JOHNSON HEALTH TECHNOLOGY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
31 DECEMBER 2017 AND 2016

Notice to readers:
The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Address: No.999, Sec. 2, Dongda Rd., Daya Dist., Taichung City 428, Taiwan R.O.C.
Telephone: 886-4-25667100

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of JOHNSON HEALTH TECHNOLOGY CO., LTD. as of and for the year ended December 31, 2017, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, JOHNSON HEALTH TECHNOLOGY CO., LTD. and subsidiaries do not prepare a separate set of combined financial statements.

Hereby certified.

JOHNSON HEALTH TECHNOLOGY CO., LTD.

Lo, Kun Chuan
Chairman

March 30, 2018

安永聯合會計師事務所
40341 台中市民權路239號7樓
7F, No. 239, Minquan Road
Taichung City, Taiwan, R.O.C.
Tel: 886 4 2305 5500
Fax: 886 4 2305 5577
www.ey.com/taiwan

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To Johnson Health Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Johnson Health Technology Co., Ltd. and subsidiaries (the "Group") as of 31 December 2017 and 2016, the related consolidated statements of comprehensive income, statements of changes in equity and cash flows for the years ended 31 December 2017 and 2016, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively referred to as "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2017 and 2016, and their consolidated financial performance and cash flows for the years ended December 31, 2017 and 2016, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2017 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill assessment

As of 31 December 2017, the goodwill was carried at NTD1,146,144 thousand which represented 5% of total assets. The Company performed impairment testing on the cash-generating units according to the International Financial Reporting Standards. The recoverable amount of the cash-generating units has been determined based on the value in use because their fair value cannot be reliably measured. We determined goodwill assessment to be a key audit matter because the carrying amounts of goodwill were material to the company and subsidiaries, the determination of value in use was complex, and high level of management judgment was involved when making assumptions about cash flow forecasts.

Our audit procedures included, but were not limited to: evaluating the management's assessment of value in use; involving internal expert to assist us in evaluating the reasonableness of key assumptions used by management such as growth rates, discount rates, and gross margin; involving internal expert to assist us in evaluating the reasonableness of key components of discount rates such as cost of capital, company-specific risk premium and market risk premium by comparing them to other companies of similar size with the cash-generating units; interviewing with management and assessing the reasonableness of assumptions used in their model such as gross margin, growth rates, and the expected future market and economic conditions; challenging management's budgeting process by comparing the actual financials to date versus previously forecasted financials and management's forecasting process by comparing the assumptions to historic performance of the company.

We also assessed the adequacy of the disclosures related to goodwill assessment in Notes 5 and 6.

Inventory valuation

As of December 31, 2017, the net inventories amounted to NT$4,871,222 thousand, accounting for 22% of the total consolidated assets. As products are vulnerable to fluctuating market demands and fast technological changes which may cause obsolete and slow-moving inventory losses, the determination of the provisions for obsolete inventories involved a high level of management judgment. As such, we determined this to be a key audit matter.

Our audit procedures included, but were not limited to: assessing the effectiveness of internal control over inventory established by management, including performing simple test by sampling and understanding management's assessment for inventory valuation; evaluating the adequacy of accounting policy around obsolete and slow-moving inventories; obtaining inventory aging schedule to test whether the aging reports were reasonable; selecting important storage locations to observe inventory counts; in addition, we obtained inventory movement report, sampled related documents of purchases and sales to re-calculate the unit cost and verify the reasonableness of net realized value of inventories, including taking appropriate samples from inventory to verify the related vouchers and confirm the reasonableness of the net realizable value adopted for the inventory.

We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

Impairment of accounts receivable

As of 31 December 2017, gross accounts receivable and allowance for bad debts by the Group amounted to NTD7,376,279 thousand and NTD200,038 thousand, respectively. Net accounts receivable represented 32% of consolidates total assets that could have significant impacts on consolidated statements. Since the adoption of provision policy requires significant management judgment to assess impairment of accounts receivable, we therefore determined this a key audit mater.

Our audit procedures included, but not limited to: assessing the effectiveness of internal controls around accounts receivable management, including performing simple test by sampling and understanding management's assessment for impairment of accounts receivable; selecting samples to perform the accounts receivable confirmation and reviewing the collection in subsequent period to assess their recoverability; assessing the appropriateness of provision for bad debts; testing the correctness of the accounts receivable aging schedule; performing and assessing the reasonability of impairment for individual accounts receivable overdue.

We also assessed the adequacy of the disclosures related to accounts receivable in Notes 5 and 6.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2017 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the years ended December 31, 2017 and 2016.

Tu, Chin Yuan

Lin, Hung Kuang

Ernst & Young, Taiwan

30 March 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
JOHNSON HEALTH TECHNOLOGY CO., LTD.
CONSOLIDATED BALANCE SHEETS
31 December 2017 and 31 December 2016
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of	
		31 December 2017	31 December 2016
Current Assets			
Cash and cash equivalents	4.6(1)	$3,388,173	$3,666,790
Financial assets at fair value through profit or loss, current	4.6(2)	-	24,757
Notes receivable, net	4	77,390	45,750
Trade receivables, net	4.6(3)	7,176,241	7,132,940
Other accounts receivable, net	4,8	211,571	316,400
Inventories, net	4.6(5)	4,871,222	5,547,416
Prepayments	4.6(4)	683,304	523,134
Other current assets		99,587	128,965
Total Current Assets		16,507,488	17,386,152
Non-current assets			
Property, Plant and Equipment	4.6(6).8	2,883,303	2,364,266
Intangible assets	4.6(7)(8)	1,201,583	1,259,990
Deferred tax assets	4.6(22)	995,865	1,110,385
Other non-current assets	6(9)	678,813	531,756
Total non-current assets		5,759,564	5,266,397
Total Assets		$22,267,052	$22,652,549

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

JOHNSON HEALTH TECHNOLOGY CO., LTD.

CONSOLIDATED BALANCE SHEETS

31 December 2017 and 31 December 2016

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Stockholders' Equity	Notes	As of 31 December 2017	As of 31 December 2016
Current Liabilities			
Short-term borrowings	4.6(10)	5,051,682	$5,304,428
Commercial paper payable	4.6(11)	149,696	149,989
Financial liabilities at fair value through profit or loss, current	4.6(12)	27,812	9,696
Notes payable		160,391	203,326
Accounts payable		2,459,529	3,105,772
Other payables	6(13)	2,179,972	2,243,503
Current tax liabilities	4, 6(22)	328,083	563,413
Current portion of long-term loans	6(14)	309,217	324,304
Other current liabilities		543,125	636,498
Total Current Liabilities		11,209,507	12,540,929
Non-current liabilities			
Long-term loans	4.6(14)	2,291,139	866,365
Provisions non-current	4.6(13)	139,369	114,244
Deferred tax liabilities	4.6(22)	285,005	259,116
Net defined benefit obligation, non-current	5.6(15)	68,231	63,540
Other non-current liabilities	4	106,360	202,715
Total non-current liabilities		2,890,104	1,505,980
Total Liabilities		14,099,611	14,046,909
Equity			
Capital			
Common stock	4,6(16)	3,040,166	3,040,166
Additional paid-in capital	4,6(16)	54,921	54,921
Retained earnings	4,6(16)		
Legal reserve		1,260,646	1,189,028
Special reserve		772,054	107,136
Unappropriated earnings		4,070,800	5,030,680
Subtotal		6,103,500	6,326,844
Other components of equity		(987,409)	(772,054)
Treasury stock		(48,948)	(48,948)
Equity attributable to owners of the parent		8,162,230	8,600,929
Non-controlling interests	6(17)	5,211	4,711
Total equity		8,167,441	8,605,640
Total liabilities and equity		$22,267,052	$22,652,549

(The accompanying notes form an integral part of the consolidated financial statements)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

JOHNSON HEALTH TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the years ended December 31,	
	Notes	2017	2016
Operating revenues	4,6(18),7	$19,494,431	$20,164,515
Operating costs	6(19)	(10,289,954)	(10,828,889)
Gross Profit		9,204,477	9,335,626
Operating Expenses	6(19)		
Selling and distribution		(3,631,841)	(3,585,847)
General and administrative		(4,975,168)	(4,665,610)
Research and development		(460,776)	(467,561)
Total Operating Expenses		(9,067,785)	(8,719,018)
Operating Income		136,692	616,608
Non-operating income and expenses			
Other income	4,6(20)	371,085	433,016
Other gains and losses		(145,566)	68,041
Finance costs		(137,214)	(115,258)
Subtotal		88,305	385,799
Income from continuing operations before income tax		224,997	1,002,407
Income tax expense	4.6(22)	(94,395)	(285,988)
Net income		130,602	716,419
Other comprehensive income	4.6(21)		
Items that may not to be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(5,947)	(3,386)
Income tax relating to items that may not be reclassified		1,011	576
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(259,464)	(801,106)
Income tax relating to items that may be reclassified		44,109	136,188
Total other comprehensive income (loss) , net of tax		(220,291)	(667,728)
Total comprehensive income		$(89,689)	$48,691
Net income attributable to:			
Stockholders of the parent		$130,176	$716,180
Non-controlling interests		426	239
		$130,602	$716,419
Comprehensive income attributable to:			
Stockholder of the parent		$(90,115)	$48,452
Non-controlling interests		426	239
		$(89,689)	$48,691
Earnings per share (NTD)	4.6(23)		
Earnings per share-basic		$0.43	$2.36
Earnings per share-diluted		$0.43	$2.36

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

JOHNSON HEALTH TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

Description	Common Stock	Additional Paid-in Capital	Retained Earnings			Other components of equity	Treasury stock	Total	Non-Controlling Interests	Total Equity
			Legal Reserve	Special reserve	Unappropriated Earnings					
Balance as of 1 January 2016	$3,040,166	$54,921	$1,132,667	$64,037	$4,720,787	$(107,136)	$ -	$8,905,442	$4,569	$8,910,011
Distribution of 2015 retained earnings										
Legal reserve			56,361		(56,361)			-		-
Special reserve				43,099	(43,099)			-		-
Cash dividends					(304,017)			(304,017)		(304,017)
Net income in 2016					716,180			716,180	239	716,419
Other comprehensive loss, net of tax in 2016					(2,810)	(664,918)		(667,728)		(667,728)
Total comprehensive income	-	-	-	-	713,370	(664,918)	-	48,452	239	48,691
Increase in non-controlling interests								-	(97)	(97)
Treasury Stock Acquired							(48,948)	(48,948)		(48,948)
Balance as of 31 December 2016	$3,040,166	$54,921	$1,189,028	$107,136	$5,030,680	$(772,054)	$(48,948)	$8,600,929	$4,711	$8,605,640
Balance as of 1 January 2017	$3,040,166	$54,921	$1,189,028	$107,136	$5,030,680	$(772,054)	$(48,948)	$8,600,929	$4,711	$8,605,640
Distribution of 2016 retained earnings										
Legal reserve			71,618		(71,618)			-		-
Special reserve				664,918	(664,918)			-		-
Cash dividends					(348,584)			(348,584)		(348,584)
Net income in 2017					130,176			130,176	426	130,602
Other comprehensive loss, net of tax in 2017					(4,936)	(215,355)		(220,291)		(220,291)
Total comprehensive income	-	-	-	-	125,240	(215,355)	-	(90,115)	426	(89,689)
Increase in non-controlling interests								-	74	74
Balance as of 31 December 2017	$3,040,166	$54,921	$1,260,646	$772,054	$4,070,800	$(987,409)	$(48,948)	$8,162,230	$5,211	$8,167,441

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

JOHNSON HEALTH TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31,	
Cash Flows from Operating Activities:	2017	2016
Net income before income tax	$224,997	$1,002,407
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	319,104	292,713
Amortisation	29,799	39,746
Allowance for doubtful accounts	35,139	12,276
Net loss(gain) of financial assets/liabilities at fair value through profit or loss	40,001	(16,200)
Finance costs	137,214	115,258
Interest revenue	(273,335)	(371,474)
Loss on disposal of property, plant and equipment	13,361	7,044
Gain on disposal of intangible assets	-	(47)
Changes in operating assets and liabilities:		
Increase in notes receivable	(31,640)	(8,703)
(Increase)Decrease in trade receivables	(80,410)	79,212
Decrease in other receivables	104,829	68,840
Decrease(Increase) in inventories, net	676,194	(579,393)
Increase in prepayments	(160,170)	(170,039)
Decrease(Increase) in other current assets	29,378	(19,198)
(Increase)Decrease in non-current assets-others	(154,502)	16,503
(Decrease)Increase in notes payable	(42,935)	51,444
(Decrease)Increase in accounts payable	(646,243)	702,297
(Decrease)Increase in other payables	(61,130)	115,428
Increase in Provision	25,125	3,488
(Decrease)Increase in other current liabilities	(93,373)	142,984
Decrease in accrued pension liabilities	(1,256)	(1,390)
Decrease in non-current liabilities-others	(96,355)	(87,284)
Cash (used in) generated from operations	(6,208)	1,395,912
Interest received	273,335	371,474
Interest paid	(138,274)	(113,052)
Income tax paid	(202,560)	(396,658)
Net cash generated from (used in) operating activities	(73,707)	1,257,676

	For the years ended December 31,	
	2017	2016
Cash flows from investing activities:		
Net cash outflow from acquisition of subsidiaries	$ -	$(409,801)
Acquisition of property, plant and equipment	(893,889)	(592,650)
Disposal of property, plant and equipment	15,776	12,753
Acquisition of intangible assets	(50,944)	(9,966)
Net cash used in investing activities	(929,057)	(999,664)
Cash flows from financing activities:		
Increase in short-term loans	4,152,669	7,368,200
Decrease in short-term loans	(4,391,425)	(8,025,784)
Decrease in commercial paper payable	(1,634)	-
Increase in long-term loans	1,721,199	835,108
Decrease in long-term loans	(325,570)	(522,805)
Cash dividends	(348,584)	(304,017)
Treasury stock acquired	-	(48,948)
Net cash generated from (used in) financing activities	806,655	(698,246)
Effect of changes in exchange rate on cash and cash equivalents	(82,508)	(891,559)
Net decrease in cash and cash equivalents	(278,617)	(1,331,793)
Cash and cash equivalents at beginning of period	3,666,790	4,998,583
Cash and cash equivalents at end of period	$3,388,173	$3,666,790

The accompanying notes are an integral part of the consolidated financial statements.

