

Advanced International Multitech Co., Ltd.  
and Subsidiaries  
Consolidated Financial Statements and  
Independent Auditors' Report  
for the Three-Month Periods Ended March 31,  
2019 and 2018  
(Stock Code: 8938)

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Advanced International Multitech Co., Ltd. and Subsidiaries  
Consolidated Financial Statements and Independent Auditors' Report for the Three-  
Month Periods Ended March 31, 2019 and 2018

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Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

March 31, 2019, December 31, 2018 and March 31, 2018

(The Consolidated Balance Sheet on March 31, 2019 and 2018 Were Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: In Thousands of New Taiwan Dollars

Assets	Note	March 31, 2019		December 31, 2018		March 31, 2018		
		Amount	%	Amount	%	Amount	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 684,040	9	\$ 533,118	7	\$ 982,320	16
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	314	-	2,223	-
1150	Notes receivable – net	6(3)	3,188	-	11,181	-	6,349	-
1170	Accounts receivable - net	6(3)	2,790,438	37	2,738,892	36	2,050,603	32
1200	Other receivables		24,353	1	30,465	1	16,946	-
1220	Current income tax assets		-	-	-	-	6,245	-
130X	Inventories	6(4)	1,567,365	21	2,070,745	27	1,441,127	23
1410	Prepayments	6(6)	151,380	2	172,436	2	116,094	2
1470	Other current assets		8,606	-	7,804	-	34,906	1
11XX	<b>Total current assets</b>		<u>5,229,370</u>	<u>70</u>	<u>5,564,955</u>	<u>73</u>	<u>4,656,813</u>	<u>74</u>
<b>Non-current assets</b>								
1517	Financial assets measured at fair value through other comprehensive income - non-current	6(5)	55	-	55	-	55	-
1550	Investments accounted for using equity method	6(7)	4,410	-	4,333	-	-	-
1600	Property, plant and equipment	6(8) and 8	1,853,893	25	1,794,729	24	1,467,627	23
1755	Right-of-use assets	6(9)	154,178	2	-	-	-	-
1780	Intangible assets	6(10)	20,333	-	18,516	-	18,476	-
1840	Deferred income tax assets		52,926	1	55,784	1	59,380	1
1915	Prepayments for business facilities		156,925	2	111,176	1	76,089	1
1990	Other non-current assets - others	6(11) and 8	33,803	-	54,521	1	52,732	1
15XX	<b>Total non-current assets</b>		<u>2,276,523</u>	<u>30</u>	<u>2,039,114</u>	<u>27</u>	<u>1,674,359</u>	<u>26</u>
1XXX	<b>Total assets</b>		<u>\$ 7,505,893</u>	<u>100</u>	<u>\$ 7,604,069</u>	<u>100</u>	<u>\$ 6,331,172</u>	<u>100</u>

(Continued)

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

March 31, 2019, December 31, 2018 and March 31, 2018

(The Consolidated Balance Sheet on March 31, 2019 and 2018 Were Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: In Thousands of New Taiwan Dollars

