Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Review Report

for the Six-Month Periods Ended June 30, 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
June 30, 2018, December 31, 2017 and June 30, 2017
(The Consolidated Balance Sheets on June 30, 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

	Assets	Note	June 30, 2018 Amount	%	December 31, 2017 Amount	%	June 30, 2017 Amount	%
	Current assets							
1100	Cash and Cash Equivalents	6(1)	$ 1,259,523	19	$ 989,078	15	$ 1,443,920	25
1110	Financial assets measured at	12 (4)						
	FVTPL - current		-	-	1,368	-	-	-
1150	Notes receivable - net	6(3)	10,950	-	5,980	-	5,383	-
1170	Accounts receivable- Net	6(3)	2,053,920	32	2,288,717	34	1,422,358	25
1200	Other receivables		14,633	-	19,173	-	16,782	-
1220	Current income tax assets		484	-	329	-	461	-
130X	Inventories	6(4)	1,248,868	19	1,499,438	23	1,021,994	18
1410	Prepayments	6(5)	118,741	2	126,101	2	85,020	2
1470	Other current assets		35,627	1	6,227	-	15,083	-
11XX	**Total current assets**		4,742,746	73	4,936,411	74	4,011,001	70
	Non-current assets							
1517	Financial assets measured at	6(2)						
	FVTOCI - non-current		55	-	-	-	-	-
1543	Financial assets carried at cost -	12 (4)						
	non-current		-	-	55	-	55	-
1600	Property, plant and equipment	6 (6) and 8	1,563,071	24	1,480,810	23	1,529,666	27
1780	Intangible assets	6(7)	16,839	-	18,519	-	7,928	-
1840	Deferred income tax assets		50,577	1	56,590	1	66,728	1
1915	Prepayments for business facilities		81,547	1	77,769	1	48,941	1
1990	Other non-current assets - others	6 (8) and 8	51,753	1	55,482	1	57,840	1
15XX	**Total non-current assets**		1,763,842	27	1,689,225	26	1,711,158	30
1XXX	**Total assets**		$ 6,506,588	100	$ 6,625,636	100	$ 5,722,159	100

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Unit: In Thousands of New Taiwan Dollars

	Liabilities and Equity	Note	June 30, 2018 Amount	%	December 31, 2017 Amount	%	June 30, 2017 Amount	%
	Current liabilities							
2100	Short-term borrowings	6 (9) and 8	$ 50,861	1	$ 90,454	2	$ 40,515	1
2110	Short-term bills payable	6(10)	49,984	1	-	-	-	-
2120	Financial liabilities at FVTPL - current	6(11)	1,936	-	-	-	-	-
2150	Notes payable		566	-	1,697	-	1,375	-
2170	Accounts payable		945,258	14	1,203,816	18	781,870	13
2200	Other payables	6(12)	1,225,534	19	1,061,639	16	969,282	17
2230	Current income tax liabilities		90,696	1	85,314	1	69,565	1
2300	Other current liabilities		43,476	1	36,076	1	48,147	1
21XX	**Total current liabilities**		2,408,311	37	2,478,996	38	1,910,754	33
	Non-current liabilities							
2540	Long-term loans	6 (13) and 8	18,880	-	-	-	-	-
2570	Deferred income tax liabilities		116,972	2	89,243	1	85,250	2
2640	Net defined benefit liability - non-current		69,473	1	69,476	1	63,278	1
2670	Other non-current liabilities - others		575	-	525	-	515	-
25XX	**Total non-current liabilities**		205,900	3	159,244	2	149,043	3
2XXX	**Total liabilities**		2,614,211	40	2,638,240	40	2,059,797	36
	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 surplus	6(17)						
3200	Capital surplus		781,236	12	781,236	11	733,780	13
	Retained earnings	6(18)						
3310	Legal reserve		743,087	12	698,847	11	698,847	12
3320	Special reserve		65,616	1	21,412	-	21,412	-
3350	Undistributed earnings		661,723	10	857,118	13	615,814	11
	Other equity							
3400	Other equity		(46,799)	(1)	(65,616)	(1)	(74,694)	(1)
31XX	**Total equity attributable to shareholders of the parent**		3,557,990	55	3,646,124	55	3,328,916	58

The attached Notes to the Consolidated Financial Statements is an integral part of the consolidated 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
June 30, 2018, December 31, 2017 and June 30, 2017
(The Consolidated Balance Sheets on June 30, 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**		334,387	5	341,272	5	333,446	6
3XXX	**Total equity**		3,892,377	60	3,987,396	60	3,662,362	64
	Important contingent liabilities and unrecognized contractual commitments	9						
3X2X	**Total liabilities and equity**		$ 6,506,588	100	$ 6,625,636	100	$ 5,722,159	100

The attached Notes to the Consolidated Financial Statements is an integral part of the consolidated 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 to June 30, 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
(Except for Earnings Per Share Presented in New Taiwan Dollars)

