Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report of the Years 2017 and 2016

(Stock Code: 8938)

Company Address: No.26, Zhonglin Rd., Xiaogang Dist.,
Kaohsiung City

Tel: (07) 872-1410

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
for the Years Ended December 31, 2017 and 2016
Unit: In Thousands of New Taiwan Dollars

	Assets	Notes	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 989,078	15	$ 730,522	12
1110	Financial assets at fair value through profit or loss - Current	6 (2)	1,368	-	-	-
1150	Notes receivable - Net	6 (4)	5,980	-	10,257	-
1170	Accounts receivable - Net	6 (5)	2,288,717	34	2,285,122	37
1200	Other receivables		19,173	-	18,411	-
1220	Current income tax assets		329	-	348	-
130X	Inventories	5 and 6 (6)	1,499,438	23	1,299,616	21
1410	Prepayments	6 (7)	126,101	2	96,443	1
1470	Other current assets		6,227	-	9,449	-
11XX	**Total current assets**		4,936,411	74	4,450,168	71
	Non-current assets					
1543	Financial assets carried at cost - Non-current	6 (3)	55	-	55	-
1600	Property, plant, and equipment	6 (8) (10) and 8	1,480,810	23	1,627,930	26
1780	Intangible assets	6 (9)	18,519	-	9,668	-
1840	Deferred income tax assets	6 (24)	56,590	1	54,826	1
1915	Prepayments for business facilities		77,769	1	42,074	1
1990	Other non-current assets - Others	6 (11) and 8	55,482	1	57,981	1
15XX	**Total non-current assets**		1,689,225	26	1,792,534	29
1XXX	**Total assets**		$ 6,625,636	100	$ 6,242,702	100

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Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
for the Years Ended December 31, 2017 and 2016
Unit: In Thousands of New Taiwan Dollars

	Liabilities and Equity	Notes	December 31, 2017 Amount	%	December 31, 2016 Amount	%
	Current liabilities					
2100	Short-term loans	6 (12) and 8	$ 90,454	2	$ 40,336	-
2150	Notes payable		1,697	-	1,642	-
2170	Accounts payable		1,203,816	18	1,280,517	20
2200	Other payables	6 (13)	1,061,639	16	922,160	15
2230	Current income tax liabilities		85,314	1	113,766	2
2399	Other current liabilities - Others		36,076	1	40,886	1
21XX	**Total current liabilities**		2,478,996	38	2,399,307	38
	Non-current liabilities					
2570	Deferred income tax liabilities	6 (24)	89,243	1	55,072	1
2640	Net defined benefit liability - Non-current	6 (14)	69,476	1	63,285	1
2670	Other non-current liabilities - Others		525	-	577	-
25XX	**Total non-current liabilities**		159,244	2	118,934	2
2XXX	**Total liabilities**		2,638,240	40	2,518,241	40
	Equity					
	Equity attributable to shareholders of the parent company					
	Capital	6 (16)				
3110	Capital of common shares		1,353,127	21	1,333,757	21
	Capital reserve	6 (16) (17)				
3200	Capital reserve		781,236	11	733,780	12
	Retained earnings	6 (18) (24)				
3310	Legal reserve		698,847	11	664,300	11
3320	Special reserve		21,412	-	-	-
3350	Undistributed earnings		857,118	13	650,101	10
	Other equity					
3400	Other equity		(65,616)	(1)	(21,412)	-
31XX	**Total equity attributable to shareholders of the parent company**		3,646,124	55	3,360,526	54
36XX	**Non-controlling interests**		341,272	5	363,935	6

The attached Notes to the Financial Statements is an integral part of the financial statements, please refer to it as well.

Chairman： Hsi-Chien Cheng　　Manager：Hsi-Chien Cheng　　Accounting Manager：Yi-Miao Kuo

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
for the Years Ended December 31, 2017 and 2016

Unit: In Thousands of New Taiwan Dollars

3XXX	**Total equity**		3,987,396	60	3,724,461	60
	Important Contingent Liabilities and Unrecognized Contractual Commitments	IX				
	Material Subsequent Events	11				
3X2X	**Total liabilities and equity**		$ 6,625,636	100	$ 6,242,702	100

The attached Notes to the Financial Statements is an integral part of the financial statements, please refer to it as well.

Chairman： Hsi-Chien Cheng Manager：Hsi-Chien Cheng Accounting Manager：Yi-Miao Kuo

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1, 2017 ~ December 31, 2017 and January 1, 2016 ~ December 31, 2016
Unit: In Thousands of New Taiwan Dollars
(Except for Earnings Per Share Presented in New Taiwan Dollars)

	Item	Notes	2017 Amount	2017 %	2016 Amount	2016 %
4000	**Operating revenue**		$ 10,191,635	100	$ 8,952,279	100
5000	**Operating costs**	6 (6) (9) (22) (23)	(8,657,035)	(85)	(7,675,331)	(86)
5900	**Gross operating profit**		1,534,600	15	1,276,948	14
	Operating Expenses	6 (9) (22) (23)				
6100	Selling expense		(187,448)	(2)	(192,214)	(2)
6200	Administrative expense		(390,063)	(4)	(394,219)	(4)
6300	Research and development expenses		(346,944)	(3)	(318,083)	(4)
6000	**Total operating expenses**		(924,455)	(9)	(904,516)	(10)
6500	**Other Income and Expenses - Net**	6 (19)	80,001	1	63,906	1
6900	**Operating income**		690,146	7	436,338	5
	Non-operating income and expenses					
7010	Other income	6 (20)	5,934	-	6,451	-
7020	Other gains and losses	6 (21)	(175,886)	(2)	51,725	-
7050	Finance costs		(307)	-	(1,830)	-
7000	**Total non-operating income and expenses**		(170,259)	(2)	56,346	-
7900	**Income before tax**		519,887	5	492,684	5
7950	Income tax expense	6 (24)	(73,181)	(1)	(98,446)	(1)
8200	**Net income**		$ 446,706	4	$ 394,238	4
	Other comprehensive income					
8311	Re-measurement of defined benefit plans	6 (14)	($ 7,276)	-	($ 5,296)	-
8349	income tax related to items not to be reclassified	6 (24)	1,237	-	900	-
	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences on translation of foreign financial statements		(44,204)	-	(87,026)	(1)
8300	**Other comprehensive income loss - Net**		($ 50,243)	-	($ 91,422)	(1)
8500	**Total comprehensive income loss**		$ 396,463	4	$ 302,816	3
	Net income (loss) attributable to:					
8610	Owners of parent company		$ 442,403	4	$ 345,474	4
8620	Non-controlling interests		4,303	-	48,764	-
	Total		$ 446,706	4	$ 394,238	4
	Total comprehensive income (loss) attributable to:					
8710	Owners of parent company		$ 392,160	4	$ 254,052	2
8720	Non-controlling interests		4,303	-	48,764	1
	Total		$ 396,463	4	$ 302,816	3

The attached Notes to the Financial Statements is an integral part of the financial statements, please refer to it as well.

Chairman: Hsi-Chien Cheng Manager: Hsi-Chien Cheng Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1, 2017 ~ December 31, 2017 and January 1, 2016 ~ December 31, 2016

Unit: In Thousands of New Taiwan Dollars
(Except for Earnings Per Share Presented in New Taiwan Dollars)

	Earnings per share	6 (25)		
9750	**Basic earnings per share**		$ 3.30	$ 2.59
9850	**Diluted earnings per share**		$ 3.27	$ 2.57

The attached Notes to the Financial Statements is an integral part of the financial statements, please refer to it as well.

Chairman: Hsi-Chien Cheng Manager: Hsi-Chien Cheng Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1, 2017 – December 31, 2017 and January 1, 2016 – December 31, 2016

Unit: In Thousands of New Taiwan Dollars

		Equity Attributable to Shareholders of the Parent Company											
			Capital Surplus				Retained Earnings						
	Note	Capital of Common Shares	Share Premium	Changes in Ownership Interest in Subsidiaries	Employee Stock Options	Others	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Difference Arising from Translation of Foreign Financial Statements	Total	Non-controlling Interest	Total Equity
2016													
Balance as of January 1, 2016		$ 1,333,757	$ 670,464	$ 16,480	$ 32,248	$ 11,903	$ 663,675	$ -	$ 403,011	$ 65,614	$ 3,197,152	$ 342,137	$ 3,539,289
Net income		-	-	-	-	-	-	-	345,474	-	345,474	48,764	394,238
Other comprehensive income (loss)		-	-	-	-	-	-	-	(4,396)	(87,026)	(91,422)	-	(91,422)
Earnings appropriation and allocation for 2015:													
Legal reserve		-	-	-	-	-	625	-	(625)	-	-	-	-
Cash dividends for common shares	6 (18)	-	-	-	-	-	-	-	(93,363)	-	(93,363)	-	(93,363)
Employee stock option written off		-	-	-	(6,529)	6,529	-	-	-	-	-	-	-
Share-based payment transaction	6 (15)	-	-	-	2,685	-	-	-	-	-	2,685	-	2,685
Cash dividends distributed by subsidiaries to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(26,966)	(26,966)
Balance as of December 31, 2016		$ 1,333,757	$ 670,464	$ 16,480	$ 28,404	$ 18,432	$ 664,300	$ -	$ 650,101	($ 21,412)	$ 3,360,526	$ 363,935	$ 3,724,461
2017													
Balance as of January 1, 2017		$ 1,333,757	$ 670,464	$ 16,480	$ 28,404	$ 18,432	$ 664,300	$ -	$ 650,101	($ 21,412)	$ 3,360,526	$ 363,935	$ 3,724,461
Net income		-	-	-	-	-	-	-	442,403	-	442,403	4,303	446,706
Other comprehensive income loss		-	-	-	-	-	-	-	(6,039)	(44,204)	(50,243)	-	(50,243)
Earnings appropriation and allocation for 2016:													
Legal reserve		-	-	-	-	-	34,547	-	(34,547)	-	-	-	-
Special reserve		-	-	-	-	-	-	21,412	(21,412)	-	-	-	-
Cash dividends for common shares	6 (18)	-	-	-	-	-	-	-	(173,388)	-	(173,388)	-	(173,388)
Employee stock option written off		-	-	-	(6,458)	6,458	-	-	-	-	-	-	-
Share-based payment transaction	6 (15)	19,370	69,402	-	(21,946)	-	-	-	-	-	66,826	-	66,826
Cash dividends distributed by subsidiaries to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(26,966)	(26,966)

