Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report of the Years 2018 and 2017

(Stock Code: 8938)

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Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report for the Years Ended December 31, 2018 and 2017

Table of Contents

Advanced International Multitech Co., Ltd.

Letter of Representation for Consolidated Financial Statements

The entities that are required to be included in the combined financial statements of the Company for the annual period ended December 31, 2018 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 Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements has already been covered in the consolidated financial statements. Hence, we do not prepare a separate set of combined financial statements.

Represented by

Advanced International Multitech Co., Ltd.

Responsible person: Hsi-Chien Cheng

February 27, 2019

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2018 and 2017
Unit: In Thousands of New Taiwan Dollars

	Assets:	Note	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 533,118	7	$ 989,078	15
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	314	-	1,368	-
1150	Notes receivable - net	6(3)	11,181	-	5,980	-
1170	Accounts receivable- net	6(3)	2,738,892	36	2,288,717	34
1200	Other receivables		30,465	1	19,173	-
1220	Current income tax assets		-	-	329	-
130X	Inventories	6(4)	2,070,745	27	1,499,438	23
1410	Prepayments	6(6)	172,436	2	126,101	2
1470	Other current assets		7,804	-	6,227	-
11XX	**Total current assets**		5,564,955	73	4,936,411	74
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	6(5)	55	-	-	-
1543	Financial Assets Carried at Cost - Non-current	12 (4)	-	-	55	-
1550	Investments accounted for using equity method	6 (7) and 7	4,333	-	-	-
1600	Property, plant and equipment	6 (8) (10) and 8	1,794,729	24	1,480,810	23
1780	Intangible assets	6(9)	18,516	-	18,519	-
1840	Deferred income tax assets	6(26)	55,784	1	56,590	1
1915	Prepayments for business facilities		111,176	1	77,769	1
1990	Other non-current assets - others	6 (11) and 8	54,521	1	55,482	1
15XX	**Total non-current assets**		2,039,114	27	1,689,225	26
1XXX	**Total assets**		$ 7,604,069	100	$ 6,625,636	100

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Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars

	Liabilities and Equity	Note	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities					
2100	Short-term loan	6 (12) and 8	$ 167,109	2	$ 90,454	2
2150	Notes payable		3,319	-	1,697	-
2170	Accounts payable		1,644,166	22	1,203,816	18
2200	Other payables	6(13)	1,053,104	14	1,061,639	16
2230	Current income tax liabilities		158,433	2	85,314	1
2300	Other current liabilities		46,831	1	36,076	1
21XX	**Total current liabilities**		3,072,962	41	2,478,996	38
	Non-current liabilities					
2540	Long-term loans	6 (14) and 8	93,880	1	-	-
2570	Deferred income tax liabilities	6(26)	143,051	2	89,243	1
2640	Net defined benefit liability - non-current	6(15)	76,259	1	69,476	1
2670	Other non-current liabilities - others		4,819	-	525	-
25XX	**Total non-current liabilities**		318,009	4	159,244	2
2XXX	**Total liabilities**		3,390,971	45	2,638,240	40
	Equity					
	Equity attributable to shareholders of the parent company					
	Capital	6(17)				
3110	Capital of common shares		1,353,127	18	1,353,127	21
	Capital surplus	6(18)				
3200	Capital surplus		781,236	9	781,236	11
	Retained earnings	6(19)				
3310	Legal reserve		743,087	10	698,847	11
3320	Special reserve		65,616	1	21,412	-
3350	Undistributed earnings		979,701	13	857,118	13
	Other equity					
3400	Other equity		(75,285)	(1)	(65,616)	(1)
31XX	**Total equity attributable to shareholders of the parent company**		3,847,482	50	3,646,124	55
36XX	**Non-controlling interests**		365,616	5	341,272	5
3XXX	**Total equity**		4,213,098	55	3,987,396	60
	Important contingent liabilities and unrecognized contractual commitments	9				
	Significant Subsequent Events	11				
3X2X	**Total liabilities and equity**		$ 7,604,069	100	$ 6,625,636	100

(The accompanying notes are an integral part of the consolidated financial statements. Please refer to them as well.)

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

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
for the Years Ended December 31, 2018 and 2017
Unit: In Thousands of New Taiwan Dollars
(Except for Earnings Per Share Presented in New Taiwan Dollars)

	Item	Note	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenue**	6(20)	$ 11,114,807	100	$ 10,191,635	100
5000	**Operating costs**	6 (4) (9) (24) (25)	(9,513,629)	(86)	(8,657,035)	(85)
5900	**Gross operating profit**		1,601,178	14	1,534,600	15
	Operating Expenses	6 (9) (24) (25)				
6100	Selling expense		(200,690)	(2)	(187,448)	(2)
6200	Administrative expense		(426,634)	(4)	(390,063)	(4)
6300	Research and development expenses		(408,193)	(3)	(346,944)	(3)
6450	Estimated credit impairment gain		6,956	-	-	-
6000	**Total operating expenses**		(1,028,561)	(9)	(924,455)	(9)
6500	**Other Income and Expenses - Net**	6(21)	116,434	1	80,001	1
6900	**Operating income**		689,051	6	690,146	7
	Non-operating income and expenses					
7010	Other income	6(22)	10,255	-	5,934	-
7020	Other gains and losses	6(23)	104,830	1	(175,886)	(2)
7050	Finance costs		(228)	-	(307)	-
7060	Share of the profit (loss) of associates and joint ventures accounted for using equity method	6(7)	(826)	-	-	-
7000	**Total non-operating income and expenses**		114,031	1	(170,259)	(2)
7900	**Income before tax**		803,082	7	519,887	5
7950	Income tax expense	6(26)	(198,684)	(2)	(73,181)	(1)
8200	**Net income**		$ 604,398	5	$ 446,706	4

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Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
for the Years Ended December 31, 2018 and 2017

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

	Item	Note	2018 Amount	2018 %	2017 Amount	2017 %
	Other comprehensive income					
	Items that are not reclassified subsequently to profit or loss:					
8311	Remeasurement of defined benefit plans	6(15)	($ 8,092)	-	($ 7,276)	-
8349	income tax expenses (benefits) related to items	6(26)	2,112	-	1,237	-
8310	**Items that are not reclassified subsequently to profit or loss - total**		(5,980)	-	(6,039)	-
	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences on translation of foreign financial statements		(9,669)	-	(44,204)	-
8300	**Other comprehensive income (loss), net**		($ 15,649)	-	($ 50,243)	-
8500	**Total comprehensive income (loss)**		$ 588,749	5	$ 396,463	4
	Net income (loss) attributable to:					
8610	Owners of parent company		$ 568,820	5	$ 442,403	4
8620	Non-controlling interests		35,578	-	4,303	-
	Total		$ 604,398	5	$ 446,706	4
	Total comprehensive income (loss) attributable to:					
8710	Owners of parent company		$ 553,171	5	$ 392,160	4
8720	Non-controlling interests		35,578	-	4,303	-
	Total		$ 588,749	5	$ 396,463	4
	Earnings per share	6(27)				
9750	**Basic**		$ 4.20		$ 3.30	
9850	**Diluted**		$ 4.16		$ 3.27	

(The accompanying notes are an integral part of the consolidated financial statements. Please refer to them as well.)

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

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
for the Years Ended December 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars

		Equity attributable to shareholders of the parent company											
			Capital surplus				Retained earnings						
	Notes	Capital of common shares	Share premium	Changes in ownership interest in subsidiaries	Employees stock option	Others	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Total	Non-controlling interests	Total Equity
2017													
Balance as of January 1, 2017		$ 1,333,757	$ 670,464	$ 16,480	$ 28,404	$ 18,432	$ 664,300	$ -	$ 650,101	($ 21,412)	$ 3,360,526	$ 363,935	$ 3,724,461
Net income		-	-	-	-	-	-	-	442,403	-	442,403	4,303	446,706
Other comprehensive income (loss)		-	-	-	-	-	-	-	(6,039)	(44,204)	(50,243)	-	(50,243)
Total comprehensive income (loss)		-	-	-	-	-	-	-	436,364	(44,204)	392,160	4,303	396,463
Earnings appropriation and allocation for 2016:													
Provision of legal reserve		-	-	-	-	-	34,547	-	(34,547)	-	-	-	-
Provision of special reserve		-	-	-	-	-	-	21,412	(21,412)	-	-	-	-
Cash dividends for common stocks	6(19)	-	-	-	-	-	-	-	(173,388)	-	(173,388)	-	(173,388)
Employee stock option written off		-	-	-	(6,458)	6,458	-	-	-	-	-	-	-
Share-based payment transaction	6(16)	19,370	69,402	-	(21,946)	-	-	-	-	-	66,826	-	66,826
Cash dividends distributed by subsidiaries		-	-	-	-	-	-	-	-	-	-	(26,966)	(26,966)
Balance as of December 31, 2017		$ 1,353,127	$ 739,866	$ 16,480	$ -	$ 24,890	$ 698,847	$ 21,412	$ 857,118	($ 65,616)	$ 3,646,124	$ 341,272	$ 3,987,396
2018													
Balance as of January 1, 2018		$ 1,353,127	$ 739,866	$ 16,480	$ -	$ 24,890	$ 698,847	$ 21,412	$ 857,118	($ 65,616)	$ 3,646,124	$ 341,272	$ 3,987,396
Net income		-	-	-	-	-	-	-	568,820	-	568,820	35,578	604,398
Other comprehensive income (loss)		-	-	-	-	-	-	-	(5,980)	(9,669)	(15,649)	-	(15,649)
Total comprehensive income (loss)		-	-	-	-	-	-	-	562,840	(9,669)	553,171	35,578	588,749
Earnings appropriation and allocation for 2017:													
Legal reserve		-	-	-	-	-	44,240	-	(44,240)	-	-	-	-
Provision of special reserve		-	-	-	-	-	-	44,204	(44,204)	-	-	-	-
Cash dividends for common stocks	6(19)	-	-	-	-	-	-	-	(351,813)	-	(351,813)	-	(351,813)
Cash dividends distributed by subsidiaries		-	-	-	-	-	-	-	-	-	-	(11,234)	(11,234)
Balance as of December 31, 2018 (check)		$ 1,353,127	$ 739,866	$ 16,480	$ -	$ 24,890	$ 743,087	$ 65,616	$ 979,701	($ 75,285)	$ 3,847,482	$ 365,616	$ 4,213,098

(The accompanying notes are an integral part of the consolidated financial statements. Please refer to them as well.)