	Item	Note	April 1, 2018 to June 30, 2018 Amount	%	April 1, 2017 to June 30, 2017 Amount	%	January 1, 2018 to June 30, 2018 Amount	%	January 1, 2017 to June 30, 2017 Amount	%
4000	**Operating revenue**	6(19)	$ 2,641,046	100	$ 2,345,735	100	$ 5,360,851	100	$ 5,015,504	100
5000	**Operating costs**	6 (4) (7) (23) (24)	(2,318,299)	(88)	(2,008,402)	(86)	(4,679,642)	(87)	(4,264,038)	(85)
5900	**Gross operating profit**		322,747	12	337,333	14	681,209	13	751,466	15
	Operating Expenses	6 (7) (23) (24)								
6100	Selling expense		(48,118)	(2)	(54,332)	(2)	(98,729)	(2)	(103,964)	(2)
6200	Administrative expense		(103,372)	(4)	(93,036)	(4)	(203,155)	(4)	(190,861)	(4)
6300	Research and development expenses		(91,936)	(3)	(85,641)	(4)	(178,278)	(3)	(168,072)	(3)
6450	Estimated credit impairment gain		720	-	-	-	2,854	-	-	-
6000	**Total operating expenses**		(242,706)	(9)	(233,009)	(10)	(477,308)	(9)	(462,897)	(9)
6500	**Other Income and Expenses - Net**	6(20)	30,815	1	12,611	1	57,001	1	31,935	-
6900	**Operating income**		110,856	4	116,935	5	260,902	5	320,504	6
	Non-operating income and expenses									
7010	Other income	6(21)	2,725	-	1,157	-	4,741	-	2,155	-
7020	Other gains and losses	6(22)	131,288	5	1,569	-	56,383	1	(102,575)	(2)
7050	Finance costs		(49)	-	(56)	-	(126)	-	(51)	-
7000	**Total non-operating income and expenses**		133,964	5	2,670	-	60,998	1	(100,471)	(2)
7900	**Income before tax**		244,820	9	119,605	5	321,900	6	220,033	4
7950	Income tax expense	6(25)	(43,419)	(1)	(30,202)	(1)	(73,181)	(1)	(28,496)	-
8200	**Net income**		$ 201,401	8	$ 89,403	4	$ 248,719	5	$ 191,537	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		9,179	-	18,543	1	18,817	-	(53,282)	(1)
8300	**Other comprehensive income (loss), net**		$ 9,179	-	$ 18,543	1	$ 19,310	-	($ 53,282)	(1)
8500	**Total comprehensive income (loss)**		$ 210,580	8	$ 107,946	5	$ 268,029	5	$ 138,255	3
	Net income (loss) attributable to:									
8610	Owners of parent company		$ 189,029	8	$ 86,179	4	$ 244,369	5	$ 195,060	4
8620	Non-controlling interests		12,372	-	3,224	-	4,350	-	(3,523)	-
	Total		$ 201,401	8	$ 89,403	4	$ 248,719	5	$ 191,537	4
	Total comprehensive income (loss) attributable to:									
8710	Owners of parent company		$ 198,208	8	$ 104,722	5	$ 263,679	5	$ 141,778	3
8720	Non-controlling interests		12,372	-	3,224	-	4,350	-	(3,523)	-
	Total		$ 210,580	8	$ 107,946	5	$ 268,029	5	$ 138,255	3

The attached Notes to the Consolidated Financial Statements is an integral part of the consolidated 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 to June 30, 2018 and 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)

	Earnings per share	6(26)				
9750	**Basic**		$ 1.40	$ 0.65	$ 1.81	$ 1.46
9850	**Diluted**		$ 1.39	$ 0.65	$ 1.79	$ 1.45

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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 to June 30, 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

		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 ~ June 30, 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		-	-	-	-	-	-	-	195,060	-	195,060	(3,523)	191,537
Other comprehensive income (loss)		-	-	-	-	-	-	-	-	(53,282)	(53,282)	-	(53,282)
Total comprehensive income (loss)		-	-	-	-	-	-	-	195,060	(53,282)	141,778	(3,523)	138,255
Earnings appropriation and allocation for 2016:													
Legal reserve		-	-	-	-	-	34,547	-	(34,547)	-	-	-	-
Special reserve		-	-	-	-	-	-	21,412	(21,412)	-	-	-	-
Cash dividends for common shares	6(18)	-	-	-	-	-	-	-	(173,388)	-	(173,388)	-	(173,388)
Employee stock option written off		-	-	-	(555)	555	-	-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-	-	-	-	-	(26,966)	(26,966)
Balance as of June 30, 2017		$ 1,333,757	$ 670,464	$ 16,480	$ 27,849	$ 18,987	$ 698,847	$ 21,412	$ 615,814	($ 74,694)	$ 3,328,916	$ 333,446	$ 3,662,362
January 1, 2018 ~ June 30, 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		-	-	-	-	-	-	-	244,369	-	244,369	4,350	248,719
Other comprehensive income (loss)		-	-	-	-	-	-	-	493	18,817	19,310	-	19,310
Total comprehensive income (loss)		-	-	-	-	-	-	-	244,862	18,817	263,679	4,350	268,029
Earnings appropriation and allocation for 2017:													
Legal reserve		-	-	-	-	-	44,240	-	(44,240)	-	-	-	-
Special reserve		-	-	-	-	-	-	44,204	(44,204)	-	-	-	-
Cash dividends for common shares	6(18)	-	-	-	-	-	-	-	(351,813)	-	(351,813)	-	(351,813)
Non-controlling interests		-	-	-	-	-	-	-	-	-	-	(11,235)	(11,235)

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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 to June 30, 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

		Equity Attributable to Shareholders of the Parent Company											
			Capital Surplus				Retained Earnings						
	Note	Capital of Common Shares	Share Premium	Changes in Ownership Interest in Subsidiaries	Employee Stock Options	Others	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Difference Arising from Translation of Foreign Financial Statements	Total	Non-controlling Interest	Total Equity
Balance as of June 30, 2018		$ 1,353,127	$ 739,866	$ 16,480	$ -	$ 24,890	$ 743,087	$ 65,616	$ 661,723	($ 46,799)	$ 3,557,990	$ 334,387	$ 3,892,377

The attached Notes to the Consolidated Financial Statements is an integral part of the consolidated 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 to June 30, 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