The attached Notes to the Financial Statements is an integral part of the financial statements, please refer to it as well

Chairman: Hsi-Chien Cheng Manager: Hsi-Chien Cheng Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1, 2017 - December 31, 2017 and January 1, 2016 - December 31, 2016

Unit: In Thousands of New Taiwan Dollars

		Equity Attributable to Shareholders of the Parent Company											
			Capital Surplus				Retained Earnings						
	Note	Capital of Common Shares	Share Premium	Changes in Ownership Interest in Subsidiaries	Employee Stock Options	Others	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Difference Arising from Translation of Foreign Financial Statements	Total	Non-controlling Interest	Total Equity
Balance as of December 31, 2017		$ 1,353,127	$ 739,866	$ 16,480	$ -	$ 24,890	$ 698,847	$ 21,412	$ 857,118	($ 65,616)	$ 3,646,124	$ 341,272	$ 3,987,396

The attached Notes to the Financial Statements is an integral part of the financial statements, please refer to it as well

Chairman: Hsi-Chien Cheng Manager: Hsi-Chien Cheng Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
January 1, 2017 – December 31, 2017 and January 1, 2016 – December 31, 2016
Unit: In Thousands of New Taiwan Dollars

	Note	January 1, 2017 – December 31, 2017	January 1, 2016 – December 31, 2016
Cash flows from operating activities			
Net profit before tax		$ 519,887	$ 492,684
Adjustments:			
Income and expense item			
Depreciation	6 (22)	325,415	372,370
Amortization	6 (22)	18,295	27,455
Amortization of long-term rental prepayments (stated as amortization expense)	6 (11) (22)	1,701	1,820
Provision of allowance for doubtful accounts	6 (5)	4,364	20,698
Net profit from financial assets and liabilities measured at FVTPL	6 (21)	(547)	-
Recognition of interest revenue	6 (20)	(5,058)	(3,041)
Interest expense		139	1,583
Compensation cost of share-based payment	6 (15)	-	2,685
Loss on disposal and retirement of property, plant, and equipment	6 (21)	5,853	7,167
Reclassification of property, plant, and equipment to expense		-	1,483
Reclassification of other non-current assets to expense		18	-
Impairment loss on non-financial assets	6 (10) (21)	4,821	11,193
Changes in operating assets and liabilities:			
Net changes in operating assets			
Increase in held-for-trading financial assets and financial liabilities		(804)	-
Decrease (increase) in notes receivable		4,277	(4,676)
Increase in accounts receivable		(36,924)	(298,722)
Increase in other receivables		(1,413)	(8,871)
Increase in inventory		(220,935)	(204,381)
(Increase) decrease in prepayments		(30,192)	17,190
Decrease in other current assets		3,178	8,258
Net changes in operating liabilities			
Increase (decrease) in notes payable		55	(1,811)
Increase (decrease) in accounts payable		(48,568)	338,028
Decrease in other payables		136,495	180,363
Decrease in other current liabilities		(4,720)	(4,915)
Decrease in accrued pension liability		(1,085)	(1,169)
Cash provided by operating activities		674,252	955,391
Income tax paid for the current period		(52,767)	(65,255)
Net cash provided by operating activities		621,485	890,136

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Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
January 1, 2017 – December 31, 2017 and January 1, 2016 – December 31, 2016

Unit: In Thousands of New Taiwan Dollars

	Note	January 1, 2017 – December 31, 2017	January 1, 2016 – December 31, 2016
Cash provided by investing activities			
Proceeds from capital reduction of financial assets carried at cost		$ -	$ 128
Acquisition of property, plant, and equipment	6 (27)	(158,869)	(209,769)
Increase in prepayment for business facilities		(80,718)	(35,417)
Proceeds from disposal of property, plant, and equipment		5,589	19,054
Increase in refundable deposits		(5,384)	(2,730)
Decrease in refundable deposits		3,447	1,957
Acquisition of intangible assets	6 (9)	(16,561)	(5,955)
Increase in other non-current assets		(9,931)	(10,898)
Interest received		4,895	3,364
Net cash used in investing activities		(257,532)	(240,266)
Cash provided by (used in) financing activities			
Increase in short-term loans		1,190,102	2,905,308
Decrease in short-term loans		(1,139,984)	(3,132,948)
Repayment of long-term loan		-	(44,720)
Increase in deposits received		45	436
Decrease in deposits received		(90)	-
Interest paid		(139)	(1,644)
Cash dividends distributed	6 (18)	(173,388)	(93,363)
Execution of employees stock option		66,826	-
Changes in non-controlling interests		(26,966)	(26,966)
Net cash used in financing activities		(83,594)	(393,897)
Effect of exchange rate changes on cash and cash equivalents		(21,803)	(10,742)
Increase in cash and cash equivalents for the current		258,556	245,231

The attached Notes to the Financial Statements is an integral part of the financial statements, please refer to it as well.

Chairman: Hsi-Chien Cheng　　Manager: Hsi-Chien Cheng　　Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
January 1, 2017 – December 31, 2017 and January 1, 2016 – December 31, 2016
Unit: In Thousands of New Taiwan Dollars

	Note	January 1, 2017 – December 31, 2017	January 1, 2016 – December 31, 2016
period			
Cash and cash equivalents, beginning of the period		730,522	485,291
Cash and cash equivalents, end of the period		$ 989,078	$ 730,522

The attached Notes to the Financial Statements is an integral part of the financial statements, please refer to it as well.

Chairman: Hsi-Chien Cheng Manager: Hsi-Chien Cheng Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
of the Years 2017 and 2016

Unit: In Thousands of New Taiwan Dollars
(Unless Otherwise Specified)

1. Company Profile

(1) Established on July 20, 1987, Advanced International Multitech Co., Ltd. ("the Company" hereinafter) started operation in January 1988 under its former name as Advanced Composite Design Co., Ltd, with capital in the amount of NT$ 45,000 thousand. The capital further increased to NT$ 187,170 thousand after the Company's merger and acquisition of its subsidiaries, Dian Precision Casting Co., Ltd. and Advanced International Co. Ltd., on July 1, 1998. As of December 31, 2017, the Company had an authorized capital in the amount of NT$ 1,463,000 thousand (including 5,000 thousand shares of employee stock option certificates and 10,000 thousand shares of convertible corporate bonds), and a paid-in capital in the amount of NT$ 1,353,127 thousand, representing 135,313 thousand shares with each share priced at NT$ 10. The Company and subsidiaries are mainly engaged in manufacturing, processing, trading, import and export of carbon fiber prepared materials, and carbon fiber products (e.g. baseball bat, billiard stick, arrow target, golf club shaft and head, fishing tools, bicycle and accessories), as well as composite materials, namely carbon fiber fabrics, for aviation industry. (merge)

(2) The Company's stocks have been traded on the Taipei Exchange ("TPEx" hereinafter) since December 2002.

2. Date of and Procedures for the Approval of the Financial Statements

The consolidated financial statements were approved and issued on March 7, 2018, by the Board of Directors.

3. Application of New and Amended International Financial Reporting Standards and Interpretations

(1) Effects of the adoption of new and amended IFRSs endorsed by the Financial Supervisory Commission ("FSC"):

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2017:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments January 1, 2016 to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
FRS 14,‘Regulatory deferral accounts’	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, ‘Levies’	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2011-2013	January 1, 2016

The Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group’s financial position and financial performance.

Effects of not yet applying the newly-announced and revised IFRSs endorsed by the FSC:

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2018:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments'with IFRS 4'Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1,'First-time adoption of international financial reporting standards '	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28,'Investments in associates and joint ventures'	January 1, 2018

The Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group's financial position and financial performance, except for items as stated below. The relevant amount that is affected will be disclosed once the assessment is completed.

1. IFRS 9 "Financial Instruments"

(1) Debt instruments may be classified as financial assets measured at fair value through profit or loss (FVTPL), financial assets measured at fair

value through other comprehensive income (FVTOCI), or financial assets measured at amortized cost according to the business model of the entity and the characteristics of its contractual cash flows; equity instruments are classified as financial assets measured at FVTPL, unless the entity makes an irrevocable election to recognize the fair value of the equity instruments not held for trading in other comprehensive income.

(2) The impairment assessment on debt instruments should adopts the expected credit losses model, which assesses on the balance sheet date as to whether the credit risk of such instrument has increased significantly so as to determine (a) whether it's appropriate to adopt the 12-month expected credit losses or the full lifetime expected credit losses (interest revenue is calculated based on the asset's gross carrying amount before impairment occurs); or (b) whether an impairment has occurred, and if so, the interest revenue is estimated at the amount equal to the gross carrying amount adjusted for any loss allowance. A loss allowance for full lifetime expected credit losses is required for accounts receivable consisting no material financial component.

After assessment, the Group doesn't expect material effects from the standards, except that additional disclosures are required.

2. IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" supersedes IAS 11 "Construction Contracts" and IAS 18 "Revenue" and their relevant IFRIC interpretations and SIC Interpretations. IFRS 15 stipulates that revenue is recognized when customers obtain the control of goods or services and that control is deemed achieved when customers have the ability to direct the use of and obtain substantially all the remaining benefits from the assets.

The core principle of IFRS 15 is that "an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". An entity determines the recognition timing and amount in accordance with the core principle by applying the five-step model framework as stated below:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in contracts.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

In addition, IFRS 15 contains a set of integrated disclosure requirements, which require an entity to disclose comprehensive information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

After assessments, the Group doesn’t expect material effects from the standards, except that additional disclosures are required.

3. Amendments to IAS 7 "Disclosure Initiative"

The amendment requires an entity to disclose more information regarding the changes in liabilities arising from financing activities, including changes in cash and non-cash items.

After assessments, the Group expects a more extensive disclosure of changes in liabilities arising from financing activities.

4. Amendments to IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The interpretation clarifies that the transaction date of a contract denominated in foreign currency is the date of initial recognition of the non-monetary assets or liabilities arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income.

After assessments, the Group doesn’t expect material effects from the standards, except that additional disclosures are required.

