Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

for the Three-Month Period Ended March 31, 2018 and 2017

(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
March 31, 2018, December 31, 2017 and March 31, 2017
(The Consolidated Balance Sheets on March 31, 2018 and 2017 Were Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)
Unit: In Thousands of New Taiwan Dollars

			March 31, 2018		December 31, 2017		March 31, 2017	
	Assets	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and Cash Equivalents	6(1)	$ 982,320	16	$ 989,078	15	$ 1,002,830	18
1110	Financial assets at fair value	6(2)						
	through profit or loss—current		2,223	-	1,368	-	-	-
1150	Notes receivable—net		6,349	-	5,980	-	3,079	-
1170	Accounts receivable- Net	6(4)	2,050,603	32	2,288,717	34	1,734,400	30
1200	Other receivables		16,946	-	19,173	-	17,316	-
1220	Current income tax assets		6,245	-	329	-	353	-
130X	Inventories	6(5)	1,441,127	23	1,499,438	23	1,143,131	20
1410	Prepayments	6(6)	116,094	2	126,101	2	89,328	2
1470	Total Current Assets		34,906	1	6,227	-	12,834	-
11XX	**Total current assets**		4,656,813	74	4,936,411	74	4,003,271	70
	Non-current assets							
1517	Financial assets measured at	6(3)						
	FVTOCI—non-current		55	-	-	-	-	-
1543	Financial Assets Carried at	12 (4)						
	Cost—Non-current		-	-	55	-	55	-
1600	Property, plant and equipment	6 (7) and 8	1,467,627	23	1,480,810	23	1,551,674	27
1780	Intangible assets	6(8)	18,476	-	18,519	-	8,236	-
1840	Deferred income tax assets		59,380	1	56,590	1	59,324	1
1915	Prepayments for business facilities		76,089	1	77,769	1	37,461	1
1990	Other non-current assets—others	6 (9) and 8	52,732	1	55,482	1	57,282	1
15XX	**Total non-current assets**		1,674,359	26	1,689,225	26	1,714,032	30
1XXX	**Total assets**		$ 6,331,172	100	$ 6,625,636	100	$ 5,717,303	100

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Unit: In Thousands of New Taiwan Dollars

			March 31, 2018		December 31, 2017		March 31, 2017	
	Liabilities and Equity	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term borrowings	6 (10) and 8	$ 28,896	-	$ 90,454	2	$ 25,987	-
2110	Short-term bills payable	6(11)	39,955	1	-	-	-	-
2120	Financial liabilities measured at FVTPL—current	6(12)	24	-	-	-	-	-
2150	Notes payable		1,132	-	1,697	-	1,922	-
2170	Accounts payable		1,082,812	17	1,203,816	18	929,982	16
2200	Other payables	6(13)	828,097	13	1,061,639	16	770,649	14
2230	Current income tax liabilities		103,943	2	85,314	1	80,511	1
2300	Other current liabilities		27,161	-	36,076	1	33,551	1
21XX	**Total current liabilities**		2,112,020	33	2,478,996	38	1,842,602	32
	Non-current liabilities							
2570	Deferred income tax liabilities		104,299	2	89,243	1	56,135	1
2640	Net defined benefit liability—non-current		69,473	1	69,476	1	63,289	1
2670	Other non-current liabilities—others		535	-	525	-	507	-
25XX	**Total non-current liabilities**		174,307	3	159,244	2	119,931	2
2XXX	**Total liabilities**		2,286,327	36	2,638,240	40	1,962,533	34
	Equity							
	Equity attributable to shareholders of the parent company							
	Capital	6(16)						
3110	Capital of common shares		1,353,127	21	1,353,127	21	1,333,757	23
	Capital reserve	6 (16) (17)						
3200	Capital reserve		781,236	13	781,236	11	733,780	13
	Retained earnings	6(18)						
3310	Legal reserve		698,847	11	698,847	11	664,300	12
3320	Special reserve		21,412	-	21,412	-	-	-
3350	Undistributed earnings		912,951	15	857,118	13	758,982	13
	Other equity							
3400	Other equity		(55,978)	(1)	(65,616)	(1)	(93,237)	(1)
31XX	**Total equity attributable to shareholders of the parent**		3,711,595	59	3,646,124	55	3,397,582	60

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
March 31, 2018, December 31, 2017 and March 31, 2017
(The Consolidated Balance Sheets on March 31, 2018 and 2017 Were Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: In Thousands of New Taiwan Dollars

	company									
36XX	**Non-controlling interests**			333,250	5		341,272	5		357,188	6
3XXX	**Total equity**			4,044,845	64		3,987,396	60		3,754,770	66
	Important contingent liabilities and unrecognized contractual commitments	9									
3X2X	**Total liabilities and equity**		$	6,331,172	100	$	6,625,636	100	$	5,717,303	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, 2018 ~ March 31, 2018 and January 1, 2017 ~ March 31, 2017
(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)
Unit: In Thousands of New Taiwan Dollars
(Except for Earnings Per Share Presented in New Taiwan Dollars)

	Item	Notes	January 1, 2018 to March 31, 2018 Amount	%	January 1, 2017 to March 31,2017 Amount	%
4000	**Operating revenue**	6(19)	$ 2,719,805	100	$ 2,669,769	100
5000	**Operating costs**	6 (5) (8) (23) (24)	(2,361,343)	(87)	(2,255,636)	(84)
5900	**Gross operating profit**		358,462	13	414,133	16
	Operating Expenses	6 (8) (23) (24)				
6100	Selling expense		(50,611)	(2)	(49,632)	(2)
6200	Administrative expense		(99,783)	(3)	(97,825)	(4)
6300	Research and development expenses		(86,342)	(3)	(82,431)	(3)
6450	Estimated credit impairment gain (loss)		2,134	-	-	-
6000	**Total operating expenses**		(234,602)	(8)	(229,888)	(9)
6500	**Other Income and Expenses—Net**	6(20)	26,186	1	19,324	1
6900	**Operating income**		150,046	6	203,569	8
	Non-operating income and expenses					
7010	Other income	6(21)	2,016	-	998	-
7020	Other gains and losses	6(22)	(74,905)	(3)	(104,144)	(4)
7050	Finance costs		(77)	-	5	-
7000	**Total non-operating income and expenses**		(72,966)	(3)	(103,141)	(4)
7900	**Income before tax**		77,080	3	100,428	4
7950	Income tax expense (gain)	6(25)	(29,762)	(1)	1,706	-
8200	**Net income**		$ 47,318	2	$ 102,134	4
	Other comprehensive income					
	Items that are not reclassified subsequently to profit or loss:					
8349	income tax related to items not to be reclassified	6(25)	$ 493	-	$ -	-
	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences on translation of foreign financial statements		9,638	-	(71,825)	(3)
8300	**Other comprehensive income (loss), net**		$ 10,131	-	($ 71,825)	(3)
8500	**Total comprehensive income (loss)**		$ 57,449	2	$ 30,309	1
	Net income (loss) attributable to:					
8610	Owners of parent company		$ 55,340	2	$ 108,881	4
8620	Non-controlling interests		(8,022)	-	(6,747)	-
	Total		$ 47,318	2	$ 102,134	4
	Total comprehensive income (loss) attributable to:					
8710	Owners of parent company		$ 65,471	2	$ 37,056	1