1. ORGANIZATION AND OPERATIONS

Johnson Health Technology Co., Ltd. (the Company) was incorporated in 1975. The main activities of the Company are manufacturing and selling sports equipment, cardio equipment, weight training equipment, and related electronic components. The shares of the Company were listed on the Taiwan Stock Exchange on 9 January 2003.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as "the Group") for the years ended 31 December 2017 and 2016 were authorized for issue in accordance with a resolution of the board of directors' meeting on 30 March 2018.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2017. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

IAS 36 "Impairment of Assets" (Amendment)
This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

(2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

(a) *IFRS 15 "Revenue from Contracts with Customers"*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with the core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after 1 January 2018.

(b) *IFRS 9 "Financial Instruments"*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018.

(c) *IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(d) *IAS 12"Income Taxes" — Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify how to account for deferred tax assets for unrealized losses. The amendments are effective for annual periods beginning on or after 1 January 2017.

(e) *Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows":*

The amendments relate to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendments are effective for annual periods beginning on or after 1 January 2017.

(f) *IFRS 15 "Revenue from Contracts with Customers" — Clarifications to IFRS 15*

The amendments clarify how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a license should be recognized at a point in time or over time. The amendments are effective for annual periods beginning on or after 1 January 2018.

(g) *IFRS 2 "Shared-Based Payment" — Amendments to IFRS 2*

The amendments contain (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2018.

(h) *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4*

The amendments help to resolve issues arising from the different effective dates for IFRS 9 "Financial Instruments" (1 January 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before 1 January 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 "Financial Instruments" before the IASB's new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(i) *Transfers of Investment Property — Amendments to IAS 40*

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after 1 January 2018.

(j) *Improvements to International Financial Reporting Standards (2014-2016 cycle)*:

IFRS 1 "First-time Adoption of International Financial Reporting Standards"
The amendments revise and amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after 1 January 2018.

IFRS 12 "Disclosure of Interests in Other Entities"
The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after 1 January 2017.

IAS 28"Investments in Associates and Joint Ventures"
The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments" on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after 1 January 2018.

(k) IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*"

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 "The Effects of Changes in Foreign Exchange Rates", in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after 1 January 2018.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2018. Apart from the potential impact of the standards and interpretations listed under (a), (e) and (f) which is described below, all other standards and interpretations have no material impact on the Group:

(a) IFRS 15“Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

The Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group’s principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

(i) Revenue from sale of goods is currently recognized when goods have been delivered to the buyer. Starting from the date of initial application, in accordance with the requirements of IFRS 15, the Group shall recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group’s revenue recognition from sale of goods. However, for some contracts, if the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. It is different from the accounting treatment of recognizing trade receivables before the date of initial application. The amount reclassified from trade receivables to contracts assets of the Group as at the date of initial application was NTD44,102 thousand.

(ii) For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. The Group recognized the consideration received in advance from customers as payment received in advance under other current liabilities. Starting from the date of initial application, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Group as at the date of initial application was NTD211,346 thousand.

(iii) In accordance with the requirements of IFRS 15, more extensive disclosure would have to be made.

(b) Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows"

Additional disclosure of a reconciliation of the carrying amount of liabilities arising from financing activities at the beginning and end of the period would be required.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group's financial statements are listed below.

(a) *IFRS 16"Leases"*

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after 1 January 2019.

(b) IFRIC 23 "*Uncertainty Over Income Tax Treatments*"

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after 1 January 2019.

(c) IFRS 17 "*Insurance Contracts*"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(i)estimates of future cash flows;
(ii)Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(iii)a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 is effective for annual periods beginning on or after 1 January 2021.

(d) *IAS 28 "Investment in Associates and Joint Ventures" — Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28. The amendment is effective for annual reporting periods beginning on or after 1 January 2019.

(e) *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income. The amendment is effective for annual reporting periods beginning on or after 1 January 2019.

(f) *Improvements to International Financial Reporting Standards (2015-2017 cycle):*

IFRS 3 "Business Combinations"

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business. The amendments are effective for annual periods beginning on or after 1 January 2019.

IFRS 11 "Joint Arrangements"

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are effective for annual periods beginning on or after 1 January 2019.

IAS 12 "Income Taxes"

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendments are effective for annual periods beginning on or after 1 January 2019.

IAS 23 "Borrowing Costs"

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale. The amendments are effective for annual periods beginning on or after 1 January 2019.

(g) *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset. The amendments are effective for annual periods beginning on or after 1 January 2019.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a) and (b), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended 31 December 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC (TIFRSs).

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NTD”) unless otherwise stated.

(3) General Description of Reporting Entities

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee
(b) rights arising from other contractual arrangements
(c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss; and
(f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are as follows:

Investor	Subsidiary	Business nature	December 31, 2017	December 31, 2016
the Company	Johnson International Holding Corp., Ltd.	Holding company	100.00%	100.00%
the Company	Johnson Health Tech (Vietnam) Company Limited	Selling cardiovascular and weight training equipment	100.00%	100.00%
the Company	Johnson Health Technologies, S.A. de C.V.	Selling cardiovascular and weight training equipment	100.00%	100.00%
the Company	Johnson Health Tech Canada Inc.	Selling cardiovascular and weight training equipment	100.00%	100.00%
the Company	Johnson Health Tech. UK Ltd.	Selling cardiovascular and weight training equipment	44.43%	44.43%
the Company	Johnson Health Tech Retail Inc.	Selling cardiovascular and weight training equipment	100.00%	100.00%
the Company	Johnson Health Tech Commercial (Philippines) Inc.	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	J&S Trading Co., Ltd.	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. UK Ltd.	Selling cardiovascular and weight training equipment	55.57%	55.57%
Johnson International Holding Corp., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	Manufacturing and selling fitness equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Gmbh	Selling cardiovascular and weight training equipment	99.77%	99.77%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Iberica. S.L.	Selling cardiovascular and weight training equipment	99.99%	99.99%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. France SAS	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Japan K.K.	Selling cardiovascular and weight training equipment	99.78%	99.78%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. (Thailand) Co., Ltd.	Selling cardiovascular and weight training equipment	95.00%	95.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Italia SPA	Selling cardiovascular and weight training equipment	99.82%	99.82%
Johnson International Holding Corp., Ltd.	Johnson Fitness (Malaysia) Sdn. Bhd.	Selling cardiovascular and weight training equipment	99.38%	99.38%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. (Schweiz) Gmbh	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Netherland B.V.	Selling cardiovascular and weight training equipment	100.00%	100.00%

Investor	Subsidiary	Business nature	December 31, 2017	December 31, 2016
Johnson International Holding Corp., Ltd.	Johnson Industries (Shang-hai) Co., Ltd.	Manufacturing and selling fitness equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. (Hong Kong) ., Ltd	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Care Co., Ltd.	Research and development of cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Industrial Do Brasil Ltda	Manufacturing and selling cardiovascular and weight training equipment	99.99%	99.99%
Johnson International Holding Corp., Ltd.	World Of Leasing Gmbh	Leasing of cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. North America, Inc.	Manufacturing and selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Australia Pty., Ltd	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech Poland Sp. Z 0.0.	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Style Retail Vietnam Company Limited	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson F&B Management(Shang-Hai) Co., Ltd.	Selling food	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Joyful Trading(Shang-Hai) Co., Ltd.	Selling food	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech UAE L.L.C	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson Health Tech Retail Inc.	2nd wind Exercise Equipment, Inc.	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson Health Tech Retail Inc.	Leisure Fitness Equipment, LLC	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson Health Tech Retail Inc.	The Gym Store, LLC (Busy Body)	Selling cardiovascular and weight training equipment	100.00%	100.00%

(4) Foreign Currency Transactions

The Group’s consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the parent company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b) Foreign currency items within the scope of IAS 39 are accounted for based on the accounting policy for financial instruments.

(c) Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In the partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and Non-current Distinction

An asset is classified as current when:

(a) The Group expects to realized the asset, or intends to sell or consume it, in its normal operating cycle; or
(b) The Group holds the asset primarily for the purpose of trading; or
(c) The Group expects to realize the asset within twelve months after the reporting period; or
(d) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as a current when:

(a) The Group expects to settle the liability in normal operating cycle; or
(b) The Group holds the liability primarily for the purpose of trading; or
(c) The liability is due to be settled within twelve months after the reporting period; or
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Term of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash Equivalents

Cash and cash equivalents shall refer to cash, time deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, including time deposits with original maturities of three months or less.

(8) Financial Instruments

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

Financial assets and financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

<u>Financial Assets</u>

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

The financial assets are classified as held for trading when:

i. The primary purpose of acquiring is to be sold in a short time.
ii. They are part of a recognizable portfolio of financial instruments when recognized initially and there were evidences to show the portfolio is profited in a short time.
iii. They are derivative instruments (except for contract of financial guarantee or hedging instruments)

The Group assigned the contracts that included one or more embedded derivative instruments as financial assets at fair value through profit or loss; or the financial assets are assigned as financial assets designated upon initial recognition at fair value through profit or loss when:

i. The assignment can eliminate or strongly decrease the inconsistency in recognition and measurement; or
ii. The Group estimates the effects of the financial assets, liabilities or both, and provide the relevant information to key managements based on the fair value.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

(b) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

(d) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that an individual or a group of financial asset other than the financial assets at fair value through profit or loss is impaired. An individual or a group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

i. Significant financial difficulty of the issuer or obligor; or
ii. A breach of contract, such as a default or delinquency in interest or principal payments; or
iii. It becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
iv. The disappearance of an active market for that financial asset because of financial difficulties.

For loans and receivables measured at amortized cost: if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets’ carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

If, in a subsequent year, the account receivable amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

(e) Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired.
ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

Financial liabilities and equity

(a) Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

(c) Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled. For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not re-measured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IAS 39 Financial Instruments: Recognition and Measurement.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

(d) Financial liabilities

Financial liabilities within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

(e) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The financial liabilities are classified as held for trading when:

i. The primary purpose of acquiring is to be sold in a short time.
ii. They are part of recognizable portfolio of financial instruments when recognized initially and there were evidences to show the portfolio is profited in a short time.
iii. They are derivative instruments (except for contract of financial guarantee or hedging instruments).

The Group assigned the contracts that included one or more embedded derivative instruments as financial liabilities at fair value through profit or loss; or the financial liabilities are assigned as financial liabilities designated upon initial recognition at fair value through profit or loss when:

i. The assignment can eliminate or strongly decrease the inconsistency in recognition and measurement; or
ii. The Group estimates the effects of the financial assets, liabilities or both, and provides the relevant information to key managements based on the fair value.

Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

(f) Financial liabilities carried at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

(g) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative financial instruments

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11)Inventories

Inventories are stated at the lower of cost and realizable value. Cost is presented by all the essential expenditures incurred to the ready status as being sold or finished products. Materials, work in process and finished goods are calculated on the following bases:

Materials	─ Weighted average of actual procurements
Work in process and finished goods	─ Direct materials, labor cost and overhead are all accounted for. Finished goods and work in process are accounted under the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(12)Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings and facilities	3～55 years
Machinery and equipment	3～12 years
Transportation equipment	5～7 years
Office equipment	2～12 years
Tooling equipment	2～5 years
Leased assets	3～15 years
Leasehold improvements	Lower of leasehold years or useful lives
Miscellaneous equipment	2～12 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(13)Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(14)Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets which fail to meet the recognition criteria are not capitalized and the expenditures are reflected in profit or loss in the period incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in other operating income and expenses. Accounting policies of the Group's intangible assets is summarized as follows:

	Trademarks	Patents	Software	Other intangible assets	Goodwill
Useful lives	10~17 years	2~7 years	1~10 years	3~5 years	indefinite
Method of amortization	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	There is no amortization
Acquired from	Externally acquired	Externally acquired	Externally acquired	Externally acquired	Externally acquired

(15)Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset in the scope of IAS 36 may be impaired. If any indication exists, the Group completes impairment testing for the cash-generating unit (CGU) where the individual assets belong to. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset.

If circumstances indicate that previously recognized impairment losses may no longer exist or may have decreased at each reporting date, the Group re-assesses the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

The cash generating unit, or groups of CGU, to which goodwill has been allocated is tested for impairment annually at the same time every year, irrespective of whether there is any indication of impairment. Where the carrying amount of an asset or CGU (including the carrying amount of goodwill) exceeds its recoverable amount, the asset is considered impaired. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment loss of or reversal gain of impairment is recognized in other operating income and expenses.

(16)Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Maintenance warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management’s judgment and other known factors.

(17)Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

(a) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

i. the significant risks and rewards of ownership of the goods have passed to the buyer;
ii. neither continuing managerial involvement nor effective control over the goods sold have been retained;
iii. the amount of revenue can be measured reliably;
iv. it is probable that the economic benefits associated with the transaction will flow to the entity; and
v. the costs incurred in respect of the transaction can be measured reliably.

For the customer loyalty points program that the Company operates, consideration received is allocated between the goods sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

(b) Interest income

For all financial assets measured at amortized cost including loans and receivables, interest income is recorded using the effective interest rate method and recognized in profit or loss.

(c) Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(18)Borrowing cost

It is capitalized as part of the assets when the borrowing cost is directly attributable to the acquisition, construction or production of assets. The other borrowing cost should be recognized as current expense. The borrowing cost includes the interest and other cost that relate to borrowing of funds.

(19)Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(20)Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group’s consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and

(b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21)Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(22)Treasury Stock

Reacquired issued shares of the Group are recorded as treasury stock at cost and shown as a deduction in equity.

(23)Income Tax

Income tax expense (profit) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

Current income tax

Current income tax assets and liabilities for the current period and prior periods are measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by stockholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in financial statement at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

(b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is estimated using the tax rate that would be applicable to expected total annual earnings, that is, calculated by the pre-tax income of the interim period multiplied by the estimated average annual effective income tax rate.

(24)Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(1) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation for uncertainty at the reporting date, that would have a significant risk for a material adjustment to the carrying amounts of assets or liabilities within the next fiscal year are discussed below.

(a) The Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Impairment of Non-financial Assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

(c) Impairment of Goodwill

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the future period and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

(d) Post-Employment Benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases. Please refer to Note 6 for more details.

(e) Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entities’ domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for more details on unrecognized deferred tax assets.

