POYA INTERNATIONAL CO., LTD.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of POYA International Co., Ltd.

Opinion

We have audited the accompanying balance sheets of Poya International Co., Ltd. as at December 31, 2017 and 2016, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for Poya International Co., Ltd.'s financial statements of the current period are stated as follows:

Completeness and accuracy of franchising retail sales revenue

Description

Please refer to Note 4(18) "Revenue recognition" for accounting policies on retail franchising.

In retail franchising, merchandise information such as name, cost, retail price, price changes and annual sales discount is first established. The point of sales system (henceforth POS) is used to run the merchandise information automatically. Each store gathers sales transactions by the end of the day. The system will aggregate all the information of transactions and then upload to ERP system to generate sales revenue journal entries. In addition, each store has to file cash report daily including cash, gift vouchers, credit cards, and electronic payment devices and reconcile with system data. Cash collections are deposited with the banks periodically.

Due to numerous transactions with small amount, retail franchising highly rely on POS and ERP system to generate reliable and accurate data. Thus, we identified the completeness and accuracy of retail franchising recognized sales revenue a key audit matter.

How our audit addressed the matter

Our procedures in relation to the above key audit matter included:

1. Checking randomly whether the merchandise information has been properly approved and attached with relevant evidence whenever merchandise information is created or changed;
2. Checking randomly whether the merchandise information has been transferred to POS system;
3. Checking randomly whether all the sales that were recorded in the POS are periodically transferred to ERP system and recorded in operating revenue journal entry automatically;
4. Reviewing the reasons and the relevant evidences for manual adjusting journal entries that are related to retail franchising sales revenue; and
5. Reviewing whether stores' cash deposits amounts recorded on the daily cash report are in accordance with bank remittance amounts.

Calculation of cost to retail ratio of retail inventory method

Description

Please refer to Note 4(6) for accounting policies on inventory and Note 6(3) "Inventory" for related information on inventory and cost of sales.

Due to various kinds of merchandise, retail inventory method is used to estimate cost of inventory and cost of goods sold which are both calculated using the rate of cost of goods purchased to retail value of goods purchased (known as cost to retail ratio). The calculation of cost to retail ratio is generated automatically by the ERP system and highly relies on the goods purchased both at cost and retail price. Thus, we identified the accuracy and reliability of calculation of cost to retail ratio of retail inventory method a key audit matter.

How our audit addressed the matter

Our procedures in relation to the above key audit matter included:

1. Conducting interviews with management to obtain an understanding of the calculation of cost to retail ratio in the calculation system of retail inventory method and determining whether it has been consistently applied in the comparative periods of financial statements;
2. Checking randomly whether the merchandise information has been properly approved and attached with relevant evidence whenever merchandise information is created or changed;
3. Confirming whether the records of cost of inventory purchased in POS are transferred to ERP periodically and completely and the records could not be changed manually; and
4. Checking the computation for the correctness of cost to retail ratio.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company 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 Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ROC GAAS 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 financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 Company's internal control.
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 Company's ability to continue as a going concern. 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 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 to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 the financial statements of the current period 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.

Liu, Tzu-Meng

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan
Republic of China
February 26, 2018

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

POYA INTERNATIONAL CO., LTD.
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	$ 972,751	13	$ 833,134	13
Notes receivable, net		8,307	-	10,419	-
Accounts receivable, net	6(2)	678,875	9	655,900	10
Other receivables		7,595	-	3,482	-
Inventories	5(2) and 6(3)	2,638,948	35	2,314,815	36
Prepayments	6(4)	101,032	2	93,790	1
Other current financial assets	8	23,151	-	30,612	1
Total current Assets		4,430,659	59	3,942,152	61
Non-current assets					
Property, plant and equipment, net	6(5)	2,621,317	35	2,127,895	33
Deferred income tax assets	6(18)	32,698	-	28,330	-
Refundable deposits	6(20) and 8	283,840	4	252,195	4
Other non-current financial assets	8	4,200	-	4,200	-
Long-term prepaid rents		144,352	2	98,293	2
Other non-current assets		12,063	-	10,765	-
Total non-current assets		3,098,470	41	2,521,678	39
Total assets		$ 7,529,129	100	$ 6,463,830	100

(Continued)

POYA INTERNATIONAL CO., LTD.
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
Current liabilities					
Notes payable		$ 58,027	1	$ 614,262	10
Accounts payable		1,644,272	22	969,035	15
Other payables	6(6)(17)	644,116	9	569,960	9
Current income tax liabilities	6(18)	173,229	2	150,265	2
Receipts in advance		9,487	-	16,527	-
Long-term liabilities, current portion	6(7)	536,665	7	405,679	6
Other current liabilities		22,765	-	20,140	-
Total current liabilities		3,088,561	41	2,745,868	42
Non-current liabilities					
Long-term borrowings	6(7)	793,335	11	556,275	9
Deferred income tax liabilities	6(18)	3,431	-	3,160	-
Net defined benefit liabilities-non-current	6(8)	7,640	-	7,676	-
Guarantee deposits received		6,337	-	6,498	-
Total non-current liabilities		810,743	11	573,609	9
Total liabilities		3,899,304	52	3,319,477	51
Equity					
Share capital					
Common stock	6(9)(11)(17)	976,850	13	964,760	15
Capital surplus	6(9)(10)	640,419	8	552,861	9
Retained earnings	6(9)(11)(17)(18)				
Legal reserve		569,643	8	452,695	7
Unappropriated retained earnings		1,442,913	19	1,174,037	18
Total equity		3,629,825	48	3,144,353	49
Significant Contingent Liabilities and Unrecognized Contract Commitments	6(20) and 9				
Total liabilities and equity		$ 7,529,129	100	$ 6,463,830	100

The accompanying notes are an integral part of these financial statements.