	Note	January 1, 2018 – June 30, 2018	January 1, 2017 – June 30, 2017
Cash flows from operating activities			
Net profit before tax		$ 321,900	$ 220,033
Adjustments:			
Income and expense item			
Depreciation	6(23)	151,166	166,656
Amortization	6(23)	9,297	8,998
Amortization of long-term rental prepayments (stated as amortization expense)	6 (8) (23)	856	849
Estimated credit impairment gain	12 (2)	(2,854)	-
Provision of allowance for doubtful accounts	12 (4)	-	10,302
Net loss from financial assets and liabilities measured at FVTPL	6(22)	4,268	-
Interest revenue	6(21)	(3,319)	(1,636)
Interest expense		48	69
Loss on disposal and retirement of property, plant and equipment	6(22)	186	3,490
Reclassification of property, plant and equipment to expense		270	328
Reclassification of other non-current assets to expense		-	286
Reversal of impairment losses on non-financial assets		(23)	-
Changes in operating assets and liabilities:			
Net changes in operating assets			
Decrease in financial assets measured at FVTPL		2,783	-
(Increase) decrease in notes receivable		(4,970)	4,874
Decrease in accounts receivable		251,319	809,891
Decrease in other receivables		4,790	1,098
Decrease in inventory		262,530	250,934
Decrease in prepayments		8,485	7,035
Increase in other current assets		(29,267)	(5,683)
Net changes in operating liabilities			
Decrease in financial liabilities measured at FVTPL		(3,715)	-
Decrease in notes payable		(1,131)	(267)
Decrease in accounts payable		(270,066)	(462,160)
Decrease in other payables		(221,851)	(145,647)
Increase in other current liabilities		7,317	7,389
Decrease in accrued pension liability		(3)	(7)
Cash provided by operating activities		488,016	876,832
Income tax paid for the current period		(29,347)	(45,678)
Net cash provided by operating activities		458,669	831,154

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Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to June 30, 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

	Note	January 1, 2018 – June 30, 2018	January 1, 2017 – June 30, 2017
Cash provided by investing activities			
Acquisition of property, plant and equipment	6(28)	($ 159,507)	($ 56,100)
Increase in prepayment for business facilities		(44,656)	(34,344)
Proceeds from disposal of property, plant, and equipment		162	2,088
Increase in refundable deposits		(205)	(1,984)
Decrease in refundable deposits		243	2,301
Acquisition of intangible assets	6(7)	(2,440)	(2,077)
Increase in other non-current assets		(11,952)	(8,108)
Interest received		3,228	1,543
Net cash used in investing activities		(215,127)	(96,681)
Cash provided by (used in) financing activities			
Increase in short-term loans		140,863	902,476
Decrease in short-term loans		(180,456)	(902,297)
Increase in short-term bills payables		130,000	-
Decrease in short-term bills payables		(80,000)	-
Increase in long-term loan		18,880	-
Increase in deposits received		45	-
Decrease in deposits received		-	(46)
Interest paid		(53)	(69)
Net cash provided by financing activities		29,279	64
Effect of exchange rate changes on cash and cash equivalents		(2,376)	(21,139)
Increase in cash and cash equivalents for the current period		270,445	713,398
Cash and cash equivalents, beginning of the period		989,078	730,522
Cash and cash equivalents, end of the period		$ 1,259,523	$ 1,443,920

The attached Notes to the Consolidated Financial Statements is an integral part of the consolidated 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 Six-Month Periods Ended June 30, 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)

11. 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 June 30, 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.

12. Approval date and procedures of the financial statements

The consolidated financial statements were released on August 3, 2018, after being approved by the Board of Directors.

13. 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.

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

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2019:

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 financial performance, except for those stated below:

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

The Group accounts for all leases to which the Group is a lessee using IFRS 16 "Leases" without restating the previous financial statements (hereinafter referred to as the "modified retrospective approach"); any effects arising therefrom are adjusted to January 1, 2019.

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 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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.

14. 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 FVTPL (including derivatives).
   (2) Financial assets measured at FVTOCI.
   (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. At 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 six-months period ended June 30, 2017. The financial statements for the six-months period ended June 30, 2017 were prepared in accordance with 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 critical accounting policies and major accounting items, please refer to Note 12 (4) and (5) for details.

(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 (%) June 30, 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 (%) June 30, 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 six-month periods ended June 30, 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 June 30, 2018, December 31, 2017 and June 30, 2017, the Group's non-controlling interests totaled NT$ 334,387 thousand, NT$ 341,272 thousand, and NT$ 333,446 thousand. Below summarizes the material non-controlling interests and their subsidiaries:

		Non-controlling interest			
		June 30, 2018		December 31, 2017	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Launch Technologies Co., LTD.	Taiwan	334,387	44.07	341,272	44.07

		Non-controlling interest	
		June 30, 2017	
Name of subsidiary	Principal place of business	Amount	Ownership (%)
Launch Technologies Co., LTD.	Taiwan	333,446	44.07

Summary of the financial information of subsidiaries is as follows:

Balance Sheets

	Launch Technologies Co., LTD		
	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	$521,063	$480,455	$487,199
Non-current assets	567,255	536,721	521,865
Current liabilities	(309,472)	(242,547)	(252,225)
Non-current liabilities	(20,092)	(251)	(220)
Total net assets	$758,754	$774,378	$756,619

Statements of Comprehensive Income

	Launch Technologies Co., LTD	
	April 1- June 30 , 2018	April 1- June 30 , 2017
Revenue	$410,719	$395,272
Profit before income tax	33,174	11,272
Income tax expense	(5,099)	(3,957)
Profit for the year	28,075	7,315
Other comprehensive (loss) income, net of tax	-	-
Total comprehensive income for the year	$28,075	$7,315