Effects of IFRSs issued by IASB but not yet endorsed by the FSC:

The following table summarizes the new, amended, revised standards and interpretation of IFRSs that have been issued by IASB but not yet endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2021
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2021
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019

The Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group's financial position and financial performance, except for items as stated below. The relevant amount that is affected will be disclosed once the assessment is completed.

IFRS 16 "Leases"

IFRS 16 "Leases" supersedes IAS 17 "Leases" and its relevant IFRIC and SIC interpretations. IFRS 16 requires that a lessee recognize right-of-use assets and lease liabilities for all leases unless the lease is less than 12 months or the underlying asset has a low value. Accounting treatment under IFRS 16 for a lessor is substantially unchanged, which allows a lessor to continue to classify leases as either operating or finance, except that additional disclosures are required.

4. Summary of Significant Accounting Policies

Accounting policies applied in preparing this consolidated financial statement are listed below. Unless otherwise stated, the policies shall be applicable to all reporting periods presented.

(1) Statement of Compliance

The consolidated financial statements are prepared in accordance with the

Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations (collectively referred to as "IFRSs" hereinafter) to the extent endorsed by the FSC.

(2) Basis of Preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:

(1) Financial assets and liabilities measured at FVTPL (including derivatives).

(2) Defined benefit liability is calculated based on the retirement plan assets and the present value of the net defined benefit obligation.

2. Critical accounting estimates are required when preparing financial statements in compliance with IFRSs. When the Group adopts the accounting policies, the management is required to exercise judgments on highly judgmental or complex items or significant assumptions and estimates with regards to this consolidated financial reports. Please refer to Note 5 for details.

Basis of Consolidation

1.Preparation Principles for the Consolidated Financial Statements:

(1) The Group includes all subsidiaries as entities in the consolidated financial statements. Subsidiaries refer to entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control, and are excluded from the consolidated financial statements from the date when such control ceases.

(2) Transactions, balances and unrealized gains or losses between companies within the Group are eliminated. Accounting policies of subsidiaries are adjusted, when necessary, to remain consistent with those of the Group.

(3) The profit or loss and each component of other comprehensive income is attributed to the owners of the parent company and to the non-controlling interest. Total comprehensive income is also attributed to the owners of the parent company and non-controlling interest even if this results in the non-controlling interests having a deficit balance.

(4) A change in the ownership interest of a subsidiary without a loss of control (transactions with non-controlling interests) is accounted for as an equity transaction, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

2. Subsidiaries that are consolidated into the consolidated financial statements:

Investor	Subsidiary	Main Business Activities	Ownership (%) December 31,2017	Ownership (%) December 31,2016
Advanced International Multitech Co., Ltd	Advanced International Multitech (BVI) Co., Ltd.	Equity investment	100	100
Advanced International Multitech Co., Ltd	Advanced Group International (BVI) Co., Ltd.	Equity investment	100	100
Advanced International Multitech Co., Ltd	FOO-GUO International Limited	Equity investment	-	100
Advanced International Multitech Co., Ltd	Advanced International Multitech (VN) Corporation Ltd.	Sale of golf club heads, golf balls, shafts	100	100
Advanced International Multitech Co., Ltd	Launch Technologies Co., LTD.	Manufacture of golf ball	55.93	55.93
Advanced Group International (BVI) Co., Ltd.	ADVANCED SPORTING GOODS (DONGGUAN) CO., LTD.	Manufacture and sale of Prepreg Carbon Fiber	100	100
Advanced International Multitech (BVI) Co., Ltd.	ADVANCED SPORTING GOODS (SHATIAN, DONGGUAN) CO., LTD	Manufacture and sale of Prepreg Carbon Fiber	100	100
FOO-GUO International Limited	FOOGUO SPORTS (DONGGUAN) LTD.	Manufacture and sale of sports goods	100	100

Note 1: Such company had been liquidated in July 2017.

Note 2: Such company had been liquidated in June 2017.

3. Subsidiaries that are not consolidated into the consolidated financial statements: None.

4. Different accounting and adjustments adopted by subsidiaries in the accounting period: None.

5. Significant restrictions: None.

6. Subsidiaries with material non-controlling interest: As of December 31, 2017, and 2016, the Group's Non-controlling interests totaled NT$ 341,272 thousand and NT$ 363,935 thousand. What stated below is the information in respect of subsidiaries with material non-controlling interest:

		Non-controlling interest			
		December 31, 2017		December 31, 2016	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Launch Technologies Co., LTD.	Taiwan	341,272	44.07	363,935	44.07

Summary of the financial information of subsidiaries is as follows:

Balance Sheets

	Launch Technologies Co., LTD	
	December 31, 2017	December 31, 2016
Current assets	$480,455	$502,973
Non-current assets	536,721	522,366
Current liabilities	(242,547)	(198,993)
Non-current liabilities	(251)	(544)
Total net assets	$774,378	$825,802

Statements of Comprehensive Income

	Launch Technologies Co., LTD	
	Year 2017	Year 2016
Revenue	$1,476,943	$1,368,028
Profit before income tax	15,449	131,563
Income tax expense	(5,685)	(21,367)
Profit(Loss) for the year	9,764	110,196
Other comprehensive (loss) income, net of tax	0	0
Total comprehensive income for the year	$9,764	$110,196

Statements of Cash Flows

	Year 2017	Year 2016
Net cash provided by operating activities	$72,967	175,782
Net cash used in investing activities	(96,341)	(82,487)
Net cash (used in) provided by financing activities	(6,808)	(61,190)
Increase (decrease) in cash and cash equivalents	(30,182)	32,105
Cash and cash equivalents, beginning of year	$79,716	$47,611
Cash and cash equivalents, end of year	49,534	79,716

Foreign Currency Translation

All items on the financial statements of each entity of the Group are measured at the currency of the principal economic environment in which the entity operates (i.e. functional currency). The Consolidated Financial Statements are presented and reported in the Group's functional currency, New Taiwan Dollars (NT$).

1. Foreign Currency Transaction and Balance

(1) Foreign currency transaction is translated to the functional currency by using the spot exchange rate on the trade date or measurement date. Any translation differences occurred are to be recognized in the current profit or loss.

(2) Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss

(3) For non-monetary assets and liabilities denominated in foreign currency, if they are measured at FVTPL, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in profit or loss; if they are measured at FVOCI, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in other comprehensive income; and if they are not measured at fair value, they are measured at the historical exchange rates on initial transaction dates.

(4) All exchange gains and losses are presented as "Other gains and losses" on the statement of comprehensive income.

2. Translation from Foreign Operations

The operating results and financial position of all entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency by applying the following approaches:

(1) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the end of the financial reporting period;
(2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
(3) All resulting exchange differences are recognized in other comprehensive income.
(4) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

Classification of Current and Non-Current Assets and Liabilities

1. Assets that meet one of the following criteria are classified as current assets:

(1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
(2) Assets held primarily for trading purposes;
(3) Assets that are expected to be realized within 12 months after the balance sheet date;
(4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date.

Otherwise, they are classified as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

(1) Liabilities that are expected to be settled within the normal operating cycle.
(2) Assets held primarily for trading purposes;
(3) Liabilities that are expected to be settled within 12 months after the balance sheet date;
(4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Settlement by the issue of equity instruments based on transaction party’s choice does not impact classification.

Otherwise, they are classified as non-current liabilities.

Cash equivalents

Cash equivalents refer to the investments that are short-term, highly liquid, subject to a low risk of changes in value, and readily convertible to known amount of cash. Time deposits satisfying the afore-mentioned definition and for which the objective of holding is to meet the short-term operating cash commitment are classified as the cash equivalent.

Financial assets measured at FVTPL

1. Financial assets at FVTPL refer to financial assets held for trading or

financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as financial assets held for trading if the objective of acquisition is to sell them in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedging instruments pursuant to hedge accounting. Financial assets that meet one of the following criteria are designated as at FVTPL on the initial recognition:

(1) Hybrid (combined) contracts; or
(2) They eliminate or significantly reduce a measurement or recognition inconsistency; or
(3) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

2. On a regular way purchase or sale basis, financial assets at FVTPL are recognized and derecognized using settlement date accounting.

3. Financial assets at FVTPL are initially recognized at fair value. Related transaction costs are recognized in profit or loss. Such financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of such financial assets are recognized in profit or loss.

Loans and receivables

Account receivables are non-derivative loans and receivables, and specifically, refer to the trade receivables due from customers for the goods sold or services rendered in the normal course of business. They are measured at fair value upon initial recognition and subsequently measured at amortized cost less the amount of impairment using the effective interest method. However, short-term receivables without interest payment, given insignificant effects of their discount, are subsequently measured at the invoice price.

Impairments of Financial Assets

1. The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events (loss events) that has occurred after the initial recognition of the asset and that the impact from those loss events on the estimated future cash flows of the financial assets can be estimated reliably.

2. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(1) Significant financial difficulty of the issuer or debtor;
(2) A breach of contract, such as a default or delinquency in interest or principal payments;
(3) The Group granted the borrower a concession that a lender would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty;
(4) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
(5) The disappearance of an active market for that financial asset because of

financial difficulties; or

(6) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

3. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows in accordance with the category of financial assets:

(1) Financial assets measured at amortized cost
The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. The impairment loss amount recognized or reversed is adjusted to the carrying amount of the asset through the loss allowance account.

(2) Financial assets carried at cost
The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market return rate of the similar financial asset and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. The impairment loss amount recognized is adjusted to the carrying amount of the asset through the loss allowance account.

<u>De-recognition of financial assets</u>

The Group derecognizes an asset when its contractual rights to receive cash flows from the financial asset expire.

<u>Inventories</u>

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted moving average method. The costs of work in progress and finished goods include the cost of raw materials, direct labor, other direct cost and a proportion of manufacturing overheads (based on normal operating capacity), excluding borrowing cost. The item by item approach is employed when evaluating the lower of costs and net realizable value. Net realizable value is the balance of estimated selling price in the normal operating course less the estimated cost of completion and applicable variable selling expenses.

<u>Property, plant, and equipment</u>

1. Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the

Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss when incurred.

Except for land which is not depreciated, other property, plant, and equipment are subsequently measured using the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the property, plant, and equipment comprise any significant components, they are depreciated individually.