POYA INTERNATIONAL CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

		Year ended December 31			
		2017		2016	
Items	Notes	AMOUNT	%	AMOUNT	%
Operating revenue	6(12)	$ 13,262,071	100	$ 12,423,746	100
Operating costs	6(3)(8)(16)(17)(20)	(7,583,371)	(57)	(7,316,193)	(59)
Net operating margin		5,678,700	43	5,107,553	41
Operating expenses	6(8)(16)(17)(20) and 7				
Selling expenses		(3,350,051)	(25)	(3,107,195)	(25)
General and administrative expenses		(606,827)	(5)	(639,502)	(5)
Total operating expenses		(3,956,878)	(30)	(3,746,697)	(30)
Operating profit		1,721,822	13	1,360,856	11
Non-operating income and expenses					
Other income	6(13)	50,953	-	49,570	-
Other gains and losses	6(14)	(39,671)	-	8,013	-
Finance costs	6(5)(15)	(10,259)	-	(8,271)	-
Total non-operating income and expenses		1,023	-	49,312	-
Profit before income tax		1,722,845	13	1,410,168	11
Income tax expense	6(18)	(293,788)	(2)	(240,684)	(2)
Net income for the year		$ 1,429,057	11	$ 1,169,484	9
Other comprehensive loss					
Components of other comprehensive loss that will not be reclassified to profit or loss					
Remeasurement of defined benefit obligation	6(8)	($ 1,557)	-	($ 6,542)	-
Income tax relating to the components of other comprehensive income that will not be reclassified to profit or loss	6(18)	265	-	1,112	-
Total other comprehensive loss for the year		($ 1,292)	-	($ 5,430)	-
Total comprehensive income for the year		$ 1,427,765	11	$ 1,164,054	9
Earnings per share (in dollars)	6(19)				
Basic		$ 14.63		$ 12.01	
Diluted		$ 14.58		$ 11.97	

The accompanying notes are an integral part of these financial statements.

POYA INTERNATIONAL CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

			Capital Surplus	Retained Earnings		
	Notes	Common stock	Additional paid-in capital	Legal reserve	Unappropriated retained earnings	Total equity
Year ended December 31, 2016						
Balance at January 1, 2016		$ 952,774	$ 473,319	$ 357,480	$ 953,167	$ 2,736,740
Distribution of 2015 net income:						
Legal reserve		-	-	95,215	(95,215)	-
Cash dividends	6(11)	-	-	-	(838,441)	(838,441)
Stock dividends	6(9)(11)	9,528	-	-	(9,528)	-
Employees' stock bonuses	6(9)(21)	2,458	79,542	-	-	82,000
Net income for the year ended December 31, 2016		-	-	-	1,169,484	1,169,484
Other comprehensive loss for the year ended December 31, 2016		-	-	-	(5,430)	(5,430)
Balance at December 31, 2016		$ 964,760	$ 552,861	$ 452,695	$ 1,174,037	$ 3,144,353
Year ended December 31, 2017						
Balance at January 1, 2017		$ 964,760	$ 552,861	$ 452,695	$ 1,174,037	$ 3,144,353
Distribution of 2016 net income:						
Legal reserve		-	-	116,948	(116,948)	-
Cash dividends	6(11)	-	-	-	(1,032,293)	(1,032,293)
Stock dividends	6(9)(11)	9,648	-	-	(9,648)	-
Employees' stock bonuses	6(9)(21)	2,442	87,558	-	-	90,000
Net income for the year ended December 31, 2017		-	-	-	1,429,057	1,429,057
Other comprehensive loss for the year ended December 31, 2017		-	-	-	(1,292)	(1,292)
Balance at December 31, 2017		$ 976,850	$ 640,419	$ 569,643	$ 1,442,913	$ 3,629,825

The accompanying notes are an integral part of these financial statements.

POYA INTERNATIONAL CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,722,845	$ 1,410,168
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5)(16)	445,546	387,934
Loss (gain) on disposal of property, plant and equipment	6(14)	38,309	(9,089)
Interest income	6(13)	(2,277)	(2,337)
Interest expense	6(15)	10,259	8,271
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		2,112	(3,180)
Accounts receivable		(22,975)	(89,174)
Other receivables		(4,113)	(1,126)
Inventories		(324,133)	(247,177)
Prepayments		(7,242)	13,651
Changes in operating liabilities			
Notes payable		(556,235)	51,971
Accounts payable		675,237	(41,783)
Other payables		127,050	152,949
Receipts in advance		(7,040)	3,737
Other current liabilities		2,625	3,961
Net defined benefit liabilities-non-current		(1,593)	(1,735)
Cash inflow generated from operations		2,098,375	1,637,041
Interest received		2,277	2,337
Interest paid		(10,259)	(8,271)
Income tax paid		(274,656)	(212,998)
Net cash flows from operating activities		1,815,737	1,418,109
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in other current financial assets		7,461	(24,562)
Acquisition of property, plant and equipment	6(21)	(937,682)	(972,666)
Interest paid for acquisition of property, plant and equipment	6(5)(15)(21)	(3,252)	(1,544)
Proceeds from disposal of property, plant and equipment		763	258,102
Increase in refundable deposits		(31,645)	(45,903)
Increase in other non-current financial assets		-	(1,650)
Increase in long-term prepaid rent		(46,059)	(17,487)
Increase in other non-current assets		(1,298)	(359)
Net cash flows used in investing activities		(1,011,712)	(806,069)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		1,460,000	911,841
Repayment of long-term borrowings		(1,091,954)	(617,386)
(Decrease) increase in guarantee deposits received		(161)	1,472
Cash dividends paid	6(11)	(1,032,293)	(838,441)
Net cash flows used in financing activities		(664,408)	(542,514)
Net increase in cash and cash equivalents		139,617	69,526
Cash and cash equivalents at beginning of year	6(1)	833,134	763,608
Cash and cash equivalents at end of year	6(1)	$ 972,751	$ 833,134