	Launch Technologies Co., LTD	
	January 1- June 30 , 2018	January 1- June 30 , 2017
Revenue	$725,528	$763,809
Profit (loss) before income tax	9,138	(5,619)
Income tax gain (expense)	733	(2,376)
Profit (loss) for the year	9,871	(7,995)
Other comprehensive (loss) income, net of tax	-	-
Total comprehensive income for the year	$9,871	($7,995)

Statements of Cash Flows

	Launch Technologies Co., LTD	
	January 1- June 30 , 2018	January 1- June 30 , 2017
Net cash provided by operating activities	$23,314	$17,580
Net cash used in investing activit	(52,670)	(31,241)
Net cash provided by financing activities	38,545	-
Increase (decrease) in cash and cash equivalents	9,189	(13,661)
Cash and cash equivalents, beginning of year	$49,534	$79,716
Cash and cash equivalents, end (	58,723	66,055

(4) Financial assets at fair value through profit and loss

Applicable for 2018

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. The payment terms of most sales transaction are usually due within 60 ~ 90 days after the shipping date. Since the time interval between when the committed goods or services are transferred to customers and when customers pay is shorter than one year, the Group does not adjust the transaction price to reflect the time value of money.
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.

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

There are no material changes in the period.

16. Descriptions of Major Accounting Subjects

(1) Cash and Cash Equivalents

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand and revolving funds	$949	$1,021	$1,293
Checking accounts and demand deposits	773,704	341,617	622,614
Cash equivalents - Time deposits	332,820	557,310	820,013
Cash equivalents	152,050	89,130	-
Total	$1,259,523	$989,078	$1,443,920

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 equivalent are pledged as collateral by the Group.

Financial assets measured at FVTOCI

Items	June 30, 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 June 30, 2018 totaled NT$ 642 thousand.

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

3. For financial assets carried at cost as at December 31, 2017 and June 30, 2017, please refer to Note 12 (4) for details.

Notes Receivables and Accounts Receivables

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable	$10,950	$5,980	$5,383
Accounts receivable	2,059,686	2,298,260	1,444,489
Less: allowance for sales returns and discounts	-	(923)	(845)
Less: allowance for bad debts	(5,766)	(8,620)	(21,286)
	$2,064,870	$2,294,697	$1,427,741

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

	June 30, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not overdue	$1,823,552	$10,950	$2,188,790	$5,980
Up to 30 days	209,208	-	70,282	-
31 to 90 days	19,910	-	26,480	-
91 to 180 days	3,958	-	6,095	-
Over 181 days	3,058	-	6,613	-
	$2,059,686	$10,950	$2,298,260	$5,980

	June 30, 2017	
	Accounts receivable	Notes receivable
Not overdue	$1,190,504	$5,383
Up to 30 days	171,454	-
31 to 90 days	62,746	-
91 to 180 days	10,210	-
Over 181 days	9,575	-
	$1,444,489	$5,383

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

2. There is 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 June 30, 2018, December 31, 2017 and June 30, 2017 without taking account of any collateral held or other credit enhancements were NT$ 2,053,920 thousand, NT$ 2,288,717 thousand, and NT$ 1,422,358 thousand.

4. For credit risk of accounts receivables and notes receivables, please refer to Note 12 (2).

Inventory

	June 30, 2018		
	Cost	Allowancefor valuation loss	Book value
Raw materials	$ 572,563	($20,943)	$ 551,620
Work in process	263,890	(5,487)	258,403
Finished goods	417,957	(21,350)	396,607
Inventory in transit	42,238	-	42,238
	$ 1,296,648	($47,780)	$ 1,248,868

	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

	June 30, 2017		
	Cost	Allowancefor valuation loss	Book value
Raw materials	$ 463,831	($28,330)	$ 435,501
Work in process	189,905	(974)	188,931
Finished goods	419,108	(41,387)	377,721
Inventory in transit	19,841	-	19,841
	$ 1,092,685	($70,691)	$ 1,021,994

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

	April 1- June 30 , 2018	April 1- June 30 , 2017
Cost of inventories sold	$2,328,456	$2,012,962
Gain on reversal of decline in market value	(10,184)	(7,591)
Loss from sale of scraps	3,299	4,236
Others	(3,272)	(1,205)
	$2,318,299	$2,008,402

	January 1- June 30 , 2018	January 1- June 30 , 2017
Cost of inventories sold	$4,697,992	$4,262,869
Gain on reversal of decline in market value	(24,344)	(121)
Loss from sale of scraps	7,868	4,236
Others	(1,874)	(2,946)
	$4,679,642	$4,264,038

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 June 30, 2018 and 2017.