4. The Group reviews each assets' residual values, useful lives and depreciation methods at the end of each financial year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. The estimated useful lives of property, plant, and equipment are as follows:

Buildings and structures, auxiliary equipment	2 ~ 56 years
Machinery	2 ~ 20 years
Utility equipment	3 ~ 40 years
Transportation equipment	3 ~ 5 years
Office equipment	2 ~ 10 years
Other equipment	2 ~ 20 years

Lease

For operating leases, lease payments (excluding incentives from the lessor) are amortized on a straight-line basis over the lease term and recognized in profit or loss.

Intangible assets

1. Technology transfer licensing fee and computer software are recognized at acquisition costs and amortized on a straight-line basis over the estimated useful lives of 3 - 5 years.
2. Other items such as customer relationships that are acquired via acquisition are recognized at acquisition costs and amortized on a straight-line basis over the estimated useful lives of 5 - 10 years. An annual impairment test is required for those items.

Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the greater of its 'fair value minus costs to sell' and its 'value in use.' When circumstances contributed to the recognition of impairment loss of an asset in the previous period do not exist or are decreased, the recognized impairment loss is reversed to the carrying amount of an asset to the extent that it does not exceed the carrying amount (net of depreciation and amortization) if the impairment loss had not been recognized.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized over the period of the borrowing using the effective interest method.

Notes payables and accounts payables

Notes and accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

Derecognition of financial liabilities

The Group derecognizes a financial liability when the obligation under the contract is performed, canceled, or expires.

Offsetting financial assets and financial liabilities:

A financial asset and financial liability may be offset and the net amount presented in the balance sheet only when an entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Employee benefits

1. Short-term employee benefits

   Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses in the period when the employees render service.

2. Pensions

(1) Defined contribution plan

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(2) Defined benefit plans

A. The net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Company in the current period or prior periods. The amount recognized is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is computed by independent actuaries every year using the projected unit credit method. The discount rate employed is the market yields on government bonds (at the balance sheet date).

B. The re-measured amount of defined benefit plans is recognized in other comprehensive income as it arises and presented in retained earnings.

C. Expenses associated with past service costs are recognized immediately in profit or loss.

3. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expenses at the earlier of when it can no longer withdraw the term contracts or when it recognizes relevant restructuring costs. Benefits due more than 12 months after balance sheet date are discounted to their present value.

4. Compensation to employees and remuneration to directors and supervisors

Compensation to employees and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. If the accrued amounts are different from the actual distributed amounts resolved by the shareholders subsequently, the differences should be accounted for as changes in accounting estimates. Where employee compensation is granted in shares, the number of shares and the fair value of such shares are estimated in accordance with requirements and valuation technique(s) as stipulated in IFRS 2

“Share-based Payments.”

Share-based payment to employees

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

Income tax

1. Income tax expense includes current income tax and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
3. Deferred income tax adopts the balance sheet approach. It is recognized as the temporary difference between the tax bases of assets and liabilities and their carrying amounts on the consolidated balance sheet at the reporting date. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax

rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
5. Current income tax assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

Capital

Common shares are classified as equity.

Dividends distribution

Dividends to be distributed to shareholders of the Company are recognized when they are resolved by the Shareholders' Meeting; Distribution in cash dividends is recognized as a liability, whilst distribution in stock dividends is recognized as stock dividends to be distributed, which is transferred to common share on the date when new shares are issued.

Revenue recognition

1. The Group manufactures and sells consumer products. Revenue is the fair value of the consideration received or receivable for goods sold to external customers during the ordinary course of business, presented as the net value after deducting the value added tax, sales returns, discounts, and allowances. Revenue from goods sold is recognized only when the goods have been delivered to customers, the selling amount can be reliably measured, and any future economic benefit associated with the goods sold is highly possible to flow to the entity. Goods are deemed delivered only when significant risks and rewards of ownership of the goods are transferred to customers, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and customers accept the goods in accordance with the selling contract, or when any objective evidence suggests that all acceptance clauses have been satisfied.

(2) The Group offers customers allowances for defective products sold and estimates discounts on a historical basis. A sales allowance is provided when sales are recognized.

Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants to compensate the Group's expense are recognized as profit or loss on a systematic basis when the expense occurs.

Operating segments

Information on the operating segments is reported in a manner that is consistent with other information reported in the internal management reports for the chief operating decision makers. The chief operating decision makers are responsible for allocating resources to the operating segments and assessing their performance.

5. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

When preparing the consolidated financial statement, management of the Group had determined its accounting policies based on its judgments and made accounting estimates and assumptions based on a rational expectation of future events depending on the circumstances at the balance sheet date. (check) If there is any difference between any critical accounting estimates and assumption made and actual results, the historical experience, and other factors will be taken into account in order to continue assessment and adjustment. Such estimates and assumptions may result in a risk of a material adjustment to the carrying amount of assets and liabilities in the next year. Description of the uncertainties in major accounting judgments, estimates, and assumptions is as follows:

(1) Major judgments in adopting the accounting policies

None.

Critical accounting estimates and assumptions

1. Estimates of impairment on Accounts receivables

When an objective evidence indicates any signs of impairment, the Group estimates future cash flows based on relevant documents that it has obtained. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If actual cash flows in the future is less than expected, there might be a material Impairment loss.

2. Inventory valuation

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technological changes, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on the balance sheet date, and writes down the cost of inventories to the net realizable value. Since the inventory valuation is estimated based on demands for products in a specific future period, it may be subject to significant changes.

As of December 31, 2017, the carrying amount of the Group's inventory was NT$ 1,499,438 thousand.

6. Descriptions of Major Accounting Subjects

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand and revolving funds	$1,021	$1,294
Checking accounts and demand deposits	341,617	524,891
Cash equivalents - Time deposits	557,310	168,917
Cash equivalents	89,130	35,420
Total	$989,078	$730,522

1. The Group deals with financial institutions having high credit quality. The Group also deals with various financial institutions in order that credit risks can be diversified. Therefore, the expected risk of default is pretty low.
2. No cash or its equivalents were pledged as collateral by the Group.

Financial assets measured at FVTPL

Items	December 31, 2017
Current items:	
Financial assets held for trading	
Non-hedging derivatives	$1,368
Valuation adjustment of financial assets held for trading	-
	$1,368

December 31, 2016: None.

1. Net profit recognized in 2017 for the Group's financial assets held for trading was NT$ 685 thousand, stated under "Other gains and losses."
2. Below states the information on transactions and contracts of financial derivatives that are not a hedged item:

	December 31, 2017	
Derivative instruments	Contract amount (notional principal)	Contract period
Current items:		
Forward foreign exchange contracts	USD 2,000,000	2018.1.26~2018.3.26

The Group entered into foreign exchange forward contracts to sell US dollars in order to hedge the risk arising from purchase and sales of goods. However, such transactions did not apply hedge accounting.

3. No financial assets measured at FVTPL were pledged by The Group as collateral.

Financial assets carried at cost

Items	December 31, 2017	December 31, 2016
Non-current items:		
Unlisted stocks	$55	$55

1. The afore-mentioned equity investments should have been classified as available-for-sale financial assets according to the Group's investing purposes. However, such equity investments are classified as "Financial assets carried at cost" since their fair value cannot be reliably measured due to facts that they are not traded in an active market, and that neither industrial information on similar companies nor financial information on investees is sufficiently available.
2. As of December 31, 2017, and 2016, no financial assets carried at cost were pledged as collateral.

Notes receivable

	December 31, 2017	December 31, 2016
Notes receivable	$5,980	$10,257
Less: allowance for bad debts	-	-
	$5,980	$10,257

Accounts receivable

	December 31, 2017	December 31, 2016
Accounts receivable	$2,298,260	$2,297,791
Less: allowance for sales returns and discounts	(923)	(1,685)
Less: allowance for bad debts	(8,620)	(10,984)
	$2,288,717	$2,285,122

1. The Group's accounts receivables that are neither past due nor impaired all meet the credit standards stipulated based on the counter-parties' industrial characteristics, operation scale, and profitability.

2. Aging analysis of financial assets that are past due but not impaired is as follows:

	December 31, 2017	December 31, 2016
Up to 30 days	$70,282	$273,884
31 to 90 days	26,480	85,945
91 to 180 days	6,095	31,328
Over 181 days	$6,613	$1,991
	$109,470	$393,148

The above aging analysis is based on the number of days past due.

3. Analysis of changes in impaired financial assets:

(1) As of December 31, 2017, and 2016, the Group's individually impaired accounts receivables were NT$0.

(2) Changes in allowance for doubtful accounts are stated as follows:

	Year 2017		
	Individual provision	Group provision	Total
At January 1	$ -	$ 10,984	$ 10,984
Provision for impairment	6,728	(2,364)	4,364
Write-offs during the period	(6,728)	-	(6,728)
At December 31	$ -	$ 8,620	$ 8,620

	Year 2016		
	Individual provision	Group provision	Total
At January 1	$ 349	$ 4,910	$ 5,259
Provision for impairment	14,624	6,074	20,698
Write-offs during the period	(14,973)	-	(14,973)
At December 31	$ -	$ 10,984	$ 10,984

4. The Group does not hold any collateral.

Inventory

	December 31, 2017		
	Cost	Allowancefor valuation loss	Book value
Raw materials	$ 625,828	($30,972)	$ 594,856
Work in process	326,526	(4,994)	321,532
Finished goods	554,032	(35,418)	518,614
Inventory in transit	64,436	-	64,436
	$ 1,570,822	($71,384)	$ 1,499,438

	December 31, 2016				
	Cost		Allowancefor valuation loss	Book value	
Raw materials	$	487,205	($25,133)	$	462,072
Work in process		311,063	(863)		310,200
Finished goods		519,688	(46,419)		473,269
Inventory in transit		54,075	-		54,075
	$	1,372,031	($72,415)	$	1,299,616

The Group's inventory cost recognized as an expense for the current period:

	Year 2017	Year 2016
Cost of inventories sold	$8,640,465	$7,675,771
Gain on reversal of decline in market value	(50)	(4,905)
Loss from sale of scraps	16,286	8,724
Others	334	(4,259)
	$8,657,035	$7,675,331

In 2017 and 2016, a decrease in cost to sell was recognized due to the recovery of the net realizable value of inventories contributed by the well-performed de-stocks and retirement of some inventory.