The accompanying notes are an integral part of these financial statements.

POYA INTERNATIONAL CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, expect as otherwise indicated)

1. HISTORY AND ORGANISATION

(1) POYA International Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in selling fashion accessories, arts and crafts, food, stationery and a variety of products.

(2) The common shares of the Company have been listed on the Taipei Exchange since September 2002.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements were authorised for issuance by the Board of Directors on February 26, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

Amendments to IAS 7, 'Disclosure initiative'
This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(3) IFRSs issued by International Accounting Standards Board but not yet endorsed by the FSC

New standards, interpretations and amendments issued by International Accounting Standards Board but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the financial statements have been prepared under the historical cost convention:

Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements requires in conformity with IFRSs the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains and losses".

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

a. Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

b. Assets held mainly for trading purposes;

c. Assets that are expected to be realised within twelve months from the balance sheet date;

d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

a. Liabilities that are expected to be settled within the normal operating cycle;

b. Liabilities arising mainly from trading activities;

c. Liabilities that are to be settled within twelve months from the balance sheet date;

d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business, including vendor sponsorship receivable from purchase cost adjustments generated from main operating activities. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, for short-term accounts receivable without bearing interest, as the effect of discounting is insignificant, they are measured subsequently at original invoice amount.

(6) Inventories

A. Self-owned inventories: Inventories are initially recognised at cost and at the end of the year, all inventories are stated at the lower of cost and net realisable value.

B. Concessionaire: The concessionaire recognises the full amount collected from customers as revenue when the following criteria are met: a. Concessionaire acts as a principal and provides goods or services to customers; b. The Company earns a fixed amount or percentage of profit in the transaction; and c. Concessionaire assumes credit risks. The difference between the full amount collected from customers and the amount paid to concessionaire is recognised as license income by the Company. Unsold goods at the balance sheet date belong to the Concessionaire, and are not included in the ending balance of the Company's inventories. If the above are not met, the full amount collected from customers is recognised as revenue.

(7) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

a. Significant financial difficulty of the issuer or debtor;

b. The disappearance of an active market for that financial asset because of financial difficulties;

c. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

d. Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

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

(8) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive cash flows from the financial asset expire.

(9) Property, plant and equipment

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

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply the cost model. Except for land, other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. 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 must be depreciated separately.

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

Asset	Useful lives
Buildings and structures	30~40 years
Transportation equipment	5 years
Office equipment	3~15 years
Leasehold improvements	2~30 years
Other equipment	5~20 years

(10) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(11) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(12) Notes and accounts payable

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

(13) Borrowings

A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(14) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(15) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

a. Defined contribution plan

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

b. Defined benefit plan

I. The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the balance sheet date).

II. Remeasurements arising on defined benefit plan is recognised in other comprehensive income in the period in which they arise and are recorded as in retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual paid amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(16) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities.

An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(17) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(18) Revenue recognition

A. Sales revenue

I. Revenue is measured at the fair value of the consideration received or receivable taking into account the value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognised when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

II. The Company has customer loyalty programs where the Company grants loyalty awards credits (such as 'points'; the award credits can be used to exchange for free or discounted goods) to customers as part of a sales transaction. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the initial sale of goods and the award credits. The amount of proceeds allocated to the award credits is measured by reference to the fair value of goods that can be redeemed by using the award credits and the proportion of award credits that are expected to be redeemed by customers. The Company recognises the deferred portion of the proceeds allocated to the award credits as revenue only when it has fulfilled its obligations in respect of the award credits.

B. Commission revenue

In accordance with IAS 18, 'Revenue', revenue is recognised when the counters sell its goods. The Company's transactions are not subject to significant risks and rewards associated with the sale of goods or the rendering of service and conform to the definition of an agent. Accordingly, the counter's net revenue is recognised as commissions earned.

(19) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

Revenue recognition on a net/gross basis

The determination of whether the Company is acting as principal or agent in a transaction is based on an evaluation of the Company's exposure to the significant risks and rewards associated with the sale of goods or the rendering of service in accordance with the business model and substance of the transaction. Where the Company acts as a principal, the amount received or receivable from customer is recognised as revenue on a gross basis. Where the Company acts as an agent, net revenue is recognised representing commissions earned.