Prepayments

	June 30, 2018	December 31, 2017	June 30, 2017
Prepaid sales tax	$58,518	$79,739	$44,208
Prepaid expenses	25,666	22,269	23,562
Overpaid sales tax	19,275	20,206	15,174
Prepayment for purchases	15,282	3,887	2,076
	$118,741	$126,101	$85,020

Property, plant and equipment

Cost	January 1- June 30 , 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	9,912	(25,882)	1,933	8,052	1,230,028
Machinery and equipment	1,437,163	45,193	(64,749)	45,313	7,938	1,470,858
Utility equipment	279,468	1,170	(8,435)	-	1,485	273,688
Transportation equipment	6,824	98	-	-	13	6,935
Office equipment	55,404	1,605	(2,735)	133	451	54,858
Others	411,896	22,043	(21,585)	4,239	2,237	418,830
Construction in progress	5,079	94,618	-	(720)	97	99,074
	$ 3,594,391	$174,639	($123,386)	$50,898	$20,273	$3,716,815

Accumulated depreciation	January 1- June 30 , 2018					
Name of Assets	At January 1, 2018	Depreciation Expenses	Disposals	Reclassifications	Net exchange differences	At March 31, 2018
Buildings	$ 588,615	$ 34,860	($25,752)	$ -	$3,439	$ 601,162
Machinery and equipment	1,018,127	76,293	(64,581)	-	5,729	1,035,568
Utility equipment	169,846	10,112	(8,430)	-	811	172,339
Transportation equipment	4,592	512	-	-	10	5,114
Office equipment	35,910	3,404	(2,735)	-	299	36,878
Others	296,491	25,962	(21,540)	-	1,770	302,683
	$ 2,113,581	$151,143	($123,038)	$ -	$12,058	$2,153,744
Total	$ 1,480,810					$ 1,563,071

Cost	January 1- June 30 , 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	4,687	(7,636)	2,322	(27,346)	1,246,298
Machinery and equipment	1,568,703	33,278	(106,543)	30,760	(28,512)	1,497,686
Utility equipment	307,993	1,582	(20,723)	64	(5,693)	283,223
Transportation equipment	6,075	460	-	-	(59)	6,476
Office equipment	52,895	6,115	(720)	870	(1,290)	57,870
Others	413,223	22,251	(27,599)	2,266	(8,512)	401,629
Construction in progress	4,297	232	-	(2,960)	-	1,569
	$ 3,790,001	$68,605	($163,221)	$33,322	($71,412)	$3,657,295

Accumulated depreciation	January 1- June 30 , 2017					
Name of Assets	At January 1, 2017	Depreciation Expenses	Disposals	Reclassifications	Net exchange differences	At Marchr 31, 2017
Buildings	$ 548,230	$ 38,010	($7,576)	$ -	($11,679)	$ 566,985
Machinery and equipment	1,098,254	85,922	(101,162)	(37)	(21,268)	1,061,709
Utility equipment	182,199	10,851	(20,723)	-	(2,942)	169,385
Transportation equipment	3,545	535	-	-	(43)	4,037
Office equipment	37,355	3,587	(720)	-	(954)	39,268
Others	292,488	27,751	(27,462)	37	(6,569)	286,245
	$ 2,162,071	$166,656	($157,643)	$ -	($43,455)	$2,127,629
Total	$ 1,627,930					$ 1,529,666

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

	January 1- June 30 , 2018	January 1- June 30 , 2017
Amount capitalised	$ 226	$ -
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

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	-	2,440	2,440
Cost reduce	(13,000)	(2,671)	(15,671)
Reclassifications	-	100	100
Amortisation	-	(4,225)	(4,225)
Reduce in accumulated amortization	13,000	2,671	15,671
Net exchange differences	-	5	5
At June 30	$ -	$ 16,839	$ 16,839
At June 30, 2018			
Cost	$ -	$ 25,746	$ 25,746
Accumulated amortisation and impairment	-	(8,907)	(8,907)
	$ -	$ 16,839	$ 16,839

	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
2017				
At January 1	$ 2,189	$ 7,479	$ -	$ 9,668
Additions－acquired separately	-	2,077	-	2,077
Cost reduce	-	(15,125)	(65,500)	(80,625)
Amortisation	(1,313)	(2,504)	-	(3,817)
Reduce in accumulated amortization	-	15,125	65,500	80,625
At June 30	$ 876	$ 7,052	$ -	$ 7,928
At June 30, 2017				
Cost	$ 13,000	$ 16,657	$ -	$ 29,657
Accumulated amortisation and impairment	(12,124)	(9,605)	-	(21,729)
	$ 876	$ 7,052	$ -	$ 7,928

Amortization of intangible assets is detailed as below:

	April 1- June 30 , 2018	April 1- June 30 , 2017
Operating costs	$ 467	$ 180
Administrative expenses	905	844
Research and development expenses	765	884
	$ 2,137	$ 1,908

	January 1- June 30 , 2018	January 1- June 30 , 2017
Operating costs	$ 974	$ 354
Administrative expenses	1,722	1,663
Research and development expenses	1,529	1,800
	$ 4,225	$ 3,817

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

	June 30, 2018	December 31, 2017	June 30, 2017
Land use right	$ 34,014	$ 34,284	$ 35,403

Rental expenses recognized as at April 1 to June 30, 2018 and 2017 and January 1 to June 30, 2018 and 2017 were NT$ 431 thousand and NT$ 419 thousand, NT$ 856 thousand and NT$ 849 thousand.

Short-term borrowings

Type of loans	June 30, 2018	Interest rate range
Loans from letter of credits	$ 50,861	-

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	June 30, 2017	Interest rate range
Loans from letter of credits	$ 40,515	-

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

Short-term bills payable

Type of Short-term bills	June 30, 2018
Commercial paper	$ 50,000
Unamortized discount	(16)
Total	$ 49,984
Interest rate range	1.15%

December 31, 2017 and June 30, 2017: None.

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

Financial liabilities at fair value through profit and loss

Items	June 30, 2018
Current items:	
Financial liabilities held for trading	
Non-hedging derivatives	$ 1,936
Valuation adjustment	-
	$ 1,936

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

	April 1- June 30 , 2018
Financial liabilities held for trading	($5,574)

	January 1- June 30 , 2018
Financial liabilities held for trading	($5,661)

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

Derivative financial liabilities	June 30, 2018	
	Contract amount (notional principal)	Contract period
contracts	US$ 2,680仟元	107.6.6~107.9.25

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 June 30, 2017: None.