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

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
for the Years Ended December 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars

	Notes	2018	2017
Cash flows from operating activities			
Net income before tax		$ 803,082	$ 519,887
Adjustments:			
Income and expense item			
Depreciation	6(24)	306,483	325,415
Amortization	6(24)	17,608	18,295
Amortization of long-term rental prepayments (stated as amortization expense)	6 (11) (24)	1,648	1,701
Estimated credit impairment loss or gain	12 (4)	(6,956)	-
Provision of allowance for doubtful accounts	12 (4)	-	4,364
Net loss (gain) from financial assets and liabilities measured at fair value through profit or loss	6(23)	5,593	(547)
Interest income	6(22)	(9,281)	(5,058)
Interest expense		228	139
Loss on disposal and retirement of property, plant and equipment	6(23)	762	5,853
Reclassification of property, plant and equipment to expense		269	-
Reclassification of other non-current assets to expense		-	18
Impairment loss on non-financial assets	6 (10) (23)	5,283	4,821
Share of the profit (loss) of associates and joint ventures accounted for using equity method	6(7)	826	-
Changes in operating assets and liabilities:			
Net changes in operating assets			
Financial assets at fair value through profit and loss		(4,545)	(804)
Notes receivable		(5,201)	4,277
Accounts receivable		(457,662)	(36,924)
Other receivables		(11,332)	(1,413)
Inventories		(581,850)	(220,935)
Prepayments		(48,830)	(30,192)
Other current assets		(1,594)	3,178
Net changes in operating liabilities			
Notes payable		1,622	55
Accounts payable		450,148	(48,568)
Other payables		(3,487)	136,495
Other current liabilities		10,760	(4,720)
Accrued pension liability		(1,309)	(1,085)
Other operating liabilities		4,213	-
Cash provided by operating activities		476,478	674,252
Income tax paid for the current period		(68,371)	(52,767)
Net cash provided by operating activities		408,107	621,485

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Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
for the Years Ended December 31, 2018 and 2017

Unit: In Thousands of New Taiwan Dollars

	Notes	2018	2017
Cash flows from investing activities:			
Increase in investments accounted for using equity method		($ 5,101)	$ -
Acquisition of property, plant and equipment	6(29)	(547,450)	(158,869)
Increase in prepayment for business facilities		(113,369)	(80,718)
Proceeds from disposal of property, plant, and equipment		163	5,589
Increase in refundable deposits		(3,931)	(5,384)
Decrease in refundable deposits		4,517	3,447
Acquisition of intangible assets	6(9)	(8,286)	(16,561)
Increase in other non-current assets		(6,815)	(9,931)
Interest received		9,359	4,895
Net cash used in investing activities		(670,913)	(257,532)
Cash provided by (used in) financing activities			
Increase in short-term loans	6(30)	554,977	1,190,102
Decrease in short-term loans	6(30)	(478,322)	(1,139,984)
Increase in long-term loans	6(30)	93,880	-
Increase in deposits received		91	45
Decrease in deposits received		-	(90)
Interest paid		(201)	(139)
Execution of employees stock option		-	66,826
Cash dividends distributed	6(19)	(351,813)	(173,388)
Cash dividends distributed by subsidiaries		(11,234)	(26,966)
Net cash used in financing activities		(192,622)	(83,594)
Effect of exchange rate changes on cash and cash equivalents		(532)	(21,803)
Net increase (decrease) in cash and cash equivalents		(455,960)	258,556
Cash and cash equivalents, beginning of the period		989,078	730,522
Cash and cash equivalents, end of the period		$ 533,118	$ 989,078

(The accompanying notes are an integral part of the consolidated financial statements. Please refer to them as well.)

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

Advanced International Multitech Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
for the Years Ended December 31, 2018 and 2017

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

I. Company Profile

(I) Established on July 20, 1987, Advanced International Multitech Co., Ltd. ("the Company" hereinafter) started operation in January 1988 under its former name as Advanced Composite Design Co., Ltd, with capital in the amount of NT$ 45,000 thousand. The capital further increased to NT$ 187,170 thousand after the Company's merger and acquisition of its subsidiaries, namely Dian Precision Casting Co., Ltd. and Advanced International Co. Ltd., on July 1, 1998. As of December 31, 2018, the Company had an authorized capital in the amount of NT$ 1,463,000 thousand (including 5,000 thousand shares of employee stock option certificates and 10,000 thousand shares of convertible corporate bonds), and a paid-in capital in the amount of NT$ 1,353,127 thousand, representing 135,313 thousand shares with each share priced at NT$ 10. The Company and subsidiaries are mainly engaged in manufacturing, processing, trading, import and export of carbon fiber prepreg materials, and carbon fiber products (e.g. baseball bat, billiard stick, arrow target, golf club shaft and head, fishing tools, bicycle and accessories), as well as composite materials, namely carbon fiber fabrics, for aviation industry.

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

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements were approved and issued on February 27, 2019 by the Board of Directors.

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

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

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

New/Revised/Amended Standards and Interpretations	Effective date issued by the International Accounting Standards Board (IASB)
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 "Financial Instruments" With IFRS 4 "Insurance Contracts" (Amendments to IFRS 4)	January 1, 2018
IFRS 9 - Financial Instruments	January 1, 2018
IFRS 15 - Revenue from Contracts with Customers	January 1, 2018
Clarifications to IFRS 15 - Revenue from Contracts with Customers (Amendments to IFRS 15)	January 1, 2018
Disclosure Initiative (Amendments to IAS 7)	January 1, 2017
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	January 1, 2017

New/Revised/Amended Standards and Interpretations	Effective date issued by the International Accounting Standards Board (IASB)
Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 1, 2018
Annual Improvements to IFRSs 2014-2016 Cycle: IFRS 1 - First-time Adoption of IFRSs	January 1, 2018
Annual Improvements to IFRSs 2014-2016 Cycle: IFRS 12 - Disclosure of Interests in Other Entities	January 1, 2017
Annual Improvements to IFRSs 2014-2016 Cycle: IAS28 - Investments in Associates and Joint Venture	January 1, 2018

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

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

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

New/Revised/Amended Standards and Interpretations	Effective date issued by the International Accounting Standards Board (IASB)
Amendments to IFRS 9 - Prepayment Features with Negative Compensation	January 1, 2019
IFRS 16 - Leases	January 1, 2019
Amendment to IAS 19 - Plan Amendment, Curtailment or Settlement	January 1, 2019
Amendment 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

The Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group's financial position and financial performance, except for those stated below:

IFRS 16 "Leases"

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

The Group accounts for all leases to which the Group is a lessee using IFRS 16 "Leases" without restating the previous financial statements (hereinafter referred to as the "modified retrospective approach"); right-of-use assets and lease liabilities on

January 1, 2019 may be adjusted to increase by NT$164,091 thousand and NT$131,181 thousand, respectively.

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

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

New/Revised/Amended Standards and Interpretations	Effective date issued by the International Accounting Standards Board (IASB)
Amendments to IAS 1 and IAS 8 - Disclosure Initiative - Definition of Material	January 1, 2020
Amendments to IFRS 3 - Definition of Business	January 1, 2020
Amendments to IFRS 10 and IAS 28 - Sales or Contributions of Assets between Its Associate/Joint Venture	Yet to be determined by the IASB
IFRS 17 - Insurance Contracts	January 1, 2021

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

IV. Summary of Significant Accounting Policies

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

(I) Statement of Compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations (collectively referred to as "IFRSs" hereinafter) to the extent endorsed by the FSC.

(II) Basis of Preparation

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

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

   (2) Financial assets measured at fair value through other comprehensive income.

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

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

3. In the initial application of IFRS 9 and IFRS 15 as at January 1, 2018, the Group adopts the modified retrospective approach, by which the transitional differences generated do not have significant impact on the retained earnings and other

equity as at January 1, 2018; therefore, the Group does not restate the financial statements and notes to the financial statements for the year ended December 31, 2017. The financial statements for the year ended December 31, 2017 were prepared in accordance with International Accounting Standards 39 ("IAS39" hereinafter), International Accounting Standards 11 ("IAS 11"), International Accounting Standards ("IAS 18"), and their related IFRIC Interpretations and SIC interpretations. For critical accounting policies and major accounting items, please refer to Note 12 (4) and (5) for details.

(III) Basis of Consolidation

1. Preparation Principles for the Consolidated Financial Statements:

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

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

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

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

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

Investor	Subsidiary	Main Business Activities	Ownership (%)		Note
			December 31, 2018	December 31, 2017	
Advanced International Multitech Co., Ltd.	Advanced International Multitech (BVI) Co., Ltd.	Overseas investment expense	100	100	
Advanced International Multitech Co., Ltd.	Advanced Group International (BVI) Co., Ltd.	Overseas investment expense	100	100	
Advanced International Multitech Co., Ltd.	Advanced International Multitech(VN) Co., Ltd.	Engaged in the production and sales of various golf club shafts and heads, golf sets.	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Note
Advanced International Multitech Co., Ltd.	Launch Technologies Co., Ltd. (LTC)	Engaged in sports products, other plastic products and international trade	55.93	55.93	
Advanced Group International (BVI) Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd	Engaged in production, import and export of carbon fiber prepreg materials and sports products	100	100	
Advanced International Multitech (BVI) Co., Ltd.	Advanced Sporting Goods (Shatian, Dongguan) Co., Ltd.	Engaged in production, import and export of carbon fiber prepreg materials and sports products	100	100	
Advanced International Multitech Co., Ltd.	FOO-GUO International Limited	Overseas investment	-	-	Note 1
FOO-GUO International Limited	FOO-GUO Sports (Dongguan) Co. Ltd.	Engaged in manufacturing and sales of sport goods	-	-	Note 2

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

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

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

4. Adjustment and solutions for discrepancy of accounting periods between subsidiaries: None.

5. Significant restrictions: None.

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

   As of December 31, 2018 and 2017, the Group's Non-controlling interests totaled NT$365,616 thousand and NT$ 341,272 thousand. What stated below is the information in respect of subsidiaries with material non-controlling interest:

Name of subsidiary	Principal place of business	Non-controlling interests December 31, 2018 Amount	Non-controlling interests December 31, 2018 Ownership (%)	Non-controlling interests December 31, 2017 Amount	Non-controlling interests December 31, 2017 Ownership (%)	Description
Launch Technologies Co., Ltd. (LTC)	Taiwan	$ 365,616	44.07	$ 341,272	44.07	-

Summary of the financial information of subsidiaries is as follows:

Balance Sheets

	Launch Technologies Co., Ltd. (LTC)	
	December 31, 2018	December 31, 2017
Current assets	$ 554,395	$ 480,455
Non-current assets	697,134	536,721
Current liabilities	(323,520)	(242,547)
Non-current liabilities	(98,396)	(251)
Total net assets	$ 829,613	$ 774,378

Statements of Comprehensive Income

	Launch Technologies Co., Ltd. (LTC)	
	2018	2017
Revenue	$ 1,580,530	$ 1,476,943
Income before tax	91,856	15,449
Income tax expense	(11,126)	(5,685)
Net income	80,730	9,764
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	$ 80,730	$ 9,764

Statements of Cash Flows

	Launch Technologies Co., Ltd. (LTC)	
	2018	2017
Net cash provided by operating activities	$ 129,609	$ 72,967
Net cash used in investing activities	(242,174)	(96,341)
Net cash provided by (used in) financing activities	102,493	(6,808)
Decrease in cash and cash equivalents for the current period	(10,072)	(30,182)
Cash and cash equivalents, beginning of the period	49,534	79,716
Cash and cash equivalents, end of the period	$ 39,462	$ 49,534

(IV) Foreign Currency Translation

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

1. Foreign Currency Transaction and Balance

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

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

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

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

2. Translation from Foreign Operations

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

(1) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the end of the financial reporting period;

(2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(3) All resulting exchange differences are recognized in other comprehensive income.

(4) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

(V) Classification of Current and Non-current Assets and Liabilities

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

(1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(2) Assets held primarily for trading purposes;

(3) Assets that are expected to be realized within 12 months after the balance sheet date;

(4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

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

   (1) Liabilities that are expected to be settled within the normal operating cycle.

   (2) Assets held primarily for trading purposes.

   (3) Liabilities that are expected to be settled within 12 months after the balance sheet date;

   (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Settlement by the issue of equity instruments based on transaction party's choice does not impact classification.

   Otherwise they are classified as non-current liabilities.

(VI) Cash equivalents

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

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

Applicable for the years beginning on or after January 1, 2018

1. Financial assets measured at FVTPL are financial assets that are neither carried at cost nor measured at FVTOCI.

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

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

4. The Group recognizes dividends income when the rights of shareholders to receive payment are established, provided that the economic benefits related to such dividends are probable to flow to the Group and the amount of such benefits can be reliably measured.

(VIII) Financial assets measured at FVTOCI

Applicable for the years beginning on or after January 1, 2018

1. Refers to the irrevocable election made at initial recognition that allows the Group to present fair value changes of equity investment not held for trading in other comprehensive income; or debt investment that meets all the criteria simultaneously:

   (1) Financial assets held within a business model of which the objective of holding is to collect the contractual cash flows and to sell.

   (2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principle and interest

on the principle amount outstanding.

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

3. Financial assets measured at FVTOCI are initially measured at fair value plus transaction costs and subsequently measured at fair value with fair value changes in equity instruments recognized in other comprehensive income. Upon derecognition, the cumulative gains or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss, but to be transferred to retained earnings. The Group recognizes dividends income when the rights of shareholders to receive payment are established, provided that the economic benefits related to such dividends are probable to flow to the Group and the amount of such benefits can be reliably measured.

(IX) Accounts receivable s and notes receivables

1. Accounts receivables and notes receivables are receivables and notes of which the contractual right to consideration for goods sold or services rendered is unconditional.

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

(X) Impairments of Financial Assets

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

(XI) Derecognition of financial assets

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

(XII) Inventories

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

(XIII) Investments accounted for using equity method

1. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

2. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

3. Any changes in equity of associates are recognized as "Capital Reserve" by the Group in proportion to its shareholding percentage, provided that such changes are not attributable to profit or loss, or to other comprehensive income, or affect the Group's shareholding percentage.

4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are adjusted, when necessary, to remain consistent with those of the Group.

5. When the Group disposes its investment in an associate and loses significant influence over this associate, the accounting treatment for amounts previously recognized in other comprehensive income in relation to the associate are the same as the one required if the relevant assets or liabilities were directly disposed of. That is, if gain/loss previously recognized in other comprehensive income will be reclassified to profit or loss upon disposal of relevant assets or liabilities, such gain/loss will be reclassified from equity to profit or loss when the Group loses significant influence over the associate. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(XIV) Property, plant and equipment

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

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

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

depreciated individually.

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

Buildings and structures, auxiliary equipment	2 years to 56 years
Machinery	2 years to 21 years
Utility equipment	2 years to 41 years
Transportation equipment	2 years to 6 years
Office equipment	2 years to 10 years
Other Equipment	2 years to 21 years

(XV) Lease

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

(XVI) Intangible assets

1. Technology transfer licensing fee and computer software are recognized at acquisition costs and amortized on a straight-line basis over the estimated useful lives of 3 - 5 years.

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

(XVII) Impairment of non-financial assets

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

(XVIII) Borrowings

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

(XIX) Notes payables and accounts payables

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

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

(XX) Financial liabilities measured at FVTPL

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

   (1) Hybrid (combined) contracts; or

   (2) They eliminate or significantly reduce a measurement or recognition inconsistency; or

   (3) They are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management policy.

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

(XXI) Offsetting financial assets and financial liabilities:

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

(XXII) Non-hedging Derivatives

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

(XXIII) Employee benefits

1. Short-term employee benefits

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

2. Pensions

   (1) Defined contribution plan

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

(2) Defined benefit plans

A. Net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The amount recognized is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is computed by independent actuaries every year using the projected unit credit method. The discount rate employed is by reference either to the market yields on high quality corporate bonds of which the currency and duration are consistent with the currency and duration of the defined benefit plan, or to the market yields on government bonds (at the balance sheet date) in countries where there is no deep market for high quality corporate bonds.

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

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

3. Termination benefits

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

4. Compensation to employees and remuneration to directors and supervisors

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

(XXIV) Share-based payment to employees

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

(XXV) Income tax

1. Income tax expense includes current income tax and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

3. Deferred income tax adopts the balance sheet approach. It is recognized as the temporary difference between the tax bases of assets and liabilities and their carrying amounts on the consolidated balance sheet at the reporting date. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

(XXVI) Capital

Common shares are classified as equity.

(XXVII) Dividends distribution

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

(XXVIII) Revenue recognition

1. The Group manufactures and sells consumer related products and recognizes sales revenue when the control of products is passed to customers, i.e. when products are delivered to customers and the Group doesn't have further performance obligations that might affect the acceptance of goods by customers. Goods are deemed delivered when the risk of delivery, obsolescence and loss is transferred to customers and customers has accepted the goods in accordance with the contractual terms, or when any objective evidence suggests that all criteria for acceptance have been satisfied.

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

3. The Group provides allowance for defective products sold and estimates discounts on a historical basis. A refund liability is recognized upon sales of products.

4. Accounts receivable is recognized when goods are delivered to customers because at which time the Group's right to the consideration for contracts from customers is unconditional, except for passage of time.

(XXIX) Government grants

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

(XXX) Operating segments

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

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

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

(I) Major judgments in adopting the accounting policies

None.

(II) Critical accounting estimates and assumptions

1. Expected credit loss of accounts receivables

   A loss allowance for accounts receivables is provided based on their full lifetime expected credit losses. In measuring the expected credit losses, the Group must use its judgment to identify the factors that affect the future recoverability of the accounts receivable (e.g. customers' operation condition and historical transaction records that may affect customers' ability to pay), and consider the time value of money, and the information that is reasonable and available to prove the forecast of future economic conditions. The said judgments and factors may significantly affect the measurement of the expected credit losses.

   As of December 31, 2018, the carrying amount of the Group's accounts receivable was NT$2,738,892 thousand.

2. Inventory valuation

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

   As of December 31, 2018, the carrying amount of the Group's inventory was NT$2,070,745 thousand.

VI. Descriptions of Major Accounting Subjects

(I) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 847	$ 1,021
Checking deposits and demand deposits	397,408	341,617
Cash equivalents - Time deposits	134,863	557,310
Cash equivalents - Repo bonds	-	89,130
Total	$ 533,118	$ 989,078

1. The Group deals with financial institutions having high credit quality. The Group also deals with various financial institutions in order that credit risks can be diversified. Therefore, the expected risk of default is pretty low.

2. No cash or its equivalents were pledged as collateral by the Group.

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

Item	December 31, 2018
Current items:	
Financial assets held for trading	
Non-hedging derivatives	$ 314
Adjustment for valuation	-
	$ 314

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

	2018
Financial assets held for trading	
Non-hedging financial derivatives	
Derivatives instruments	($ 364)

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

Derivative financial assets	December 31, 2018		
	Contract amount (nominal principal)		Contract period
Current items:			
Forward foreign exchange contracts	USD	2,496 thousand	December 10, 2018 – January 18, 2019

December 31, 2017: None.

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

3. For information on the credit risks of financial assets measured at FVTPL, please refer to Note 12 (2).

4. For financial assets measured at FVTPL as at December 31, 2017, please refer to Note 12 (4) for details.

(III) Notes Receivables and Accounts Receivables

	December 31, 2018	December 31, 2017
Notes receivable	$ 11,181	$ 5,980
Accounts receivable	$ 2,740,556	$ 2,298,260
Less: allowance for sales returns and discounts	-	(923)
Less: Loss allowance	(1,664)	(8,620)
	$ 2,738,892	$ 2,288,717

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

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not overdue	$ 2,586,532	$ 11,181	$ 2,188,790	$ 5,980
Up to 30 days	138,360	-	70,282	-
31 to 90 days	14,903	-	26,480	-
91 to 180 days	612	-	6,095	-
Over 181 days	149	-	6,613	-
	$ 2,740,556	$ 11,181	$ 2,298,260	$ 5,980

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

2. There is no accounts receivable pledged as collateral by The Group.
3. The amounts that best represent the maximum credit risk exposure of the Group's accounts receivables as at December 31, 2018 and 2017, without taking account of any collateral or other credit enhancements held, were NT$2,738,892 thousand and NT$2,288,717 thousand, respectively.
4. For credit risk of accounts receivables and notes receivables, please refer to Note 12 (2).