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, 2018 ~ March 31, 2018 and January 1, 2017 ~ March 31, 2017
(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)
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(Except for Earnings Per Share Presented in New Taiwan Dollars)

8720	Non-controlling interests		(8,022)	-	(6,747)	-
	Total		$ 57,449	2	$ 30,309	1
	Earnings per share	6(26)				
9750	**Basic**		$ 0.41		$ 0.82	
9850	**Diluted**		$ 0.41		$ 0.81	

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, 2018 - March 31,2018 and January 1, 2017 - March 31, 2017
(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

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
January 1, 2017 ~ March 31, 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		-	-	-	-	-	-	-	108,881	-	108,881	(6,747)	102,134
Other comprehensive income (loss)		-	-	-	-	-	-	-	-	(71,825)	(71,825)	-	(71,825)
Employee stock option written off		-	-	-	(464)	464	-	-	-	-	-	-	-
Balance as of March 31, 2017		$ 1,333,757	$ 670,464	$ 16,480	$ 27,940	$ 18,896	$ 664,300	$ -	$ 758,982	($ 93,237)	$ 3,397,582	$ 357,188	$ 3,754,770
January 1, 2018 ~ March 31, 2018													
Balance as of January 1, 2018		$ 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
Net income		-	-	-	-	-	-	-	55,340	-	55,340	(8,022)	47,318
Other comprehensive income (loss)		-	-	-	-	-	-	-	493	9,638	10,131	-	10,131
Balance as of December 31, 2018		$ 1,353,127	$ 739,866	$ 16,480	$ -	$ 24,890	$ 698,847	$ 21,412	$ 912,951	($ 55,978)	$ 3,711,595	$ 333,250	$ 4,044,845

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, 2018 – March 31, 2018 and January 1, 2017 – March 31, 2017
(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: In Thousands of New Taiwan Dollars

	Note	January 1, 2018 – March 31, 2018	January 1, 2017 – March 31, 2017
Cash flows from operating activities			
Net profit before tax		$ 77,080	$ 100,428
Adjustments:			
Income and expense item			
Depreciation	6(23)	74,715	84,927
Amortization	6(23)	4,720	4,367
Amortization of long-term rental prepayments (stated as amortization expense)	Note 6 (9) (23)	425	430
Estimated credit impairment loss or gain	12 (2)	(2,134)	-
Provision of allowance for doubtful accounts	12 (4)	-	1,391
Net profit from financial assets and liabilities measured at FVTPL	6(22)	(6,197)	-
Recognition of interest revenue	6(21)	(1,266)	(594)
Interest expense		30	56
Loss (gain) on disposal and retirement of property, plant and equipment	6(22)	(24)	23
Reclassification of property, plant and equipment to expense		279	25
Changes in operating assets and liabilities:			
Net changes in operating assets			
Decrease in financial assets measured at FVTPL		5,459	-
(Increase) decrease in notes receivable		(369)	7,178
Decrease in accounts receivable		255,061	493,010
Decrease in other receivables		2,365	562
Decrease in inventory		63,334	125,205
Decrease in prepayments		11,413	4,305
Increase in other current assets		(28,686)	(3,477)
Net changes in operating liabilities			
Decrease in financial liabilities measured at FVTPL		(64)	-
Increase (decrease) in notes payable		(565)	280
Decrease in accounts payable		(129,700)	(306,812)
Decrease in other payables		(230,610)	(137,157)
Decrease in other current liabilities		(8,944)	(7,159)
Increase (Decrease) in accrued pension liability		(3)	4
Increase in other operating liabilities		-	(1)
Cash provided by operating activities		86,319	366,991
Income tax paid for the current period		(3,621)	(26,676)
Net cash provided by operating activities		82,698	340,315

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Consolidated Statements of Cash Flows
January 1, 2018 – March 31, 2018 and January 1, 2017 – March 31, 2017
(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: In Thousands of New Taiwan Dollars

	Note	January 1, 2018 – March 31, 2018	January 1, 2017 – March 31, 2017
Cash provided by investing activities			
Acquisition of property, plant and equipment	6(28)	($ 36,764)	($ 16,138)
Increase in prepayment for business facilities		(30,916)	(13,152)
Proceeds from disposal of property, plant, and equipment		162	619
Increase in refundable deposits		(202)	(588)
Decrease in refundable deposits		46	698
Acquisition of intangible assets	6(8)	(1,945)	(477)
Increase in other non-current assets		(310)	(4,622)
Interest received		957	498
Net cash used in investing activities		(68,972)	(33,162)
Cash provided by (used in) financing activities			
Increase in short-term loans		61,141	748,656
Decrease in short-term loans		(122,699)	(763,005)
Increase in short-term bills payables		80,000	-
Decrease in short-term bills payables		(40,000)	-
Increase in deposits received		-	(45)
Interest paid		(30)	(56)
Net cash used in financing activities		(21,588)	(14,450)
Effect of exchange rate changes on cash and cash equivalents		1,104	(20,395)
Net increase (decrease) in cash and cash equivalents		(6,758)	272,308
Cash and cash equivalents, beginning of the period		989,078	730,522
Cash and cash equivalents, end of the period		$ 982,320	$ 1,002,830

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
for the Three-Month Period Ended March 31, 2018 and 2017
(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

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

A. 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, namely Dian Precision Casting Co., Ltd. and Advanced International Co. Ltd., on July 1, 1998. As of March 31, 2018, 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 prepreg 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.
2. The Company's stocks have been traded on the Taipei Exchange ("TPEx" hereinafter) since December 2002.

B. Approval date and procedures of the financial statements

The consolidated financial statements were released on May 10, 2018, after being approved by the Board of Directors.

C. 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 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
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.

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

None.

3. 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
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
Annual improvements to IFRSs 2015-2017 cycle January 1, 2019	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 operating results, except for items as stated below. Relevant amount being affected will be disclosed once the assessment is completed.

IFRS 16 “Leases”

IFRS 16 “Leases” supersedes IAS 17 “Leases” and its relevant IFRIC interpretations 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.

The Group intends to adopt the modified retrospective approach as prescribed in IFRS 16 Leases and adjusts the effects of applying IFRS 16 to leases to which the Group is a lessee to January 1, 2019.

The Group has reported to the Board of Directors in the first quarter of 2018 that applying IFRS 16 has no significant effects on the Group.

D. Summary of Significant Accounting Policies

Among the significant accounting policies, except for the compliance statement, preparation basis, consolidated basis and addition which are stated below, the rest are the same to Note 4 of the 2017 consolidated financial statements. Unless otherwise stated, the policies shall be applicable to all reporting periods presented.

1. Statement of compliance

1. The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the FSC endorsed IAS 34 "Interim Financial Reporting".
2. These consolidated financial statements shall be read together with the 2017 consolidated financial statements.

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 fair value through profit or loss (including derivatives).