The following characteristics of a principal are used as indicators to determine whether the Company shall recognise revenue on a gross basis:

A. The Company has primary responsibilities for the goods or services it provides.

B. The Company bears inventory risk.

C. The Company has a latitude in establishing prices for the goods or services, either directly or indirectly.

D. The Company bears credit risks of customers.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Because of the change in market demand and the sales strategy, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on the balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

B. As of December 31, 2017, the carrying amount of inventories was $2,638,948.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash:		
Cash on hand	$ 40, 237	$ 36, 401
Checking deposits and demand deposits	932, 514	796, 733
	$ 972, 751	$ 833, 134

A. The Company transacts with a variety of financial institutions all with high credit rankings to diversify credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2017 and 2016, details of the Company's cash and cash equivalents pledged to others as collateral are provided in Note 8, "Pledged assets".

(2) Accounts receivable, net

	December 31, 2017	December 31, 2016
Accounts receivable - sponsorship	$ 625, 430	$ 623, 767
Accounts receivable - customer	53, 445	32, 133
	$ 678, 875	$ 655, 900

A. The Company has no significant past due but not impaired accounts receivable as of December 31, 2017 and 2016.

B. The Company's accounts receivable that were neither overdue nor impaired have met the credit standards in line with the credit standards prescribed based on counterparties industrial characteristics, scales of business and profitability as of December 31, 2017 and 2016.

C. The Company did not hold any collateral as security as of December 31, 2017 and 2016.

(3) Inventories

	December 31, 2017		
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	$ 2,638,948	$ -	$ 2,638,948

	December 31, 2016		
	Cost	Allowance for price decline of inventories	Carrying amount
Merchandise	$ 2,314,815	$ -	$ 2,314,815

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2017	2016
Cost of inventories sold	$ 7,553,289	$ 7,275,661
Loss on physical inventory	30,082	40,532
Cost of goods sold	$ 7,583,371	$ 7,316,193

(4) Prepayments

	December 31, 2017	December 31, 2016
Prepaid rent	$ 76,700	$ 64,811
Overpaid value-added tax	12,454	21,727
Other prepaid expenses	11,878	7,252
	$ 101,032	$ 93,790

(5) Property, plant and equipment

	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment before acceptance inspection	Total
At January 1, 2017						
Cost	$ 15,514	$ 836,644	$ 1,903,429	$ 346,515	$ 233,068	$ 3,335,170
Accumulated depreciation	(6,366)	(418,314)	(634,105)	(148,490)	-	(1,207,275)
	$ 9,148	$ 418,330	$ 1,269,324	$ 198,025	$ 233,068	$ 2,127,895
For the year ended December 31, 2017						
At January 1	$ 9,148	$ 418,330	$ 1,269,324	$ 198,025	$ 233,068	$ 2,127,895
Additions	-	-	-	-	978,040	978,040
Transferred after acceptance inspection	3,839	231,436	829,662	80,843	(1,145,780)	-
Depreciation	(3,399)	(175,579)	(221,150)	(45,418)	-	(445,546)
Disposal-Cost	(1,197)	(143,289)	(170,963)	(62,512)	-	(377,961)
Accumulated depreciation	905	142,551	133,948	61,485	-	338,889
At December 31	$ 9,296	$ 473,449	$ 1,840,821	$ 232,423	$ 65,328	$ 2,621,317
At December 31, 2017						
Cost	$ 18,156	$ 924,791	$ 2,562,128	$ 364,846	$ 65,328	3,935,249
Accumulated depreciation	(8,860)	(451,342)	(721,307)	(132,423)	-	(1,313,932)
	$ 9,296	$ 473,449	$ 1,840,821	$ 232,423	$ 65,328	$ 2,621,317

	Land	Buildings and structures	Transportation equipment	Office equipment	Leasehold improvements	Other equipment	Construction in progress and equipment before acceptance inspection	Total
At January 1, 2016								
Cost	$ 240, 242	$ 8, 017	$ 24, 411	$ 756, 072	$ 1, 497, 913	$ 311, 681	$ 83, 777	$ 2, 922, 113
Accumulated depreciation	-	(117)	(12, 321)	(362, 879)	(556, 510)	(159, 851)	-	(1, 091, 678)
	$ 240, 242	$ 7, 900	$ 12, 090	$ 393, 193	$ 941, 403	$ 151, 830	$ 83, 777	$ 1, 830, 435
For the year ended December 31, 2016								
At January 1	$ 240, 242	$ 7, 900	$ 12, 090	$ 393, 193	$ 941, 403	$ 151, 830	$ 83, 777	$ 1, 830, 435
Additions	-	-	-	-	-	-	934, 407	934, 407
Transferred after acceptance inspection	-	-	1, 674	182, 777	506, 624	94, 041	(785, 116)	-
Depreciation	-	(84)	(3, 661)	(157, 640)	(178, 703)	(47, 846)	-	(387, 934)
Disposal-Cost	(240, 242)	(8, 017)	(10, 571)	(102, 205)	(101, 108)	(59, 207)	-	(521, 350)
Accumulated depreciation	-	201	9, 616	102, 205	101, 108	59, 207	-	272, 337
At December 31	$ -	$ -	$ 9, 148	$ 418, 330	$ 1, 269, 324	$ 198, 025	$ 233, 068	$ 2, 127, 895
At December 31, 2016								
Cost	$ -	$ -	$ 15, 514	$ 836, 644	$ 1, 903, 429	$ 346, 515	$ 233, 068	3, 335, 170
Accumulated depreciation	-	-	(6, 366)	(418, 314)	(634, 105)	(148, 490)	-	(1, 207, 275)
	$ -	$ -	$ 9, 148	$ 418, 330	$ 1, 269, 324	$ 198, 025	$ 233, 068	$ 2, 127, 895