Other payables

	June 30, 2018	December 31, 2017	June 30, 2017
Awards and salaries payable	$271,352	$381,366	$226,132
Payable for processing charge	200,155	249,241	178,167
Dividends payable	351,813	-	173,388
Payables for employee' sremuneration and directors' and supervisors' remuneration	72,885	44,783	65,792
Payables for equipment	52,751	37,619	31,808
Others	276,578	348,630	293,995
	$1,225,534	$1,061,639	$969,282

Long-term loans

Type of loans	Loan period	Interest rate range	Collateral	June 30, 2017
Long-term bank borrowings				
Secured borrowings	2018/6-2023/6	1.395%	Machinery and equipment	$ 18,880

December 31, 2017 and June 30, 2017: None.

For collateral against the said long-term loans, please refer to Note 8 Pledged Assets.

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) As at the period between April 1 and June 30, 2018 and 2017, and the period between January 1 and June 30, 2018 and 2017, the pension costs recognized by the Group in accordance with the afore-mentioned contribution plans were NT$ 544 thousand and NT$ 553 thousand, and NT$ 1,108 thousand and NT$ 1,136 thousand.

   (3) The Company expects to make contributions of NT$ 2,222 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 was 13% for both the period between April 1 and June 30, 2018 and 2017, and the period between January 1 and June 30, 2018 and 2017. 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 were NT$ 25,676 thousand and NT$ 26,802 thousand, and NT$ 56,181 thousand and NT$ 54,804 thousand as at the period between April 1 and June 30, 2018 and 2017, and the period between January 1 and June 30, 2018 and 2017.

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- June 30 , 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 June 30	2,458,000	34.5
Options exercisable at June 30	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 June 30, 2017 was NT$ 36, and the remaining contract duration on a weighted average basis was 0.278 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:

	April 1- June 30 , 2017
Equity-settled	$ -

	January 1- June 30 , 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.

Capital

As of June 30, 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.

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.

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) for 2017. The Shareholders' Meeting resolved on May 25, 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.

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 period between April 1 and June 30, 2018 and the period between January 1 and June 30, 2018, revenue can be sub-classified by operating segment and geographical area, which is stated as follows:

April 1, 2018 ~ June 30, 2018:

	Consumer Products Division
America	$ 1,795,074
Asia	568,444
Others	277,528
	$ 2,641,046

January 1, 2018 ~ June 30, 2018:

	Consumer Products Division	
America	$	3,816,088
Asia		1,057,386
Others		487,377
	$	5,360,851

Other Income and Expenses - Net

	April 1- June 30 , 2018		April 1- June 30 , 2017	
Mold income	$	5,338	$	4,485
Sample income		15,793		1,210
Other income		9,684		6,916
	$	30,815	$	12,611

	January 1- June 30 , 2018		January 1- June 30 , 2017	
Mold income	$	12,444	$	7,681
Sample income		21,248		13,727
Other income		23,309		10,527
	$	57,001	$	31,935

Other income

	April 1- June 30 , 2018		April 1- June 30 , 2017	
Interest income	$	2,053	$	1,042
Others		672		115
	$	2,725	$	1,157

	January 1- June 30 , 2018		January 1- June 30 , 2017	
Interest income	$	3,319	$	1,636
Others		1,422		519
	$	4,741	$	2,155

Other gains and losses

	April 1- June 30 , 2018	April 1- June 30 , 2017
Losses on disposal of property, plant and equipment	($210)	($3,467)
Net currency exchange Gains (losses)	140,525	(2,800)
Net losses on financial assets at fair value through profit or loss	(10,465)	-
Others	1,438	7,836
	$131,288	$1,569

	January 1- June 30 , 2018	January 1- June 30 , 2017
Losses on disposal of property, plant and equipment	($186)	($3,490)
Net currency exchange Gains (losses)	57,836	(105,924)
Net losses on financial assets at fair value through profit or loss	(4,268)	-
Others	3,001	6,839
	$56,383	($102,575)

Additional information regarding the nature of expense

	April 1- June 30 , 2018	April 1- June 30 , 2017
Employee benefit expense	$ 603,408	$ 571,712
Depreciation expense	76,451	81,729
Amortisation expense	5,008	5,050
	$ 684,867	$ 658,491

	January 1- June 30 , 2018	January 1- June 30 , 2017
Employee benefit expense	$ 1,236,644	$ 1,175,720
Depreciation expense	151,166	166,656
Amortisation expense	10,153	9,847
	$ 1,397,963	$ 1,352,223

Employee benefits expense

	April 1- June 30 , 2018		April 1- June 30 , 2017	
Wages and salaries	$	514,837	$	490,730
Labour and health insurance fees		36,684		31,805
Pension costs		31,049		28,555
Other personnel expenses		20,838		20,622
	$	603,408	$	571,712

	January 1- June 30 , 2018		January 1- June 30 , 2017	
Wages and salaries	$	1,067,024	$	1,011,267
Labour and health insurance fees		70,902		65,724
Pension costs		57,289		55,940
Other personnel expenses		41,429		42,789
	$	1,236,644	$	1,175,720

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. As at the period between April 1 and June 30, 2018 and 2017, and the period between January 1 and June 30, 2018 and 2017, the Company recognized compensation to employees in the amounts equal to NT$ 9,107 thousand, NT$ 7,106 thousand, NT$ 18,139 thousand, and NT$ 14,196 thousand, respectively, and remuneration to directors and supervisors in the amounts equal to NT$ 2,500 thousand, NT$ 2,500 thousand, NT$ 5,000 thousand, and NT$ 5,000 thousand, respectively, all presented under payroll expense.