   (2) Financial assets measured at FVTOCI/Available-for-sale financial assets

   (3) Defined benefit liability is derived from retirement plan assets less the present value of net defined benefit obligation.

2. Critical accounting estimates are required in preparing a set of financial statements in compliance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations (collectively referred to as “IFRSs”). Management judgments are also required in the process of applying the Group’s accounting policies. For items that are highly judgmental, complex, or related to significant assumptions and estimates of the consolidated financial statements, please refer to Note 5.

3. In the initial application of IFRS 9 and IFRS 15 as at January 1, 2018, the Group adopts the modified retrospective approach, by which the transitional differences generated do not have significant impact on the retained earnings and other equity as at January 1, 2018; therefore, the Group does not restate the financial statements and notes to the financial statements for the three-months period ended March 31, 2017. For the critical accounting policies adopted and prepared in compliance with the International Accounting Standards 39 (“IAS39” hereinafter), International Accounting Standards 11 (“IAS 11”), International Accounting Standards (“IAS 18”), and their related IFRIC Interpretations and SIC interpretations for the three-months period ended March 31, 2017, please refer to Note 12 (4) and (5).

3. Basis of Consolidation

1.Preparation Principles for Consolidated Financial Statements:

The principles followed in preparing the consolidated financial statements are the same as those in 2017.

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

Investor	Subsidiary	Main Business Activities	Ownership (%) March 31, 2018	Ownership (%) December 31,2017
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	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

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

Note 1: The financial statements of such insignificant subsidiaries for the three-months period ended March 31, 2018 and 2017, are not reviewed by a CPA.

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

Note 3: 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. Information about subsidiaries with material non-controlling interest to the Group:

   As of March 31, 2018, December 31, 2017 and March 31, 2017, the Group's Non-controlling interests totaled NT$ 333,250 thousand, NT$ 341,272 thousand, and NT$ 357,188 thousand. What stated below is the information in respect of subsidiaries with material non-controlling interest:

		Non-controlling interest			
		March 31, 2018		December 31, 2017	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Launch Technologies Co., LTD.	Taiwan	341,272	44.07	341,272	44.07

		Non-controlling interest	
		March 31, 2017	
Name of subsidiary	Principal place of business	Amount	Ownership (%)
Launch Technologies Co., LTD.	Taiwan	357,188	44.07

Summary of the financial information of subsidiaries is as follows:

Balance Sheets

	Launch Technologies Co., LTD		
	March 31, 2018	December 31, 2017	March 31, 2017
Current assets	$448,103	$480,455	$483,090
Non-current assets	538,761	536,721	513,106
Current liabilities	(230,391)	(242,547)	(185,704)
Non-current liabilities	(299)	(251)	-
Total net assets	$756,174	$774,378	$810,492

Statements of Comprehensive Income

	Launch Technologies Co., LTD	
	January 1- March 31 , 2018	January 1- March 31 , 2017
Revenue	$314,809	$368,537
Loss before income tax	(24,036)	(16,891)
Income tax expense	5,832	1,581
Loss for the year	(18,204)	(15,310)
Other comprehensive (loss) income, net of tax	-	-
Total comprehensive income for the year	($18,204)	($15,310)

Statements of Cash Flow

	Launch Technologies Co., LTD	
	January 1- March 31 , 2018	January 1- March 31 , 2017
Net cash (used in) provided by operating activities	$12,106	($35,718)
Net cash used in investing activities	(20,580)	(9,148)
Net cash used in provided by financing activities	(14,480)	-
Decrease in cash and cash equivalents	(22,954)	(44,866)
Cash and cash equivalents, beginning of year	$49,534	$79,716
Cash and cash equivalents, end of year	26,580	34,850

4. Financial assets measured at FVTPL

1. Financial assets measured at FVTPL are financial assets that are neither carried at cost nor measured at FVTOCI.
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 with related transaction costs recognized in profit or loss, and subsequently measured at fair value with related gains or losses recognized in profit or loss.
4. The Group recognizes dividends income when the rights of shareholders to receive payment are established, provided that the economic benefits related to such dividends are probable to flow to the Group and the amount of such benefits can be reliably measured.

5. Financial assets measured at FVTOCI

1. Refers to the irrevocable election made at initial recognition that allows the Group to present fair value changes of equity investment not held for trading in other comprehensive income; or debt investment that meets all the criteria simultaneously:
   (1) Financial assets held within a business model of which the objective of holding is to collect the contractual cash flows and to sell.
   (2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principle and interest on the principle amount outstanding.
2. On a regular way purchase or sale basis, financial assets measured at FVTOCI are recognized and derecognized using settlement date accounting.
3. Financial assets measured at FVTOCI are initially measured at fair value plus transaction costs and subsequently measured at fair value with fair value changes in equity instruments recognized in other comprehensive income. Upon derecognition, the cumulative gains or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss, but to be transferred to retained earnings. The Group recognizes dividends income when the rights of shareholders to receive payment are established, provided that the economic benefits related to such dividends are probable to flow to the Group and the amount of such benefits can be reliably measured.

6. Accounts receivable s and notes receivables

1. Accounts receivables and notes receivables are receivables and notes of which the contractual right to consideration for goods sold or services rendered is unconditional.
2. However, short-term accounts/notes receivables without interest payment, given insignificant effects of their discounting, are subsequently measured at the invoice price.

7. Impairments of Financial Assets

The Group measures the loss allowance for financial assets measured at amortized cost after taking into account all reasonable and proving information (including foreseeing information) at each balance sheet date; where the credit risk has not significantly increased since initial recognition, the loss allowance is measured at the 12-month expected credit losses; where the credit risk has increased significantly since initial recognition, the loss allowance is measured at full lifetime expected credit losses; and where they are accounts receivables or contract assets that do not comprise any significant financing components, the loss allowance is measured at full lifetime expected credit losses.

8. Borrowings

Borrowings are short-term and long-term loans borrowed from banks. Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, borrowing expenses are recognized in profit or loss based on the difference amounts between the proceeds (net of any transaction costs) and the redemption value that are amortized over the lives of borrowings using the effective interest method.

9. Notes payables and accounts payables

1. These refer to the debts incurred by purchase of materials, goods, or services on credit, and the notes payables incurred by both operating and non-operating activities.

2. However, short-term accounts/notes payables without interest payment, given insignificant effects of their discounting, are subsequently measured at the invoice price.

10. Financial liabilities measured at FVTPL

1. Financial liabilities at FVTPL refer to financial liabilities designated upon initial recognition to be measured at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated to be measured at FVTPL on 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 policy.

2. Financial assets at FVTPL are initially recognized at fair value with related transaction costs recognized in profit or loss, and subsequently measured at fair value with related gains or losses recognized in profit or loss.

11. Non-hedging derivatives

Non-hedging derivatives are initially measured at the fair value of the date when contracts are executed and presented as financial assets or liabilities measured at FVTPL. Subsequently, they are measured at fair value with gains or losses recognized in profit or loss.