Prepayments

	December 31, 2017	December 31, 2016
Prepaid sales tax	$79,739	$47,841
Prepaid expenses	22,269	21,745
Overpaid sales tax	20,206	20,137
Prepayment for purchases	3,887	6,720
	$126,101	$96,443

Property, plant, and equipment

Cost	Year 2017					
Name of Assets	At January 1, 2017	Additions	Disposals	Reclassifications	Net exchange differences	At December 31, 2017
Land	$ 162,544	$ -	$ -	$ -	$ -	$ 162,544
Buildings	1,274,271	14,713	(32,729)	3,563	(23,805)	1,236,013
Machinery and equipment	1,568,703	92,110	(239,767)	40,316	(24,199)	1,437,163
Utility equipment	307,993	6,712	(31,757)	40	(3,520)	279,468
Transportation equipment	6,075	772	-	-	(23)	6,824
Office equipment	52,895	10,037	(7,897)	1,341	(972)	55,404
Others	413,223	47,557	(47,555)	4,745	(6,074)	411,896
Construction in progress	4,297	5,284	-	(4,508)	6	5,079
	$ 3,790,001	$177,185	($359,705)	$45,497	($58,587)	$3,594,391

Accumulated depreciation	Year 2017					
Name of Assets	At January 1, 2017	Depreciation Expenses	Disposals	Reclassifications	Net exchange differences	At December 31, 2017
Buildings	$ 548,230	$ 77,368	($29,748)	$ 568	($7,803)	$ 588,615
Machinery and equipment	1,098,254	167,899	(231,638)	(108)	(16,280)	1,018,127
Utility equipment	182,199	21,417	(31,681)	(568)	(1,521)	169,846
Transportation equipment	3,545	1,060	-	-	(13)	4,592
Office equipment	37,355	7,108	(7,896)	(12)	(645)	35,910
Others	292,488	55,384	(47,300)	120	(4,201)	296,491
	$ 2,162,071	$330,236	($348,263)	$0	($30,463)	$2,113,581
Total	$ 1,627,930					$ 1,480,810

Cost	Year 2016					
Name of Assets	At January 1, 2017	Additions	Disposals	Reclassifications	Net exchange differences	At December 31, 2017
Land	$ 162,544	$ -	$ -	$ -	$ -	$ 162,544
Buildings	1,345,370	13,444	(31,688)	(8,641)	(44,214)	1,274,271
Machinery and equipment	1,770,831	99,593	(266,612)	17,677	(52,786)	1,568,703
Utility equipment	324,247	2,517	(5,939)	385	(13,217)	307,993
Transportation equipment	6,131	1,022	(902)	-	(176)	6,075
Office equipment	46,365	6,275	(4,018)	6,863	(2,590)	52,895
Others	453,144	36,937	(87,030)	28,114	(17,942)	413,223
Construction in progress	1,234	12,163	-	(9,238)	138	4,297
	$ 4,109,866	$171,951	($396,189)	$35,160	($130,787)	$3,790,001

Accumulated depreciation	Year 2016					
Name of Assets	At January 1, 2017	Depreciation Expenses	Disposals	Reclassifications	Net exchange differences	At December 31, 2017
Buildings	$ 523,286	$ 87,134	($28,450)	($10,475)	($23,265)	$ 548,230
Machinery and equipment	1,196,943	199,997	(244,895)	(12,187)	(41,604)	1,098,254
Utility equipment	169,373	25,950	(5,918)	(78)	(7,128)	182,199
Transportation equipment	3,652	917	(902)	-	(122)	3,545
Office equipment	33,885	7,102	(4,010)	2,342	(1,964)	37,355
Others	310,306	61,867	(85,793)	20,398	(14,290)	292,488
	$ 2,237,445	$382,967	($369,968)	$0	($88,373)	$2,162,071
Total	$ 1,872,421					$ 1,627,930

1. The capitalized amount and interest range of borrowing costs attributable to property, plant, and equipment:

	Year 2017	Year 2016
Amount capitalised	$ 161	$ -
Range of the interest rates for capitalisation	1.26%~1.71%	-

2. Significant components of the Group's buildings and structures include buildings, and auxiliary construction and air conditioning engineering, which are respectively appreciated over the periods of 46 - 56 years and 10 - 20 years.
3. For impairment on property, plant, and equipment (PP&E), please refer to Note 6 (10) for details.
4. For the information about property, plant, and equipment pledged as collateral, please see Note 8 for details.

Intangible assets

	Technical skill	Computer Software	Others	Total
At January 1, 2017				
Cost	$ 13,000	$ 29,705	$ 65,500	$ 108,205
Accumulated amortisation and impairment	(10,811)	(22,226)	(65,500)	(98,537)
	$ 2,189	$ 7,479	$ -	$ 9,668
2017				
At January 1	$ 2,189	$ 7,479	$ -	$ 9,668
Additions－acquired separately	-	16,561	-	16,561
Cost reduce	-	(20,394)	(65,500)	(85,894)
Amortisation	(2,189)	(5,521)	-	(7,710)
Reduce in accumulated amortization	-	20,394	65,500	85,894
At December 31	$ -	$ 18,519	$ -	$ 18,519
At December 31, 2017				
Cost	$ 13,000	$ 25,872	$ -	$ 38,872
Accumulated amortisation and impairment	(13,000)	(7,353)	-	(20,353)
	$ -	$ 18,519	$ -	$ 18,519

	Technical skill		Computer Software		Others		Total	
At January 1, 2016								
Cost	$	14,500	$	37,321	$	65,500	$	117,321
Accumulated amortisation and impairment		(9,393)		(24,968)		(59,496)		(93,857)
	$	5,107	$	12,353	$	6,004	$	23,464
2016								
At January 1	$	5,107	$	12,353	$	6,004	$	23,464
Additions－acquired separately		-		5,955		-		5,955
Cost reduce		(1,500)		(13,571)		-		(15,071)
Amortisation		(2,918)		(10,250)		(6,004)		(19,172)
Impairment loss		-		(579)		-		(579)
Reduce in accumulated amortization		1,500		13,571		-		15,071
At December 31	$	2,189	$	7,479	$	-	$	9,668
At December 31, 2016								
Cost	$	13,000	$	29,705	$	65,500	$	108,205
Accumulated amortisation and impairment		(10,811)		(22,226)		(65,500)		(98,537)
	$	2,189	$	7,479	$	-	$	9,668

Amortization of intangible assets is detailed as below:

	Year 2017		Year 2016	
Operating costs	$	725	$	662
Selling expenses		-		9,546
Administrative expenses		3,154		3,355
Research and development expenses		3,831		5,609
	$	7,710	$	19,172

Impairment of non-financial assets

1. For 2017 and 2016, the Group recognized the impairment loss of NT$ 4,821 thousand and NT$ 11,193 thousand respectively, which is detailed as follows:

	Year 2017		Year 2016	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss－Buildings	$ 2,976	$ -	$ 599	$ -
Impairment loss－machinery	1,416	-	9,360	-
Impairment loss－Office equipment	-	-	4	-
Impairment loss－Others	429	-	634	-
Impairment loss－Intangible assets	-	-	579	-
Impairment loss－Other assets	-	-	17	-
	$ 4,821	$ -	$ 11,193	$ -

2. Disclosure of the aforementioned impairment loss by segments is detailed as follows:

	Year 2017		Year 2016	
	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in profit or loss	Recognised in other comprehensive income
Soft goods division	$ 4,821	$ -	$ 11,193	$ -

3. The Group adjusted the carrying amount of some buildings and structures, machinery and other equipment for 2017 in accordance with their recoverable amount due to a decrease in their useful lives, and recognized an impairment loss of NT$ 4,821 thousand.

Long-term prepaid rent (presented as “other non-current assets”)

	December 31, 2017	December 31, 2016
Land use right	$ 34,284	$ 38,269

The table below lists information regarding the Group’s execution of the land-use contract, of which the rent was fully paid upon execution of the contract. Rental expenses recognized for 2017 and 2016 were NT$ 1,701 thousand and NT$ 1,820 thousand respectively.

Short-term loans

Type of loans	December 31, 2017	Interest rate range
Loans from letter of credits	$ 54,450	1.26%~1.27%
Unsecured loans	36,004	-
	$ 90,454	

Type of loans	December 31, 2016	Interest rate range
Unsecured loans	$ 40,336	-

Note: For the names and amounts of collateral for the aforementioned short-term borrowings, please refer to Note 8 - Pledged Assets.

Other payables

	December 31, 2017	December 31, 2016
Awards and salaries payable	$381,366	$358,428
Payable for processing charge	249,241	201,719
Payables for employee' sremuneration and directors' and supervisors' remuneration	44,783	43,606
Payables for equipment	37,619	19,303
Others	348,630	299,104
	$1,061,639	$922,160

Pensions

1. (1) In compliance with the requirements set forth in the Labor Standards Law, the Company has stipulated a defined benefit pension plan, which is applicable to the years of service rendered by regular employees prior to, and after (if employees elect to continue to apply the Labor Standards Law), the implementation of the Labor Pension Act on July 1, 2005. Pension payments for employees qualified for the aforementioned retirement criteria are calculated in accordance with the years of service rendered and the average salaries or wages of the last 6 months prior to retirement. Two bases are given for each full year of service over the first 15 years, and one base is given for an additional year of service thereafter, provided that the total bases do not exceed forty-five (45). The Company contributes on a monthly

basis 2% of the total salary (wages) as the pension fund, which is deposited in a designated account with the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Fund. Prior to the end of each annual period, the Company assesses the balance of the aforementioned designated account for the labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within next year, the Company will make a lump sum contribution to make up the shortfall before the end of March of the following year.