(f) Accounts receivables–estimation of impairment loss

The Group considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(g) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Refer to Note 6 for details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of	
	31 December 2017	31 December 2016
Cash on hand	$46,415	$36,900
Checking and savings accounts	2,477,638	2,612,770
Cash equivalents	864,120	1,017,060
Total	$3,388,173	$3,666,790

(2) Financial assets at fair value through profit or loss -Current

	As of	
	31 December 2017	31 December 2016
Financial Assets at Fair Value through Profit or Loss:		
Held for trading		
Forward exchange contracts	$-	$20,041
Option contract	-	4,716
Total	$-	$24,757
Current	$-	$24,757
Non-current	-	-
Total	$-	$24,757

Financial assets held for trading were not pledged.

Please refer to Note 12 (7) for more details on forward exchange contracts

(3) Trade receivables, net

	As of	
	31 December 2017	31 December 2016
Accounts receivable	$4,747,554	$4,366,302
Installment accounts receivable	2,406,131	2,695,179
Less: unrealized gain on installment sales revenue	(170,946)	(193,394)
Leased accounts receivable	477,679	497,041
Less: unrealized gain on leased accounts receivable	(84,139)	(69,259)
Less: allowance for doubtful accounts	(200,038)	(162,929)
Total	$7,176,241	$7,132,940

The expected recovery of the accounts receivables from installment sales is as follows:

	As of	
	31 December 2017	31 December 2016
2017.01~2017.12	$-	$1,434,037
2018.01~2018.12	1,057,767	790,476
2019.01~2019.12	799,539	373,212
2020.01~2020.12	393,203	90,325
2021.01~2021.12	134,518	7,012
2022.01~2022.12	16,714	117
2023.01~2023.12	4,390	-
Total	$2,406,131	$2,695,179

	As of			
	31 December 2017		31 December 2016	
	Current	Non-current	Current	Non-current
Leased accounts receivable	$477,679	$-	$497,041	$-
Less: Unrealized gain on leased accounts receivable	(84,139)	-	(69,259)	-
Installment Accounts receivable, net	$393,540	$-	$427,782	$-

No accounts receivables were pledged.

The movements in the provision for impairment of trade receivables are as follows:

	Individually impaired	Collectively impaired	Total
As of 1 January 2017	$42,682	$120,247	$162,929
Charge/reversal for the current period	12,400	22,739	35,139
Foreign exchange effects	2,187	(217)	1,970
As of 31 December 2017	$57,269	$142,769	$200,038
As of 1 January 2016	$35,569	$118,262	$153,831
Charge/reversal for the current period	9,513	2,763	12,276
Foreign exchange effects	(2,400)	(778)	(3,178)
As of 31 December 2016	$42,682	$120,247	$162,929

Ageing analysis of trade receivables that are past due as at the end of the reporting period but not impaired is as follows:

As of	Neither past due nor impaired	Past due but not impaired <=60 days	61-90 days	91-180 days	>180 days	Total
31 December 2017	$5,946,565	$826,575	$77,451	$221,643	$104,007	$7,176,241
31 December 2016	$6,160,153	$672,596	$75,949	$136,496	$87,746	$7,132,940

(4) Prepayments

	As of 31 December 2017	As of 31 December 2016
Prepaid expenses	$369,997	$294,144
Prepayment for purchases	162,982	117,310
Other prepayments	150,325	111,680
Total	$683,304	$523,134

(5) Inventories, net

(a) Details as follows:

	As of 31 December 2017	As of 31 December 2016
Raw materials	$569,529	$499,324
Work in progress	333,802	318,419
Merchandises	3,967,891	4,729,673
Total	$4,871,222	$5,547,416

(b) The cost of inventories recognized in expenses for the year ended 31 December 2017 and 2016 were NTD10,289,954 thousand and NTD10,828,889 thousand respectively. The profit and loss that related to cost of goods sold are as follows:

	For the years ended 31 December	
	2017	2016
Warranty	$806,212	$929,572
Loss on disposal of inventory	10,941	10,060
Revenue from sale of scraps	(4,923)	(5,927)
Impairment(Gain from price recovery) of inventories	14,697	(9,372)
Gain on physical inventory	11,330	2
Total	$838,257	$924,335

Gain from price recovery of inventories was recognized in 2016 because the circumstances that caused the net realizable value of inventory to be lower than its cost were invalid due to disposal of the slow moving inventory.

No inventories were pledged.

(6) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Tooling equipment	Leased assets	Leasehold improvement	Other equipment	Construction in progress	Total
Cost:											
As of 1 January 2017	$356,263	$1,450,618	$1,164,273	$292,734	$450,127	$923,268	$35,472	$203,356	$108,095	$371,253	$5,355,459
Additions	373,933	136,496	63,781	67,929	31,506	48,303	176	38,824	8,890	124,051	893,889
Disposals	-	(55)	(18,326)	(29,777)	(4,744)	(677)	-	(13,091)	(3,114)	-	(69,784)
Transfers	49,137	263,903	32,199	1,743	1,731	16,963	(27,267)	9,552	4,872	(342,697)	10,136
Exchange differences	2,201	(26,969)	(31,169)	4,441	(17,286)	(10,914)	(1,342)	(8,776)	(1,594)	(5,611)	(97,019)
As of 31 December 2017	$781,534	$1,823,993	$1,210,758	$337,070	$461,334	$976,943	$7,039	$229,865	$117,149	$146,996	$6,092,681
Depreciation and impairment:											
As of 1 January 2017	$-	$595,967	$894,529	$133,611	$318,862	$842,902	$23,540	$88,270	$93,512	$-	$2,991,193
Depreciation	-	51,535	73,355	50,088	41,341	63,359	1,205	32,398	5,823	-	319,104
Disposals	-	(21)	(13,265)	(16,433)	(1,882)	(677)	-	(5,684)	(2,685)	-	(40,647)
Reclassification	-	-	21,333	(476)	(1,378)	178	(20,699)	3,722	11	-	2,691
Exchange effect	-	(12,920)	(25,233)	1,790	(12,015)	(10,428)	(730)	(2,103)	(1,324)	-	(62,963)
As of 31 December 2017	$-	$634,561	$950,719	$168,580	$344,928	$895,334	$3,316	$116,603	$95,337	$-	$3,209,378
Net carrying amount as of:											
As of 31 December 2017	$781,534	$1,189,432	$260,039	$168,490	$116,406	$81,609	$3,723	$113,262	$21,812	$146,996	$2,883,303
As of 1 January 2017	$356,263	$854,651	$269,744	$159,123	$131,265	$80,366	$11,932	$115,086	$14,583	$371,253	$2,364,266

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Tooling equipment	Leased assets	Leasehold improvement	Other equipment	Construction in progress	Total
Cost:											
As of 1 January 2016	$315,903	$1,515,220	$1,211,007	$271,359	$387,844	$903,732	$35,074	$166,126	$108,345	$142,430	$5,057,040
Additions	45,706	4,869	63,956	71,428	28,718	77,373	3,663	46,388	4,597	245,952	592,650
Acquired through business combination	-	-	-	3,550	24,023	-	-	5,007	-	-	32,580
Disposals	-	-	(15,036)	(41,847)	(13,112)	(10,489)	-	(9,530)	(260)	-	(90,274)
Transfers	-	-	(26,896)	1,902	37,489	13,450	(901)	1,238	2,885	2,753	31,920
Exchange effect	(5,346)	(69,471)	(68,758)	(13,658)	(14,835)	(60,798)	(2,364)	(5,873)	(7,472)	(19,882)	(268,457)
As of 31 December 2016	$356,263	$1,450,618	$1,164,273	$292,734	$450,127	$923,268	$35,472	$203,356	$108,095	$371,253	$5,355,459
Depreciation and impairment:											
As of 1 January 2016	$-	$564,028	$885,013	$118,497	$301,949	$862,938	$21,229	$74,741	$93,470	$-	$2,921,865
Depreciation	-	57,398	75,542	45,735	38,822	42,201	1,390	24,857	6,768	-	292,713
Disposals	-	-	(14,390)	(24,512)	(11,622)	(10,489)	-	(9,249)	(215)	-	(70,477)
Reclassification	-	-	245	17	89	4,532	2,650	-	-	-	7,533
Exchange effect	-	(25,459)	(51,881)	(6,126)	(10,376)	(56,280)	(1,729)	(2,079)	(6,511)	-	(160,441)
As of 31 December 2016	$-	$595,967	$894,529	$133,611	$318,862	$842,902	$23,540	$88,270	$93,512	$-	$2,991,193
Net carrying amount as of:											
As of 31 December 2016	$356,263	$854,651	$269,744	$159,123	$131,265	$80,366	$11,932	$115,086	$14,583	$371,253	$2,364,266
As of 1 January 2016	$315,903	$951,192	$325,994	$152,862	$85,895	$40,794	$13,845	$91,385	$14,875	$142,430	$2,135,175

(a) Components of buildings that have different useful lives are the main building structure and electrical and plumbing facilities, which are depreciated over 55 years and 13 years, respectively.

(b) Please refer to Note 8 for property, plant and equipment pledged as collateral.

(c) No capitalization of interest as a result of purchasing property, plant and equipment for the years ended 31 December 2017 and 2016.

(7) Intangible assets

	Trademarks	Patents	Software	Others	Goodwill	Total
Cost:						
As of 1 January 2017	$11,167	$27,151	$224,880	$61,701	$1,223,994	$1,548,893
Addition-acquired separately	-	64	20,386	30,494	-	50,944
Exchange differences	(885)	(18)	(587)	(5,644)	(77,850)	(84,984)
As of 31 December 2017	$10,282	$27,197	$244,679	$86,551	$1,146,144	$1,514,853
Amortization and impairment:						
As of 1 January 2017	$4,288	$26,874	$204,457	$53,284	$-	$288,903
Amortization	593	34	13,886	15,286	-	29,799
Exchange differences	(355)	(5)	(441)	(4,631)	-	(5,432)
As of 31 December 2017	$4,526	$26,903	$217,902	$63,939	$-	$313,270
Net carrying amount as of:						
As of 31 December 2017	$5,756	$294	$26,777	$22,612	$1,146,144	$1,201,583
As of 1 January 2017	$6,879	$277	$20,423	$8,417	$1,223,994	$1,259,990

	Trademarks	Patents	Software	Others	Goodwill	Total
Cost:						
As of 1 January 2016	$6,099	$27,146	$220,057	$61,109	$856,452	$1,170,863
Addition-acquired separately	-	-	8,043	1,923	-	9,966
Addition-acquired through business combinations	5,203	-	-	-	380,685	385,888
Disposals	-	-	(860)	-	-	(860)
Exchange differences	(135)	5	(2,360)	(1,331)	(13,143)	(16,964)
As of 31 December 2016	$11,167	$27,151	$224,880	$61,701	$1,223,994	$1,548,893
Amortization and impairment:						
As of 1 January 2016	$48	$24,575	$186,337	$41,958	$-	$252,918
Amortization	4,253	2,301	20,954	12,238	-	39,746
Disposals	-	-	(907)	-	-	(907)
Exchange differences	(13)	(2)	(1,927)	(912)	-	(2,854)
As of 31 December 2016	$4,288	$26,874	$204,457	$53,284	$-	$288,903
Net carrying amount as of:						
As of 31 December 2016	$6,879	$277	$20,423	$8,417	$1,223,994	$1,259,990
As of 1 January 2016	$6,051	$2,571	$33,720	$19,151	$856,452	$917,945

Intangible asset amortization expenses are summarized as follows:

	For the years ended 31 December	
	2017	2016
Operating cost	$-	$18
Operating expenses	$29,799	$39,728

(8) Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to fitness equipment cash-generating units for the purpose of impairment test.

Carrying amount of goodwill allocated to fitness equipment cash-generating units:

	As of	
	31 December 2017	31 December 2016
Goodwill	$1,146,144	$1,223,994

<u>Fitness equipment manufacturing cash-generating unit</u>

The recoverable amount of the fitness equipment manufacturing cash-generating unit has been determined based on a value in use calculation using cash flow projections of financial budgets approved by management covering a five-year period is NTD 12,662,108 thousand in 2017. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections is 14.60% and 14.30% cash flows beyond the five-year period are extrapolated using a 5% and 10% growth rate that is the same as the long-term average growth rate for the fitness equipment manufacturing industry for the year ended 31 December 2017 and31 December 2016, respectively. Based on the result of this analysis, management assessed that it is not required to recognize impairment loss for goodwill with respect to the book value in the amount of NTD1,146,144 thousand as of 31 December 2017.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the cash-generating unit is most sensitive to the following assumptions:

(a) Gross margin
(b) Discount rates
(c) Raw materials price inflation
(d) Market share during the budget period
(e) Growth rate used to extrapolate cash flows beyond the budget period

Gross margins - Gross margins are based on the average gross margin of the first two years of the financial budget period.

Discount rates - Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Company, taking into account the particular situations of the Company and its operating segments. The WACC includes both the cost of liabilities and cost of equity. The cost of equity is derived from the expected returns of the Company's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Company has obligation to settle.

Raw materials price inflation－If prices of raw materials rise, product price will increase.

Market share assumptions - These assumptions are important because, as well as using industry data for estimating growth rates, management would assess how the change in the unit's position, relative to its competitors, might take place over the budget period. Management expects the Group's share of the fitness equipment manufacturing market to be stable over the budget period.

Growth rate estimates - Rates are based on history industry research. For the reasons explained above, the long-term average growth rate used to extrapolate the budget for the fitness equipment manufacturing unit has been adjusted because of the acquisition of a significant industry patent.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the cash-generating unit, the Company believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(9) Other non-current assets

	As of	
	31 December 2017	31 December 2016
Long-term prepaid rent expenses	$284,660	$287,244
Deposits	185,224	125,719
Prepayment for equipment	55,081	27,271
Other non-current assets	153,848	91,522
Total	$678,813	$531,756

As of 31 December 2017 and 31 December 2016, all of long-term prepaid rents were land rights.

(10) Short-term loans

		As of	
	Interest Rates (%)	31 December 2017	31 December 2016
Unsecured bank loans	1.05%-3.04%	$4,701,682	$5,304,428
Syndicated bank loans	1.79%	350,000	-
		$5,051,682	$5,304,428

The Group’s unused short-term lines of credits amounted to NTD2,282,620 thousand and NTD904,595 thousand as of 31 December 2017 and 31 December 2016, respectively.