(IV) Inventory

	December 31, 2018		
	Cost	Allowance for inventory valuation and obsolescence loss	Book value
Raw materials	$ 826,322	($ 28,467)	$ 797,855
Work in progress	447,152	(4,220)	442,932
Finished goods	809,920	(24,900)	785,020
Inventory in transit	44,938	-	44,938
	$ 2,128,332	($ 57,587)	$ 2,070,745

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

Inventory costs recognized as an expense by the Group for the current period:

	2018	2017
Cost of inventories sold	$ 9,521,439	$ 8,640,465
Recovery gain	(20,163)	(50)
Retirement loss	14,452	16,286
Others	(2,099)	334
	$ 9,513,629	$ 8,657,035

In 2018 and 2017, a decrease in cost to sell was recognized due to the recovery of the net realizable value of inventories contributed by the well-performed de-stocks and retirement of some inventory.

(V) Financial assets measured at FVTOCI

Item	December 31, 2018
Non - current items:	
Unlisted stocks	$ 55
Adjustment for valuation	-
	$ 55

1. The Group elects to classify strategic equity investments as financial assets measured at FVTOCI. The fair value of such investments as at December 31, 2018 totaled NT$706 thousand.
2. No financial asset measured at FVTOCI was pledged by The Group as collateral.
3. For financial assets carried at cost as at December 31, 2017 , please refer to Note 12 (4) for details.

(VI) Prepayments

	December 31, 2018	December 31, 2017
Business tax paid	$ 87,370	$ 79,739
Tax overpaid retained	52,649	20,206
Prepaid expense	25,037	22,269
Prepayment for purchases	7,380	3,887
	$ 172,436	$ 126,101

(VII) Investments accounted for using equity method

	December 31, 2018
Beijing Mingda Titanium Technology	$ 466
Baoji Zatech Material Co., Ltd.	3,867
	$ 4,333

1. As at December 31, 2018, the Group does not have any significant associates.
2. The carrying amount and operating results of the Group's individually insignificant associates are summarized as follows:

   As of December 31, 2018, the carrying amount of the Group's Individually insignificant associates was NT$4,333 thousand.

	2018
Net loss over this period	($ 826)
Other comprehensive income (net after tax)	-
Total comprehensive income (loss)	($ 826)

(VIII) Property, plant and equipment

	December 31, 2018	December 31, 2017
Land	$ 162,544	$ 162,544
Buildings and structures	611,234	647,398
Machinery	492,356	419,036
Utility equipment	90,872	109,622
Transportation equipment	1,302	2,232
Office equipment	20,785	19,494
Other equipment	110,400	115,405
Construction in progress	305,236	5,079
	$ 1,794,729	$ 1,480,810

Cost	2018					
Name of assets	January 1	Additions	Disposals	Reclassifications	Net exchange differences	December 31
Land	$ 162,544	$ -	$ -	$ -	$ -	$ 162,544
Buildings and structures	1,236,013	31,759	(55,193)	2,155	(2,454)	1,212,280
Machinery	1,437,163	162,234	(158,877)	70,738	(2,944)	1,508,314
Utility equipment	279,468	1,352	(24,336)	-	(2,397)	254,087
Transportation equipment	6,824	98	-	-	(42)	6,880
Office equipment	55,404	7,817	(4,592)	133	(270)	58,492
Other equipment	411,896	44,477	(66,210)	3,942	(2,632)	391,473
Construction in progress	5,079	300,725	-	(720)	152	305,236
	$ 3,594,391	$ 548,462	($ 309,208)	$ 76,248	($ 10,587)	$ 3,899,306
Accumulated depreciation and impairment						

Name of assets	January 1	Depreciation expense and Impairment loss	Disposals	Reclassifications	Net exchange differences	December 31
Buildings and structures	$ 588,615	$ 71,634	($ 55,014)	($ 27)	($ 4,162)	$ 601,046
Machinery	1,018,127	160,044	(158,236)	13	(3,990)	1,015,958
Utility equipment	169,846	19,346	(24,299)	-	(1,678)	163,215
Transportation equipment	4,592	1,026	-	-	(40)	5,578
Office equipment	35,910	6,705	(4,592)	-	(316)	37,707
Other equipment	296,491	53,011	(66,142)	14	(2,301)	281,073
	$ 2,113,581	$ 311,766	($ 308,283)	$ -	($ 12,487)	$ 2,104,577
	$ 1,480,810					$ 1,794,729

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

Accumulated depreciation and impairment

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

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

	2018	2017
Capitalization amounts	$ 611	$ 161
Range of capitalized interest rate	0.91%~2.30%	1.26%~1.71%

2. Significant components of the Group's buildings and structures include buildings and air conditioning engineering works, which are respectively depreciated over the periods of 41~ 56 years and 3~21 years.

3. For impairment on property, plant and equipment (PP&E), please refer to Note 6 (10) for details.

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

(IX) Intangible assets

	Technology transfer royalty	Computer software	Total
January 1, 2018			
Cost	$ 13,000	$ 25,872	$ 38,872
Accumulated amortization and impairment	(13,000)	(7,353)	(20,353)
	$ -	$ 18,519	$ 18,519
2018			
January 1	$ -	$ 18,519	$ 18,519
Addition - separately acquired	-	8,286	8,286
Derecognition - cost reduction	(12,800)	(3,237)	(16,037)
Reclassification	-	100	100
Amortization	-	(8,454)	(8,454)
Derecognition - reduction in accumulation amortization and impairment	12,800	3,237	16,037
Effect of exchange rate changes	-	65	65
December 31	$ -	$ 18,516	$ 18,516
December 31, 2018			
Cost	$ 13,000	$ 31,021	$ 44,021
Accumulated amortization and impairment	13,000	(12,505)	(25,505)
	$ -	$ 18,516	$ 18,516

	Technology transfer royalty	Computer software	Other intangible assets	Total
January 1, 2017				
Cost	$ 13,000	$ 29,705	$ 65,500	$ 108,205
Accumulated amortization and impairment	(10,811)	(22,226)	(65,500)	(98,537)
	$ 2,189	$ 7,479	$ -	$ 9,668
2017				
January 1	$ 2,189	$ 7,479	$ -	$ 9,668
Addition - separately acquired	-	16,561	-	16,651
Derecognition - cost reduction	-	(20,394)	(65,500)	(85,894)
Amortization	(2,189)	(5,521)	-	(7,710)
Derecognition - reduction in accumulation amortization and impairment	-	20,394	65,500	85,894
December 31	$ -	$ 18,519	$ -	$ 18,519
December 31, 2017				
Cost	$ 13,000	$ 25,872	$ -	$ 38,872
Accumulated amortization and impairment	(13,000)	(7,353)	-	(20,353)
	$ -	$ 18,519	$ -	$ 18,519

Amortization of intangible assets is detailed as below:

	2018	2017
Operating costs	$ 1,750	$ 725
Administrative expense	3,689	3,154
Research and development expenses	3,015	3,831
	$ 8,454	$ 7,710

(X) Impairment of non-financial assets

1. For 2018 and 2017, the Group recognized impairment loss of NT$5,283 thousand and NT$4,821 thousand, respectively, which is detailed as follows:

	2018		2017	
	Recognized in the current profit or loss	Recognized in other comprehensive income	Recognized in the current profit or loss	Recognized in other comprehensive income
Impairment losses - Buildings and structures	$ 1,977	$ -	$ 2,976	$ -
Impairment loss - Machinery	2,758	-	1,416	-
Impairment loss - Utility equipment	166	-	-	-
Impairment loss - Other equipment	382	-	429	-
	$ 5,283	$ -	$ 4,821	$ -

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

	2018				2017			
	Recognized in the current profit or loss		Recognized in other comprehensive income		Recognized in the current profit or loss		Recognized in other comprehensive income	
Consumer Products Divisions	$	5,283	$	-	$	4,821	$	-

3. The Group adjusted the carrying amount of some buildings and structures, machinery and other equipment for 2018 in accordance with their recoverable amount due to a decrease in their useful lives, and recognized an impairment loss of NT$5,283 thousand.

(XI) Long-term prepaid rent (presented as "other non-current assets - others")

	December 31, 2018		December 31, 2017	
Land use rights	$	33,092	$	34,284

The table below lists information regarding the Group's execution of the land-use contract, of which the rent was fully paid upon execution of the contract. Rental expenses recognized for 2018 and 2017 were NT$1,648 thousand and NT$1,701 thousand, respectively.

Contract counter-party	Leased location	Lease term
Formosa Industries Corporation	Dong Nai Province, Vietnam	May 2005 to April 2051
People's Republic of China	Dongguan, Guangdong Province, China	September 2000 to November 2018
People's Republic of China	Dongguan, Guangdong Province, China	February 2000 to November 2018
People's Republic of China	Dongguan, Guangdong Province, China	October 2001 to November 2018
People's Republic of China	Dongguan, Guangdong Province, China	November 2001 to November 2018
People's Republic of China	Dongguan, Guangdong Province, China	May 2009 to October 2053

(XII) Short-term loan

Type of loans	December 31, 2018		Interest rate range	Collateral
Loans against letter of credit	$	167,109	-	Note

Type of loans	December 31, 2017		Interest rate range	Collateral
Unsecured bank loans	$	54,450	1.26%~1.27%	-
Loans against letter of credit		36,004	-	Note
	$	90,454		

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

(XIII) Other payables

	December 31, 2018	December 31, 2017
Payroll and bonus payable	$ 456,719	$ 381,366
Processing fee payable	244,897	249,241
Payables of compensation to employees and remuneration to directors and supervisors	63,813	44,783
Equipment expenses payable	38,631	37,619
Others	249,044	348,630
	$ 1,053,104	$ 1,061,639

(XIV) Long-term loans

Type of loans	Loan period and repayment method	Interest rate range	Collateral	December 31, 2018
Long-term bank loans				
Secured loan	From June 2018 to June 2023; interest paid on a monthly basis.	1.395%	Machinery	$ 18,880
Secured loan	From July 2018 to July 2025; interest paid on a monthly basis.	1.395%	Buildings and structures	75,000
				$ 93,880

December 31, 2017: None.