(2) Amounts recognized on the balance sheets are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ 99,013	$ 91,456
Fair value of plan assets	(29,537)	(28,171)
Net defined benefit liability	$ 69,476	$ 63,285

(3) Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liabilit
2017			
Balance at January 1	$ 91,456	($28,171)	$ 63,285
Current service cost	121	-	121
Last period service cost	119	-	119
Interest (Expense) revenue	1,372	(423)	949
	$ 93,068	($28,594)	$ 64,474
Remeasurements:			
Return on plan asset			
(excluding amounts included in interest income or expense)			
Change in financial assumptions	3,614	-	3,614
Experience adjustments	3,548	114	3,662
	7,162	114	7,276
Pension fund contribution	-	(2,274)	(2,274)
Paid Pension	(1,217)	1,217	-
Balance at December 31	$99,013	($29,537)	$69,476

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liabilit
2016			
Balance at January 1	$ 91,452	($32,294)	$ 59,158
Current service cost	110	-	110
Interest (Expense) revenue	1,555	(549)	1,006
	$ 93,117	($32,843)	$ 60,274
Remeasurements:			
Return on plan asset			
(excluding amounts included in interest income or expense)			
Change in financial assumptions	2,348	-	2,348
Experience adjustments	2,757	191	2,948
	5,105	191	5,296
Pension fund contribution	-	(2,285)	(2,285)
Paid Pension	(6,766)	6,766	-
Balance at December 31	$91,456	($28,171)	$63,285

The fund asset of the Company's defined benefit pension plan (the

"Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e. deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. (check) With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Since the Company has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19 paragraph 142. For the composition of the fair value of Fund in total as of December 31, 2017, and 2016, please refer to the various labor pension utilization reports issued by the government.

(5) Actuarial assumptions on pensions are summarized as follows:

	Year 2017	Year 2016
Discount rate	1.20%	1.50%
Future salary increases	2.25%	2.25%

The future mortality rate is estimated based on the 2012 Taiwan Standard Ordinary Experience Mortality Table.
Analysis of the present value of defined benefit obligation affected by changes in primary actuarial assumptions is as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	($3,023)	$ 3,147	$ 2,857	($2,765)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($2,926)	$ 3,068	$ 2,807	($2,695)

The sensitivity analysis presented above is an analysis of effects resulted from changes in a single assumption while other assumptions are held constant. In practice, quite a few changes in assumptions are correlated. The method employed for sensitivity analysis is the same as the method used to calculate the net pension liability presented on the balance sheet.

The method and assumptions used for the preparation of the sensitivity analysis for the current period are the same as those used in the previous period.

(6) The Company expects to make a contribution of NT$ 2,274 thousand to the pension plans for the year ended December 31, 2018.

(7) As at December 31, 2017, the pension plan's weighted average duration is 13 years.

2. (1) Starting from July 1, 2005, the Company and subsidiaries have set up a defined contribution plan for all employees with ROC citizenship in accordance with the Labor Pension Act. Where the employees have elected to apply the labor pension system as stipulated in the Labor Pension Act, the Company and subsidiaries make a contribution in an amount equal to 6% of the employees' monthly salaries or wages to their individual accounts in the Bureau of Labor Insurance.

(2) Advanced Sporting Goods (Dong Guan) Co., Ltd. and Advanced Sporting Goods (Sha Tian, Dong Guan) Co., Ltd. make a pension contribution on a monthly basis in an amount equal to a certain percentage of the employees' monthly salaries and wages in accordance with the requirements as set forth in the pension system of the People's Republic of China. The contribution percentage for 2017 and 2016 were 13%. The pension for each employee is managed by the government, hence the Group doesn't have further obligation except for making a monthly contribution.

(3) As required by the Vietnamese government, Advanced International Multitech (VN) Corporation Ltd. makes a monthly contribution in an amount equal to one month of an employee's minimum wages to the retirement plan, which is managed by the various responsible departments of the Vietnamese government. Other than making a

monthly contribution, the Company has no further obligations.

(4) The pension costs recognized by the Group in accordance with the aforementioned contribution plans for 2017 and 2016 were NT$ 107,144 thousand and NT$ 101,368 thousand.

Share-based payments

1. The Company was approved by the FSC to issue 5,000 units of employee stock options as at July 26, 2012, with each unit eligible to opt for 1,000 shares of the Company's stock. The total number of employee stock options is 4,720,000 shares.

2. The Company's share-based payment arrangements are stated as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	October 11, 2012	4,720,000	5 years	Note

The said share-based payment arrangements are all settled in equity.

Note: Term and exercisable percentage of the stock option certificates (accumulated):

(1) 50% vested after 2 years of service.

(2) 75% vested after 3 years of service.

(3) 100% vested after 4 years of service.

3. The said share-based payment arrangements are stated as follows:

	Year 2017		Year 2016	
	No. stock options	Weighted-average exercise price (in dollars)	No. stock options	Weighted-average exercise price (in dollars)
Options outstanding opening balance at January 1	2,520,000	$ 36	3,127,000	$ 37.3
Options forfeited	(220,000)	-	(607,000)	-
Options exercised	(1,937,000)	34.5	-	-
Options expired	(363,000)	-	-	-
Options outstanding at December 31	-	-	2,520,000	$36
Options exercisable at December 31	-	-	2,520,000	-

Note: The forfeited options are options that have become invalid due to employees' retirement or termination of employment.

4. Options exercised in 2017 were priced at the weighted average price of NT$ 42.73 per share on the exercise date.

5. The exercise price of the outstanding options as of December 31, 2016, was NT$ 36, and the remaining contract duration on a weighted average basis is 0.778 year.

The Black-Scholes option pricing model is used to estimate the fair value of the Company's Share-based payment transaction in which the stock option is granted on the grant date. Relevant information is as below:

	Grant date	Stock price	Exercise price	Exercise price volatility	Expected duration	Expected dividend	Risk-free interest rate	Fair value per share
Employee stock options	2012/10/11	$42	$42	33.28%	3.875 years	-	0.90%	$11.33

Note: The expected volatility is estimated by taking into account the share prices over the most recent period equal to the life of the stock option as the sampling interval, and the effects on stock transaction price caused by the annual distribution of earnings in each year.

7. Expenses incurred from the share-based payment transactions are stated as follows:

	Year 2017	Year 2016
Equity-settled	$ -	$ 2,685

8. As at July 7, 2017, and July 16, 2016, the Company adjusted the exercise price of the employee stock option certificates that were issued on October 11, 2012, from NT$ 36 to NT$ 34.5 and NT$ 37.3 to NT$ 36, in accordance with the regulations governing employee stock options.

Capital

As of December 31, 2017, the Company had an authorized capital in the amount of NT$ 1,463,000 thousand (including 5,000 thousand shares of employee stock option certificates and 10,000 thousand shares of convertible corporate bonds), and a paid-in capital in the amount of NT$ 1,353,127 thousand with each share priced at NT$ 10. Share payments for the Company's issued stocks have been collected in full.

Quantities of the Company's outstanding common shares at the beginning and ending of periods were reconciled as follows:

	Year 2017		Year 2016	
At January 1	$	133,376	$	133,376
Disposal of treasury shares		1,937		-
At December 31	$	135,313	$	133,376

Capital surplus

Under the Company Act, capital surplus arising from shares issued at the premium or from donation may be used for offsetting the deficit. Furthermore, if the Company has no accumulated loss, the capital surplus may be used for issuing new shares or distributing cash in proportion to shareholders’ original holdings. In accordance with regulations in the Securities and Exchange Act, when the above-mentioned capital surplus is used for capitalization, the total amount every year shall not exceed 10% of the paid-in capital. The Company may use the capital surplus to offset loss only when the number of earnings and reserves are insufficient to offset the loss.

Retained earnings

1. The Articles of Incorporation requires that earnings after the final account, if any, be used in the first place to pay off the profit-seeking enterprise income tax and to offset the previous deficits according to law ; and 10% of the remainder, if any, be set aside as its legal reserve, except in cases when the legal reserve has reached the capital amount. If there are any remaining earnings, a special reserve shall be provided or reversed in accordance with laws or regulations imposed by the competent authority; the remaining amount, if any, shall be added up to the undistributed earnings of the prior periods to serve as the allocable earnings, of which the amount of distribution and retention shall be indicated in the earnings distribution proposal which is made by the Board of Directors before submitting to the Shareholders’ Meeting for approval. The cash dividends distributed shall not exceed 10% of the total dividends distributed.
2. The Company’s dividend policy is stated as below: The Company adopts a residual dividend policy in order to operate sustainably and increase profits.
3. Legal reserves may only be used for offsetting deficits and issuing new shares or distributing cash in proportion to shareholders’ original holdings. However, when new shares are issued or cash is distributed, the

amount shall be limited to 25% of the reserves in excess of the paid-in capital.

4. The Company may allocate earnings only after providing a special reserve for debt balance in other equity on the date of balance sheet, and the reversal of debit balance in other equity, if any, may be stated into allocable earnings.
5. The Company recognized dividends distributed to shareholders of the Company in the amounts equal to NT$ 173,388 thousand (NT$ 1.3 per share) and NT$ 93,363 thousand (NT$ 0.7 per share) for the years ended December 31, 2017, and 2016 respectively. The Board of Directors proposed on March 7, 2018, to distribute NT$ 2.6 to each common share using the undistributed earnings, and the dividends came to a total of NT$ 351,813 thousand.
6. For employee compensation and directors' remuneration, please refer to Note 6 (23) for elaboration.

Other Income and Expenses - Net

	Year 2017	Year 2016
Mold income	$ 31,130	$ 21,918
Sample income	17,084	10,024
Other income	31,787	31,964
	$ 80,001	$ 63,906

Other income

	Year 2017	Year 2016
Interest income	$ 5,058	$ 3,041
Others	876	3,410
	$ 5,934	$ 6,451

Other gains and losses

	Year 2017	Year 2016
Losses on disposal of property, plant and equipment	($5,853)	($7,167)
Net currency exchange (loss) gains	(175,491)	57,247
Loss on impairment of non-financial assets	(4,821)	(11,193)
Net gains and losses on financial assets at fair value through profit or loss	547	-
Others	9,732	12,838
	($175,886)	$ 51,725

Additional information regarding the nature of expense

	Year 2017	Year 2016
Employee benefit expense	$ 2,435,437	$ 2,390,804
Depreciation expense	325,415	372,370
Amortisation expense	19,996	29,275
	$ 2,780,848	$ 2,792,449

Employee benefits expense

	Year 2017	Year 2016
Wages and salaries	$ 2,097,864	$ 2,049,350
Employee stock options	-	2,685
Labour and health insurance fees	131,925	124,998
Pension costs	108,333	102,484
Other personnel expenses	97,315	111,287
	$ 2,435,437	$ 2,390,804

1. The Articles of Incorporation requires that the Company allocate no less than one percent (1%) of its annual earnings as employee compensation, and no greater than five percent (5%) of its annual earnings as remuneration for directors and supervisors; However, a portion of earnings shall be compensated if the Company still has an accumulated deficit.
2. For the years ended December 31, 2017, and 2016, the Company

recognized compensation to employees in the amounts equal to NT$ 32,955 thousand and NT$ 24,900 thousand respectively, and remuneration to directors and supervisors in the amounts equal to NT$ 10,000 thousand and NT$ 8,300 thousand respectively, all presented under payroll expense.