(11) Commercial Paper Payable

		As of	
Accounting title	Guarantee	31 December 2017	31 December 2016
Commercial paper payable	International Bills Financial corporation	$150,000	$150,000
Less: Discount on commercial paper payable		(304)	(11)
Net amount		$149,696	$149,989

	For the years ended 31 December	
	2017	2016
Interest rates	0.912%	0.912%
Maturity date	2018/3/22	2017/1/3

(12) Financial liabilities at fair value through profit or loss, current

	As of	
	31 December 2017	31 December 2016
Financial liabilities at fair value through profit or loss:		
Held for trading		
Forward exchange contracts	$24,490	$5,125
Interest rate swap	1,970	3,776
Option contract	1,352	795
Total	$27,812	$9,696
Current	$27,812	$9,696
Non-current	-	-
Total	$27,812	$9,696

Please refer to Note 12(7) for the above financial instruments contracts.

(13) Other payables

	As of	
	31 December 2017	31 December 2016
Payroll	$631,415	$647,991
Warranty expense	315,037	319,228
Advertising expense	76,516	112,030
Bonus to employees & directors compensation expense	18,200	18,200
Interest expense	3,880	6,281
Other expense	1,134,924	1,139,773
Total	$2,179,972	$2,243,503

	Warranty
2017.01.01	$433,472
Warranty recognized	347,081
Amount utilized during the year	(315,936)
Exchange effect	(10,211)
2017.12.31	$454,406
Current－2017.12.31	$315,037
Non-current－2017.12.31	139,369
2017.12.31	$454,406
Current－2016.12.31	$319,228
Non-current－2016.12.31	114,244
2016.12.31	$433,472

(14) Long-term borrowings

Details of long-term loans as of 31 December 2017 and 31 December 2016 are as follows:

Lenders	As of 31 December 2017	Redemption
Taiwan Cooperative Syndicated bank loans	$2,250,000	Repayable semi-annually from 30 November 2016 to 30 November 2021, and interest is paid monthly.
Taiwan Unsecured bank loans	316,501	Repayable monthly from 17 November 2011 to 27 November 2019 and interest is paid monthly.
Sparkasse Holstein Secured bank loans	29,255	Repayable monthly from 1 January 2008 to 30 March 2020 and interest is paid monthly.
Ta Chong Unsecured bank loans	16,820	Repayable monthly from 23 December 2014 to 23 June 2019 and interest is paid monthly.
Subtotal	2,612,576	
Less: current portion	(309,217)	
Less: Syndicated bank loans expense	(12,220)	
Total	$2,291,139	

Note: Long-term borrowings interest rate is between 1.12% to 5.56%, and interest is paid monthly.

Lenders	As of 31 December 2016	Redemption
Taiwan Cooperative Syndicated bank loans	$715,000	Repayable semi-annually from 30 November 2016 to 30 November 2021, and interest is paid monthly.
Taiwan Unsecured bank loans	206,512	Repayable monthly from 17 November 2011 to 27 November 2019 and interest is paid monthly.
KGI Unsecured bank loans	200,000	Single repayment principal due on 28 December 2017 and interest is paid monthly.
Ta Chong Unsecured bank loans	44,781	Repayable monthly from 23 December 2014 to 23 June 2019 and interest is paid monthly.
Sparkasse Holstein Secured bank loans	39,716	Repayable monthly from 1 January 2008 to 30 March 2020 and interest is paid monthly.
Subtotal	1,206,009	
Less: current portion	(324,304)	
Less: Syndicated bank loans expense	(15,340)	
Total	$866,365	

Note: Long-term borrowings interest rate is between 1.06% to 5.56%, and interest is paid monthly.

Please refer to Note 8 for property, plant and equipment pledged as collateral for long-term loans.

(a) In August 2016, the Company has entered into a syndicated loan agreement with Taiwan Cooperative Bank and nine lending institutions of syndicated credits. The agreement offered the Company a credit line of NTD7.8 billion, which contains the following restrictive covenants:

(i) The current ratio shall not be lower than 100%. (Note 1)
(ii) The liability ratio shall not be higher than 250%. (Note 2)
(iii) The interest coverage ratio shall not be lower than 3. (Note 3)

Note 1: Current ratio= current assets/ current liabilities

Note 2: Liability ratio = total liabilities / owners' equity

Note 3: Interest coverage ratio = (income before income tax + interest expense + amortization expense) / interest expense

(b) The Company should review these ratios every half year based on the audited annual consolidated financial statements and the audited semi-annual financial. If the Company fails to meet any of the ratios specified in any of the above covenants, the Company should seek improvement by injecting cash capital or other means.

When the Company fails to meet any terms of the covenants for the first time, the lending banks may deem it as non-violation without filing claims with respect to the contract. However, if the Company violates the same financial ratio requirement for a second time, it is regarded as a breach. The leading bank may ask the Company to pay compensation (at 0.10% of the unpaid loan as of the second review date) in one lump sum to the agent bank, and the agent bank will pay the compensation to the other lending banks in proportion to their loans.

When reviewing if the interest rates should be adjusted, upon one year maturity from the drawdown of the loan, the banks should review the Company's pre-tax margin every year based on the audited annual consolidated financial report provided by the Company. The banks shall adjust the interest rates according to the agreed principle on the next adjustment date for interest rates.

The Company shall pay the first installment of principal upon maturity of 24 months from the first drawdown date; subsequent repayments shall be made every six months to repay the principal in seven equal installments.

(15) Post-employment benefits

<u>Defined contribution plan</u>

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2017 and 2016 were NTD27,890 thousand and NTD27,155 thousand respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is managed by the in-house managers or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NTD3,297 thousand to its defined benefit plan in the next year starting from December 31, 2017.

The average duration of the defined benefits plan obligation as of December 31, 2017 and 2016, are 9.7 years and 10.2 years, respectively.

Pension costs recognized in profit or loss for the years ended 31 December 2017 and 2016:

	For the years ended 31 December	
	2017	2016
Current period service costs	$1,236	$1,189
Interest income or expense	805	719
Total	$2,041	$1,908

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	31 December 2017	31 December 2016	1 January 2016
Defined benefit obligation	$143,953	$137,954	$132,149
Plan assets at fair value	(75,722)	(74,414)	(70,605)
Other non-current liabilities - defined benefit obligation	$68,231	$63,540	$61,544

Reconciliation of liability of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2016	$132,149	$(70,605)	$61,544
Current period service costs	1,189	-	1,189
Net interest expense (income)	1,586	(867)	719
Subtotal	134,924	(71,472)	63,452
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	(1,432)	-	(1,432)
Experience adjustments	4,462	-	4,462
Remeasurements of the defined benefit assets	-	355	355
Subtotal	137,954	(71,117)	66,837

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Contributions by employer	-	(3,297)	(3,297)
As of December 31, 2016	137,954	(74,414)	63,540
Current period service costs	1,236	-	1,236
Net interest expense (income)	1,794	(989)	805
Subtotal	140,984	(75,403)	65,581
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	4,219	-	4,219
Experience adjustments	1,459	-	1,459
Remeasurements of the defined benefit assets	-	269	269
Subtotal	146,662	(75,134)	71,528
Payments from the plan	(2,709)	2,709	-
Contributions by employer	-	(3,297)	(3,297)
As of December 31, 2017	$143,953	$(75,722)	$68,231

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2017	2016
Discount rate	1.00%	1.30%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as of December 31, 2017 and 2016 is, as shown below:

	Effect on the defined benefit obligation			
	2017		2016	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 1.0%	$-	$13,347	$-	$13,154
Discount rate decrease by 1.0%	15,566	-	15,408	-
Future salary increase by 1.0%	13,777	-	13,728	-
Future salary decrease by 1.0%	-	12,138	-	12,038

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(16) Equity

(a) Share capital

As of January 1, 2016, the Company's authorized capital was NTD3,500,000 thousand, divided into 350,000,000 shares with par value of NTD10 each. The issued and outstanding capital stocks were NTD3,040,166 thousand. Up to December 31, 2017, there is no change of capital.

(b) Capital surplus

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them. Details as follows:

	As of	
	31 December 2017	31 December 2016
Additional paid-in capital	$54,879	$54,879
Gain on sale of property, plant and equipment	42	42
Total	$54,921	$54,921

(c)Legal reserve

The Company Act provides that companies must retain at least 10% of their annual earnings, as defined in the Act, until such retention equals the amount of paid-in capital. This retention is accounted for as a legal reserve account. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

(d)Special reserve

When the Company distributed the earnings, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Pursuant to FSC Letter No. Jin-Guan-Zheng-Fa-Zi 1010012865 dated 6 April 2012, we compared the Company's special reserve of $64,037 at first-time adoption of IFRS as of 1 January 2013 with the absolute value of other equity (deduction) – net as of 1 January 2016. As of the year ended 2017 and 2016, the Company did not reverse any special reserve as a result of using, disposing of or reclassifying related assets.

During 2017 and 2016, when distributing 2016 and 2015 distributable earnings, the Company set aside in special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to “other net deductions from shareholders’ equity for fiscal year 2017. The amounts were NTD664,918 thousand and NTD43,099 thousand in 2017 and 2016, respectively.

(e)Treasury Stock

(i) As of December 31, 2017, the Group’s treasury stocks amounted to NTD48,948thousand, divided into 900,000 shares.

(ii) The board meeting held on March 18, 2016 approved to repurchase 900,000 shares, which would be transferred to employees to motivate them. The expected period to execute the decision will take place between March 21, 2016 and May 20, 2016; the repurchase price will be between NTD45 to NTD75.

(iii) No treasury stock has been transferred to employees as of December 31, 2017.

(iv) According to the Securities and Exchange Act of R.O.C., the total shares of treasury stock shall not exceed 10% of issued stock, and the total purchase amount shall not exceed the sum of retained earnings, additional paid-in capital in excess of par and realized additional paid-in capital.

(v) In compliance with Securities and Exchange Act of R.O.C., treasury stocks shall not be pledged, nor should they be entitled to voting rights or receiving dividends.

(f)Distribution of retained earnings and dividend policies

According to the Company’s Articles of Incorporation, current year’s earnings, if any, shall be distributed in the following order:

(i) Income tax obligation
(ii) Offsetting accumulated deficits, if any
(iii) Legal reserve at 10% of net income after tax
(iv) Special reserve in compliance with the Company Act or Securities and Exchange Act
(v) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders’ meeting

The board of directors submits dividend distribution proposal to shareholders' meeting annually according to relevant regulations and the Company's policy of distribution depending on current and future investment environment, funding needs, domestic and foreign competition, capital budget, taking into consideration of the interests of shareholders, balancing dividends payouts and long-term financial planning. The distribution of shareholders dividend shall be allocated as follows: cash dividends to be distributed may not be less than 10% of total dividends to be distributed, and the stock dividends may be distributed from 50% to 100%.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of TIFRS, the FSC on 6 April 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company’s adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to “other net deductions from shareholders’ equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed. Due to the Company’s negative retained earnings on the day of TIFRS first adoption, the Company is not required to set aside special reserve.

Details of the 2016 earnings distribution and dividends per share as approved by the resolution of the shareholders' meeting held on 22 June 2017 is as follow:

	Appropriation of earnings		Dividend per share (NTD)	
	2017	2016	2017	2016
Legal reserve	Note	$71,618		
Special reserve	Note	664,918		
Cash dividends-common stock	Note	348,584	Note	$1.15

Note: The resolution to distribute the Company's 2017 earnings have not been finalized.

Please refer to Note 6 (19) for further details on employees' compensation and remuneration to directors and supervisors.

(17) Non-controlling interests

	For the years ended 31 December	
	2017	2016
Beginning balance	$4,711	$4,569
Profit attributable to non-controlling interests	426	239
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	74	(97)
Ending balance	$5,211	$4,711

(18) Operating revenue

	For the years ended 31 December	
	2017	2016
Sale of goods	$20,034,752	$20,640,783
Less: Sales returns and discounts	(546,140)	(479,883)
Rendering of services	5,819	3,615
Net sales	$19,494,431	$20,164,515

(19) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2017 and 2016:

Function / Nature	For the years ended 31 December					
	2017			2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$730,958	$3,391,396	$4,122,354	$680,888	$3,106,314	$3,787,202
Labor and health insurance	119,018	357,735	476,753	124,469	340,926	465,395
Pension	8,474	49,630	58,104	9,215	46,872	56,087
Other employee benefits expense	52,497	204,732	257,229	61,583	156,263	217,846
Depreciation	118,439	200,665	319,104	94,006	198,707	292,713
Amortization	-	29,799	29,799	18	39,728	39,746

According to the Articles of Incorporation, at least 1% of profit of the current year is distributable as employees' compensation and no higher than 5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year ended 31 December 2017, a resolution was passed at the board meeting held on 30 March 2018 to distribute NTD11,000 thousand and NTD7,200 thousand in cash as the employee bonuses and remuneration to directors and independent directors respectively, recognized as employee benefits expense. No material differences existed between the estimated amount and the actual amount distributed

The employees' bonuses and remuneration to directors and supervisors for the period ended of 31 December 2016 amounted to NTD11,000 thousand and NTD7,200 thousand respectively. No material differences existed between the estimated amount and the actual amount distributed.