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

(XV) Pensions

1. (1) In compliance with the requirements set forth in the Labor Standards Law, the Company has stipulated a defined benefit pension plan, which is applicable to the years of service rendered by regular employees prior to, and after (if employees elect to continue to apply the Labor Standards Law), the implementation of the Labor Pension Act on July 1, 2005. Pension payments for employees qualified for the aforementioned retirement criteria are calculated in accordance with the years of service rendered and the average salaries or wages of the last 6 months prior to retirement. Two bases are given for each full year of service over the first 15 years, and one base is given for an additional year of service thereafter, provided that the total bases do not exceed forty-five (45). The Company contributes on a monthly basis 2% of the total salary (wages) as pension fund, which is deposited in a designated account with the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Fund. Prior to the end of each annual period, the Company assesses the balance of the aforementioned designated account for labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within next year, the Company will make a lump sum contribution to make up the shortfall before the end of March of the following year.

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 108,475	$ 99,013
Fair value of planned assets	(32,216)	(29,537)
Net defined benefit liabilities	$ 76,259	$ 69,476

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

	Present value of defined benefit obligations	Fair value of planned assets	Net defined benefit liabilities
2018			
Balance as of January 1	$ 99,013	($ 29,537)	$ 69,476
Current service cost	126	-	126
Interest income (expense)	1,188	(354)	834
	100,327	(29,891)	70,436
Remeasurement:			
Plan assets return (excluding amounts included in interest income or expenses)			
Effects of changes in financial assumptions	5,294	-	5,294
Experience adjustment	3,629	(831)	2,798
	8,923	(831)	8,092
Provision of pension fund	-	(2,269)	(2,269)
Pension paid	(775)	775	-
Balance as of December 31	$ 108,475	$ 32,216	$ 76,259

	Present value of defined benefit obligations	Fair value of planned assets	Net defined benefit liabilities
2017			
Balance as of January 1	$ 91,456	($ 28,171)	$ 63,285
Current service cost	121	-	121
Past service cost	119	(-)	119
Interest income (expense)	1,372	(423)	949
	93,068	(28,594)	64,474
Remeasurement:			
Plan assets return (excluding amounts included in interest income or expenses)			
Effects of changes in financial assumptions	3,614	-	3,614
Experience adjustment	3,548	114	3,662
	7,162	114	7,276
Provision of pension fund	-	(2,274)	(2,274)
Pension paid	(1,217)	1,217	-
Balance as of December 31	$ 99,013	($ 29,537)	$ 69,476

(4) The fund asset of the Company's defined benefit pension plan (the "Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e. deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises,Treasury Funds can be used to cover the deficits after the approval of the competent authority. Since the Company has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19 paragraph 142. For the fair value of the total retirement fund as at December 31, 2018 and 2017, refer to the Labor Retirement Fund Utilization Report published by the government each year.

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

	2018	2017
Discount rate	1.00%	1.20%
Future salary increase rate	2.50%	2.25%

Future mortality rate is estimated based on the 2012 Taiwan Standard Ordinary Experience Mortality Table.

Analysis of the present value of defined benefit obligation affected by changes in primary actuarial assumptions is as follows:

	Discount rate		Future salary increase rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2018				
Effect on the present value of defined benefit obligation	($ 3,146)	$ 3,270	$ 2,941	($ 2,850)

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

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

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

(6) The Company expects to make contributions of NT$2,269 thousand to the pension plans within one year.

(7) As at December 31, 2018, the pension plan's weighted average duration is 12 years.

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

(2) Advanced Sporting Goods (Dong Guan) Co., Ltd. and Advanced Sporting

Goods(Sha Tian, Dong Guan) Co., Ltd. make a pension contribution on a monthly basis in an amount equal to a certain percentage of the employees' monthly salaries and wages in accordance with the requirements as set forth in the pension system of the People's Republic of China. The contribution percentage for 2018 and 2017 were both 13%. The pension for each employee is managed by the government, hence the Group doesn't have further obligation except for making a monthly contribution.

(3) As required by the Vietnamese government, Advanced International Multitech (VN) Corporation Ltd. makes a monthly contribution in an amount equal to one month of an employee's minimum wages to the retirement plan, which is managed by the various responsible departments of the Vietnamese government. Other than making a monthly contribution, the Company has no further obligations.

(4) The pension costs recognized by the Group in accordance the aforementioned contribution plans for 2018 and 2017 were NT$121,604 thousand and NT$107,144 thousand, respectively.

(XVI) Share-based payments

1. The Company was approved by the FSC to issue 5,000 units of employee stock options as at July 26, 2012, with each unit eligible to opt for 1,000 shares of the Company's stock. The total number of employee stock options is 4,720,000 shares. The plan for such employee stock option has been executed and completed in 2017.

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

Type of agreement	Grant date	Quantity granted	Contract term	Vesting conditions
Employee stock option plan	Oct. 11, 2012	4,720,000	5 years	Note

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

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

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

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

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

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

	2017	
	Number of stock options	Weighted average exercise price
Outstanding stock options as at January 1	2,520,000	$ 36.0
Forfeited stock options	(220,000)	-
Exercise of stock options	(1,937,000)	34.5
Outstanding stock options as at December 31	(363,000)	-

Exercisable stock options as at December 31	-	-
	-	-

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

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

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

Type of agreement	Grant date	Share price	Exercise price	Expected volatility	Expected life (years)	Expected dividends	Risk-free interest rate	Fair value per unit
Employees stock option	Oct. 11, 2012	NT$ 42	NT$ 42	33.28%	3.875 years	-	0.90%	NT$11.33

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

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

(XVII) Capital

As of December 31, 2018, the Company had an authorized capital in the amount of NT$ 1,463,000 thousand (including 5,000 thousand shares of employee stock option certificates and 10,000 thousand shares of convertible corporate bonds), and a paid-in capital in the amount of NT$ 1,353,127 thousand with each share priced at NT$ 10. Share payments for the Company's issued stocks have been collected in full.

Unit: Thousand shares

	2018	2017
January 1	135,313	133,376
Exercise of employees stock option	-	1,937
December 31	135,313	135,313

(XVIII) Capital surplus

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

(XIX) Retained earnings

1. The Articles of Incorporation requires that earnings after the final account, if any, be used in the first place to pay off the profit-seeking enterprise income tax and to offset the previous deficits according to law ; and 10% of the remainder, if any, be set aside as its legal reserve, except in cases when the legal reserve has reached the capital amount. If there is any remaining earnings, a special reserve shall be provided or reversed in accordance with laws or regulations imposed by the competent authority; the remaining amount, if any, shall be added up to the undistributed earnings of the prior periods to serve as the allocable earnings, of which the amount of distribution and retention shall be indicated in the earnings distribution proposal which is made by the Board of Directors before submitting to the Shareholders' Meeting for approval. The cash dividends distributed shall not exceed 10% of the total dividends distributed.

2. The Company's dividend policy is as follows: The Company adopts a residual dividend policy in order to operate sustainably and increase profits.

3. Legal reserves may only be used for offsetting deficits and issuing new shares or distributing cash in proportion to shareholders' original holdings. However, when new shares are issued or cash is distributed, the amount shall be limited to 25% of the reserves in excess of the paid-in capital.

4. The Company may allocate earnings only after providing special reserve for debt balance in other equity on the date of balance sheet, and the reversal of debit balance in other equity, if any, may be stated into allocable earnings.

5. The Company recognized dividends distributed to shareholders of the Company in the amounts equal to NT$351,813 thousand (NT$2.6 per share) and NT$173,388 thousand (NT$1.3 per share) for the years ended December 31, 2018 and 2017, respectively. The Board of Directors proposed on February 27, 2019 to distribute NT$2.2 to each common share using the undistributed earnings, and the dividends came to a total of NT$297,688 thousand.

(XX) Operating revenue

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

2018

Customer by geographical areas	Consumer Products Divisions
Americas	$ 7,633,914
Asia	2,888,730
Others	592,163
Total	$ 11,114,807

(XXI) Other Income and Expenses - Net

	2018	2017
Income from molds	$ 53,396	$ 31,130
Income from samples	26,260	17,084
Other income	36,778	31,787
	$ 116,434	$ 80,001

(XXII) Other income

	2018	2017
Interest income	$ 9,281	$ 5,058
Others	974	876
	$ 10,255	$ 5,934

(XXIII) Other gains and losses

	2018	2017
Loss on disposal and retirement of property, plant and equipment	($ 762)	($ 5,853)
Foreign exchange gain (loss) - net	107,303	(175,491)
Impairment loss on non-financial assets	(5,283)	(4,821)
Net gain (loss) on financial assets and financial liabilities measured at fair value through profit or loss	(5,593)	547
Others	9,165	9,732
	$ 104,830	($ 175,886)

(XXIV) Additional information regarding the nature of expense

	2018	2017
Employee benefits expense	$ 2,682,921	$ 2,431,877
Depreciation	306,483	325,415
Amortization	19,256	19,996
	$ 3,008,660	$ 2,777,288

(XXV) Employee benefits expense

	2018	2017
Salary and wages	$ 2,304,452	$ 2,086,014
Labor and health insurance premiums	147,590	131,925
Pension expense	122,564	108,333
Remuneration to Directors	9,140	8,290
Other personnel cost	99,175	97,315
	$ 2,682,921	$ 2,431,877

1. The Articles of Incorporation requires that the Company allocate no less than one percent (1%) of its annual earnings as employee compensation, and no greater than five percent (5%) of its annual earnings as remuneration for directors and supervisors; provided, however, that a portion of earnings shall be reserved if the Company still has an accumulated deficit.

2. For the years ended December 31, 2018 and 2017, the Company recognized compensation to employees in the amounts equal to NT$45,600 thousand and NT$32,955 thousand respectively, and remuneration to directors and supervisors in the amounts equal to NT$ 10,000 thousand and NT$10,000 thousand,

respectively, all presented under payroll expense.

The amounts for 2018 were estimated at certain percentages based on the profits earned by the end of the year.