The amounts for 2017 were estimated at certain percentages based on the profits earned by the end of the year.

The amounts of compensation to employees and remuneration to directors and supervisors for 2016 that had been resolved by the Board of Directors are the same as the amounts stated in the 2016 financial statements. The above-mentioned employee compensation was distributed in cash.

Information about employee compensation and remuneration to directors and supervisors approved by the Board of Directors is available on the Market Observation Post System.

Income tax

1. Income tax expense

(1) Components of income tax expense:

	Year 2017	Year 2016
Current tax:		
Current tax on profits for the period	$ 53,197	$ 91,677
Tax on undistributed suplus earning	15,411	5,170
Adjustments in respect of prior years	(28,668)	(11,526)
Total current tax	39,940	85,321
Deferred tax:		
Origination and reversal of temporary differences	33,241	13,125
Income tax expense	$73,181	$ 98,446

(2) Income tax amounts associated with other comprehensive income:

	Year 2017	Year 2016
Remea surement of defined benefit obligations	$ 1,237	($900)

2. Relation between income tax expense and accounting profit

	Year 2017	Year 2016
Tax calculated based on profit before tax and statutory tax rate (note)	$ 119,301	$ 131,300
Effects from items disallowed by tax regulation	(31,463)	(19,979)
Tax on undistributed suplus earning	15,411	5,170
Tax exempted income by tax	(1,400)	(6,574)
Income tax expense	-	55
Adjustments in respect of prior years	(28,668)	(11,526)
Income tax expense	$ 73,181	$ 98,446

3. Deferred income tax assets or liabilities arising from temporary differences and tax losses are stated as follows:

	Year 2017				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Translation differences	December 31
Deferred tax assets					
Temporary differences					
Loss on inventory	$ 16,551	($2,228)	$ -	($199)	$ 14,124
pensions	10,758	(184)	1,237	-	11,811
depreciion	13,694	(250)	-	(157)	13,287
Unrealised exchange	-	3,861	-	-	3,861
Others	8,376	(269)	-	(47)	8,060
Tax losses	5,447	-	-	-	5,447
Subtotal	$ 54,826	$ 930	$ 1,237	($403)	$56,590
Deferred tax liabilities					
Investment	(40,393)	(37,001)	-	-	(77,394)
Land	(11,598)	-	-	-	(11,598)
Unrealised exchange	(3,081)	3,081	-	-	-
Others	-	(251)	-	-	- 251
Subtotal	(55,072)	(34,171)	-	-	(89,243)
Total	($246)	($33,241)	$1,237	($403)	($32,653)

	Year 2016				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Translation differences	December 31
Deferred tax assets					
Temporary differences					
Loss on inventory	$ 18,890	($1,141)	$ -	($1,198)	$ 16,551
pensions	10,057	(199)	900	-	10,758
depreciion	14,177	619	-	(1,102)	13,694
Others	7,240	1,373	-	(237)	8,376
Tax losses	5,502	(55)	-	-	5,447
Subtotal	$ 55,866	$ 597	$ 900	($2,537)	$54,826
Deferred tax liabilities					
Investment	(26,278)	(14,115)	-	-	(40,393)
Land	(11,598)	-	-	-	(11,598)
Unrealised exchange	(3,474)	393	-	-	(3,081)
Subtotal	(41,350)	(13,722)	-	-	(55,072)
Total	$14,516	($13,125)	$900	($2,537)	($246)

4. The Group didn’t recognize taxable temporary differences attributable to investment in subsidiaries as deferred tax liabilities. As of December 31, 2017, and 2016, the amounts of temporary differences of unrecognized deferred tax liabilities were NT$ 447,804 thousand and NT$ 356,414 thousand respectively.

5. The profit-seeking enterprise income tax of the Company is approved by the taxation authority through 2013.

6. As at December 31, 2016, the Company’s balance of imputation credit account was NT$ 114,051 thousand, and the tax deduction ratio for distribution of earnings for 2016 was 19.63%.

Earnings per share for common stocks

	Year 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per Share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$442,403	$134,080	$3.30
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	442,403	134,080	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	1,100	
shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$442,403	$ 135,180	$3.27

	Year 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per Share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$345,474	$133,376	$2.59
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	345,474	133,376	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	1,023	
shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$345,474	$ 134,399	$2.57

Note: Earnings per share would increase if the Company's outstanding employee stock option certificates are converted into shares. Therefore, when calculating the diluted earnings per share, the Company didn't assume that such option certificates had been converted.

Operating leases

The Group leases from others land and plants under operating leases, of which the lease terms are located in between 2010 and 2020, and 2017 and 2020 respectively. Most of the lease arrangements can be renewed in writing upon the termination of the leasing periods. Future minimum lease payments arising from non-cancellable leases are stated as follows:

	December 31, 2017	December 31, 2016
Not later than one year	$ 10,646	$ 8,740
Later than one year but not later thn five yers	15,099	17,594
	$ 25,745	$ 26,334

Additional information regarding cash flows

1. Investing and financing activities with partial cash payments:

	Year 2017	Year 2016
Purchase of property, plant and equipment	$ 177,185	$ 171,951
Add: opening balance of payable on equipment	19,303	57,121
Less: ending balance of payable on equipment	(37,619)	(19,303)
Cash paid during the period	$ 158,869	$ 209,769

2. Investing and financing activities that do not affect cash flows:

	Year 2017	Year 2016
Property, plant and equipment transferred from prepayments for business facilities	$ 45,497	$ 36,643
Other non-current assets from prepayments for business facilities	$ -	$ 1,750

7. Related-party transactions

Information about remunerations to the major management:

	Year 2017	Year 2016
Salaries and other short-term employee benefits	$ 24,424	$ 23,044
Share based payments	-	706
	$ 24,424	$ 23,750

8. Pledged Assets

Assets pledged as collateral by the Group are enumerated as follows:

	Book value		
	December 31, 2017	December 31, 2016	Purpose
Land	$ 125,648	$ 125,648	Short and long-term loans
Building-net value	296,557	315,947	Short and long-term loans
Time deposits and cash(shown as“other non- current assets”)	270	268	Customs deposits
	$ 422,475	$ 441,863	

9. Important Contingent Liabilities and Unrecognized Contractual Commitments

(1) Contingency

None.

Commitments

1. Balance of outstanding letters of credit

	December 31, 2017	December 31, 2016
Raw materials	$ 52,388	$ 98,148

2. Capital expenditure committed but not incurred:

	December 31, 2017	December 31, 2016
Property,plant and equipment	$ 94,758	$ 21,640

3. Operating lease contracts:

Please refer to Note 6 (26) for elaboration.

10. Significant Losses from Disasters

None.

11. Material Subsequent Events

(I) The Company’s Board of Directors proposed on March 7, 2018, to distribute cash dividends of NT$ 2.6 to each common share using the undistributed earnings, and the dividends came to a total of NT$ 351,813 thousand. Please refer to Note 6 (18) for details.

(II) The amendments to the Income Tax Act of Taiwan have become effective in February 2018, which increase the profit-seeking enterprise income tax rate from 17% to 20%, and are applicable from 2018. The Company assesses and determines that the changes in tax rates would result in an increase in deferred tax assets and liabilities by NT$ 5,314 thousand and NT$ 13,702 thousand, which will be adjusted to the financial statements for the first quarter of 2018.

12. Others

(I) Capital management

The objective of the Group’s capital management is to ensure that the Group can continue as a going concern, that an optimal capital structure is maintained to lower the cost of capital, and that rewards are provided to shareholders. To sustain or adjust the capital structure, the Group might adjust dividends paid to shareholders, refund capital to shareholders, or issue new shares or dispose of assets in order to lower its debt. The Group monitors its capital by looking at the debt-to-capital ratio, which is calculated by dividing the total debt by the total capital.

The Group’s strategies employed for 2017 is the same as those for 2016, i.e. strive to strike a balance for the overall capital structure. The Group’s debt-to-capital ratios as at December 31, 2017, and 2016 are stated as below:

	December 31, 2017	December 31, 2016
Total liabilities	$ 2,638,240	$ 2,518,241
Total assets	$ 6,625,636	$ 6,242,702
Gearing ratio	40	40

(II) Financial Instruments

1. Fair value information of financial instruments

The carrying amounts of the Group’s financial instruments not measured at fair value (including cash and cash equivalents, notes receivables, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables) are the reasonable approximation of fair value. For a fair value of financial instruments measured at fair value, please refer to Note 12 (3).

2. Financial risk management policies

The Group’s daily operations are affected by various financial risks, e.g. market risks (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management policy focuses on unpredictable matters on the financial markets, seeking to lower the potential adverse effects on the Group’s financial position and financial performance.

(2) Risk management is carried out by the Group’s finance department in compliance with relevant policies. Through cooperation with the Group’s operating units, the finance department is responsible for

identifying, evaluating and hedging financial risks. With respect to the overall risk management, the Group has established principles in writing, as well as policies in writing concerning specified scope and matters, e.g. exchange risk, credit risk, utilization of derivatives and non-derivatives, and investment of remaining liquidity.

The nature and degree of significant financial risks

(1) Market risk

Foreign exchange rate risk:

A. Since the Group operates in different countries, it is subject to the foreign exchange risk arising from various currencies, mainly USD and RMB, among others. The foreign exchange risk mainly comes from future business transactions, recognized assets and liabilities, and net investment in foreign operations.

B. Management of the Group has stipulated policies which require entities within the Group to manage the exchange risks associated with their functional currencies. Entities within the Group shall hedge the overall exchange risks through the finance department. In order to manage risks arising from future business transactions and recognized assets and liabilities, entities within the Group hedge by purchasing forward exchange contracts through the finance department. Exchange risk would arise when the future business transactions and recognized assets and liabilities are denominated in a foreign currency that is not an entity's functional currency.