12. Employee benefits

The pension cost in the interim period is based on the pension cost ratio decided upon actuation at the closing day of previous FY, from beginning until end of the year. If, after the closing date, there incurs material market changes, reassessment reduction, or other material one-time event, the defined benefit plans are to be adjusted, and relevant information is to be disclosed in accordance with the aforementioned policies.

13. Income tax

1. Income tax expense in the interim is computed by applying the estimated average effective tax rate in annual term to the pre-tax profit or loss in the interim, and is disclosed in accordance with the afore-mentioned policies.

2. If tax rate changes occur in the interim, the Group recognizes all effects of changes to the period when such changes accrue; for income tax attributable to items not included in profit or loss, effects of changes are recognized in other comprehensive income or equity; and for income tax related to items included in profit or loss, effects of changes are recognized in profit or loss.

14. Revenue recognition

1. The Group manufactures and sells consumer related products and recognizes sales revenue when the control of products is passed to customers, i.e. when products are delivered to customers and the Group doesn't have further performance obligations that might affect the acceptance of goods by customers. Goods are deemed delivered when the risk of delivery, obsolescence and loss is transferred to customers and customers has accepted the goods in accordance with the contractual terms, or when any objective evidence suggests that all criteria for acceptance have been satisfied.
2. Sales revenue is recognized at the contract price, net of business tax, and sales returns, discounts and allowances. That the credit periods for sales are 60-90 days after shipping date is consistent with market practices, and is deemed to contain no significant financing component in the contracts.
3. 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.
4. Accounts receivable is recognized when goods are delivered to customers because at which time the Group's right to the consideration for contracts from customers is unconditional, except for passage of time.

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

There are no material changes in the period.

F. Descriptions of Major Accounting Subjects

1. Cash and cash equivalents

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand and revolving funds	$631	$1,021	$1,516
Checking accounts and demand deposits	748,002	341,617	573,639
Cash equivalents - Time deposits	175,577	557,310	427,675
Cash equivalents	58,110	89,130	-
Total	$982,320	$989,078	$1,002,830

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.

2. Financial assets measured at FVTPL

Items	March 31, 2018
Current items:	
Financial assets held for trading	
Non-hedging derivatives	$2,223
Valuation adjustment of financial assets held for trading	-
	$2,223

1. Financial assets measured at FVTPL that are recognized in profit or loss are detailed as follows:

	January 1- March 31 , 2018
Financial assets held for trading	
Non-hedging derivatives	
Valuation adjustment of financial assets held for trading	$6,284

2. Below states the Group's engagement in transactions and contracts of financial derivatives that do not apply hedge accounting:

	March 31, 2018	
Derivative instruments	Contract amount (notional principal)	Contract period
Current items:		
Forward foreign exchange contracts	USD 8,740,000	2018.3.01~2018.6.25

December 31, 2017 and March 31, 2017: None.

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 asset at fair value through profit or loss was pledged by the Group as collateral.

4. For information on December 31, 2017 and March 31, 2017, please refer to Note 12 (4) for details.

3. Financial assets measured at FVTOCI

Items	March 31, 2018
Non-current items:	
Unlisted stocks	$55

1. The Group elects to classify strategic equity investments as financial assets measured at FVTOCI. The fair value of such investments as at March 31, 2018 totaled NT$ 642 thousand.

2. No financial asset measured at FVTOCI was pledged by The Group as

collateral.

3. For information on December 31, 2017 and March 31, 2017, please refer to Note 12 (4) for details.

4. Accounts receivable

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts receivable	$2,057,089	$2,298,260	$1,748,206
Less: allowance for sales returns and discounts	-	(923)	(1,431)
Less: allowance for bad debts	(6,486)	(8,620)	(12,375)
	$2,050,603	$2,288,717	$1,734,400

1. Aging analysis of accounts receivable is stated as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Not overdue	$1,931,820	$2,188,790	$1,536,906
Up to 30 days	71,023	70,282	130,650
31 to 90 days	44,784	26,480	67,884
91 to 180 days	6,601	6,095	12,489
Over 181 days	2,861	6,613	277
	$2,057,089	$2,298,260	$1,748,206

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

2. There are no accounts receivable pledged as collateral by The Group.

3. The amounts that best represent the maximum credit risk exposure of the Group’s accounts receivables as at March 31, 2018, December 31, 2017 and March 31, 2017 without taking account of any collateral held or other credit enhancements were NT$ 2,050,603 thousand, NT$ 2,288,717 thousand, and NT$ 1,734,400 thousand.

4. For related credit risk information, please refer to Note 12 (2).

5. Inventory

	March 31, 2018		
	Cost	Allowancefor valuation loss	Book value
Raw materials	$ 645,909	($27,338)	$ 618,571
Work in process	293,329	(6,885)	286,444
Finished goods	539,480	(23,432)	516,048
Inventory in transit	20,064	-	20,064
	$ 1,498,782	($57,655)	$ 1,441,127

	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

	March 31, 2017		
	Cost	Allowancefor valuation loss	Book value
Raw materials	$ 513,453	($31,989)	$ 481,464
Work in process	238,225	(1,399)	236,826
Finished goods	450,905	(44,105)	406,800
Inventory in transit	18,041	-	18,041
	$ 1,220,624	($77,493)	$ 1,143,131

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

	January 1- March 31 , 2018	January 1- March 31 , 2017
Cost of inventories sold	$2,369,536	$2,249,907
Gain on reversal of decline in market value	(14,160)	7,470
Loss from sale of scraps	4,569	-
Others	1,398	(1,741)
	$2,361,343	$2,255,636

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 as at the period between January 1 and March 31, 2018.

6. Prepayments

	March 31, 2018	December 31, 2017	March 31, 2017
Prepaid sales tax	$55,157	$79,739	$38,908
Prepaid expenses	29,569	22,269	29,904
Overpaid sales tax	19,732	20,206	14,883
Prepayment for purchases	11,636	3,887	5,633
	$116,094	$126,101	$89,328

7. Property, plant and equipment

Cost	January 1- March 31 , 2018					
Name of Assets	At January 1, 2018	Additions	Disposals	Reclassifications	Net exchange differences	At March 31, 2018
Land	$ 162,544	$ -	$ -	$ -	$ -	$ 162,544
Buildings	1,236,013	4,036	(22,309)	696	3,819	1,222,255
Machinery and equipment	1,437,163	16,947	(32,532)	31,734	4,536	1,457,848
Utility equipment	279,468	470	-	-	2,293	282,231
Transportation equipment	6,824	98	-	-	37	6,959
Office equipment	55,404	791	(506)	133	310	56,132
Others	411,896	5,437	(4,856)	501	2,665	415,643
Construction in progress	5,079	1,375	-	(728)	-	5,726
	$ 3,594,391	$29,154	($60,203)	$32,336	$13,660	$3,609,338

Accumulated depreciation	January 1- March 31 , 2018					
Name of Assets	At January 1, 2018	Depreciation Expenses	Disposals	Reclassifications	Net exchange differences	At March 31, 2018
Buildings	$ 588,615	$ 17,339	($22,309)	$ -	$4,214	$ 587,859
Machinery and equipment	1,018,127	37,484	(32,438)	-	4,916	1,028,089
Utility equipment	169,846	5,096	-	-	1,513	176,455
Transportation equipment	4,592	254	-	-	33	4,879
Office equipment	35,910	1,714	(506)	-	331	37,449
Others	296,491	12,828	(4,812)	-	2,473	306,980
	$ 2,113,581	$74,715	($60,065)	$ -	$13,480	$2,141,711
Total	$ 1,480,810					$ 1,467,627