The amounts of compensation to employees and remuneration to directors and supervisors for 2017 that had been resolved by the Board of Directors are the same as the amounts stated on the 2017 financial statements. The above-mentioned employee compensation was distributed in cash.

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

(XXVI) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2018	2017
Current income tax:		
Income tax arising from current period	$ 167,278	$ 53,197
Additional tax on undistributed earnings	-	15,411
Overestimation of income taxes in prior years	(24,881)	(28,668)
Total current income tax	142,397	39,940
Deferred income tax:		
Originating and reversed temporary differences	47,406	33,241
Effect of tax rate changes	8,881	-
Total deferred income tax	56,287	33,241
Income tax expense	$ 198,684	$ 73,181

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

	2018	2017
Remeasurement of defined benefit obligation	($ 1,617)	($ 1,237)
Effect of tax rate changes	(495)	-
	($ 2,112)	($ 1,237)

2. Relation between income tax expense and accounting profit

	2018	2017
Income tax calculated by applying the statutory tax rate to net income before tax	$ 214,039	$ 119,301
Effects from items prohibited from being recognized by laws and regulations	5,519	(31,463)
Overestimation of income taxes in prior years	(24,881)	(28,668)
Tax exemptions according to tax laws and regulations	(4,874)	(1,400)
Current temporary difference - effects from the difference in tax rate in the current year and that in the year of realization	8,881	-
Additional tax on undistributed earnings	-	15,411
Income tax expense	$ 198,684	$ 73,181

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

	2018				
	January 1	Recognized in profit and loss	Recognized in other comprehensive income	Net exchange differences	December 31
Deferred income tax assets					
Temporary differences:					
Inventory valuation and obsolescence loss	$ 14,124	($ 3,582)	$ -	($ 107)	$ 10,435
Pensions	11,811	1,329	2,112	-	15,252
Differences between financial and book depreciation	13,287	(180)	-	(267)	12,840
Unrealized exchange losses	3,861	(1,861)			2,000
Others	8,060	854	-	-	8,914
Tax loss	5,447	961	-	(65)	6,343
Subtotal	56,590	(2,479)	2,112	(439)	55,784
Deferred income tax liabilities					
Differences in investment gains or losses recognized	(77,394)	(53,741)	-	-	(131,135)
Liability of land value increment tax	(11,598)	-	-	-	(11,598)
Others	(251)	(67)	-	-	(318)
Subtotal	(89,243)	(53,808)	-	-	(143,051)
Total	($ 32,653)	($ 56,287)	$	($ 439)	($ 87,267)

	2017				
	January 1	Recognized in profit and loss	Recognized in other comprehensive income	Net exchange differences	December 31
Deferred income tax assets					
Temporary differences:					
Inventory valuation and obsolescence loss	$ 16,551	($ 2,228)	$ -	($ 199)	$ 14,124
Pensions	10,758	(184)	1,237	-	11,811
Differences between financial and book depreciation	13,694	(250)	-	(157)	13,287
Unrealized exchange losses	-	3,861			3,861
Others	8,376	(269)	-	(47)	8,060
Tax loss	5,447	-	-	-	5,447
Subtotal	54,826	930	1,237	(403)	56,590
Deferred income tax liabilities					
Differences in investment gains or losses recognized	(40,393)	(37,001)	-	-	(77,394)
Liability of land value increment tax	(11,598)	-	-	-	(11,598)
Unrealized exchange gains	(3,081)	3,081	-	-	-
Others	-	(251)	-	-	(251)
Subtotal	(55,072)	(34,171)	-	-	(89,243)
Total	($ 246)	($ 33,241)	$ 1,237	($ 403)	($ 32,653)

4. Below states the Company and subsidiaries' validity periods of unused tax losses and amounts of unrecognized deferred tax assets:

December 31, 2018					
Company name	Year of incurrence	Amount approved	Tax credits not used	Unrecognized deferred income tax assets	Final deductible year
Advanced International Multitech Co., Ltd.	2014	$ 136,725	$ 21,314	$ 21,314	2024
Launch Technologies Co., Ltd. (LTC)	2011	115,192	32,039	-	2021

December 31, 2017					
Company name	Year of incurrence	Amount declared/Amount approved	Tax credits not used	Unrecognized deferred income tax assets	Final deductible year
Advanced International Multitech Co., Ltd.	2014	$ 136,725	$ 11,839	$ 11,839	2024
Launch Technologies Co., Ltd. (LTC)	2011	115,192	32,039	-	2021

5. The Group didn't recognize taxable temporary differences attributable to investment in subsidiaries as deferred tax liabilities. As of December 31, 2018 and 2017, the amounts of temporary differences of unrecognized deferred tax liabilities were NT$679,064 thousand and NT$447,804 thousand, respectively.

6. The profit-seeking enterprise income tax of the Company is approved by the taxation authority through 2016.

7. Deductible temporary differences not recognized as deferred tax assets:

	December 31, 2018	December 31, 2017
Deductible temporary difference	$ 4,263	$ 2,013

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

(XXVII) Earnings per share

	2018		
	After-tax amount	Weighted average number of outstanding shares	Earnings per share (dollar)
Basic earnings per share			
Net income attributable to shareholders of common shares	$ 568,820	135,313	$ 4.20
Diluted earnings per share			
Net income attributable to shareholders of common shares	568,820	135,313	
Effect of dilutive potential common shares:			
Employee compensation	-	1,406	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	$ 568,820	136,719	$ 4.16

	2017		
	After-tax amount	Weighted average number of outstanding shares	Earnings per share (dollar)
Basic earnings per share			
Net income attributable to shareholders of common shares	$ 442,403	134,080	$ 3.30
Diluted earnings per share			
Net income attributable to shareholders of common shares	442,403	134,080	
Effect of dilutive potential common shares:			
Employee compensation	-	1,100	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	$ 442,403	135,180	$ 3.27

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

(XXVIII) Operating leases

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

	December 31, 2018	December 31, 2017
Less than 1 year	$ 11,069	$ 10,646
More than 1 year but no more than 5 years	5,490	15,099
	$ 16,559	$ 25,745

(XXIX) Additional information regarding cash flows

1. Investing activities with partial cash payments:

	2018	2017
Acquisition of property, plant and equipment	$ 548,462	$ 177,185
Add: Equipment payable, beginning of period (recognized in other payables)	37,619	19,303
Less: Equipment payable, end of period (recognized in other payables)	(38,631)	(37,619)
Amount paid in cash	$ 547,450	$ 158,869

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

	2018	2017
Equipment prepayments transferred to property, plant and equipment	$ 76,517	$ 45,497
Equipment prepayments transferred to intangible assets	$ 100	$ -

(XXX) Changes in financing liabilities

	Short-term borrowings	Long-term borrowings	Total financing liability
January 1, 2018	$ 90,454	$ -	$ 90,454
Changes in financing cash flows	76,655	93,880	170,535
December 31, 2018	$ 167,109	$ 93,880	$ 260,989
	Short-term borrowings	Long-term borrowings	Total financing liability
January 1, 2017	$ 40,336	$ -	$ 40,336
Changes in financing cash flows	50,118	-	50,118
December 31, 2017	$ 90,454	$ -	$ 90,454

VII. Related-party Transactions

(I) Name and relationship of related parties

Name of related party	Relationship with the Group
Beijing Mingda Titanium Technology ("Mingda Titanium" hereinafter)	Affiliated companies of the Group
Baoji Zatech Material Co., Ltd. ("Zatech" hereinafter)	Affiliated companies of the Group

(II) Significant transactions with related parties

Acquisition of financial assets

	Accounting subject	Number of shares traded	Transaction target	2018 Consideration paid
Zatech	Investments accounted for using equity method	100 thousand shares	Marketable security	$ 4,436
Mingda Titanium	Investments accounted for using equity method	15 thousand shares	Marketable security	665
				$ 5,101

2017: None.

(III) Information about remunerations to the major management:

	2018	2017
Salary and other employee benefits	$ 37,859	$ 34,424

VIII. Pledged Assets

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

Assets	Carrying amount December 31, 2018	Carrying amount December 31, 2017	Guarantee use
Land	$ 125,648	$ 125,648	Short-term and long-term loans
Buildings and structures - net	280,014	296,557	Short-term and long-term loans and credit facility guarantee
Machinery	89,285	-	Credit facility guarantee for long-term loans
Other equipment	1,823	-	Credit facility guarantee for long-term loans
Pledged time deposits (presented as "other non-current assets - others")	5,243	270	Customs deposits
	$ 502,013	$ 422,475	

IX. Important Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingency

None.

(II) Commitments

1. Balance of outstanding letters of credit

	December 31, 2018	December 31, 2017
Raw materials imported	$ 88,845	$ 52,388

2. Capital expenditure committed but not incurred:

	December 31, 2018	December 31, 2017
Property, plant and equipment	$ 190,646	$ 94,758

3. Operating lease contracts:

Please refer to Note 6 (28) for elaboration.

X. Significant Losses from Disasters

None.

XI. Significant Subsequent Events

The Company's Board of Directors proposed on February 27, 2019 to distribute cash dividends of NT$ 2.2 to each common share using the undistributed earnings, and the dividends came to a total of NT$297,688 thousand. Please refer to Note 6 (19) for details.

XII. Others

(I) Capital management

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

The Group's strategies employed for 2018 is the same as those for 2017, i.e. strive to strike a balance for the overall capital structure. The Group's debt-to-capital ratios as at December 31, 2018 and 2017 are stated as below:

	December 31, 2018	December 31, 2017
Total liabilities	$ 3,390,971	$ 2,638,240
Total assets	$ 7,604,069	$ 6,625,636
Debt-to-capital ratio	45	40

(II) Financial Instruments

1. Types of Financial instruments

	December 31, 2018		December 31, 2017	
Financial assets				
Financial assets measured at fair value through profit and loss				
Financial assets mandatorily measured at fair value through profit and loss	$	314	$	-
Financial assets held for trading		-		1,368
Financial assets measured at fair value through other comprehensive income				
Election of the designated equity instrument investment		55		-
Financial assets carried at cost		-		55
Financial assets measured at amortized cost/Loans and receivables				
Cash and cash equivalents		533,118		989,078
Notes receivable		11,181		5,980
Accounts receivable		2,738,892		2,288,717
Other receivables		30,465		19,173
Refundable deposits		11,965		7,405
	$	3,325,990	$	3,311,776
Financial liabilities				
Financial liabilities measured at amortized costs				
Short-term borrowings	$	167,109	$	90,454
Notes payable		3,319		1,697
Accounts payable		1,644,166		1,203,816
Other payables		1,053,104		1,061,639
Long-term borrowings		93,880		-
Deposits received		604		525
	$	2,962,182	$	2,358,131

2. Risk management policy

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

(2) Risk management is carried out by the Group's finance department in compliance with relevant policies. Through cooperation with the Group's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks. With respect to the overall risk management, the Group has established principles in writing, as well as policies in writing concerning specified scope and matters, e.g. exchange risk, credit risk, utilization of derivatives and non-derivatives, and investment of remaining liquidity.