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of interest rates for such capitalisation are as follows:

	Years ended December 31,	
	2017	2016
Amount capitalised	$ 3, 252	$ 1, 544
Interest rate range	0. 92% ～1. 43%	0. 91% ～1. 46%

B. As of December 31, 2017 and 2016, no property, plant and equipment were pledged to others.

(6) Other payables

	December 31, 2017	December 31, 2016
Salaries and bonuses payable	$ 216, 751	$ 197, 518
Rent payable	106, 811	99, 586
Accrued employees' remuneration and directors' remuneration	96, 800	94, 800
Equipment payable	81, 688	44, 582
Labor and health insurance payable	24, 209	31, 144
Others	117, 857	102, 330
	$ 644, 116	$ 569, 960

(7) Long-term borrowings

Nature	Borrowing period	Range of interest rates	Collateral	December 31, 2017
Long-term bank borrowings				
Unsecured bank borrowings	8. 5. 2016～ 8. 16. 2020	1. 19%～1. 25%	None	$ 1, 330, 000
Less: Current portion of long-term borrowings				(536, 665)
				$ 793, 335

Nature	Borrowing period	Range of interest rates	Collateral	December 31, 2016
Long-term bank borrowings				
Unsecured bank borrowings	7. 1. 2014～ 8. 5. 2019	1. 23%～1. 32%	None	$ 961, 954
Less: Current portion of long-term borrowings				(405, 679)
				$ 556, 275

(8) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March. Information on the Company's aforementioned pension plan is as follows:

a. The amounts recognised in the balance sheet are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligation	($ 60,538)	($ 58,779)
Fair value of plan assets	52,898	51,103
Net defined benefit liability	($ 7,640)	($ 7,676)

b. Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 58,779)	$ 51,103	($ 7,676)
Current service cost	(297)	-	(297)
Interest (expense) revenue	(1,000)	869	(131)
	(60,076)	51,972	(8,104)
Remeasurements:			
Return on plan assets	-	(345)	(345)
Change in financial assumptions	(3,583)	-	(3,583)
Experience adjustments	2,371	-	2,371
	(1,212)	(345)	(1,557)
Pension fund contribution	-	2,021	2,021
Paid pension	750	(750)	-
Balance at December 31	($ 60,538)	$ 52,898	($ 7,640)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	($ 51,425)	$ 48,556	($ 2,869)
Current service cost	(310)	-	(310)
Interest (expense) revenue	(874)	825	(49)
	(52,609)	49,381	(3,228)
Remeasurements:			
Return on plan assets	-	(372)	(372)
Experience adjustments	(6,170)	-	(6,170)
	(6,170)	(372)	(6,542)
Pension fund contribution	-	2,094	2,094
Balance at December 31	($ 58,779)	$ 51,103	($ 7,676)

c. The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

d. The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2017	2016
Discount rate	1.30%	1.70%
Future salary increases	2.50%	2.50%

Assumptions regarding future mortality experience are set based on the fifth experience life table of taiwan life insurance industry.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected as follows:

	Discount rate		Future salary increase	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	($ 2,271)	$ 2,381	$ 2,193	($ 2,108)
December 31, 2016				
Effect on present value of defined benefit obligation	($ 2,258)	$ 2,370	$ 2,197	($ 2,108)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

e. Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2018 amount to $1,925.

f. As of December 31, 2017, the weighted average duration of the retirement plan is 16 years. The analysis for the due dates of pensions payment is as follows:

Within 1 year	$ 339
2-5 years	4,014
Over 6 years	11,337
	$ 15,690

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2017 and 2016 were $71,364 and $67,071, respectively.

(9) Common stock

A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	Years ended December 31,	
	2017	2016
At January 1	96, 476	95, 277
Stock dividends	965	953
Exercised employee stock bonuses	244	246
At December 31	97, 685	96, 476

B. On May 31, 2016, the Company's shareholders adopted a resolution to issue new shares of common stock through capitalisation of unappropriated retained earnings of $9,528 and employees' bonus payable of $82,000. As approved by the Securities and Futures Bureau, Financial Supervisory Commission, the effective date of the capitalisation was set on July 13, 2016. Of the amount of $82,000 employees' stock bonuses, 246 thousand shares were calculated based on the fair value per share at the preceding day of the shareholders' meeting, after taking into account the effects of ex-rights and ex-dividends. Amounts arising in excess of par value on issuance are classified as capital surplus-additional paid-in capital.

C. After the abovementioned capitalisation, the Company's total authorised capital was $1,200,000 (including $20,000 reserved for employee stock options) and the paid-in capital was $964,760 (96,476 thousand shares) with par value of $10 (in dollars) per share.

D. On June 13, 2017, the Company's shareholders adopted a resolution to issue new shares of common stock through capitalisation of unappropriated retained earnings of $9,648 and employees' bonus payable of $90,000. As approved by the Securities and Futures Bureau, Financial Supervisory Commission, the effective date of the capitalisation was set on August 1, 2017. Of the amount of $90,000 employees' stock bonuses, 244 thousand shares were calculated based on the fair value per share at the preceding day of the Board of Directors' meeting, after taking into account the effects of ex-rights and ex-dividends. Amounts arising in excess of par value on issuance are classified as capital surplus-additional paid-in capital.