Cost	January 1- March 31 , 2017					
Name of Assets	At January 1, 2017	Additions	Disposals	Reclassifications	Net exchange differences	At Marchr 31, 2017
Land	$ 162,544	$ -	$ -	$ -	$ -	$ 162,544
Buildings	1,274,271	1,524	(3,664)	367	(36,306)	1,236,192
Machinery and equipment	1,568,703	10,325	(38,777)	15,577	(38,573)	1,517,255
Utility equipment	307,993	473	(5,336)	64	(8,451)	294,743
Transportation equipment	6,075	-	-	-	(94)	5,981
Office equipment	52,895	610	(238)	870	(1,804)	52,333
Others	413,223	13,466	(9,364)	1,262	(12,220)	406,367
Construction in progress	4,297	153	-	(395)	(19)	4,036
	$ 3,790,001	$26,551	($57,379)	$17,745	($97,467)	$3,679,451

Accumulated depreciation	January 1- March 31 , 2017					
Name of Assets	At January 1, 2017	Depreciation Expenses	Disposals	Reclassifications	Net exchange differences	At Marchr 31, 2017
Buildings	$ 548,230	$ 19,667	($3,664)	$ -	($17,060)	$ 547,173
Machinery and equipment	1,098,254	43,764	(38,154)	-	(29,731)	1,074,133
Utility equipment	182,199	5,559	(5,336)	-	(4,558)	177,864
Transportation equipment	3,545	269	-	-	(72)	3,742
Office equipment	37,355	1,797	(238)	-	(1,400)	37,514
Others	292,488	13,871	(9,345)	-	(9,663)	287,351
	$ 2,162,071	$84,927	($56,737)	$ -	($62,484)	$2,127,777
Total	$ 1,627,930					$ 1,551,674

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

	January 1- March 31 , 2018	January 1- March 31 , 2017
Amount capitalised	$ 113	$ -
Range of the interest rates for capitalisation	0.91%~2.30%	-

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 the information about property, plant and equipment pledged as collateral, please see Note 8 for details

8. Intangible assets

	Technical skill	Computer Software	Total
At January 1, 2018			
Cost	$ 13,000	$ 25,872	$ 38,872
Accumulated amortisation and impairment	(13,000)	(7,353)	(20,353)
	$ -	$ 18,519	$ 18,519
2018			
At January 1	$ -	$ 18,519	$ 18,519
Additions－acquired separately	-	1,945	1,945
Cost reduce	(13,000)	(103)	(13,103)
Reclassifications	-	100	100
Amortisation	-	(2,088)	(2,088)
Reduce in accumulated amortization	13,000	103	13,103
At March 31	$ -	$ 18,476	$ 18,476
At March 31, 2018			
Cost	$ -	$ 27,814	$ 27,814
Accumulated amortisation and impairment	-	(9,338)	(9,338)
	$ -	$ 18,476	$ 18,476

	Technical skill		Computer Software		Others		Total	
At January 1, 2017								
Cost	$	14,500	$	29,705	$	65,500	$	109,705
Accumulated amortisation and impairment		(12,311)		(22,226)		(65,500)		(100,037)
	$	2,189	$	7,479	$	-	$	9,668
<u>2017</u>								
At January 1	$	2,189	$	7,479	$	-	$	9,668
Additions－acquired separately		-		477		-		477
Cost reduce		-		(13,832)		(65,500)		(79,332)
Amortisation		(657)		(1,252)		-		(1,909)
Reduce in accumulated amortization		-		13,832		65,500		79,332
At March 31	$	1,532	$	6,704	$	-	$	8,236
At March 31, 2017								
Cost	$	14,500	$	16,350	$	-	$	30,850
Accumulated amortisation and impairment		(12,968)		(9,646)		-		(22,614)
	$	1,532	$	6,704	$	-	$	8,236

Amortization of intangible assets is detailed as below:

	January 1- March 31 , 2018		January 1- March 31 , 2017	
Operating costs	$	507	$	174
Administrative expenses		817		819
Research and development expenses		764		916
	$	2,088	$	1,909

9. <u>Long-term prepaid rent (presented as “other non-current assets”)</u>

	March 31, 2018		December 31, 2017		March 31, 2017	
Land use right	$	33,600	$	34,284	$	35,531

Rental expenses recognized for the three-month periods ended March 31, 2018 and 2017 were NT$ 425 thousand and NT$ 430 thousand respectively.

10. Short-term borrowings

Type of loans	March 31, 2018	Interest rate range
Loans from letter of credits	$ 28,896	-

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	March 31, 2017	Interest rate range
Loans from letter of credits	$ 25,987	-

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

Interest expenses recognized in profit or loss for the three-month periods ended March 31, 2018 and 2017 were NT$ 30 thousand and NT$ 56 thousand.

11. Short-term bills payable

Type of Short-term bills	March 31, 2018
Commercial paper	$ 40,000
Unamortized discount	(45)
Total	$ 39,955
Interest rate range	0.91%

December 31, 2017 and March 31, 2017: None.

The said commercial papers were issued by Mega Bills and International Bills Finance Corporation.

12. Financial liabilities measured at FVTPL

Items	March 31, 2018
Current items:	
Financial liabilities held for trading	
Non-hedging derivatives	$ 24
Valuation adjustment	-
	$ 24

1. Financial liabilities measured at FVTPL that are recognized in profit or loss are detailed as follows:

	January 1- March 31 , 2018
Financial liabilities held for trading	($87)

2. Below states the Group's engagement in transactions and contracts of derivative financial liabilities that do not apply hedge accounting:

	March 31, 2018	
Derivative financial liabilities	Contract amount (notional principal)	Contract period
contracts	$ 320,000	107.3.22~107.4.26

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.

December 31, 2017 and March 31, 2017: None.

13. Other payables

	March 31, 2018	December 31, 2017	March 31, 2017
Awards and salaries payable	$253,053	$381,366	$219,610
Payable for processing charge	202,890	249,241	176,044
Payables for employee' sremuneration and directors' and supervisors' remuneration	58,850	44,783	54,858
Payables for equipment	30,009	37,619	29,716
Others	283,295	348,630	290,421
	$828,097	$1,061,639	$770,649

14. 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 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 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) The pension costs recognized by the Group in accordance the aforementioned contribution plans for the three-month periods ended March 31, 2018 and 2017 were NT$ 564 thousand and NT$ 583 thousand.

(3) The Company expects to make contributions of NT$ 2,268 thousand to the pension plans within one year.

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 the three-month periods ended March 31, 2018 and 2017 was 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 the aforementioned contribution plans the three-month periods ended March 31, 2018 and 2017 were NT$ 25,676 thousand and NT$ 26,802 thousand.