3. The nature and degree of significant financial risks

(1) Market risk

Foreign exchange rate risk:

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

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

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

	December 31, 2018		
	Foreign currency ($ thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
(Foreign currency:Functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 103,293	30.67	$ 3,167,996
USD:RMB	35,476	6.8658	1,088,049
Non-monetary items			
RMB:NTD	272,933	4.472	1,220,556
Financial liabilities			
Monetary items			
USD:NTD	49,511	30.77	1,523,453
USD:RMB	12,594	6.8658	387,517

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

D. Due to the exchange rate volatility, total exchange gains (losses) from the Group's monetary items amounted to NT$107,303 thousand and NT$ (175,491) thousand for 2018 and 2017, respectively.

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

	2018		
	Sensitivity analysis		
	Range of change	Effects on profit or loss	Effects on other comprehensive income
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 31,680	-
USD:RMB	1%	10,880	-
Financial liabilities			
Monetary items			
USD:NTD	1%	15,235	-
USD:RMB	1%	3,875	-

	2017		
	Sensitivity analysis		
	Range of change	Effects on profit or loss	Effects on other comprehensive income
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 29,764	-
USD:RMB	1%	10,993	-
Financial liabilities			
Monetary items			
USD:NTD	1%	14,453	-
USD:RMB	1%	3,079	-

Price risk

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

Cash flow interest rate risk and fair value interest rate risk

A. The Group's interest rate risk mainly comes from its issuance of long-term loans with floating interest rates that have resulted in the Group exposing to cash flow interest rate risks. The Company's policy aims to maintain at least 1.395% of the loans as fixed interests and, if necessary, achieves the target by means of interest rates. For the year ended December 31, 2018, the Group's issuance of long-term loans with floating interest rates was mainly denominated in New Taiwan Dollars.

B. If the borrowing interest rate of NTD increases or decreases by 0.25%, held other variables constant, the net income after tax for the the annual period ended December 31, 2018 will decrease or increase by NT$188 thousand, primarily due to changes in interest expense incurred by borrowings with floating interest rates.

(2) Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by customers or counterparties of financial instruments on the contract obligations. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience and other factors.

Cash and cash equivalents and financial derivatives

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

Accounts receivable

A. The Group has established a specific internal credit policy, which requires entities within the Group to manage and conduct a credit analysis on every new customer before stipulating the terms and conditions for payments and delivery. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience and other factors.

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

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

D. After the recourse procedures, the Group writes off financial assets to the extent of the amount that can not be reasonably expected to be recovered. However, the Group will continue the legal procedures to recourse in order to secure its creditor's rights.

E. The Group has established an expected loss rate for different segments of the accounts receivables due from customers as at December 31, 2018: 0.00% to 0.02% for accounts receivables not past due, 0.00% to 0.17% for accounts receivables within 30 days past due, 0.00% to 3.48% for accounts receivables 31 days to 60 days past due, 0.02% to 9.39% for accounts receivables 61 days to 90 days past due, 0.13% to 13.67% for accounts receivables 91 days to 120 days past due, 1.49% to 35.84% for accounts receivables 121 days to 150 days past due, 17.29% to 84.81% for accounts receivables 151 days to 180 days past due, and 100% for accounts receivables more than 180 days past due. The amount of the accounts receivables that is more than 31 days past due constitutes roughly 0.57% of the Group's total accounts receivables.

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

	2018	
	Accounts receivable	Notes receivable
January 1_IAS 39	$ 8,620	$ -
Adjusted amount for application of new standards	-	-
January 1_IFRS 9	8,620	-
Reversal of impairment loss	(6,956)	-
December 31	$ 1,664	$ -

G. For credit information for the year ended December 31, 2017, please refer to Note 12 (4) for details.

(3) Liquidity risk

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

B. The Group's remaining cash in excess of its operating needs is invested in demand deposits bearing interests, time deposits, bonds sold under repurchase agreement, and marketable securities, all of which are instruments either with appropriate maturity or with sufficient liquidity so as to satisfy the said forecasting and provide sufficient position for dispatching of funds. As of December 31, 2018 and 2017, the Group had a money market position in the amounts equal to NT$532,271 thousand and NT$988,057 thousand, respectively.

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

Non-derivative financial liabilities:	December 31, 2018 Less than 1 year	1 - 2 years	Over 2 years
Short-term borrowings	$ 167,109	$ -	$ -
Notes payable	3,319	-	-
Accounts payable	1,644,166	-	-
Other payables	1,053,104	-	-
Long-term borrowings	1,310	8,192	89,604

Derivative financial liabilities: None.

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

Derivative financial liabilities: None.

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

(III) Fair Value Information:

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

   Level 1: Level 1 inputs are (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

2. Financial instruments not measured at fair value

   The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivables, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables and long-term loans) are reasonable approximation of fair value.

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

(1) Classified by nature of assets or liabilities:

December 31, 2018	Level 1:	Level 2:	Level 3:	Total
Assets:				
Recurring fair value				
Financial assets measured at fair value through profit and loss				
Forward exchange contracts	$ -	$ 314	$ -	$ 314
Financial assets measured at fair value through other comprehensive income				
Equity securities	-	-	55	55
Total	$ -	$ 314	$ 55	$ 369

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

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

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

4. There was no transfer between Level 1 and Level 2 of the fair value hierarchy in 2018 and 2017.

5. There were no changes in Level 3 of the fair value hierarchy in 2018 and 2017.

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

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

	Fair value	Valuation technique(s)	Significant unobservable inputs	Interval (weighted-average)	Relations between input value and fair value
Non-derivative equity instruments:					
Shares of venture capital company	$ -	Net asset method	Not applicable.		Not applicable.

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

(IV) <u>Effects of initial application of IFRS 9 and information on application of IAS 39 in 2017</u>

1. Critical accounting policies adopted for the annual period ended December 31, 2017 are states as follows:

(1) Financial assets measured at FVTPL

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

(A) Hybrid (combined) contracts; or

(B) They eliminate or significantly reduce a measurement or recognition inconsistency; or

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

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

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

(2) Loans and Receivables

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

(3) Impairments of financial assets

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

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

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

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

(C) The Group granted the borrower a concession that a lender would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty;

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

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

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

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

(A) Financial assets measured at amortized cost

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

(B) Financial Assets Carried at Cost

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

(4) Derivatives

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

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

	Available for sale - equity			Effects	
	Measured at fair value through other comprehensive income - equity	Measured at cost	Total	Retained earnings	Other equity
(IAS 39)	$ -	$ 55	$ 55	$ -	$ -
Transferred to items measured at fair value through other comprehensive income - equity	55	(55)	-	-	-
IFRS 9	$ 55	$ -	$ 55	$ -	$ -

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

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

(1) Financial assets measured at FVTPL

Item	December 31, 2017
Non - current items:	
Financial assets held for trading	
Non-hedging financial derivatives	$ 1,368
Adjustment for valuation	-
	$ 1,368

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

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

Derivative financial assets	December 31, 2017		
	Contract amount (nominal principal)		Contract Duration
Current items:			
Forward exchange contracts	USD	2,000 thousand	January 26, 2018 ~ March 26, 2018

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

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

(2) Financial Assets Carried at Cost

Item	December 31, 2017
Non - current items:	
Unlisted stocks	
Hua Nan Venture Capital Co., Ltd.	$ 55

A. The afore-mentioned equity investments should have been classified as available-for-sale financial assets according to the Group's investing purposes. However, such equity investments are classified as "Financial assets carried at cost" since their fair value cannot be reliably measured due to facts that they are not traded in an active market, and that neither industrial information on similar companies nor financial information on investees is sufficiently available.

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

4. Information respecting the credit risks as at December 31, 2017 is stated as follows:

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

order that credit risks can be diversified.

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

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

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

	December 31, 2017
Up to 30 days	$ 70,282
31 to 90 days	26,480
91 to 180 days	6,095
Over 181 days	6,613
	$ 109,470

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

(5) Analysis of changes in impaired financial assets:

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

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

	2017		
	Impairment loss by individual assessment	Impairment loss by group assessment	Total
January 1	$ -	$ 10,984	$ 10,984
Provision of impairment loss	6,728	(2,364)	4,364
Write-off of unrecoverable accounts	(6,728)	-	(6,728)
December 31	$ -	$ 8,620	$ 8,620

(V) <u>Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017</u>

1. Critical accounting policies regarding revenue recognition for the annual period ended December 31, 2017 are states as follows:

(1) The Group manufactures and sells consumer products. Revenue is the fair value of consideration received or receivable for goods sold to external customers during the ordinary course of business, presented as the net value after deducting business tax, sales returns, discounts and allowances. Revenue from goods sold is recognized only when the goods have been delivered to customers, the selling amount can be reliably measured, and any future economic benefit associated with the goods sold is highly possible to flow to the entity. Goods are deemed delivered only when

significant risks and rewards of ownership of the goods are transferred to customers, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and customers accept the goods in accordance with the selling contract, or when any objective evidence suggests that all acceptance clauses have been satisfied.

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

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

XIII. Additional Disclosure

(I) Information about significant transactions:

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

(II) Reinvestment Information

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

(III) Investments in Mainland China

1. General information: Appendix Table 6.
2. Significant transactions between the Company and investees in Mainland China directly or indirectly through entities in a third area: Appendix Table 7.

XIV. Segment Information

(I) General Information:

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

(II) Measurement of Segment Information

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

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

The reportable segment information provided to the chief operating decision makers is the financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs).