C. The Group's business involves the use of various non-functional currencies (the Company and some subsidiaries' functional currency is NTD, whereas some subsidiaries' functional currency is RMB), as a consequence, it is subject to effects arising from changes in exchange rates. Assets and liabilities that are denominated in foreign currency and significantly affected by changes in exchange rates are stated as below:

	December 31, 2017				
	Foreign currency amount (In thousands)		Exchange rate	Book value(NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	100,182	29.71	$	2,976,407
USD:RMB		37,002	6.5120		1,099,329
Non-monetary items					
RMB:NTD		243,079	4.565		1,109,656
Financial liabilities					
Monetary items					
USD:NTD		48,483	29.81		1,445,278
USD:RMB		10,328	6.5120		307,878

	December 31, 2016				
	Foreign currency amount (In thousands)		Exchange rate	Book value(NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	86,118	32.20	$	2,773,000
USD:RMB		36,140	6.9495		1,163,708
Non-monetary items					
RMB:NTD		232,755	4.617		1,074,630
Financial liabilities					
Monetary items					
USD:NTD		45,114	32.30		1,457,182
USD:RMB		12,028	6.9495		388,504
Non-monetary items					
RMB:NTD		5,940	4.617		27,425

D. Due to the exchange rate volatility, total exchange gains and losses from the Group's monetary items amounted to NT$ (175,491) thousand and NT$ 57,247 thousand for 2017 and 2016 respectively.

E. The table below illustrates assets and liabilities denominated in foreign currencies of which the values were materially affected by the exchange rate volatility:

	Year 2017				
	Sensitivity analysisSensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	29,764	$	-
USD:RMB	1%		10,993		-
Financial liabilities					
Monetary items					
USD:NTD	1%		14,453	$	-
USD:RMB	1%		3,079		-

	Year 2016				
	Sensitivity analysisSensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	29,730	$	-
USD:RMB	1%		11,637		-
Financial liabilities					
Monetary items					
USD:NTD	1%		14,572		-
USD:RMB	1%		3,885		-

Price risk

The Group doesn’t expose to price risks from products.

Interest rate risk

A. The Group’s interest rate risk mainly comes from short-term borrowings. Borrowings with floating interest rates expose the group to cash flow interest rate risks, of which a portion is offset by the cash and cash equivalents held with floating interest rates.

Borrowing bearing floating rates for 2017 and 2016 were denominated in NTD.

B. If the borrowing interest rate of NTD increases or decreases by 0.25% as at December 31, 2017, and 2016, held other variables constant, the net profit after tax for 2017 and 2016 will decrease or increase by NT$ 188 thousand and NT$ 84 thousand primarily due to increase /decrease of interest expense incurred from borrowings with floating interest rates.

(2) Credit risk

A. Credit risk refers to the risk of financial loss to the Company arising from default by customers or counterparties of financial instruments on the contract obligations. The Group has established a specific internal credit policy, which requires entities within the Group to manage and conduct a credit analysis on every new customer before stipulating the terms and conditions for payments and delivery. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors. The credit risk mainly derives from cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions, as well as accounts receivable not yet collected in cash. The Group deals with financial institutions having high credit quality. The Group also deals with various financial institutions in order that credit risks can be diversified.

B. The credit limit has not been exceeded in 2017 and 2016, and the Management doesn't expect any significant loss resulting from the default of a counterparty.

C. For the credit quality of the Group's financial assets neither past due nor impaired, please refer to Note 6 (5) for details.

D. For the aging analysis of the Group's financial assets past due but not impaired, please refer to Note 6 (5) for details.

E. For individual analysis of the Group's impaired financial assets, please refer to Note 6 in which financial assets are described.

(3) Liquidity risk

A. Cash flows forecasting is carried out by the Company's Office of Finance and Accounting in order to ensure that sufficient funds are readily available, both for the operating needs and for the unused loan commitments.

B. The Group's remaining cash in excess of its operating needs is invested in demand deposits bearing interests, time deposits, bonds sold under repurchase agreement, and marketable securities, all of which are instruments either with appropriate maturity or with sufficient liquidity so as to satisfy the said forecasting and provide sufficient position for dispatching of funds. As of December 31, 2017, and 2016, the Group had a money market position in the amounts equal to NT$ 988,057 thousand and NT$ 729,228 thousand.

C. The table below shows an analysis of the non-derivative financial liabilities held by the Group with defined repayment terms based on maturity dates and undiscounted payment at maturity:

Non-derivative financial liabilities:

December 31, 2017	Less than 1 year	Between 1 to 2 years	Over 2 years
Short-term borrowings	$ 90,490	$ -	$ -
Notes payable	1,697	-	-
Accounts payable	1,203,816	-	-
Other payables	1,061,639	-	-

Non-derivative financial liabilities:

December 31, 2016	Less than 1 year	Between 1 to 2 years	Over 2 years
Short-term borrowings	$ 90,490	$ -	$ -
Notes payable	1,697	-	-
Accounts payable	1,280,517	-	-
Other payables	922,160	-	-

D. The Group does not expect a maturity analysis of which the cash flows timing would be significantly earlier, or the actual amount would be significantly different.

(III) Fair Value Information:

1. For information on the fair value of financial assets and financial liabilities not measured at fair value, please refer to Note 12. (2). 1.

2. Below states the definition of different levels of valuation techniques used to measure the fair value of financial and non-financial instruments:

Level 1: Level 1 inputs are (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis The fair value of the Group's investments in listed stocks, beneficiary certificates, and derivatives with quoted prices in an active market are all Level 1 inputs.

Level 2: Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivatives is all Level 2 inputs.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability.

3. Below states the information regarding the Group's financial and non-financial instruments that have been classified in accordance with the nature, characteristics, risks and fair value hierarchy of an asset or liability as at December 31, 2017:

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ -	$1,368	$ -	$1,368

December 31,2016: No such circumstances.

December 31, 2016: None.

4. When evaluating financial instruments that are non-standard and with lower complexity, e.g. foreign exchange contracts, the Group adopts valuation techniques that are commonly used by market participants. The parameters used in the valuation models for those financial instruments

are normally observable data in the market.

5. There were no financial and non-financial instruments that are either Level 1 inputs or Level 3 inputs for the years ended December 31, 2017, and 2016.

13. Additional Disclosure

(I) Information about significant transactions:

1. Loans to others: Please refer to Appendix Table 1.
2. Endorsements and Guarantees: Please refer to Appendix Table 2.
3. Marketable Securities Held at the End of the Period (Excluding investment in Subsidiaries, Associates, and Joint Ventures): Please refer to Appendix Table 3.
4. The aggregate trading value on the same securities (including purchase and sales) reaching NT$300 million or 20 percent of the paid-in capital or more: None.
5. Acquisition of Property Amounting to at Least NT$ 300 Million or Exceeding 20% of Paid-in Capital: None.
6. Disposal of Property Amounting to at Least NT$ 300 Million or Exceeding 20% of Paid-in Capital: None.
7. Purchases from and Sales to Related Parties Amounting to at Least NT$ 100 Million or Exceeding 20% of Paid-in Capital: Please refer to Appendix Table 4.
8. Receivables from Related Parties Amounting to at Least NT$ 100 Million or Exceeding 20% of Paid-in Capital: Please refer to Appendix Table 5.
9. Engagement in derivative transactions: Please refer to Note 6 (2) and Note 12 (3) for details.
10. Parent-Subsidiary and Subsidiary-Subsidiary Business Relations and Significant Transactions and Amounts Thereof Please refer to Appendix Table 6.

(II) Reinvestment Information

Name, Location, and Information on Investee Companies (not Including Investee Companies in China): Please refer to Appendix Table 7.

(III) Investments in Mainland China

1. Investee Information: Please refer to Appendix Table 8.
2. Significant transactions between the Company and investees in Mainland China directly or indirectly through entities in a third area: Please refer to

Appendix Table 9.

14. Segment Information

(I) General Information:

The Group is primarily engaged in manufacturing of consumer products for the prestigious brands around the world. The chief operating decision makers conduct performance evaluation and resources allocation based on the operating profit (loss) of the Division of Consumer Products. According to the requirements as set forth in IFRS 8, the Group is a single reportable segment.

(II) Measurement of Segment Information

The Group evaluates the performance of an operating segment by examining the profit before tax of a continuing operation. Such measurement standard precludes the effects from non-recurring expenses of an operating segment. Management of interest income and expenses is not authorized to the operating segments but assigned to the Group's finance department that is responsible for management of the status of cash.

(III) Information on segment profit or loss, and assets and liabilities

The reportable segment information provided to the chief operating decision makers is the financial statements prepared in accordance with the Generally Accepted Accounting Principles.

(IV) Reconciliation of segment profit or loss

The measurement method used for revenue reported to the chief operating decision makers is the same as that used for revenue as stated in the statement of comprehensive income. The measurement method used for the total amount of assets and liabilities reported to the chief operating decision makers is the same as that used for the total amount of assets and liabilities stated in the financial statements.

(V) Information by Product and Service:

Revenue from external customers is mainly derived from the manufacturing of consumer products.

Components making the income balance are stated below:

	Year 2017	Year 2016
Commodities of sales reveune	$10,191,635	$ 8,952,279

(VI) Geographical Information:

Geographical information for 2017 and 2016 is as follows:

	Year 2017		Year 2016	
	Revenue	Non-current asset	Revenue	Non-current asset
America	$ 7,003,239	$ -	$ 5,811,773	$ -
Asia	2,469,780	1,625,175	2,507,965	1,732,179
Others	718,616	-	632,541	-
	$ 10,191,635	$ 1,625,175	$ 8,952,279	$ 1,732,179

Non-current assets comprise property, plant, and equipment (PP&E), intangible assets and other non-current assets, excluding refundable deposits and deferred tax assets.

(VII) Major Customer Information

Major customer information for 2017 and 2016 is as follows:

	Year 2017		Year 2016	
	Revenue	Net Sales(%)	Revenue	Net Sales(%)
Client A	$ 4,205,770	41	$ 3,349,049	37
Client B	1,976,795	19	1,459,091	16
	$ 6,182,565	60	$ 4,808,140	53