15. 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. The plan for such employee stock option has been executed and completed in 2017.

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:

	January 1- March 31 , 2017	
	No. stock options	Weighted-average exercise price (in dollars)
Options outstanding opening balance at January 1	2,520,000	$ 36
Options forfeited	(62,000)	-
Options outstanding at March 31	2,458,000	36
Options exercisable at March 31	2,458,000	-

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

4. The exercise price of the outstanding options as at March 31, 2017 was NT$ 36, and the remaining contract duration on a weighted average basis is 0.528 year.
5. 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.

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

	January 1- March 31 , 2017
Equity-settled	$ -

7. 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.

16. Capital

As of March 31, 2018, 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 of periods are the same as at the end of the periods.

17. Capital surplus

Under the Company Act, capital surplus arising from shares issued at premium or from donation may be used for offsetting deficit. Furthermore, if the Company has no accumulated loss, 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 capital surplus to offset loss only when the amount of earnings and reserves are insufficient to offset the loss.

18. 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 is 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 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.

19. Operating revenue

All the Group's revenue comes from contacts with customers under which revenue is generated by transferring goods at a point of time. As at the three-month period ended March 31, 2018, revenue can be sub-classified by operating segment and geographical area, which is stated as follows:

	Consumer Products Division
America	$ 2,021,014
Asia	488,942
Others	209,849
	$ 2,719,805

20. Other Income and Expenses—Net

	January 1- March 31 , 2018	January 1- March 31 , 2017
Mold income	$ 7,106	$ 3,196
Sample income	5,455	12,517
Other income	13,625	3,611
	$ 26,186	$ 19,324

21. Other income

	January 1- March 31 , 2018	January 1- March 31 , 2017
Interest income	$ 1,266	$ 594
Others	750	404
	$ 2,016	$ 998

22. Other gains and losses

	January 1- March 31 , 2018	January 1- March 31 , 2017
Gains (Losses) on disposal of property, plant and equipment	$24	($23)
Net currency exchange losses	(82,689)	(103,124)
Net gains on financial assets at fair value through profit or loss	6,197	-
Others	1,563	(997)
	($74,905)	($104,144)

23. Additional information regarding the nature of expense

	January 1- March 31 , 2018	January 1- March 31 , 2017
Employee benefit expense	$ 633,236	$ 604,008
Depreciation expense	74,715	84,927
Amortisation expense	5,145	4,797
	$ 713,096	$ 693,732

24. Employee benefits expense

	January 1- March 31 , 2018	January 1- March 31 , 2017
Wages and salaries	$ 552,187	$ 520,537
Labour and health insurance fees	34,218	33,919
Pension costs	26,240	27,385
Other personnel expenses	20,591	22,167
	$ 633,236	$ 604,008

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; provided, however, that a portion of earnings shall be reserved if the Company still has an accumulated deficit.
2. For the three-month periods ended March 31, 2018 and 2017, the Company recognized compensation to employees in the amounts equal to NT$ 9,032 thousand and NT$ 7,090 thousand respectively, and remuneration to directors and supervisors in the amounts equal to NT$ 2,500 thousand and NT$ 2,500 thousand respectively, all presented under payroll expense.

The amounts for the three-month period ended March 31, 2018 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 2017 that had been resolved by the Board of Directors are the same as the amounts stated on the 2017 financial statements. The above-mentioned employee compensation was distributed in cash. In addition, compensation to employees and remuneration to directors and supervisors for the previous year has not been distributed.

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

25. Income tax

1. Income tax expense (gain)

Components of income tax expense (gain):

	January 1- March 31 , 2018	January 1- March 31 , 2017
Current tax:		
Current tax on profits for the period	$ 16,560	$ 32,479
Adjustments in respect of prior years	0	(29,375)
Total current tax	16,560	3,104
Deferred tax:		
Origination and reversal of temporary differences	4,321	(4,810)
Impact of change in tax rate	8,881	-
Income tax expense (gain)	$29,762	($1,706)

2. Income tax amounts associated with other comprehensive income:

	March 31, 2018	March 31, 2017
Impact of change in tax rate	$ 493	$ -

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

4. The amendments to the Income Tax Act of Taiwan have become effective on February 7, 2018, which amendments raise the profit-seeking enterprise income tax rate from 17% to 20% and are applicable from 2018. The Group has assessed the impact on income tax from such tax rate changes.

26. Earnings per share

	January 1- March 31 , 2018		
	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	$55,340	$135,313	$0.41
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	55,340	135,313	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	928	
shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$55,340	$ 136,241	$0.41

	January 1- March 31 , 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	$108,881	$133,376	$0.82
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	108,881	133,376	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	247	
shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$108,881	$ 133,623	$0.81

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.

27. 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:

	March 31, 2018		December 31, 2017		March 31, 2017	
Not later than one year	$	10,718	$	10,646	$	9,621
Later than one year but not later thn five yers		12,512		15,099		18,483
	$	23,230	$	25,745	$	28,104

28. Additional information regarding cash flows

1. Investing and financing activities with partial cash payments:

	January 1- March 31 , 2018		January 1- March 31 , 2017	
Purchase of property, plant and equipment	$	29,154	$	26,551
Add: opening balance of payable on equipment		37,619		19,303
Less: ending balance of payable on equipment		(30,009)		(29,716)
Cash paid during the period	$	36,764	$	16,138

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

	January 1- March 31 , 2018		January 1- March 31 , 2017	
Property, plant and equipment transferred from prepayments for business facilities	$	32,615	$	17,770
Other non-current assets from prepayments for Intangible assets	$	100	$	-

29. Changes in financing liabilities

	Short-term loans		Short-term bills payable		Total financing liabilities	
At January 1, 2018	$	90,454	$	-	$	90,454
Changes in financing liabilities		(61,558)		40,000		(21,558)
Changes in non-cash liabilities		-		(45)		(45)
At March 31, 2018	$	28,896	$	39,955	$	68,851

G. Related-party transactions

Information about remunerations to the major management:

	January 1- March 31 , 2018	January 1- March 31 , 2017
Salaries and other short-term emplo	$ 6,434	$ 12,216

H. Pledged Assets

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

	Book value			
	March 31, 2018	December 31, 2017	March 31, 2017	Purpose
Land	$ 125,648	$ 125,648	$ 125,648	Short and long-term loans
Building-net value	292,556	296,557	311,018	Short and long-term loans
Time deposits and cash(shown as“other non- current assets”)	430	270	270	Customs deposits
	$ 418,634	$ 422,475	$ 436,936	

I. Important contingent liabilities and unrecognized contractual commitments

1. Contingency

None.

2. Commitments

1. Balance of outstanding letters of credit

1.	March 31, 2018	December 31, 2017	March 31, 2017
Raw materials	$ 71,910	$ 52,388	$ 71,056

2. Capital expenditure committed but not incurred:

2.	March 31, 2018	December 31, 2017	March 31, 2017
Property,plant and equipment	$ 85,799	$ 94,758	$ 40,852

3. Operating lease contracts:

Please refer to Note 6 (27) for elaboration.

J. Significant Losses from Disasters

None.