(20) Non-operating income and expenses

(a) Other income

	For the years ended 31 December	
	2017	2016
Interest income	$273,335	$371,474
Rental income	8,582	11,376
Others	89,168	$50,166
Total	$371,085	$433,016

(b) Other gains and losses

	For the years ended 31 December	
	2017	2016
Gain(Losses) on disposal of investments	$(7,003)	$47,683
Losses on disposal of property, plant and equipment	(13,361)	(7,044)
Gain on disposal intangible assets	-	47
Gain on financial assets and liabilities at fair value through profit or loss	(40,001)	16,200
Others	(88,565)	(13,777)
Foreign exchange losses , net	3,364	24,932
Total	$(145,566)	$68,041

(c) Finance costs

	For the years ended 31 December	
	2017	2016
Interest on borrowings from bank	$137,214	$115,258

(21) Components of other comprehensive income

(a) For the year ended 31 December 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(5,947)	$-	$(5,947)	$1,011	$(4,936)
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of a foreign operation	(259,464)	-	(259,464)	44,109	(215,355)
Total of other comprehensive income	$(265,411)	$-	$(265,411)	$45,120	$(220,291)

(b) For the year ended 31 December 2016

	Arising during the period	Reclassification Adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(3,386)	$-	$(3,386)	$576	$(2,810)
To be reclassified to profit or loss in subsequent periods					
Exchange differences resulting from translating the financial statements of a foreign operation	(801,106)	-	(801,106)	136,188	(664,918)
Total of other comprehensive income	$(804,492)	$-	$(804,492)	$136,764	$(667,728)

(22) Income tax

The major components of income tax expense are as follows:

(a) Income tax expense (income) recognized in profit or loss

	For the years ended 31 December	
	2017	2016
Current income tax expense:		
Current income tax charge	$84,049	$207,743
Adjustments in respect of current income tax of prior periods	(179,009)	-
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	185,529	28,377
Deferred tax expense relating to origination and reversal of tax loss and tax credit	18,385	41,154
Others	(14,559)	8,714
Total income tax expense	$94,395	$285,988

(b) Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2017	2016
Deferred income tax expense:		
Exchange differences on translation of foreign operations	$(44,109)	$(136,188)
Actuarial gain on defined benefit plan	(1,011)	(576)
Income tax relating to components of other comprehensive income	$(45,120)	$(136,764)

(c) A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 December	
	2017	2016
Accounting profit before tax from continuing operations	$224,997	$1,002,407
Tax at the domestic rates applicable to profits in the country concerned	$(232)	$251,942
Tax effect of revenues exempt from taxation	(30,344)	(17,956)
Tax effect of expenses not deductible for tax purposes	75,397	-
Tax effect of deferred tax assets/liabilities	243,143	28,377
10 % surtax on undistributed retained earnings	-	14,911
Adjustments in respect of current income tax of prior periods	(179,009)	-
Other adjustments according to tax law	(14,560)	8,714
Total income tax expense recognized in profit or loss	$94,395	$285,988

(d) Deferred tax assets (liabilities) relating to the following items:

(i) For the year ended 31 December 2017

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Provision for allowance to reduce inventories to market value	$59,145	$(20,543)	$-	$38,602
Unrealized sales gross profit	209,746	(68,697)	-	141,049
Accrued expense	17,651	24,648	-	42,299
Prepaid Expenses	(6,763)	(2,601)	-	(9,364)
Realized financial assets measured at fair value through profit or loss	(2,583)	7,133	-	4,550
Cumulative translation adjustments	106,888	-	44,109	150,997
Unrealized Pension	6,549	(214)	-	6,335
Actuarial gain (loss) on defined benefit plans	4,253	-	1,011	5,264
Unrealized exchange gain or loss	(1,716)	5,749	-	4,033
Bad debt loss	6,947	(4,888)	-	2,059
Deferred expense	15,901	(6,656)	-	9,245
Depreciation	1,660	(8,467)	-	(6,807)
Loss carry-forward	488,801	(18,384)	-	470,417
Unrealized Warranty	95,173	(42,515)	-	52,658
Land appreciation tax	(47,428)	-	-	(47,428)
Other deferred income tax assets	97,671	(30,582)	-	67,089
Other deferred income tax liabilities	(200,626)	(19,512)	-	(220,138)
Deferred income tax expense (benefit)		$(185,529)	$45,120	
Deferred income tax assets (liabilities)	$851,269			$710,860
The information represent in balance statement				
Deferred Income Tax Assets	$1,110,385			$995,865
Deferred Income Tax Liabilities	$(259,116)			$(285,005)

(ii)For the year ended 31 December 2016

	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Provision for allowance to reduce inventories to market value	$51,599	$7,546	$-	$59,145
Unrealized sales gross profit	188,784	20,962	-	209,746
Accrued expense	86,432	(68,781)	-	17,651
Prepaid Expenses	(6,165)	(598)	-	(6,763)
Realized financial assets measured at fair value through profit or loss	(77)	(2,506)	-	(2,583)
Cumulative translation adjustments	(29,300)	-	136,188	106,888
Unrealized Pension	6,785	(236)	-	6,549
Actuarial gain (loss) on defined benefit plans	3,677	-	576	4,253
Unrealized exchange gain or loss	2,588	(4,304)	-	(1,716)
Bad debt loss	7,963	(1,016)	-	6,947
Deferred expense	15,667	234	-	15,901
Depreciation	(1,184)	2,844	-	1,660
Loss carry-forward	529,955	(41,154)	-	488,801
Unrealized Warranty	8,716	86,457	-	95,173
Land appreciation tax	(47,428)	-	-	(47,428)
Other deferred income tax assets	82,161	15,510	-	97,671
Other deferred income tax liabilities	(175,247)	(25,379)	-	(200,626)
Deferred income tax expense (benefit)		$(10,421)	$136,764	
Deferred income tax assets (liabilities)	$724,926			$851,269
The information represent in balance statement				
Deferred Income Tax Assets	$984,327			$1,110,385
Deferred Income Tax Liabilities	$(259,401)			$(259,116)

(iii)The unutilized accumulated losses for the Company were as follows:

		Balance of unused investment tax credits as of		
Occurrence Year	Accumulated losses	31 December 2017	31 December 2016	Expiration Year
2007	$536,842	$183,440	$183,440	2027
2008	568,511	562,485	567,940	2028
2009	259,496	257,178	257,178	2029
2010	67,636	36,455	36,455	2030
2011	12,743	12,743	12,743	2031
2012	56,295	31,873	31,873	2032
2013	177,305	158,018	158,018	2022~2033
2014	192,324	192,324	192,324	2023~2034
2015	245,626	218,843	237,489	2024~2035
2016	157,021	126,529	157,021	2025~2036
2017	422,876	422,876	-	2026~2037
Total	$2,696,675	$2,202,764	$1,834,481	

Note: The loss deduction of Johnson Industry Brazil Esportivoe Ltda had no expiration year as for loss carryforward.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at December 31, 2017, and 2016, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax asset (liability) has not been recognized, aggregated to NTD106,657 thousand and NTD103,596 thousand, respectively.

(iv) Integrated income tax information

	As of	
	31 December 2017	31 December 2016
Balance of the imputation credit account	$-	$850,371

The actual creditable ratio for 2016 was 18.15%. According to Article 66-6 of Income Tax Act, the imputation credit ratio for the earnings of 2016 distributed to individual stockholders residing in R.O.C. is half of the original ratio. According to the amended R.O.C. Income Tax Act effective February 2018, the integrated income tax system was abrogated.

The Company’s earnings generated in the year ended 31 December 1997 and prior years were both NTD852 thousand.

(v) The assessment of income tax returns

The tax authorities have assessed income tax returns of the Company through 2013.

(23) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended 31 December	
	2017	2016
(a) Basic earnings per share		
Net income (in thousands of NTD)	$130,176	$716,180
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	303,117	303,336
Basic earnings per share (NTD)	$0.43	$2.36
(b) Diluted earnings per share		
Net income (in thousands of NTD)	$130,176	$716,180
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	303,117	303,336
Effect of dilution:		
Employee bonus-stock (in thousands)	-	237
Weighted average number of ordinary shares outstanding after dilution (in thousands)	303,117	303,573
Diluted earnings per share (NTD)	$0.43	$2.36

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

(24) Business combinations

The merger with Leisure Fitness

The Company acquired 100% voting shares of Leisure Fitness, a non-publicly-held company founded in North America, which specializes in selling sports equipment in 2016.

The Company merged Leisure Fitness because the move could expand the range of the products offered to clients.

The fair values of the identifiable assets and liabilities of Leisure Fitness as of the date of acquisition were:

	Fair value recognized on the acquisition date (USD'000)
Current asset	$6,731
Non-current asset	1,049
	7,780
Current liabilities	(6,000)
Non-current liabilities	(1,006)
	(7,006)
Fair value of identifiable net assets	$774

Goodwill of Leisure Fitness is as follows:	
Acquisition price	$8,397
Add: contingent consideration	1,160
Less: identifiable net assets at fair value	(774)
Goodwill	$8,783

Contingent consideration

The contingent consideration has already been agreed, and was included in the purchase agreement entered into with the precious owner of Leisure Fitness. The fair value of the contingent consideration was estimated at USD1,160 thousands on the purchase day. The fair value is based on cash flow discounted analysis.

The merger with The Gym Store, LLC (Busy Body)

The Company acquired 100% voting shares of The Gym Store, LLC (Busy Body), a non-publicly-held company founded in North America, which specializes in selling sports equipment in 2016.

The Company merged The Gym Store, LLC (Busy Body) because the move could expand the range of the products offered to clients.

The fair values of the identifiable assets and liabilities of The Gym Store, LLC (Busy Body) as of the date of acquisition were:

	Fair value recognized on the acquisition date (USD'000)
Current asset	$2,035
Non-current asset	121
	2,156
Current liabilities	(490)
Non-current liabilities	(12)
	(502)
Fair value of identifiable net assets	$1,654

Goodwill of The Gym Store, LLC (Busy Body) is as follows:	
Acquisition price	$4,650
Less: identifiable net assets at fair value	(1,654)
Goodwill	$2,996

7. RELATED PARTY TRANSACTIONS

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Ho, Yueh-Hsin	Director of the Company

Significant transactions with related parties

(1) Rental expenses

Item	Lessor	Time	For the years ended 31 December 2017	For the years ended 31 December 2016	Condition
Land& buildings	Ho, Yueh-Hsin	2017.01～2017.02	$200	$1,100	Monthly payments

The rental price from the above related parties was determined through mutual agreement based on the market rates.

(2) Asset Exchange

Since Yueh-Hsin Ho, one of the Group's directors, owned the land that was adjacent to the Company's current premises, it was beneficial for the Company's expansion plan to purchase the land. As a result, the Company purchased the aforementioned property from Yueh-Hsin Ho during the first half of 2017. Please refer to Note 13 (1) (e) for details.

(3) The main management's salary:

	For the years ended 31 December 2017	For the years ended 31 December 2016
Short-term employee benefits	$120,009	$121,514

8. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Company pledged as security:

	As of		
	31 December 2017	31 December 2016	Contents of secured debt
Property, plant and equipment - land	$715,264	$284,691	Syndicated loan / Secured loan
Property, plant and equipment –buildings(carrying value)	166,867	166,562	Syndicated loan / Secured loan
Property, plant and equipment –Vehicles equipment	1,041	1,152	Tax negotiation
Other receivable - deposit-restricted	5,523	1,287	Engineering/ Credit Card of Enterprise
Total	$888,695	$453,692	

9. COMMITMENTS AND CONTINGENCIES

(1) The important contracts of construction in progress and service

The contracts of the Group as of 31 December 2017 and 2016 are as follows:

a. As of 31 December 2017: None.

b. As of 31 December 2016:

Counterparty	Contract target	Total contract amount	Accumulated payment as of 31 December 2016
Company A	Plants	NTD 358,283 thousand	NTD327,059 thousand

(2) The Company issued guaranty notes as security for borrowings in the sum of NTD790,819 thousand as of 31 December 2017.

(3) The Company entered into financial guarantees to related parties as of 31 December 2017. Refer to Note 13 (1) (b).

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

On January 18, 2018, the Legislative Yuan passed amendments to the Income Tax Act. According to the amended Income Tax Act, the corporate income tax rate increased from 17% to 20% for income earned from January 2018 onwards. The increase in income tax rate would therefore increase the deferred tax assets and deferred tax liabilities NTD31,841 thousand and NTD21,942 thousand, respectively in 2018.

12. OTHERS

(1) Categories of financial instruments

	As of	
Financial Assets	31 December 2017	31 December 2016
Financial assets at fair value through profit or loss:		
Held for trading	$-	$24,757
Loans and receivables:		
Cash and cash equivalents (excludes cash on hand)	3,341,758	3,629,830
Notes and accounts receivable	7,253,631	7,178,690
Other receivables	211,571	316,400

	As of	
Financial Liabilities	31 December 2017	31 December 2016
Financial liabilities at amortized cost:		
Short-term loans	$5,051,682	$5,304,428
Commercial paper payable	149,696	149,989
Payables	2,619,920	3,309,098
Long-term loans (current portion included)	2,600,356	1,190,669
Financial liabilities at fair value through profit or loss:		
Held for trading	27,812	9,696

(2) Financial risk management objectives and policies

The Group’s principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group’s policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity price risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

<u>Foreign currency risk</u>

The Group’s exposure to the risk of changes in foreign exchange rates relates primarily to the Group’s operating activities (when revenue or expenses are denominated in a different currency from the Group’s functional currency) and the Group’s net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward exchange contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD, EUR and CNY. The information of the sensitivity analysis is as follows:

(a) When NTD strengthens/weakens against USD by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended December 31, 2017	$-	$2,105
For the year ended December 31, 2016	$-	$1,653

(b) When NTD strengthens/weakens against EUR by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended December 31, 2017	$-	$22,822
For the year ended December 31, 2016	$-	$22,109

(b) When NTD strengthens/weakens against CNY by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended December 31, 2017	$-	$5,058
For the year ended December 31, 2016	$-	$4,149

<u>Interest rate risk</u>

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December , 2017 and 2016 to decrease by NTD232 thousand and NTD103 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial positions, ratings from credit rating agencies, historical experiences, prevailing economic condition and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2017 and 2016, the credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of 31 December 2017					
Short-term loans	$5,130,795	$-	$-	$-	$5,130,795
Commercial paper payable	149,696	-	-	-	149,696
Notes and accounts payable	2,619,920	-	-	-	2,619,920
Long-term loans	352,979	1,060,302	1,286,408	-	2,699,689
As of 31 December 2016					
Short-term loans	$5,363,176	$-	$-	$-	$5,363,176
Commercial paper payable	149,989	-	-	-	149,989
Notes and accounts payable	3,309,098	-	-	-	3,309,098
Long-term loans	342,682	885,166	4,925	-	1,232,773

(6) Fair value of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(i) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

(ii) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures) at the reporting date.

(iii) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) is estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(iv) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(v) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value measurement hierarchy for financial instruments

Please refer to Note 12 (8) for fair value measurement hierarchy for financial instruments of the Group.