E. After the abovementioned capitalisation, the Company's total authorised capital was $1,200,000 (including $20,000 reserved for employee stock options) and the paid-in capital was $976,850 (97,685 thousand shares) with par value of $10 (in dollars) per share.

(10) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed

10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is used.

(11) Retained earnings

A. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks or distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, the Company operates in a volatile business environment and is in stable growth stage, the appropriation of earnings should consider fund requirements and capital budgets to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income is the distributable net profit of this period, which is added to the unappropriated retained earnings from prior years to arrive at the accumulated distributable net profit. After considering business environment, future operations, the need for reinvestment, and so on, the Board of Directors will propose a resolution for the distribution of earnings which will be approved at the shareholders' meeting. The distributable net profit shall be appropriated as: 50%~100% of accumulated distributable net profit will be appropriated as dividends and bonuses to shareholders, with cash dividends being at least 1% of the total dividends. Amounts shall be distributed as stock dividends when the price per share of cash dividend is less than $0.5 (in dollars).

C. In accordance with the regulations, the Company shall set aside special reserve arising from the debit balance in other equity items at the balance sheet date before distributing earnings. When debit balance in other equity items is reversed subsequently, an equal amount could then be used for distribution.

D. The Company recognised dividends distributed to owners in 2017 and 2016 amounting to $1,032,293 ($10.70 dollars per share) and $838,441 ($8.80 dollars per share) for cash dividends, respectively; and $9,648 ($0.10 dollars per share) and $9,528 ($0.10 dollars per share) for stock dividends, respectively. During its meeting on February 26, 2018, the Board of Directors' proposed for the distribution of dividends from 2017 earnings of $1,269,905 ($13 dollars per share) for cash dividends.

(12) Operating revenue

	Years ended December 31, 2017	2016
Merchandise sales	$ 13,130,069	$ 12,127,278
License income	132,002	296,468
	$ 13,262,071	$ 12,423,746

(13) Other income

	Years ended December 31,	
	2017	2016
Rental income	$ 24,939	$ 23,902
Interest income:		
Interest income from bank deposits	973	1,087
Other interest income	1,304	1,250
Other income	23,737	23,331
	$ 50,953	$ 49,570

(14) Other gains and losses

	Years ended December 31,	
	2017	2016
(Loss) gain on disposal of property, plant and equipment	($ 38,309)	$ 9,089
Other losses	(1,362)	(1,076)
	($ 39,671)	$ 8,013

(15) Finance costs

	Years ended December 31,	
	2017	2016
Interest expense:		
Bank borrowings	$ 13,511	$ 9,815
Less: capitalization of qualifying assets	(3,252)	(1,544)
	$ 10,259	$ 8,271

(16) Expenses by nature

	Years ended December 31,			
	2017			2016
	Operating expenses	Operating costs	Total	Operating expenses
Employee benefit expense	$ 1,736,191	$ 71,434	$ 1,807,625	$ 1,671,002
Depreciation	$ 433,701	$ 11,845	$ 445,546	$ 387,934

(17) Employee benefit expenses

	Years ended December 31,			
	2017			2016
Full time employees	Operating expenses	Operating costs	Total	Operating expenses
Wages and salaries	$ 1, 119, 544	$ 15, 450	$1, 134, 994	$ 1, 159, 012
Labor and health insurance expense	108, 579	1, 719	110, 298	118, 948
Pension costs	53, 469	869	54, 338	59, 901
Other personnel expenses	63, 129	729	63, 858	58, 918
	$ 1, 344, 721	$ 18, 767	$1, 363, 488	$ 1, 396, 779

	Years ended December 31,			
	2017			2016
Part time employees	Operating expenses	Operating costs	Total	Operating expenses
Wages and salaries	$ 333, 923	$ -	$ 333, 923	247, 662
Labor and health insurance expense	40, 093	-	40, 093	19, 032
Pension costs	17, 454	-	17, 454	7, 529
Other personnel expenses	-	52, 667	52, 667	-
	$ 391, 470	$ 52, 667	$ 444, 137	$ 274, 223

A. The number of full time employees were 2,668 and 3,295, while part time employees were 1,794 and 942 on average for the years ended December 31, 2017 and 2016, respectively.

B. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 6% for directors' remuneration.

C. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at $92,000 and $90,000, respectively; while directors' remuneration was both accrued at $4,800 for both periods. The aforementioned amounts were recognised in salary expenses that were estimated and accrued based on the distributable net profit of current year calculated by the percentage prescribed under the Company's Articles of Incorporation. The actual amount approved at the board of directors' meeting for employees' compensation and directors' remuneration for 2016 was $94,800, which was the same as the estimated amount recognised in the 2016 financial statements. The number of shares distributed as employees' compensation for the year ended December 31, 2016 was 244 thousand shares.

