830,000	100.00%	341,748	(23,699)	(23,699)	Subsidiaries
Fortune Star	Crown Era Industrial Limited (Crown Era)	Hong Kong	Investments holding	117,740	117,740	3,580,000	100.00%	187,199	(867)	(867)	Subsidiaries

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31,2014			Net Income (Loss) of the Investee	Share of profit loss of invest	Note
				December31, 2014	December 31,2013	Shares	Percentage of Ownership	Carrying Value			
Fortune Star	Crownway International Development Limited (Crownway)	Hong Kong	Investments holding	250,002	250,002	7,460,000	100.00%	225,952	657	657	Subsidiaries
Fortune Star	PT Starlight	Indonesia	Manufacture of garments	61,532	28,307	19,950	95.00%	72,352	1,331	1,264	Subsidiaries
Wintop	Namtex	Vietnam	Textile fabric	224,179	133,129	-	50.00%	210,296	(38,466)	(23,580)	Investment under equity method
British Virgin Islands	Great Time Global Co., Ltd	Taiwan	Sale of garments	5,000	5,000	500,000	100.00%	4,575	945	945	Subsidiaries

Note 1: Investment gain or loss recognized in the current period included sales from subsidiaries to parent company.

(c) Information regarding investments in Mainland China (PRC)

(1) Name, major operations and related information of investee in Mainland China

Name of PRC investee company	Major operations	Amount of paid-in capital (in thousands)	Method of investment (note 1)	Investment transferred from Taiwan, beginning of period (in thousands)	Year ended December 31, 2014		Investment transferred from Taiwan, end of period (in thousands)	Investee net income	Direct and indirect shareholding percentage by the Company	Current gain or loss on investment recognized (in thousands)	Carrying value of investment, end of period (in thousands)	Repatriated gain on investment, end of period
					Remittance	Repatriation						
Yangzhou Feng Yang Garments Co., Limited	Manufacture of garments	98,360	2	98,360	-	-	98,360	6,759	100.00%	6,759	66,247	-
Shaghai Makalot Garment Co., Limited	Manufacture of garments	65,448	2	65,448	-	-	65,448	(2,840)	100.00%	(2,840)	95,472	-
Jiaxing Suntex Garment Co., Limited	Manufacture of garments	117,740	2	117,740	-	-	117,740	(867)	100.00%	(867)	187,189	-
Jiaxing Rising Garment Co., Limited	Manufacture of garments	155,700	2	155,700	-	-	155,700	77	100.00%	77	158,621	-
Jiaxing Ruiyang Garment Co., Limited	Manufacture of garments	94,302	2	94,302	-	-	94,302	580	100.00%	580	67,334	-
Eco-Lot Textile Co., Ltd	Trade service	11,039	2	11,039	-	-	11,039	2,107	100.00%	2,107	35,098	-

Note 1: There are three kinds of investments

1. Invest directly in Mainland China's companies.
2. Invest in Mainland China by remitting through a third region.
3. Others.

(2) Limit on the amount of investment in Mainland China

Name of Company	Cumulative remittance from Taiwan, end of the period	Amount of investment approved by the Investment Commission, Ministry of Economic Affairs	Limit on the amount of investment in Mainland China
The Company	542,589	690,037	4,924,419

(Continued)

(3) Significant transactions:

Direct or indirect significant transactions between the Company and the investee can be referred to the "Significant transactions relevant information" and the "Business and significant transactions among affiliates".

14. Segment information:

(a) General information

The Group's reportable operating segment is the selling and manufacturing of garments.

The other segments of the Group are mainly information collecting and procurement. The segments did not reach the quantitative disclosure threshold in 2014 and 2013.

(b) Information on reportable segments' income or loss, assets, liabilities, and measurement base and reconciliation

The reportable segment of the Group is the strategic business unit. Each strategic business unit is managed separately due to the provision of various products and services with different techniques and marketing strategies. The chief operating decision maker of the Group periodically reviews the internal management report from each strategic business unit. The Group's reportable segments are as follows:

2014		**Selling and manufacturing of garments**	**Other segments**	**Adjustments**	**Total**
Revenue					
Revenue from third parties	$	20,535,973	352,825	-	20,888,798
Total revenue	$	**20,535,973**	**352,825**	**-**	**20,888,798**
Segment income or loss		(note 1)	(note 1)	(note 1)	(note 1)
Segment total asset		(note 1)	(note 1)	(note 1)	(note 1)

(Continued)

2013		Selling and manufacturing of garments	Other segments	Adjustments	Total
Revenue					
Revenue from third parties	$	17,865,618	45,317	-	17,910,935
Total revenue	**$**	**17,865,618**	**45,317**	**-**	**17,910,935**
Segment income or loss		(note 1)	(note 1)	(note 1)	(note 1)
Segment total asset		(note 1)	(note 1)	(note 1)	(note 1)

Note 1: The Group discloses the amounts as zero due to the amounts of its segment income or loss; and no total asset was provided to the chief operating decision maker.

(c) Products and services information:

		2014	2013
Revenue from garments	$	20,566,986	17,886,860
Revenue from services and others		321,812	24,075
	$	**20,888,798**	**17,910,935**

(d) Graphical information

The revenue is based on the customers' locations. However, the non-current assets are based on their location.

1. Revenue from third parties：

Geographic		2014	2013
USA	$	16,983,202	15,629,825
Others		3,905,596	2,281,110
Total	**$**	**20,888,798**	**17,910,935**

(Continued)

2. Other non-current assets

Geographic	2014.12.31	2013.12.31
Taiwan	$ 2,964,173	2,976,799
Indonesia	770,651	571,676
Vietnam	313,936	292,588
China	222,617	241,967
Cambodia	251,124	203,027
Philippines	22,599	18,205
	$ 4,545,100	**4,304,262**

(e) Major customers:

Major customers represented at least 10% of the net revenue of the Group

	2014		2013	
Customer name	**Amount**	**%**	**Amount**	**%**
A	$ 5,129,882	25	5,117,342	28
B	4,444,064	21	4,121,669	23
C	4,238,563	20	2,486,518	14
	$ 13,812,509	**66**	**11,725,529**	**65**