(7) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2017 and 2016 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Company	Contract	Contract amount (in Thousands)	Maturity
As of 31 December 2017			
Johnson Health Technology. Co., Ltd.	Forward currency contract	Sell EUR16,000	From 2018/03/23 to 2018/11/28
Johnson Health Tech. Australia.	Combined option	Sell/Buy USD2,900	From 2018/02/28 to 2018/06/29
Johnson Health Tech. Gmbh	Interest rate swap	EUR3,600	2020/03/30
Johnson Health Tech. U.K. Ltd.	Combined option	Sell/Buy USD1,500	From 2018/01/23 to 2018/03/21
	Forward currency contract	Buy USD1,000	From 2018/02/28 to 2018/06/29
As of 31 December 2016			
Johnson Health Technology. Co., Ltd.	Forward currency contract	Sell USD2,000	From 2017/02/27 to 2017/07/26
	Forward currency contract	Sell EUR10,000	From 2017/05/15 to 2017/11/14

Company	Contract	Contract amount (in Thousands)	Maturity
Johnson Health Tech. Australia.	Combined option	Buy/Sell USD1,200	From 2017/01/17 to 2017/03/16
Johnson Health Tech. Gmbh	Interest rate swap	EUR3,600	2020/03/30
Johnson Health Tech. U.K. Ltd.	Combined option	Buy/Sell USD1,600	From 2017/01/25 to 2017/03/27
	Combined option	Buy/Sell USD1,600	From 2017/04/25 to 2017/06/23
	Forward currency contract	Buy USD1,500	From 2017/06/30 to 2017/10/27

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 December 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$-	$ 24,490	$-	$24,490
Interest rate swap	-	1,970	-	1,970
Option contract	-	1,352	-	1,352

As of 31 December 2016

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$-	$ 20,041	$-	$20,041
Option contract	-	4,716	-	4,716
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$-	$5,125	$-	$5,125
Interest rate swap	-	3,776	-	3,776
Option contract	-	795	-	795

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 31 December 2017			As of 31 December 2016		
	Foreign Currency (thousands)	Exchange rate	NTD (thousands)	Foreign Currency (thousands)	Exchange rate	NTD (thousands)
Financial assets						
Monetary item:						
EUR	$113,193	35.4200	$4,009,286	$111,239	33.9900	$3,780,699
CNY	438,408	4.5480	1,993,880	468,511	4.6230	2,165,926
USD	48,515	29.6600	1,438,968	46,633	32.2200	1,502,522
GBP	19,000	39.8900	757,899	18,696	39.6300	740,929
AUD	7,969	23.1100	184,154	9,961	23.3400	232,480
BRL	21,763	8.9488	194,750	11,042	9.9071	109,391
THB	117,496	0.9080	106,686	163,753	0.9000	147,378
JPY	543,432	0.2632	143,031	540,594	0.2772	149,853
PLN	10,780	8.5000	91,626	8,386	7.6911	64,501
CAD	10,815	23.6000	255,239	2,641	23.9300	63,201
Financial liabilities						
Monetary item:						
CNY	$304,412	4.5480	$1,384,466	$360,395	4.6230	$1,666,106
EUR	35,564	35.4200	1,259,686	32,861	33.9900	1,194,483
USD	39,964	29.6600	1,185,339	40,453	32.2200	1,303,389
GBP	14,004	39.8900	558,624	13,563	39.6300	537,508
THB	101,024	0.9080	91,730	120,584	0.9000	108,525
CHF	3,052	30.3100	92,502	2,868	31.6300	90,720
JPY	181,516	0.2632	47,775	207,404	0.2772	57,493
CAD	6,558	23.6000	154,780	685	23.9300	16,391

The Group is unable to disclose foreign exchange gains or losses on significant assets and liabilities denominated in foreign currencies because the Group entities have too many functional currencies. The exchange gain (loss) for the years ended December 31, 2017 and 2016 were NTD3,364 thousand and NTD24,932 thousand, respectively.

The information above is disclosed based on the foreign currency carrying amount (already converted into functional currency).

(10) Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. OTHER DISCLOSURES

(1) Information at significant transactions

(a) Financing provided:

No	Lender	Counter- party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 1)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note 2)	Limit of total financing amount (Note 3)
													Item	Value		
0	Johnson Health Technology Co., Ltd.	Johnson Fitness (Malaysia) Sdn. Bhd.	Other receivable-related parties	Yes	$5,150	$-	$-	6.00%	1	$21,151	For business operation	-	-	-	$1,632,446	$3,264,892
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. (Thailand)Co., Ltd.	Other receivable-related parties	Yes	2	-	-	6.00%	1	37,058	For business operation	-	-	-	1,632,446	3,264,892
0	Johnson Health Technology Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	Other receivable-related parties	Yes	718	-	-	6.00%	1	456,780	For business operation	-	-	-	1,632,446	3,264,892
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. France SAS	Other receivable-related parties	Yes	2,856	-	-	6.00%	1	745,787	For business operation	-	-	-	1,632,446	3,264,892

No	Lender	Counter- party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 1)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note 2)	Limit of total financing amount (Note 3)
													Item	Value		
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. North America, Inc.	Other receivable-related parties	Yes	12,113	-	-	6.00%	1	6,432,164	For business operation	-	-	-	1,632,446	3,264,892
0	Johnson Health Technology Co., Ltd.	Style Retail Vietnam Company Limited	Other receivable-related parties	Yes	76	76	76	6.00%	1	171	For business operation	-	-	-	1,632,446	3,264,892
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech Hellas S.A.	Other receivable-related parties	Yes	1,083	106	106	6.00%	1	15,437	For business operation	-	-	-	1,632,446	3,264,892
0	Johnson Health Technology Co., Ltd.	Johnson Industrial Do Brasil Ltda.	Other receivable-related parties	Yes	4,163	2,713	2,713	6.00%	1	205,602	For business operation	-	-	-	1,632,446	3,264,892
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Poland Sp.Z.O.O.	Other receivable-related parties	Yes	15,657	6,819	6,819	6.00%	1	107,133	For business operation	-	-	-	1,632,446	3,264,892
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech Commercial (Philippines) Inc.	Other receivable-related parties	Yes	11,029	11,029	11,029	6.00%	1	31,631	For business operation	-	-	-	1,632,446	3,264,892
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech (H.K.) Ltd	Other receivable-related parties	Yes	11,186	11,186	11,186	6.00%	1	72,276	For business operation	-	-	-	1,632,446	3,264,892
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech (Vietnam) Company Limited	Other receivable-related parties	Yes	13,431	13,431	13,431	6.00%	1	18,480	For business operation	-	-	-	1,632,446	3,264,892

No	Lender	Counter- party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 1)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note 2)	Limit of total financing amount (Note 3)
													Item	Value		
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech Canada Inc.	Other receivable-related parties	Yes	15,388	15,388	15,388	6.00%	1	426,909	For business operation	-	-	-	1,632,446	3,264,892
0	Johnson Health Technology Co., Ltd.	Johnson Health Technologies, S.A. de C.V.	Other receivable-related parties	Yes	70,736	31,214	31,214	6.00%	1	89,810	For business operation	-	-	-	1,632,446	3,264,892
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Netherland B.V.	Other receivable-related parties	Yes	96,207	33,680	33,680	6.00%	1	1,557,681	For business operation	-	-	-	1,632,446	3,264,892
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech UAE L.L.C	Other receivable-related parties	Yes	70,714	44,844	44,844	6.00%	1	199,797	For business operation	-	-	-	1,632,446	3,264,892
1	J&S Trading Co., Ltd.	Johnson Fitness (Malaysia) Sdn. Bhd.	Other receivable-related parties	Yes	16,014	16,014	16,014	6.00%	1	58,858	For business operation	-	-	-	45,672	91.344
2	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Health Technology Co., Ltd.	Other receivable-related parties	Yes	382,902	-	-	0.50%	2	-	For business operation	-	-	-	1,362,329	1,362,329
2	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson F&B Management (Shanghai) Co.,Ltd.	Other receivable-related parties	Yes	30,440	30,440	-	1.00%	2	-	For business operation	-	-	-	1,362,329	1,362,329
2	Johnson Health Technology (Shanghai) Co., Ltd.	Joyful Trading (Shanghai) Co.,Ltd	Other receivable-related parties	Yes	30,440	30,440	-	1.00%	2	-	For business operation	-	-	-	1,362,329	1,362,329

No	Lender	Counter- party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 1)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note 2)	Limit of total financing amount (Note 3)
													Item	Value		
2	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Health Technology Co., Ltd.	Other receivable-related parties	Yes	802,100	802,100	262,380	1.00%	2	-	For business operation	-	-	-	1,362,329	1,362,329

Note 1: Code “1” represents an investee company that has a business relationship with the parent.
Code “2” represents an entity that requires short-term financing.

Note 2: Johnson Health Technology Co., Ltd.'s and J&S Trading Co., Ltd.’s financing limit for a counterparty were set at 20% of their net worth of the financial report audited by the certified public accountants as of 31 December 2017.
Johnson Health Technology (Shanghai) Co., Ltd.’s financing limit for a counterparty was set at 40% of its net worth of the financial report audited by the certified public accountants as of 31 December 2017.

Note 3: Total financing was limited to 40% of the Company’s net equity.

Note 4: According to the FSC Letter No. 0980000271, the amount of financing between foreign subsidiaries in which the Company holds, directly and indirectly, 100% of voting shares, is not restricted.

(b) Endorsement/Guarantee provided:

No	Endorser/ Guarantor	Counterparty		Guarantee Limited Amount for each Counterparty (Note 2)	Maximum Balance	Guarantee Amount in the end of 2017	Amount drawn	Value of Collaterals Properties	Ratio of Accumulated Amount of Guarantee Provided to Net Equity of the Latest Financial Statements	Guarantee Limited Amount (Note 3)	Guarantee from the parent to subsidiary	Guarantee from the subsidiary to parent	Guarantee from Mainland China
		Company Name	Relationship (Note 1)										
0	Johnson Health Technology Co., Ltd.	Johnson International Holding Corp., Ltd.	2	$8,162,230	$-	$-	$-	$-	-	$20,405,575	Y	N	N
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech (Hong Kong) Ltd.	3	8,162,230	64,540	-	-	-	-	20,405,575	Y	N	N

No	Endorser/ Guarantor	Counterparty		Guarantee Limited Amount for each Counterparty (Note 2)	Maximum Balance	Guarantee Amount in the end of 2017	Amount drawn	Value of Collaterals Properties	Ratio of Accumulated Amount of Guarantee Provided to Net Equity of the Latest Financial Statements	Guarantee Limited Amount (Note 3)	Guarantee from the parent to subsidiary	Guarantee from the subsidiary to parent	Guarantee from Mainland China
		Company Name	Relationship (Note 1)										
0	Johnson Health Technology Co., Ltd.	Johnson Health Technologies, S.A.D	3	8,162,230	96,810	-	-	-	-	20,405,575	Y	N	N
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Japan K.K.	3	8,162,230	55,860	53,040	-	-	0.65	20,405,575	Y	N	N
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Australia	3	8,162,230	96,810	89,130	-	-	1.09	20,405,575	Y	N	N
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech (Thailand) Co.,Ltd.	3	8,162,230	193,620	89,130	58,529	-	1.09	20,405,575	Y	N	N
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech Canada Commercial Inc.	3	8,162,230	272,960	142,200	135,564	-	1.74	20,405,575	Y	N	N
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech Italia SPA	3	8,162,230	152,300	148,550	71,240	-	1.82	20,405,575	Y	N	N
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech (Schweiz) GmbH	3	8,162,230	165,190	160,370	71,240	-	1.96	20,405,575	Y	N	N

No	Endorser/ Guarantor	Counterparty		Guarantee Limited Amount for each Counterparty (Note 2)	Maximum Balance	Guarantee Amount in the end of 2017	Amount drawn	Value of Collaterals Properties	Ratio of Accumulated Amount of Guarantee Provided to Net Equity of the Latest Financial Statements	Guarantee Limited Amount (Note 3)	Guarantee from the parent to subsidiary	Guarantee from the subsidiary to parent	Guarantee from Mainland China
		Company Name	Relationship (Note 1)										
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Retail. Inc.	3	8,162,230	322,700	297,100	-	-	3.64	20,405,575	Y	N	N
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. France SAS	3	8,162,230	470,795	439,660	-	-	5.39	20,405,575	Y	N	N
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Iberica. S.L.	3	8,162,230	493,650	475,200	-	-	5.82	20,405,575	Y	N	N
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. GmbH	3	8,162,230	726,799	645,122	293,505	-	7.90	20,405,575	Y	N	N
0	Johnson Health Technology Co., Ltd.	World Of Leasing Gmbh	3	8,162,230	776,585	754,330	335,203	-	9.24	20,405,575	Y	N	N
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech UK Ltd.	3	8,162,230	814,050	765,650	296,666	-	9,38	20,405,575	Y	N	N
1	Johnson Health Tech North America, Inc.	Lease Servicing Center, Inc.	3	8,162,230	32,625	32,625	32,625	-	0.40	20,405,575	Y	N	N

No	Endorser/ Guarantor	Counterparty		Guarantee Limited Amount for each Counterparty (Note 2)	Maximum Balance	Guarantee Amount in the end of 2017	Amount drawn	Value of Collaterals Properties	Ratio of Accumulated Amount of Guarantee Provided to Net Equity of the Latest Financial Statements	Guarantee Limited Amount (Note 3)	Guarantee from the parent to subsidiary	Guarantee from the subsidiary to parent	Guarantee from Mainland China
		Company Name	Relationship (Note 1)										
1	Johnson Health Tech North America, Inc.	United Leasing, Inc.	1	8,162,230	40,134	39,036	39,036	-	0.48	20,405,575	Y	N	N
1	Johnson Health Tech North America, Inc.	Macrolease Corporation	1	8,162,230	177,485	163,405	48,315	-	2.00	20,405,575	Y	N	N
2	Johnson Health Tech. Australia Pty Ltd.	Flexi Commercial	1	8,162,230	13,684	12,259	12,259	-	0.15	20,405,575	Y	N	N
3	Johnson Health Tech France SAS	IKB Leasing	1	8,162,230	38,371	31,394	31,394	-	0.38	20,405,575	Y	N	N

Note 1: Code 1 shall refer to an investee company that has a business relationship with the parent.
Code 2 shall mean a subsidiary in which the parent holds directly over 50% of equity interest.
Code 3 shall refer to an investee in which the parent and its subsidiaries hold over 50% of equity interest.

Note 2: Guarantee provided to each counterparty was limited to 100% of net equity of the guarantor as of 31 December 2017.

Note 3: The total amount may not exceed 250% of net equity of the guarantor as of 31 December 2017.

(c) Securities held as of 31 December 2017 (excluding subsidiaries, associates and joint venture): None

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock for the year ended 31 December 2017:None

(e) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock for the year ended 31 December 2017:

Company Name	Asset Type	Acquisition Date	Amount (in thousands)	Terms	Counter party	Relationship with the Company	Information of the most recent transfer if the counterparty is a related party				Base of acquisition price	Purpose and Use	Other Contract Terms
							counter-party	Relationship with the Company	Acquisition Date	Amount (in thousands)			
Johnson Health Technology Co., Ltd.	Land	10 November 2016	NTD423,070	In accordance with sales contract	Ho, Yueh-Hsin	Director of the Company	15 individuals including Mr. Tsai	Non	From 29 March 2007 to 16 October 2007	NTD116,228	Valuation report	Plant expansion	Non

(f) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock for the year ended 31 December 2017: None

(g) Related party transactions for purchases and sales amounts exceeding the lower of NTD100 million or 20% of the capital stock for the year ended 31 December 2017:

Please refer to Note 13 (1) (j) for detail.