K. Material Subsequent Events

None.

L. Others

1. Capital management

There are no significant changes in the current period. Please refer to Note 12 in the consolidated financial statements for 2017.

2. Financial Instruments

1. Types of Financial instruments

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets			
Financial assets at fair value through profit or loss			
Financial assets at fair value through profit or loss	$ 2,223	$ -	$ -
Available-for-sale financial assets	-	1,368	-
Financial assets at fair valuethrough other comprehensiveincome			
Equity instruments	55	-	-
Financial Assets Carried at Cost	-	55	55
Financial asset measured at amortised cost			
Cash and cash equivalents	982,320	989,078	1,002,830
Notes receivable	6,349	5,980	3,079
Accounts receivable	2,050,603	2,288,717	1,734,400
Other receivable	16,946	19,173	17,316
Refundable deposits	7,665	7,405	5,150
	$ 3,066,161	$ 3,311,776	$ 2,762,830
Financial liabilities			
Financial liabilities at fair value through profit or loss			
Available-for-sale financial liabilities	$ 24	$ -	$ -
Financial liabilities measured at amortised cost			
Short-term loans	28,896	90,454	25,987
Short-term bills payable	39,955	-	-
Notes payable	1,132	1,697	1,922
Accounts payable	1,082,812	1,203,816	929,982
Other payables	828,097	1,061,639	770,649
Guarantee deposits	534	525	507
	$ 1,981,450	$ 2,358,131	$ 1,729,047

2. Risk management policy

There are no significant changes in the current period. Please refer to Note 12 in the consolidated financial statements for 2017.

3. The nature and degree of significant financial risks

Except for matters stated below, there is no significant changes in the current period. Please refer to Note 12 in the consolidated financial statements for 2017.

(1) Market risk

Foreign exchange rate risk:

A. The Group's business involves 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:

	March 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value(NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 98,899	29.06	$ 2,873,510
USD:RMB	35,743	6.2755	1,038,513
Non-monetary items			
RMB:NTD	237,143	4.622	1,100,697
Financial liabilities			
Monetary items			
USD:NTD	43,137	29.16	1,257,659
USD:RMB	10,438	6.2755	304,320

	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

	March 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value(NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 80,167	30.28	$ 2,427,457
USD:RMB	34,624	6.8915	1,048,415
Non-monetary items			
RMB:NTD	243,132	4.407	1,071,483
Financial liabilities			
Monetary items			
USD:NTD	35,990	30.38	1,093,376
USD:RMB	9,069	6.8915	275,516
Non-monetary items			
RMB:NTD	514	4.407	2,265

B. Due to the exchange rate volatility, total exchange losses from the Group’s monetary items amounted to NT$ 82,689 thousand and NT$

103,124 thousand for the three-month periods ended March 31, 2018 and 2017.

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

	January 1- March 31 , 2018				
	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%	$	28,735	$	-
USD:RMB	1%		10,385		-
Non-monetary items					
Financial liabilities					
Monetary items					
USD:NTD	1%		12,577	$	-
USD:RMB	1%		3,043		-

	January 1- March 31 , 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%	$	24,275	$	-
USD:RMB	1%		10,484		-
Non-monetary items					
Financial liabilities					
Monetary items					
USD:NTD	1%		10,934	$	-
USD:RMB	1%		2,755		-

Price risk

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

Cash flow interest rate risk and fair value interest rate risk

The Group’s short-term borrowings and short-term bills payables are all instruments with fixed interest rate, and consequently do not expose to any significant cash flow interest rate risk.

(2) Credit risk

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 internal risk control assesses customers’ credit quality by taking into account their financial position, historical experience and other factors.

<u>Cash and cash equivalents and financial derivatives</u>

Since the transaction policy adopted requires the Group to trade only with counter-parties having a good credit rating, there hasn’t been any default on cash and cash equivalents or financial derivatives.

<u>Accounts receivable</u>

A. 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.

B. The Group adopts the presumption provided in IFRS 9 that the credit risk of a financial asset is deemed significantly increased since initial recognition when contractual payments are more than 30 days past due.

C. The Group’s accounts receivables are due from ordinary enterprises. The Group assesses the credit quality of an individual customer by type by taking into account such customer’s financial position, historical transaction records, and current economic status, and estimates the expected credit losses on the basis of the provision matrix using the simplified approach.

D. After the recourse process, the Group writes off the financial asset to the extent of the recovery amount that cannot be reasonably expected; nonetheless, the Group will keep legal recourse to secure its creditor’s rights.

E. The Group has established an expected loss rate for different segments of the accounts receivables due from customers as at March 31, 2018: 0.02% for accounts receivables not past due, 0.01% to 0.17% for accounts receivables within 30 days past due, 0.01% to 3.48% for accounts receivables 31 days to 60 days past due, 0.02% to 9.39% for accounts receivables 61 days to 90 days past due, 0.13% to 13.67% for accounts receivables 91 days to 120 days past due, 1.50% to 35.84% for accounts receivables 121 days to 150 days past due, 18.04% to 84.81% for accounts receivables 151 days to 180 days past due, and 100% for accounts receivables more than 180 days past due. The amount of the accounts receivables that is more than 31 days past due constitutes 2.64% of the Group’s total accounts receivables.

F. Changes in loss allowance for notes receivables and accounts receivables using the simplified approach are stated as follows:

	Year 2018			
	Accounts receivable		Notes receivable	
At January 1-IAS 39	$	8,620	$	-
Adjustments under new standards		-		-
At January 1-IFRS 9		8,620		-
Impairment loss turn around		(2,134)		-
March 31, 2018	$	6,486	$	-

G. For credit information as at the three-month period ended March 31, 2017, please refer to Note 12 (4) for details.

(3) Liquidity risk

A. Cash flows forecasting is carried out by the Group'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 March 31, 2018, December 31, 2017 and March 31, 2017, the Group had a money market position in the amounts equal to NT$ 981,689 thousand, NT$ 988,057 thousand, and NT$ 1,001,314 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:

March 31, 2018	Less than 1 year		Between 1 to 2 years		Over 2 years	
Short-term borrowings	$	28,896	$	-	$	-
Short-term notes payable		40,000		-		-
Notes payable		1,132		-		-
Accounts payable		1,082,812		-		-
Other payables		828,097		-		-

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:

March 31, 2017	Less than 1 year		Between 1 to 2 years		Over 2 years	
Short-term borrowings	$	25,987	$	-	$	-
Notes payable		1,922		-		-
Accounts payable		929,982		-		-
Other payables		770,649		-		-

Derivative financial liabilities:

March 31, 2018	Less than 1 year		Between 1 to 2 years		Over 2 years	
Forward foreign exchange contracts	$	24	$	-	$	-

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.

3. Fair Value Information:

1. 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.

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.

2. Financial instruments not measured at fair value

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, short-term bills payable, notes payable, accounts payable and other payables) are reasonable approximation of fair value.

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

(1) Classified by nature of assets or liabilities:

March 31, 2018	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	$ -	$2,223	$ -	$2,223
Financial assets at other comprehensive (loss) income through profit or loss				
Equity securities	$ -	$ -	$ 55	$55
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$ -	$24	$ -	$24

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

March 31,2017: No such circumstances.