(IV) Reconciliation of segment profit or loss

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

(V) Information by Product and Service:

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

Components making the income balance are stated below:

	2018	2017
Sales revenue	$ 11,114,807	$ 10,191,635

(VI) Geographical Information:

Geographical information for 2018 and 2017 is as follows:

	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Americas	$ 7,633,914	$ -	$ 7,003,239	$ -
Asia	2,888,730	1,966,977	2,469,780	1,625,175
Others	592,163	-	718,616	-
Total	$ 11,114,807	$ 1,966,977	$ 10,191,635	$ 1,625,175

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

(VII) Major Customer Information

The Group's major customers for 2018 and 2017 are as follows:

	2018		2017	
	Revenue	Ratio to net sales	Revenue	Ratio to net sales
Company A	$ 4,304,739	$ 39	$ 4,205,770	$ 41
Company B	2,084,413	19	1,976,795	19
	$ 6,389,152	$ 58	$ 6,182,565	$ 60

(Blank Below)

Advanced International Multitech Co., Ltd. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

January 1, 2018 ~ December 31, 2018

Table 1

Expressed in thousands of NTD
(Unless Otherwise Specified)

Investor	Type and name of securities	Relationship with the issuer	General ledger account	Ending balance				Note
				Number of shares	Book value	Percentage of ownership	Fair value	
Advanced International Multitech Co., Ltd.	HWA NAN VENTURE CAPITAL CO., LTD.	-	Financial assets measured at fair value through other comprehensive income - non-current	57,438	$ 55	10.6	$ 706	-

Advanced International Multitech Co., Ltd. and Subsidiaries
Purchase or sales transactions with related parties amounting to $100,000 or 20 percent of the contributed capital
January 1, 2018 ~ December 31, 2018

Table 2

Expressed in thousands of NTD
(Unless Otherwise Specified)

			Description of transaction				Description and reasons for difference in transaction terms compared to non-related party		Notes or accounts receivable / (payable)		
Purchases / sales	Name of the counter-party	Relationship	Purchases / (sales)	Amount	Percentage of net purchases/(sales) Credit Period	Credit Period	Unit Price	Credit Period	Amount	or accounts receivable/(payable)	Note
Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd	grandson company	Purchases	$ 5,861,526	64%	note 1	note 1	note 1	($1,085,946)	(72%)	note 2
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	subsidiary	Purchases	2,126,457	23%	note 1	note 1	note 1	(250,865)	(17%)	note 2
Advanced Sporting Goods (Dongguan) Co., Ltd	Advanced International Multitech Co., Ltd.	ultimate parent company	sales	(5,861,526)	(100%)	note 3	note 3	note 3	1,085,946	100%	
Advanced International Multitech (VN) Corporation Ltd.	Advanced International Multitech Co., Ltd.	parent company	sales	(2,126,457)	(100%)	note 3	note 3	note 3	250,865	100%	

not 1：The price and payment terms of the company's purchases to Advanced Sporting Goods (Dongguan) Co., Ltd and Advanced International Multitech (VN) Corporation Ltd. are handled according to the agreement between the two parties. Since there is no similar product transaction, there is no comparison with the general transaction.

note 2：The company purchases the raw materials on behalf of Advanced Sporting Goods (Dongguan) Co., Ltd and Advanced International Multitech (VN) Corporation Ltd., and after processing, it sells the finished products to the company.This is the balance of other receivables and payables.

note 3：The price and collection conditions of the company's sales toAdvanced International Multitech Co., Ltd. are handled according to the agreement between the two parties. Since there is no similar transaction object or similar product, it is incomparable with the general transaction.

Advanced International Multitech Co., Ltd. and Subsidiaries
Receivable from related parties exceeding $100,000 or 20% of paid-in capital or more
January 1, 2018 ~ December 31, 2018

Table 3

Expressed in thousands of NTD
(Unless Otherwise Specified)

					Overdue receivables				
The name of the Company	Name of the counter-party	Relationship	Amount	Turnover rat	Amount	Action adopted for overdue accounts	Subsequent collections	Allowance for doubtful accounts	Note
Advanced Sporting Goods (Dongguan) Co., Ltd	Advanced International Multitech Co., Ltd.	ultimate parent company	$ 1,085,946	-	$ -	-	$ 854,565	$ -	
Advanced International Multitech (VN) Corporation Ltd.	Advanced International Multitech Co., Ltd.	parent company	250,865	-	-	-	250,865	-	

Advanced International Multitech Co., Ltd. and Subsidiaries
Significant inter-company transactions during the reporting periods
January 1, 2018 ~ December 31, 2018

Table 4

Expressed in thousands of NTD
(Unless Otherwise Specified)

				Transaction terms			
Number (Note1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	General ledger account	Amount	Transaction terms	The percentage of total consolidated revenue or total assets (Note 4)
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd	1	Purchases	$ 5,861,526	According to the agreement of both parties	53%
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd	1	Accounts payable	1,085,946	According to the agreement of both parties	14%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Purchases	2,126,457	According to the agreement of both parties	19%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Accounts payable	250,865	According to the agreement of both parties	3%

(Note 1) The transaction information of the Company and the consolidated subsidiaries should be noted in column "Number".

The number means: 1. Number 0 presents the Company. 2. The consolidated subsidiaries are in order from number 1.

(Note 2) The relationships among the transaction parties are as follows:

1. The Company to the consolidated subsidiary. 2. The consolidated subsidiary to the Company. 3. The consolidated subsidiary to another consolidated subsidiary.

Advanced International Multitech Co., Ltd. and Subsidiaries
Information on investees
January 1, 2018 ~ December 31, 2018

Table 5

Expressed in thousands of NTD
(Unless Otherwise Specified)

				Original investments		Holding status					
Investors	Name of investees	Location	Main Business	Ending balance of the current period	Ending balance of prior period	Shares	Percentage of ownership	Book value	Net income (loss) of the investee	Income (loss) recognized by the Company	Note
Advanced International Multitech Co., Ltd.	Advanced International Multitech (BVI) Co., Ltd.	British Virgin Islands	Overseas investment	$ 34,471	$ 34,471	1,050,000	100	$ 145,377	($9,928)	($9,928)	
Advanced International Multitech Co., Ltd.	Advanced Group International (BVI) Co., Ltd.	British Virgin Islands	Overseas investment	149,434	149,434	4,584,815	100	1,142,848	144,353	141,464	(Note 1)
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd	Vietnam	Engaged in the production and sales of various golf club shafts and heads, and golf sets.	447,331	447,331	14,000,000	100	526,082	64,535	65,059	(Note 1)
Advanced International Multitech Co., Ltd.	Launch Technologies Co., Ltd. (LTC)	Taiwan	Engaged in production of sports products, other plastic products and international trade	266,495	266,495	28,518,424	55.93	463,998	45,152	45,152	

Note 1：The difference between the current profit(loss)of the invested company and the investment gains(losses) recognized by the Company is the unrealized gains(losses) arising from intra-company transactions.

Advanced International Multitech Co., Ltd. and Subsidiaries
Information on investments in Mainland China
January 1, 2018 ~ December 31, 2018

Table 6

Expressed in thousands of NTD
(Unless Otherwise Specified)

Name of investee in Mainland China	Main Business	Capital	Investment Method (Note 1)	Beginning investment balance from Taiwan	Investment Amount: Payment	Investment Amount: Remittance	Ending investment balance from Taiwan	Net income (loss) of the investee	Percentage of ownership held by the Company (direct or indirect)	Investment gain (loss)	Investments balance as of Jun 30, 2019	Accumulated remittance
Advanced Group International (BVI) Co., Ltd.：Advanced Sporting Goods (Dongguan) Co., Ltd	Engaged in production, import and export of carbon fiber prepreg materials and sports products	$ 149,446	2	$ 149,434	$ -	$ -	$ 149,434	$ 145,293	100	$ 145,293	$ 1,150,573 #	$ 18,210
Advanced International Multitech (BVI) Co., Ltd.：Advanced Sporting Goods (Shatian, Dongguan) Co., Ltd.	Engaged in production, import and export of carbon fiber prepreg materials and sports products	30,340	2	-	-	-	-	(9,158)	100	(9,158)	69,985 #	-
Advanced Sporting Goods (Dongguan) Co., Ltd：Beijing Mingda Titanium Technology	Engaged in material research and development	1,330	3	-	-	-	-	(418)	50	(209)	466 #	-
Advanced Sporting Goods (Dongguan) Co., Ltd：Baoji Zatech Material Co., Ltd.	Engaged in material production	17,744	3	-	-	-	-	(2,468)	25	(617)	3,867 #	-

The investment methods are divided into the following four types:

1. Remittance to PRC companies through third area.
2. Invest in the third area to set up a company to reinvest in PRC companies.
3. Reinvest in PRC companies by investing in existing companies in the third region.
4. Other ways.

Name of endorsees	Accumulated investment balance from Taiwan to Mainland China	Amount approved by MOEA	Ceiling amount of investment in Mainland China by MOEA
Advanced International Multitech Co., Ltd.	$ 149,434	$ 171,046	$ 2,527,858

Advanced International Multitech Co., Ltd. and Subsidiaries

Information on investments in Mainland China-Major transactions that occur directly or indirectly through a third-region business and an investment company that invests in the PRC

January 1, 2018 ~ December 31, 2018

Table 7

Expressed in thousands of NTD
(Unless Otherwise Specified)

Name of investee in Mainland China	Sales(Purchase)		Property transaction		Accounts receivable (Accounts payable)		Endorsement of the bill guarantee or provide collateral		intermediation				
	Amount	%	Amount	%	Amount	%	Ending balance	purpose	Maximum balance	Ending balance	Interest rate range	Current interest	Other
Advanced Sporting Goods (Dongguan) Co., Ltd	($5,861,526)	(64%)	$ -	-	($1,085,946)	(72%)	$ -	-	$ -	$ -	-	$ -	Note 1

Note 1：Advanced International Multitech Co., Ltd. purchases the original materials on behalf of Advanced Sporting Goods (Dongguan) Co., Ltd. ,
and after processing, the finished products are sold to Advanced International Multitech Co., Ltd. , and the balances of other receivables and payables are offset.