Information about employees' compensation and directors' remuneration by the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(18) Income tax

A. Income tax expense:

a. Components of income tax expense:

	Years ended December 31,	
	2017	2016
Current income tax:		
Current tax on profits for the year	$ 297,144	$ 248,737
Tax on undistributed surplus earnings	516	690
Prior year income tax over estimation	(40)	-
Total current tax	297,620	249,427
Deferred income tax:		
Origination and reversal of temporary differences	(3,832)	(8,743)
Total deferred income tax	(3,832)	(8,743)
Income tax expense	$ 293,788	$ 240,684

b. The income tax relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2017	2016
Remeasurements of defined benefit plan	($ 265)	($ 1,112)

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2017	2016
Tax calculated based on profit before tax and statutory tax rate	$ 292,884	$ 239,728
Expenses disallowed by tax regulation	428	266
Tax on undistributed surplus earnings	516	690
Prior year income tax over estimation	(40)	-
Tax expense	$ 293,788	$ 240,684

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealised expense	$ 19,847	$ 3,657	$ -	$ 23,504
Pension	5,059	-	265	5,324
Unearned revenue	3,424	446	-	3,870
	$ 28,330	$ 4,103	$ 265	$ 32,698
- Deferred tax liabilities:				
Pension	($ 3,160)	($ 271)	$ -	($ 3,431)
	$ 25,170	$ 3,832	$ 265	$ 29,267

	Year ended December 31, 2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealised expense	$ 11,482	$ 8,365	$ -	$ 19,847
Pension	3,947	-	1,112	5,059
Unearned revenue	2,751	673	-	3,424
	$ 18,180	$ 9,038	$ 1,112	$ 28,330
- Deferred tax liabilities:				
Pension	($ 2,865)	($ 295)	$ -	($ 3,160)
	$ 15,315	$ 8,743	$ 1,112	$ 25,170

D. As of February 26, 2018, the Company's income tax returns through 2015 have been assessed by the Tax Authority, and there were no disputes existing between the Company and the Tax Authority.

E. Unappropriated retained earnings:

	December 31, 2017	December 31, 2016
Earnings generated in and after 1998	$ 1,442,913	$ 1,174,037

F. As of December 31, 2017 and 2016, the balances of the imputation tax credit account were \$161,979 and \$126,052, respectively. As dividends for 2016 were approved at the shareholders' meeting on June 13, 2017 with the dividend distribution date set on August 1, 2017 by the Board of Directors, the creditable tax rate was 20.59% for the year ended December 31, 2016. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

(19) Earnings per share

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 1,429,057	97,652	$ 14.63
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 1,429,057	97,652	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	352	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 1,429,057	98,004	$ 14.58

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 1,169,484	97,405	$ 12.01
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 1,169,484	97,405	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	288	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 1,169,484	97,693	$ 11.97

A. As the Company may choose to distribute employees' compensation in the form of shares, the calculation of diluted earnings per share is based on the assumption that the bonus would be issued in shares. When calculating the diluted EPS, those potential common shares that result in dilutive effect would be included in the calculation of the weighted-average outstanding common shares during the reporting period. When calculating the basic EPS, the weighted-average outstanding common shares during the reporting period is calculated based on the actual amount of shares distributed as employees' compensation under the resolution by the board of directors. In addition, since the employees' stock compensation is no longer regarded as a distribution of stock dividends, the Company did not adjust the effects on the basic and diluted earnings per share retroactively.

B. The abovementioned weighted average number of ordinary shares outstanding has been adjusted to unappropriated retained earnings as proportional increase in capital for the year ended December 31, 2016.

(20) Operating leases

The Company has lease contracts with the key management and non-related parties. The lease terms are between 3 to 20 years. As of December 31, 2017 and 2016, the amount of deposits paid in accordance with the lease contracts was $281,756 and $249,790, respectively and was classified as refundable deposits. The Company recognised rental expenses of $1,025,062 and $874,706 for these leases in profit or loss for 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2017	December 31, 2016
Within 1 year	$ 1,085,487	$ 916,755
Between 1 and 5 years	4,016,148	3,448,383
Over 5 years	4,066,371	3,834,420
	$ 9,168,006	$ 8,199,558

(21) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2017	2016
Purchase of property, plant and equipment	$ 978,040	$ 934,407
Add: Beginning balance of payable on equipment (Other payables)	44,582	84,385
Less: Ending balance of payable on equipment (Other payables)	(81,688)	(44,582)
Capitalization of interest	(3,252)	(1,544)
Cash paid for acquisition of property, plant and equipment	$ 937,682	$ 972,666

B. Financing activities without cash payments:

	Years ended December 31,	
	2017	2016
Accrued employees' compensation transferred to stock dividends to be distributed	$ 90,000	$ 82,000

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Chen Chien Tsao	Key management of the Company

(2) Significant related party transactions

Rental expense

	Leased subject	Determination of rental	Payment method	Years ended December 31, 2017	2016
Key management	Tainan office	Negotiation	Monthly payment	$ 3,000	$ 3,000

For details on operating lease agreements, please refer to Note 6 (20) Operating leases.

(3) Key management compensation

	Years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	$ 16,763	$ 17,660

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Assets		December 31, 2017	December 31, 2016	Purpose of collateral
Demand deposits	(Note)	$ 22,101	$ 29,562	Performance guarantee
Certificate of deposit	(Note)	5,250	5,250	Refundable deposits
		$ 27,351	$ 34,812	

(Note) Classified as "Other current financial assets" and "Other non-current financial assets".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Capital expenditures contracted for but not yet incurred

	December 31, 2017	December 31, 2016
Property, plant and equipment	$ 62,970	$ 224,377

(2) For details on operating lease agreements, please refer to Note 6 (20) Operating leases.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Fair value information of financial instruments

The Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current financial assets, refundable deposits, other non-current financial assets, notes payable, accounts payable, other payables, long-term borrowings (including current portion) and guarantee deposits received) are based on their book value as book value approximates fair value. In addition, the fair value information of financial instruments measured at fair value is described in Note 12 (3) Fair value information.