(2) Methods and assumptions adopted by the Group for measurement of fair value are stated as follows:

Valuation of derivative financial instruments adopts valuation models that are commonly used by market participants, e.g. discounted cash flows method and option pricing model. Forward foreign exchange contracts are usually valuated based on the current forward exchange rates.

4. There was no transfer between Level 1 and Level 2 of the fair value hierarchy as at the three-month periods ended March 31, 2018 and 2017.

5. There were no changes in Level 3 of the fair value hierarchy as at the three-month periods ended March 31, 2018 and 2017.

Valuation process regarding fair value Level 3 is conducted by the Group's finance department, by which the independence of fair value of financial instruments is verified though use of independent data source in order that such valuation results are close to market conditions, and that the data source is independent, reliable, consistent with other resources, and representative of the exercisable price. In addition, multiple actions are regularly taken to ensure the reasonableness of the fair value valuation, e.g. calibrating the valuation model, conducting retrospective testing, updating the inputs and data for the valuation model, and making any necessary fair value adjustments.

7. Below states the quantitative information about the significant unobservable inputs of the valuation model used in the measurements categorized within Level 3 of the fair value hierarchy, as well as the sensitivity analysis of changes in significant unobservable inputs:

	Fair value at March 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Venture capital shares	-	Net asset value	Not applicable	-	Not applicable

8. The Group elects to adopt the valuation model and valuation parameters through cautious assessment. Nonetheless, using different valuation models or valuation parameters may lead to different valuation results. For financial assets categorized within Level 3 of the fair value hierarchy, changes in valuation parameters will not have a significant influence on either profit or loss or other comprehensive income.

4. Effects of initial application of IFRS 9

1. Critical accounting policies adopted for the annual period ended March 31, 2017 and for the three-month period ended March 31, 2017 are states as follows:

(1) Financial assets measured at FVTPL

A. 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 initial recognition:

a. Hybrid (combined) contracts; or

b. They eliminate or significantly reduce a measurement or recognition inconsistency; or

c. They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

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

(2) 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.

(3) Impairments of financial assets

A. 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.

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

(A) Significant financial difficulty of the issuer or debtor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) 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;

(D) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(E) The disappearance of an active market for that financial asset because of financial difficulties; or

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

C. 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:

(A) 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.

(b) 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.

(4) Derivatives

Derivatives are initially recognized at the fair value on the date when contracts are signed and subsequently measured at fair value with fair value changes recognized in profit or loss. Derivatives, which are linked to equity instruments without a quoted price (i.e. the fair value of which cannot be reliably measured) and must be settled by delivery of such unquoted equity instrument, are presented as "financial assets carried at cost" by the Group.

2. Reconciliation between the carrying amount of financial assets prepared under IAS 39 since December 31, 2017, and the amount under IFRS 9 starting from January 1, 2018, is stated as follows:

	Hedging Available-for-sale-Equity securities			Effect	
	Financial assets at other comprehensive (loss) income	Financial assets carried at cost	Total	Retained Earnings	Other Equity
IAS39	-	55	55	-	-
Trans to financial assets at other comprehensive (loss) income	55	(55)	-	-	-
IFRS9	55	-	55	-	-

Equity instruments, which were categorized within "financial assets carried at cost" under IAS 39, totaled NT$ 55 thousand; since the Group do not hold such equity instrument for trading purpose, they are classified at the initial recognition of IFRS 9 as "financial assets (equity instruments) measured at FVTOCI".

3. Information regarding critical accounting items as at December 31, 2017 and March 31, 2017 is presented below:

(1) 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

March 31, 2017: None.

A. Net profit recognized in 2017 for the Group's financial assets held for trading was NT$ 685 thousand, stated under "Other gains and losses".

B. Below states the information on transactions and contracts of financial derivatives that are not a hedged item:

	March 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.

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

(2) Financial Assets Carried at Cost

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

A. 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.

B. As of December 31, 2017 and March 31, 2017, no financial assets carried at cost were pledged as collateral.

4. Information respecting the credit risks as at December 31, 2017, March 31, 2017 and the first quarter of 2017 is stated as follows:

(1) 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.

(2) The credit limit had not been exceeded in the first quarter of 2017, and Management didn't expect any significant loss resulting from the default of a counter party.

(3) 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.

(4) Aging analysis of financial assets that are past due but not impaired is as follows:

	December 31, 2017	March 31, 2017
Up to 30 days	$70,282	$130,650
31 to 90 days	26,480	67,884
91 to 180 days	6,095	12,489
Over 181 days	$6,613	$277
	$109,470	$211,300

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

(5) Analysis of changes in impaired financial assets:

A. As of December 31, 2017 and March 31, 2017, the Group's individually impaired accounts receivables were NT$ 0.

	Year 2017				
	Individual provision		Group provision		Total
At January 1	$	-	$	10,984	$ 10,984
Provision for impairment		-		1,391	1,391
At March 31	$	-	$	12,375	$ 12,375

B. Changes in allowance for doubtful accounts are stated as follows:

5. Effects of initial application of IFRS 15

1. Critical accounting policies regarding revenue recognition for the annual period ended March 31, 2017 and for the three-month period ended March 31, 2017 are states as follows:

(1) The Group manufactures and sells consumer products. Revenue is the fair value of consideration received or receivable for goods sold to external customers during the ordinary course of business, presented as the net value after deducting business 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.

2.If the Group continues to apply the aforementioned accounting policies for the three-month period ended March 31, 2018, there will be no significant influence over the line items both on the balance sheets and on the statement of comprehensive income.

M. Additional Disclosure

(The required disclosure on investees comes in part from the financial statements for the same period that were prepared by investees but not reviewed by an independent auditor. Besides, transactions with subsidiaries have been eliminated in consolidation of the financial statements. The disclosed information below is for reference.)

1. Information about significant transactions:

1. Loans to others: None.

2. Endorsements and Guarantees: None.

3. Marketable Securities Held at the End of the Period (Excluding investment in Subsidiaries, Associates and Joint Ventures): Please refer to Appendix Table 1.

4. 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 2.

8. Receivables from Related Parties Amounting to at Least NT$ 100 Million or Exceeding 20% of Paid-in Capital: Please refer to Appendix Table 3.

9. Engagement in derivative transactions: Please refer to Note 6 (2), 6 (12) and 12 (3).

10. Parent-Subsidiary and Subsidiary-Subsidiary Business Relations and Significant Transactions and Amounts Thereof Please refer to Appendix Table 4.

2. <u>Reinvestment Information</u>

Name, Location and Information on Investee Companies (not Including Investee Companies in China): Please refer to Appendix Table 5.

3. <u>Investments in Mainland China</u>

1. Investee Information: Please refer to Appendix Table 6.

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 7.

N. <u>Segment Information</u>

1. <u>General Information:</u>

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.

2. 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 operating segments but assigned to the Group's finance department that is responsible for management of the status of cash.

3. 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 on the statement of comprehensive income. The measurement method used for 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 on the financial statements.