   The amounts for the six-month period ended June 30, 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.

Income tax

1. Income tax expense

Components of income tax expense

	April 1- June 30 , 2018	April 1- June 30 , 2017
Current tax:		
Current tax on profits for the period	$ 24,611	($8,106)
Tax on undistributed surplus earnings	-	15,411
Adjustments in respect of prior years	(1,100)	699
Total current tax	23,511	8,004
Deferred tax:		
Origination and reversal of temporary differences	19,908	22,198
Income tax expense (gain)	$43,419	$30,202

	January 1- June 30 , 2018	January 1- June 30 , 2017
Current tax:		
Current tax on profits for the period	$ 41,171	$ 32,479
Tax on undistributed surplus earnings	-	15,411
Adjustments in respect of prior years	(1,100)	(28,676)
Total current tax	40,071	19,214
Deferred tax:		
Origination and reversal of temporary differences	24,229	17,388
Impact of change in tax rate	8,881	-
Income tax expense (gain)	$73,181	$28,496

2. Income tax amounts associated with other comprehensive income:

	June 30, 2018	June 30, 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.

Earnings per share

	April 1- June 30 , 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	$189,029	$135,313	$1.40
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	189,029	135,313	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	258	
shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$189,029	$ 135,571	$1.39

	April 1- June 30 , 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	$86,179	$133,376	$0.65
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	86,179	133,376	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	225	
shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$86,179	$ 133,601	$0.65

	January 1- June 30 , 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	$244,369	$135,313	$1.81
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	244,369	135,313	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	874	
shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$244,369	$ 136,187	$1.79

	January 1- June 30 , 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	$195,060	$133,376	$1.46
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	195,060	133,376	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	796	
shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$195,060	$ 134,172	$1.45

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

Operating leases

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

	June 30, 2018	December 31, 2017	June 30, 2017
Not later than one year	$ 10,596	$ 10,646	$ 9,067
Later than one year but not later thn five yers	9,954	15,099	18,032
	$ 20,550	$ 25,745	$ 27,099

Additional information regarding cash flows

1. Investing and financing activities with partial cash payments:

	January 1- June 30 , 2018	January 1- June 30 , 2017
Purchase of property, plant and equipment	$ 174,369	$ 68,605
Add: opening balance of payable on equipment	37,619	19,303
Less: ending balance of payable on equipment	(52,751)	(31,808)
Cash paid during the period	$ 159,237	$ 56,100

	January 1- June 30 , 2018	January 1- June 30 , 2017
Declared cash dividend	$ 351,813	$ 173,388
Less: ending dividend payable	(351,813)	(173,388)
Cash paid during the period	$ -	$ -

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

	January 1- June 30 , 2018	January 1- June 30 , 2017
Property, plant and equipment transferred from prepayments for business facilities	$ 51,168	$ 33,650
Other non-current assets from prepayments for Intangible assets	$ 100	$ -

Changes in financing liabilities

	Short-term loans		Short-term bills payable		Long-term loans		Total financing liabilities	
At January 1, 2018	$	90,454	$	-	$	-	$	90,454
Changes in financing liabilities		(39,593)		50,000		18,880		29,287
Changes in non-cash		-		(16)		-		(16)
At June 30, 2018	$	50,861	$	49,984	$	18,880	$	119,725

17. Related-party transactions

Information about remunerations to the major management:

	April 1- June 30 , 2018		April 1- June 30 , 2017	
Salaries and other short-term employee benefits	$	10,478	$	4,271

	January 1- June 30 , 2018		January 1- June 30 , 2017	
Salaries and other short-term employee benefits	$	16,912	$	16,487

18. Pledged Assets

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

	Book value						
	June 30, 2018		December 31, 2017		June 30, 2017		Purpose
Land	$	125,648	$	125,648	$	125,648	Short and long-term loans
Building-net value		288,795		296,557		306,972	Short and long-term loans
Machinery and equipment		21,873		-		-	Long-term loans
Others		1,475		-		-	Long-term loans
Time deposits and cash(shown as“other non-		260		270		270	Customs deposits
	$	438,051	$	422,475	$	432,890	

19. Important contingent liabilities and unrecognized contractual commitments

(1) Contingency

None.

Commitments

1. Balance of outstanding letters of credit

	June 30, 2018	December 31, 2017	June 30, 2017
Raw materials	$ 82,304	$ 52,388	$ 53,782

2. Capital expenditure committed but not incurred:

	June 30, 2018	December 31, 2017	June 30, 2017
Property,plant and equipment	$ 92,590	$ 94,758	$ 56,920

3. Operating lease contracts:

Please refer to Note 6 (27) for elaboration.

20. Significant Losses from Disasters

None.

21. Significant Subsequent Events

None.