(h) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of capital stock as of 31 December 2017:

(Amounts in thousands; Currency denomination in NTD or in foreign currencies)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for bad debts
					Amount	collection status		
Johnson Health Technology Co., Ltd.	Johnson Health Tech. North America, Inc.	Investee company	Accounts Receivable USD 49,655 Other Receivable USD 5	2.06	$-	-	$438,747	$-
Johnson Health Technology Co., Ltd.	Johnson Health Tech. Netherland B.V.	Investee company	Accounts Receivable USD 17,798 Other Receivable USD 1,145	1.14	$-	-	$57,113	$-
Johnson Health Technology Co., Ltd.	Johnson Health Tech. Gmbh	Investee company	Accounts Receivable EUR 8,765 Other Receivable EUR 60	2.02	$-	-	$47,248	$-

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for bad debts
					Amount	collection status		
Johnson Health Technology Co., Ltd.	Johnson Health Tech. UK Ltd.	Investee company	Accounts Receivable USD 7,332 Other Receivable USD 55	1.32	$-	-	$146,155	$-
Johnson Health Technology Co., Ltd.	Johnson Health Tech. Australia Pty., Ltd	Investee company	Accounts Receivable USD 5,296 Other Receivable USD -	2.19	$-	-	$98,212	$-
Johnson Health Technology Co., Ltd.	Johnson Health Tech Canada Inc.	Investee company	Accounts Receivable USD 5,827 Other Receivable USD 647	1.59	$-	-	$5,774	$-
Johnson Health Technology Co., Ltd.	Johnson Industrial Do Brasil Ltda	Investee company	Accounts Receivable USD 4,183 Other Receivable USD 187	1.26	$-	-	$-	$-
Johnson Health Technology Co., Ltd.	Johnson Health Tech France SAS	Investee company	Accounts Receivable EUR 3,924 Other Receivable EUR 13	1.37	$-	-	90,729	$-
Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology Co., Ltd.	Indirect investment under equity method	Accounts Receivable USD 61,620 EUR 12,912 JPY 335,628 Other Receivable USD 5	1.26	$-	-	$560,944	$-
Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Tech Thailand Co., Ltd.	Indirect investment under equity method	Accounts Receivable USD 3,109 Other Receivable USD -	1.01	$-	-	$30,802	$-
Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	Indirect investment under equity method	Accounts Receivable CNY 172 Other Receivable CNY 13,807	0.58	$ -	-	$551,160	$ -

(i) Transaction of derivative financial instruments:

Please refer to Note 12 (7).

(j) Significant intercompany transactions between consolidated entities are as follows: (amounts exceeding the lower of NTD100 million or 20% of the capital stock)

No (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. North America, Inc.	1	Sales	3,082,791	The same commercial terms as with a general customer	15.81%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. North America, Inc.	1	Receivables from related parties	1,494,411	The same commercial terms as with a general customer	6.71%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. UK Ltd.	1	Sales	372,057	The same commercial terms as with a general customer	1.91%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. UK Ltd.	1	Receivables from related parties	220,972	The same commercial terms as with a general customer	0.99%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Gmbh	1	Sales	601,127	The same commercial terms as with a general customer	3.08%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Gmbh	1	Receivables from related parties	309,556	The same commercial terms as with a general customer	1.39%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Netherland B.V.	1	Sales	657,703	The same commercial terms as with a general customer	3.37%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Netherland B.V.	1	Receivables from related parties	610,331	The same commercial terms as with a general customer	2.74%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. France SAS	1	Sales	306,534	The same commercial terms as with a general customer	1.57%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. France SAS	1	Receivables from related parties	139,003	The same commercial terms as with a general customer	0.62%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech Australia Pty., Ltd.	1	Sales	367,975	The same commercial terms as with a general customer	1.89%

No (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech Australia Pty., Ltd.	1	Receivables from related parties	159,571	The same commercial terms as with a general customer	0.72%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech Japan K.K.	1	Sales	348,721	The same commercial terms as with a general customer	1.79%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech Japan K.K.	1	Receivables from related parties	3,131	The same commercial terms as with a general customer	0.01%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Iberica. S.L.	1	Sales	168,685	The same commercial terms as with a general customer	0.87%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Iberica. S.L.	1	Receivables from related parties	-	The same commercial terms as with a general customer	-
0	Johnson Health Technology Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	1	Sales	233,933	The same commercial terms as with a general customer	1.15%
0	Johnson Health Technology Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	1	Receivables from related parties	15,364	The same commercial terms as with a general customer	0.07%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech Canada Inc.	1	Sales	222,089	The same commercial terms as with a general customer	1.14%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech Canada Inc.	1	Receivables from related parties	176,032	The same commercial terms as with a general customer	0.79%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Italia SPA	1	Sales	122,431	The same commercial terms as with a general customer	0.63%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech. Italia SPA	1	Receivables from related parties	52,993	The same commercial terms as with a general customer	0.24%

No (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
0	Johnson Health Technology Co., Ltd.	Johnson Industrial Do Brasil Ltda	1	Sales	124,977	The same commercial terms as with a general customer	0.64%
0	Johnson Health Technology Co., Ltd.	Johnson Industrial Do Brasil Ltda	1	Receivables from related parties	126,880	The same commercial terms as with a general customer	0.57%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech UAE L.L.C	1	Sales	106,089	The same commercial terms as with a general customer	0.54%
0	Johnson Health Technology Co., Ltd.	Johnson Health Tech UAE L.L.C	1	Receivables from related parties	99,895	The same commercial terms as with a general customer	0.45%
0	Johnson Health Technology Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	1	Purchases	164,726	The same commercial terms as with a general customer	0.84%
0	Johnson Health Technology Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	1	Payables to related parties	135,094	The same commercial terms as with a general customer	0.61%
0	Johnson Health Technology Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	1	Purchases	3,304,067	The same commercial terms as with a general customer	16.95%
0	Johnson Health Technology Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	1	Payables to related parties	2,405,931	The same commercial terms as with a general customer	10.80%
1	Johnson Health Tech. North America, Inc.	Johnson Health Tech Retail Inc.	2	Sales	780,832	The same commercial terms as with a general customer	4.01%
1	Johnson Health Tech. North America, Inc.	Johnson Health Tech Retail Inc.	2	Receivables from related parties	582,106	The same commercial terms as with a general customer	2.61%
1	Johnson Health Tech. North America, Inc.	Johnson Health Technology Co., Ltd.	2	Purchases	3,082,791	The same commercial terms as with a general customer	15.81%

No (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
1	Johnson Health Tech. North America, Inc.	Johnson Health Technology Co., Ltd.	2	Payables to related parties	1,494,611	The same commercial terms as with a general customer	6.71%
2	Johnson Health Tech. UK. Ltd.	Johnson Health Technology Co., Ltd.	2	Purchases	372,057	The same commercial terms as with a general customer	1.91%
2	Johnson Health Tech. UK. Ltd.	Johnson Health Technology Co., Ltd.	2	Payables to related parties	220,972	The same commercial terms as with a general customer	0.99%
3	Johnson Health Tech. Gmbh	Johnson Health Technology Co., Ltd.	2	Purchases	601,127	The same commercial terms as with a general customer	3.08%
3	Johnson Health Tech. Gmbh	Johnson Health Technology Co., Ltd.	2	Payables to related parties	309,556	The same commercial terms as with a general customer	1.39%
4	Johnson Health Tech Netherlands B.V.	Johnson Health Technology Co., Ltd.	2	Purchases	657,703	The same commercial terms as with a general customer	3.37%
4	Johnson Health Tech Netherlands B.V.	Johnson Health Technology Co., Ltd.	2	Payables to related parties	610,331	The same commercial terms as with a general customer	2.74%
5	Johnson Health Tech. France SAS	Johnson Health Technology Co., Ltd.	2	Purchases	306,534	The same commercial terms as with a general customer	1.57%
5	Johnson Health Tech. France SAS	Johnson Health Technology Co., Ltd.	2	Payables to related parties	139,003	The same commercial terms as with a general customer	0.62%
6	Johnson Health Tech Australia Pty., Ltd.	Johnson Health Technology Co., Ltd.	2	Purchases	367,975	The same commercial terms as with a general customer	1.89%
6	Johnson Health Tech Australia Pty., Ltd.	Johnson Health Technology Co., Ltd.	2	Payables to related parties	159,571	The same commercial terms as with a general customer	0.72%

No (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
7	Johnson Health Tech Japan K.K.	Johnson Health Technology Co., Ltd.	2	Purchases	348,721	The same commercial terms as with a general customer	1.79%
7	Johnson Health Tech Japan K.K.	Johnson Health Technology Co., Ltd.	2	Payables to related parties	3,131	The same commercial terms as with a general customer	0.01%
8	Johnson Health Tech. Iberica. S.L.	Johnson Health Technology Co., Ltd.	2	Purchases	168,685	The same commercial terms as with a general customer	0.87%
8	Johnson Health Tech. Iberica. S.L.	Johnson Health Technology Co., Ltd.	2	Payables to related parties	-	The same commercial terms as with a general customer	-
9	Johnson Health Tech Canada Inc.	Johnson Health Technology Co., Ltd.	2	Purchases	222,089	The same commercial terms as with a general customer	1.14%
9	Johnson Health Tech Canada Inc.	Johnson Health Technology Co., Ltd.	2	Payables to related parties	176,032	The same commercial terms as with a general customer	0.79%
10	Johnson Health Tech. Italia SPA	Johnson Health Technology Co., Ltd.	2	Purchases	122,431	The same commercial terms as with a general customer	0.63%
10	Johnson Health Tech. Italia SPA	Johnson Health Technology Co., Ltd.	2	Payables to related parties	52,993	The same commercial terms as with a general customer	0.24%
11	Johnson Industrial Do Brasil Ltda	Johnson Health Technology Co., Ltd.	2	Payables to related parties	124,977	The same commercial terms as with a general customer	0.64%
11	Johnson Industrial Do Brasil Ltda	Johnson Health Technology Co., Ltd.	2	Payables to related parties	126,880	The same commercial terms as with a general customer	0.57%
12	Johnson Health Tech UAE L.L.C	Johnson Health Technology Co., Ltd.	2	Payables to related parties	106,089	The same commercial terms as with a general customer	0.54%

No (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
12	Johnson Health Tech UAE L.L.C	Johnson Health Technology Co., Ltd.	2	Payables to related parties	99,895	The same commercial terms as with a general customer	0.45%
13	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Health Technology Co., Ltd.	2	Purchases	223,933	The same commercial terms as with a general customer	1.15%
13	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Health Technology Co., Ltd.	2	Payables to related parties	15,364	The same commercial terms as with a general customer	0.07%
13	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Health Technology Co., Ltd.	2	Sales	164,726	The same commercial terms as with a general customer	0.84%
13	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Health Technology Co., Ltd.	2	Receivables from related parties	135,094	The same commercial terms as with a general customer	0.61%
13	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	3	Purchases	379,240	The same commercial terms as with a general customer	1.95%
13	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	3	Payables to related parties	426,548	The same commercial terms as with a general customer	1.91%
13	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	3	Sales	301,271	The same commercial terms as with a general customer	1.55%
13	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	3	Receivables from related parties	486,143	The same commercial terms as with a general customer	2.18%
14	Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology Co., Ltd.	2	Sales	3,304,067	The same commercial terms as with a general customer	16.95%
14	Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology Co., Ltd.	2	Receivables from related parties	2,405,931	The same commercial terms as with a general customer	10.80%

No (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%) (Note 3)
14	Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	3	Sales	379,240	The same commercial terms as with a general customer	1.95%
14	Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	3	Receivables from related parties	426,548	The same commercial terms as with a general customer	1.91%
14	Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	3	Purchases	301,271	The same commercial terms as with a general customer	1.55%
14	Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	3	Payables to related parties	486,143	The same commercial terms as with a general customer	2.18%
15	Johnson Health Tech Retail Inc.	Johnson Health Tech. North America, Inc.	3	Sales	780,832	The same commercial terms as with a general customer	4.01%
15	Johnson Health Tech Retail Inc.	Johnson Health Tech. North America, Inc.	3	Receivables from related parties	582,106	The same commercial terms as with a general customer	2.61%

Note 1: Code "0" represents the parent company, the other codes represent each subsidiary.

Note 2: Code "1" represents transactions from the parent company to a subsidiary.
Code "2" represents transactions from a subsidiary to the parent company.
Code "3" represents transaction between subsidiaries.

Note 3: The ratio of transaction amount to the consolidated income or assets is recognized as follows: for assets or liability, the ratio is accounted as the ending balance to consolidated total assets; however, for income or loss accounts, the ratio is based on mid-term accumulated amount to consolidated income.