B. Financial risk management policies

The Company adopts a comprehensive risk management system to identify all risks (including market risk, credit risk and liquidity risk) and to enable key management to measure and control all risks. The Company's objectives when managing market risk are achieving optimal risk exposure, maintaining appropriate liquidity and managing all market risks centrally by taking into account the economic environment, competition and market risk effect into account.

C. Significant financial risks and degrees of financial risks

a. Market risk

I. Foreign exchange risk

Since the main transactions of the Company are denominated in New Taiwan dollars, the Company is not engaged in foreign exchange contracts. Therefore, the Company is not exposed to significant foreign exchange risk.

II. Price risk

The Company is not engaged in any financial instrument or derivatives investment, hence is not exposed to price risk.

III. Interest rate risk

For the years ended December 31, 2017 and 2016, if interest rates on borrowings had been 10% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have decreased/increased by $71 and $63, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

b. Credit risk

I. Credit risk refers to the risk of financial loss to the Company arising from default by the customers or counterparties of financial instruments on the contractual obligations. Credit risk arises mainly from cash and cash equivalents and deposits with banks and financial institutions, including outstanding receivables. For banks and financial institutions, only independently rated parties with distinguished rating are accepted.

II. For information of credit quality of the Company's financial assets, please refer to Note 6, Financial assets.

c. Liquidity risk

I. Cash flow forecasting is performed by the Company. The Company's Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

II. The Company has the following undrawn borrowing facilities:

	December 31, 2017	December 31, 2016
Floating rate:		
Expiring within one year	$ 330,000	$ 130,000
Expiring beyond one year	670,000	738,046
	$ 1,000,000	$ 868,046

The facilities expiring within one year are annual facilities subject to review at various dates during 2018.

III. The table below analyses the Company's non-derivative financial liabilities and relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Notes payable	$ 58, 027	$ -	$ -	$ -
Accounts payable	1, 644, 272	-	-	-
Other payables	644, 116	-	-	-
Long-term borrowings (including current portion)	543, 348	492, 725	310, 489	-
Guarantee deposits received	-	6, 337	-	-

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Notes payable	$ 614, 262	$ -	$ -	$ -
Accounts payable	969, 035	-	-	-
Other payables	569, 960	-	-	-
Long-term borrowings (including current portion)	411, 013	366, 098	197, 491	-
Guarantee deposits received	-	6, 498	-	-

(3) Fair value information

The Company had no fair value financial instruments as of December 31, 2017 and 2016.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transaction information

(In accordance with the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2017.)

A. Loans to others: None.

B. Provision of endorsements and guarantee to others provided: None.

C. Holding of marketable securities at the end of the period: None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or

20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of the paid-in capital or more: None.

I. Trading in derivative financial instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

(In accordance with the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2017.)

None.

(3) Information on investments in Mainland China

(In accordance with the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2017.)

As of December 31, 2017, the Company had no investments in Mainland China.

14. SEGMENT INFORMATION

(1) General information

The Company operates business only in a single industry. The Company's chief operating decision-maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

(2) Measurement of segment information

The Board of Directors evaluates the performance of the operating segments based on a measure of EBIT. This measurement basis excludes the effects of non-recurring earnings and expenditures from the operating segments. The accounting policies of the operating segment are the same with Note 4 on the Financial Report.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Years ended December 31,	
	2017	2016
	Retailing	Retailing
Segment revenue	$ 13,262,071	$ 12,423,746
Revenue from external customers (net)	13,262,071	12,423,746
Depreciation	445,546	387,934
Finance cost	10,259	8,271
Segment pre-tax profit	1,722,845	1,410,168
Segment assets	7,529,129	6,463,830
Segment liabilities	3,899,304	3,319,477

A. The segment income or loss reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment income or loss to the income before tax is provided as follows:

	Years ended December 31,	
	2017	2016
Reportable segment income before tax	$ 1,722,845	$ 1,410,168
Other adjustments	-	-
Profit from continuing operations	$ 1,722,845	$ 1,410,168

B. The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the financial statements. A reconciliation of assets of reportable segment and total assets is as follows:

	Years ended December 31,	
	2017	2016
Asset of reportable segment	$ 7,529,129	$ 6,463,830
Unamortised items	-	-
Total assets	$ 7,529,129	$ 6,463,830

C. The measurements of amount of liabilities provided to the chief operating decision- maker were in agreement with the Company's financial report. The reconciliation of segment liabilities and total liabilities is as follows:

	Years ended December 31,	
	2017	2016
Liabilities of reportable segment	$ 3,899,304	$ 3,319,477
Unamortised items	-	-
Total liabilities	$ 3,899,304	$ 3,319,477

(4) Information on products and services

Please refer to Note 6 (12) Operating revenue for related information.

(5) Geographical information

The Company's geographical information for the years ended December 31, 2017 and 2016 is as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 13,262,071	$ 2,777,732	$ 12,423,746	$ 2,236,953

(6) Major customer information

The Company's annual revenue from each customer for the years ended December 31, 2017 and 2016 did not reach more than 10% of the revenue on the statement of comprehensive income.