22. Others

I. Capital management

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

II. Financial Instruments

1. Types of Financial instruments

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets			
Financial assets at fair value through profit or loss			
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	1,259,523	989,078	1,443,920
Notes receivable	10,950	5,980	5,383
Accounts receivable	2,053,920	2,288,717	1,422,358
Other receivable	14,633	19,173	16,782
Refundable deposits	7,403	7,405	5,063
	$ 3,346,484	$ 3,311,776	$ 2,893,561
Financial liabilities			
Financial liabilities at fair value through profit or loss			
Available-for-sale financial liabilities	$ 1,936	$ -	$ -
Financial liabilities measured at amortised cost			
Short-term loans	50,861	90,454	40,515
Short-term bills payable	49,984	-	-
Notes payable	566	1,697	1,375
Accounts payable	945,258	1,203,816	781,870
Other payables	1,225,534	1,061,639	969,282
Long-term loans	18,880	-	-
Guarantee deposits	575	525	516
	$ 2,293,594	$ 2,358,131	$ 1,793,558

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:

	June 30, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value(NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 92,662	29.06	$ 2,817,851
USD:RMB	36,480	6.6246	1,109,357
Non-monetary items			
RMB:NTD	246,783	4.593	1,133,474
Financial liabilities			
Monetary items			
USD:NTD	45,032	30.51	1,373,926
USD:RMB	8,953	6.6246	273,156

	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

	June 30, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value(NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 69,176	30.37	$ 2,100,875
USD:RMB	33,356	6.7807	1,013,022
Non-monetary items			
RMB:NTD	247,398	4.486	1,109,827
Financial liabilities			
Monetary items			
USD:NTD	36,945	30.47	1,125,714
USD:RMB	7,010	6.7807	213,595

B. Due to the significant influence from exchange rate volatility, total exchange losses of the Group’s monetary items amounted to NT$ 140,525 thousand, NT$ (2,800) thousand, NT$ 57,836 thousand, and NT$ (105,924) thousand, respectively, for the period between April 1 and June 30, 2018 and 2017, and the period between January

1 and June 30, 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- June 30 , 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%	$ 28,179	$ -
USD:RMB	1%	11,094	-
Non-monetary items			
Financial liabilities			
Monetary items			
USD:NTD	1%	13,739	$ -
USD:RMB	1%	2,732	-

	January 1- June 30 , 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%	$ 21,009	$ -
USD:RMB	1%	10,130	-
Financial liabilities			
Monetary items			
USD:NTD	1%	11,257	$ -
USD:RMB	1%	2,136	-

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, short-term bills payables and long-term loans 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.

Cash and cash equivalents and financial derivatives

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.

Accounts receivable

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 procedures, the Group writes off financial assets to the extent of the amount that cannot be reasonably expected to be recovered. However, the Group will continue the legal procedures to recourse in order 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 June 30, 2018: 0.00% to 0.02% for accounts receivables not past due, 0.00% to 0.17% for accounts receivables within 30 days past due, 0.00% 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, 1.49% to 35.84% for accounts receivables 121 days to 150 days past due, 17.29% 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 roughly 1.31% 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	(2,854)	-
June 30, 2018	$ 5,766	$ -

G. For credit information as at the six-month period ended June 30, 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 June 30, 2018, December 31, 2017 and June 30, 2017, the Group had a money market position in the amounts equal to NT$ 1,258,574 thousand, NT$ 988,057 thousand, and NT$ 1,442,627 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:

June 30, 2018	Less than 1 year		Between 1 to 2 years		Over 2 years	
Short-term borrowings	$	50,861	$	-	$	-
Short-term notes payable		50,000		-		-
Notes payable		566		-		-
Accounts payable		945,258		-		-
Other payables		1,225,534		-		-
Long-term loans		263		263		19,308

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:

June 30, 2017	Less than 1 year		Between 1 to 2 years		Over 2 years	
Short-term borrowings	$	40,515	$	-	$	-
Notes payable		1,375		-		-
Accounts payable		781,870		-		-
Other payables		969,282		-		-

Derivative financial liabilities:

June 30, 2018	Less than 1 year		Between 1 to 2 years		Over 2 years	
Forward foreign exchange contracts	$	1,936	$	-	$	-

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

III. Fair Value Information:

1. 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, other payables and long-term loans) 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:

June 30, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
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	$ -	$1,936	$ -	$1,936

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

June 30,2017: 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 six-month periods ended June 30, 2018 and 2017.

5. There were no changes in Level 3 of the fair value hierarchy as at the six-month periods ended June 30, 2018 and 2017.

6. 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 June 30, 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.

IV. Effects of initial application of IFRS 9 and information on application of IAS 39 in 2017

1. Critical accounting policies adopted for the annual period ended December 31, 2017 and the six-month period ended June 30, 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 current market return rate of 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 staring 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 June 30, 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

June 30, 2017: None.

A. Net profit recognized in 2017 for the Group's financial assets held for trading was NT$ 685 thousand. (presented as "Other Gains and Losses")

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

Derivative instruments	December 31, 2017 Contract amount (notional principal)	December 31, 2017 Contract period
Current items:		
Forward foreign exchange contracts	USD 2,000仟元	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 June 30, 2017, no financial assets carried at cost were pledged as collateral.

4. Information respecting the credit risks as at December 31, 2017, June 30, 2017 and the six-months period ended June 30, 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 second 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	June 30, 2017
Up to 30 days	$70,282	$171,454
31 to 90 days	26,480	62,746
91 to 180 days	6,095	10,210
Over 181 days	$6,613	$9,575
	$109,470	$253,985

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 June 30, 2017, the Group's individually impaired accounts receivables were NT$ 0.

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

	Year 2017		
	Individual provision	Group provision	Total
At January 1	$ -	$ 10,984	$ 10,984
Provision for impairment	-	10,302	10,302
At June 30	$ -	$ 21,286	$ 21,286

V. Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

1. Critical accounting policies regarding revenue recognition for the annual period ended December 31, 2017 and for the six-month period ended June 30, 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 six-month period ended June 30, 2018, there will be no significant influence over the line items both on the balance sheets and on the statement of comprehensive income.

23. 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.))

I. 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 (11), 12 (3) and 12 (4).

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

II. Reinvestment Information

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

III. Investments in Mainland China

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.

24. Segment Information

I. General Information:

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

II. 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.

III. 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.