(2) Names, locations and related information of investees on which the company exercises significant influences are listed below:

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as of 31 December 2017			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2017	31 December 2016	Number of shares (thousands)	Percentage of ownership (%)	Book value			
Johnson Health Technology Co., Ltd.	Johnson International Holding Corp., Ltd.	P.O. BOX3340, Road Town, Tortola, British Virgin Islands.	Holding company	$7,663,021	$7,634,825	-	100.00%	$11,379,389	$(519,319)	$(440,932)	Note 1 Note 2
Johnson Health Technology Co., Ltd.	Johnson Health Tech (Vietnam) Company Limited	Unit 2302, Lim Tower 9-11 Ton Duc Thang Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	Selling cardiovascular and weight training equipment	$63,465 (USD1,950)	$63,465 (USD1,950)	-	100.00%	$25,224	$(12,190)	$(12,190)	
Johnson Health Technology Co., Ltd.	Johnson Health Technologies, S.A. de C.V.	Carretera Maxico-Toluca 5631-230 Col.Cuajimalpa,Del Cuajimalpa CP 05000,Mexico DF	Selling cardiovascular and weight training equipment	$97,924 (USD3,125)	$48,679 (USD1,500)	-	100.00%	$75,274	$15,218	$15,218	
Johnson Health Technology Co., Ltd.	Johnson Health Tech Canada Inc.	10401,boul.Ray Lawson ,Anjou, Quebec, H1J 1M3	Selling cardiovascular and weight training equipment	$147,811 (USD4,554)	$147,811 (USD4,554)	-	100.00%	$84,872	$(14,014)	$(14,014)	
Johnson Health Technology Co., Ltd.	Johnson Health Tech. UK Ltd.	Johnson House, Bellringer Road, Trentham Office Village Stoke on Trent Staffordshire ST4 8GZ England, UK	Selling cardiovascular and weight training equipment	$321,100 (USD10,000)	$321,100 (USD10,000)	-	44.43%	$196,133	$12,965	$5,760	
Johnson Health Technology Co., Ltd.	Johnson Health Tech Retail Inc.	150 EAST GILMAN STREET,MADISON,WI 53703	Selling cardiovascular and weight training equipment	$1,200,164 (USD37,150)	$1,200,164 (USD37,150)	-	100.00%	$1,082,632	$(34,084)	$(34,084)	
Johnson Health Technology Co., Ltd.	Johnson Health Tech Commercial (Philippines) Inc.	20/F CHATHAM HOUSE RUFINO COR VALERO SALCEDO VILLAGE MAKATI,METRO MANILA	Selling cardiovascular and weight training equipment	$50,440 (USD1,597)	$42,630 (USD1,337)	-	100.00%	$3,108	$(23,246)	$(23,246)	

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as of 31 December 2017			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2017	31 December 2016	Number of shares (thousands)	Percentage of ownership (%)	Book value			
Johnson International Holding Corp., Ltd.	Johnson Health Tech. UK Ltd.	Johnson House, Bellringer Road, Trentham Office Village Stoke on Trent Staffordshire ST4 8GZ England, UK	Selling cardiovascular and weight training equipment	$444,921 (USD13,952)	$444,921 (USD13,952)	-	55.57%	$263,289	$12,965	Not applicable	
Johnson International Holding Corp., Ltd.	J&S Trading Co., Ltd.	P.O. BOX3340, Road Town, Tortola, British Virgin Islands.	Selling cardiovascular and weight training equipment	$179,714 (USD6,050)	$179,714 (USD6,050)	6,050,000	100.00 %	$228,360	$20,205	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. France SAS	45, Avenue Georeges Politzer TRAPPES 78190 France	Selling cardiovascular and weight training equipment	$925,413 (USD28,436)	$925,413 (USD28,436)	-	100.00%	$960,646	$(93,993)	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Gmbh	Nikolaus-Otto-Str1 Trittau 2294 Germany	Selling cardiovascular and weight training equipment	$513,423 (USD15,908)	$513,423 (USD15,908)	-	99.77%	$381,547	$6,205	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Iberica. S.L.	AVDA. ASTRONOMÍA,4 NAVE 9.2.SANERNANDO DE HENARES (MADRID) 28830,SPAIN	Selling cardiovascular and weight training equipment	$1,083,027 (USD34,279)	$1,083,027 (USD34,279)	446,175	99.99%	$885,436	$7,792	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Japan K.K.	Yasuda Bldg. 2F, 3-3-8 Kaigan Minato-ku Tokyo 108-8435 Japan	Selling cardiovascular and weight training equipment	$235,752 (USD7,262)	$235,752 (USD7,262)	13,489	99.78%	$209,907	$71,963	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. (Thailand) Co., Ltd.	9th Floor, Unit 9B, Bangna Tower A2/3, Bangna-Trad Road K.M.6.5 Bangkaew, Bangplee Samutprakan 10540 Thailand	Selling cardiovascular and weight training equipment	$39,363 (USD1,217)	$39,363 (USD1,217)	475,000	95.00%	$53,914	$4,486	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Fitness (Malaysia) Sdn. Bhd.	Lot 557S, Jalan Subang 3, Subang Industrial Estate Subang Jaya Selangor 47610 Malaysia	Selling cardiovascular and weight training equipment	$130,489 (USD4,144)	$130,489 (USD4,144)	16,052,000	99.38%	$21,279	$4,541	Not applicable	

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as of 31 December 2017			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2017	31 December 2016	Number of shares (thousands)	Percentage of ownership (%)	Book value			
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Italia SPA	Zona Industriale Campolungo11,Ascoli Piceno, AP, Italy	Selling cardiovascular and weight training equipment	$505,995 (USD15,683)	$505,995 (USD15,683)	1,098,000	99.82%	$438,286	$926	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. (Schweiz) Gmbh	Moosäckerstr. 71 Regensdorf 8105 Switzerland	Selling cardiovascular and weight training equipment	$37,072 (USD1,108)	$37,072 (USD1,108)	1,100	100.00%	$24	$1,334	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Netherland B.V.	Vleugelboot 14 Houten Utrecht 3991 CL Netherlands	Selling cardiovascular and weight training equipment	$539,077 (USD17,177)	$539,077 (USD17,177)	18,100	100.00%	$430,709	$(56,661)	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. (Hong Kong) ., Ltd	Unit 2008, 20/F, Enterprise Square 2, No. 3 Sheung Yuet Road, Kowloon Bay, Kowloon , Hong Kong	Selling cardiovascular and weight training equipment	$13,763 (USD429)	$13,763 (USD429)	3,340,000	100.00%	$(5,841)	$(1,341)	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Care Co., Ltd.	MF Shin-Osaka bld. 3F, 2-14-4 Miyahara, Yodogawa-ku,Osaka ,Japan	Selling cardiovascular and weight training equipment	$5,471 (USD166)	$5,471 (USD166)	400	100.00%	$3,331	$1,010	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Industrial Do Brasil Ltda	Rua Eduardo Borsari, 1595 - Distr. Indl Indaiatuba São Paulo 13347-320 Brazil	Selling cardiovascular and weight training equipment	$826,035 (USD26,363)	$826,035 (USD26,363)	-	99.99%	$230,472	$(11,423)	Not applicable	
Johnson International Holding Corp., Ltd.	World Of Leasing Gmbh	Nikolaus-Otto-Str. 1 Trittau 22946 Germany	Selling cardiovascular and weight training equipment	$46,442 (USD1,503)	$46,442 (USD1,503)	-	100.00%	$104,308	$13,699	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. North America, Inc.	1600 Landmark Dr. Cottage Grove WI 53527 USA	Selling cardiovascular and weight training equipment	$3,295,864 (USD100,533)	$3,273,289 (USD99,783)	-	100.00%	$1,785,382	$(298,648)	Not applicable	

Investor Company	Investee Company	Address	Main businesses and products	Initial Investment Amount		Investment as of 31 December 2017			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2017	31 December 2016	Number of shares (thousands)	Percentage of ownership (%)	Book value			
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Australia Pty., Ltd	6B HAZELWOOD DR, MORWELL,VIC, Australia	Selling cardiovascular and weight training equipment	$573,150 (USD18,505)	$573,150 (USD18,505)	20,715,330	100.00%	$253,076	$1,494	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech Poland Sp. Z 0.0.	ul. Plots, No. 62, lok. Places. WARSAW, 02-234 code, post office WARSAW, POLAND country	Selling cardiovascular and weight training equipment	$121,209 (EUR3,299)	$121,209 (EUR3,299)	33,840	100.00%	$101,764	$(33)	Not applicable	
Johnson International Holding Corp., Ltd.	Style Retail Vietnam Company Limited	Suite 23.02B, Lim Tower, No.9-11 Ton Duc Thang Street, Ben Nghe Ward, District 1,H0 Chi Minh City, Vietnam	Selling cardiovascular and weight training equipment	$12,512 (USD395)	$12,512 (USD395)	-	100.00%	$(4,760)	$(8,121)	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech UAE L.L.C	ICON Tower, Office #602 TECOM, Al Barsha Dubai, United Arab Emirates	Selling cardiovascular and weight training equipment	$38,451 (USD1,175)	$32,830 (USD1,000)	-	100.00%	$(14,242)	$(18,805)	Not applicable	
Johnson Health Tech Retail Inc.	2nd wind Exercise Equipment, Inc.	7585 Equitable Dr Eden Prairie, Minnesota 55344	Selling cardiovascular and weight training equipment	$657,600 (USD20,000)	$657,600 (USD20,000)	-	100.00%	$568,847	$(68,253)	Not applicable	
Johnson Health Tech Retail Inc.	Leisure Fitness Equipment, LLC	231 Executive Drive, Suite 15 Newark, DE 19702	Selling cardiovascular and weight training equipment	$258,317 (USD7,993)	$258,317 (USD7,993)	-	100.00%	$287,183	$(130,476)	Not applicable	
Johnson Health Tech Retail Inc.	The Gym Store, LLC (Busy Body)	11900 Community Road, Powar, CA 92064	Selling cardiovascular and weight training equipment	$150,278 (USD4,650)	$150,278 (USD4,650)	-	100.00%	$92,974	$3,620	Not applicable	

Note 1: Current investment income from investees recognized by the Company included investment gain / loss recognized by these investees from their reinvestment.

Note 2: Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from concurrent/upstream transactions.

(3) Investment in Mainland China as of 31 December 2017

(Amounts in thousands; Currency denomination in NTD or in foreign currencies)

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of 1 January 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2017	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 2)	Carrying Value as of 31 December 2017	Accumulated Inward Remittance of Earnings as of 31 December 2017
					Outflow	Inflow						
Johnson Health Technology (Shanghai) Co., Ltd.	Manufacturin and selling fitness equipment	$1,010,296 (RMB 244,757)	Indirect investments through JIH (BVI)	$748,894 (USD 22,500)	$ -	$ -	$748,894 (USD 22,500)	$(2,093)	100%	$(2,093)	$3,350,840	$ -
Johnson Industries (Shanghai) Co., Ltd.	Manufacturin and selling fitness equipment	$1,288,274 (RMB 292,683)	Indirect investments through JIH (BVI)	$62,955 (USD 2,000)	$ -	$ -	$62,955 (USD 2,000)	$(150,283)	100%	$(150,283)	$2,467,818	$ -
Johnson F&B Management (Shanghai) Co., Ltd.	Selling food	$72,566 (USD 2,350)	Indirect investments through JIH (BVI)	$72,566 (USD 2,350)	$ -	$ -	$72,566 (USD 2,350)	$(8,565)	100%	$(8,565)	$42,375	$ -
Joyful Trading (Shanghai) Co., Ltd.	Selling food	$29,905 (USD 950)	Indirect investments through JIH (BVI)	$29,905 (USD 950)	$ -	$ -	$29,905 (USD 950)	$(9,810)	100%	$(9,810)	$11,147	$ -

Note 1: Indirect investment in Mainland China through Johnson International Holding Corp.m Ltd.

Note 2: The financial statements were certificated by the public accountants of the parent company in Taiwan

Note 3: The relevant figures in this table are presented in New Taiwan Dollars and the foreign currency is converted at the exchange rate of December 31, 2017.

Accumulated investment in Mainland China as of 31 December 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
		The lender’s net accounts value × 60%
NTD914,320 (USD 27,800)	NTD2,501,053 (USD 76,450)	NTD4,897,338

Please refer to Notes 13 (1) and (2) for details on information such as the price, payment of transactions between the Company and its investment in mainland China through its investees.

14. OPERATING SEGMENT INFORMATION

(1) For the purpose of operation, the Company operates in a single industry segment by different strategic segments, and they are classified into four segments as follows:

(a) American segment: In charge of selling cardiovascular equipment and research of training equipment in America.

(b) European segment: In charge of selling cardiovascular equipment in Europe.

(c) Asian segment: In charge of manufacturing and selling cardiovascular equipment and weight training equipment in Asia, and franchising the import and export of the above-mentioned products.

(d) Others: In charge of selling cardiovascular machinery in other area

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

The reportable segments' profit and loss, information are listed as follows:

(1) For the years ended 31 December 2017

	America	Europe	Asia	Other	Eliminations	Consolidated
Revenue						
External customers	$8,745,291	$5,486,755	$4,350,709	$911,676	$-	$19,494,431
Inter-segment	1,322,520	467,298	11,330,794	30,176	(13,150,788)	-
Total revenue	$10,067,811	$5,954,053	$15,681,503	$941,852	$(13,150,788)	$19,494,431
Segment profit	$(233,947)	$(94,854)	$403,796	$(2,917)	$147,085	$224,997

(2) For the yeards ended 31 December 2016

	America	Europe	Asia	Other	Eliminations	Consolidated
Revenue						
External customers	$8,441,927	$6,353,745	$4,631,324	$737,519	$-	$20,164,515
Inter-segment	938,780	192,046	12,770,362	28,680	(13,929,868)	-
Total revenue	$9,380,707	$6,545,791	$17,401,686	$766,199	$(13,929,868)	$20,164,515
Segment profit	$(13,255)	$74,175	$1,179,451	$(5,343)	$(232,621)	$1,002,407

The related information of operating segment asset as of December 31, 2017, December 31, 2016 are listed as follows:

Segment Assets:

	America	Europe	Asia	Other	Adjustments and eliminations	Consolidated
December 31, 2017	$7,478,096	$8,140,212	$29,361,611	$13,169,606	$(35,882,473)	$22,267,052
December 31, 2016	$7,634,454	$8,017,328	$30,716,670	$13,773,893	$(37,489,796)	$22,652,549

Segment Liabilities:

	America	Europe	Asia	Other	Adjustments and eliminations	Consolidated
December 31, 2017	$4,360,414	$4,395,009	$15,018,082	$500,585	$(10,174,479)	$14,099,611
December 31, 2016	$3,958,763	$4,307,600	$15,695,261	$466,752	$(10,381,467)	$14,046,909

The reportable segments’ revenue, profit or loss, assets, liabilities and others material adjustments, information are listed as follows：

There’s no segment revenue, profit, assets, liabilities or significant items that needed to be reconciled for the nine-month periods ended December 31, 2017 and 2016.

(3) The adjustment of the reported segment revenues, profit and loss, assets, liabilities and other major projects.

The Company did not adjust the segment revenues, profit and loss, assets, liabilities and other major projects in 2017 and 2016.

(4) Geographic areas information

(a)As of 31 December 2017 and 2016, the Company's external sales as follows:

	For the years ended 31 December	
Area	2017	2016
United States	$7,925,214	$8,075,004
Britain	1,090,645	1,550,204
China	1,295,953	1,306,252
Other	9,182,619	9,233,055
Total	$19,494,431	$20,164,515

Incomes are classified based on the countries where the customers are located at.

(b)Non-current asset

	For the years ended 31 December	
Area	2017	2016
America	$2,191,791	$2,425,020
Europe	653,538	523,427
Asia	2,849,059	2,255,030
Other	65,176	62,920
Total	$5,759,564	$5,266,397

(5) Major Customers

The Company's sales to any single customer did not exceed 10% of its net consolidated sales in 2017 and 2016.