Liabilities and Equity	Note	March 31, 2019		December 31, 2018		March 31, 2018		
		Amount	%	Amount	%	Amount	%	
<b>Current liabilities</b>								
2100	Short-term borrowings	6(12) and 8	\$ 90,866	1	\$ 167,109	2	\$ 28,896	-
2110	Short-term bills payable	6(13)	-	-	-	-	39,955	1
2120	Financial liabilities measured at fair value through profit or loss - current	6(14)	14	-	-	-	24	-
2150	Notes payable		1,668	-	3,319	-	1,132	-
2170	Accounts payable		1,229,204	17	1,644,166	22	1,082,812	17
2200	Other payables	6(15)	902,668	12	1,053,104	14	828,097	13
2230	Income tax liabilities		202,952	3	158,433	2	103,943	2
2280	Lease liabilities - current		20,503	-	-	-	-	-
2300	Other current liabilities		64,556	1	46,831	1	27,161	-
21XX	<b>Total current liabilities</b>		<u>2,512,431</u>	<u>34</u>	<u>3,072,962</u>	<u>41</u>	<u>2,112,020</u>	<u>33</u>
<b>Non-current liabilities</b>								
2540	Long-term borrowings	6(16) and 8	193,950	3	93,880	1	-	-
2570	Deferred income tax liabilities		158,061	2	143,051	2	104,299	2
2580	Lease liabilities - non-current		100,734	1	-	-	-	-
2640	Net defined benefit liability - non-current		76,259	1	76,259	1	69,473	1
2670	Other non-current liabilities - others		949	-	4,819	-	535	-
25XX	<b>Total non-current liabilities</b>		<u>529,953</u>	<u>7</u>	<u>318,009</u>	<u>4</u>	<u>174,307</u>	<u>3</u>
2XXX	<b>Total liabilities</b>		<u>3,042,384</u>	<u>41</u>	<u>3,390,971</u>	<u>45</u>	<u>2,286,327</u>	<u>36</u>
<b>Equity</b>								
<b>Equity attributable to shareholders of the parent company</b>								
<b>Share capital</b>								
3110	Capital of common shares	6(18)	1,353,127	18	1,353,127	18	1,353,127	21
<b>Capital reserve</b>								
3200	Capital reserve	6(19)	781,236	10	781,236	9	781,236	13
<b>Retained earnings</b>								
3310	Legal reserve	6(20)	743,087	10	743,087	10	698,847	11
3320	Special reserve		65,616	1	65,616	1	21,412	-
3350	Undistributed earnings		1,185,408	16	979,701	13	912,951	15
<b>Other equity</b>								
3400	Other equity		( 43,580 )	( 1 )	( 75,285 )	( 1 )	( 55,978 )	( 1 )
31XX	<b>Total equity attributable to shareholders of the parent company</b>		<u>4,084,894</u>	<u>54</u>	<u>3,847,482</u>	<u>50</u>	<u>3,711,595</u>	<u>59</u>
36XX	<b>Non-controlling interests</b>	4(3)	<u>378,615</u>	<u>5</u>	<u>365,616</u>	<u>5</u>	<u>333,250</u>	<u>5</u>
3XXX	<b>Total equity</b>		<u>4,463,509</u>	<u>59</u>	<u>4,213,098</u>	<u>55</u>	<u>4,044,845</u>	<u>64</u>
<b>Important contingent liabilities and unrecognized contractual commitments</b>								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 7,505,893</u>	<u>100</u>	<u>\$ 7,604,069</u>	<u>100</u>	<u>\$ 6,331,172</u>	<u>100</u>

(The accompanying Notes to the Consolidated Financial Statements 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  
January 1 to March 31, 2019 and January 1 to March 31, 2018

(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: In Thousands of New Taiwan Dollars

(Except for Earnings Per Share Presented in New Taiwan Dollars)

Item	Note	January 1, 2019 to March 31, 2019		January 1, 2018 to March 31, 2018	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(21)	\$ 3,480,857	100	\$ 2,719,805	100
5000 <b>Operating costs</b>	6(4)(10)(25)(26)	( 2,915,715)	( 84)	( 2,361,343)	( 87)
5900 <b>Gross operating profit</b>		<u>565,142</u>	<u>16</u>	<u>358,462</u>	<u>13</u>
<b>Operating expenses</b>	6(10)(25)(26)				
6100 Selling expense		( 51,001)	( 2)	( 50,611)	( 2)
6200 Administrative expense		( 107,552)	( 3)	( 99,783)	( 3)
6300 Research and development expenses		( 106,543)	( 3)	( 86,342)	( 3)
6450 Expected credit impairment gain (loss)	12(2)	( 739)	-	2,134	-
6000 <b>Total operating expenses</b>		<u>( 265,835)</u>	<u>( 8)</u>	<u>( 234,602)</u>	<u>( 8)</u>
6500 <b>Other income and expenses - net</b>	6(22)	<u>22,089</u>	<u>1</u>	<u>26,186</u>	<u>1</u>
6900 <b>Operating income</b>		<u>321,396</u>	<u>9</u>	<u>150,046</u>	<u>6</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(23)	5,638	-	2,016	-
7020 Other gains and losses	6(2)(14)(24)	( 23,204)	-	( 74,905)	( 3)
7050 Finance costs	6(8)(9)	( 1,708)	-	( 77)	-
7060 Share of the profit (loss) of associates and joint ventures accounted for using equity method	6(7)	( 27)	-	-	-
7000 <b>Total non-operating income and expenses</b>		<u>( 19,301)</u>	<u>-</u>	<u>( 72,966)</u>	<u>( 3)</u>
7900 <b>Income before tax</b>		<u>302,095</u>	<u>9</u>	<u>77,080</u>	<u>3</u>
7950 Income tax expense	6(27)	( 83,389)	( 3)	( 29,762)	( 1)
8200 <b>Net income</b>		<u>\$ 218,706</u>	<u>6</u>	<u>\$ 47,318</u>	<u>2</u>
<b>Other comprehensive income</b>					
<b>Items that are not reclassified subsequently to profit or loss</b>					
8349 Income tax-related items that are not reclassified subsequently to profit or loss	6(27)	\$ -	-	\$ 493	-
<b>Items that may be reclassified subsequently to profit or loss:</b>					
8361 Exchange differences on translation of foreign financial statements		<u>31,705</u>	<u>1</u>	<u>9,638</u>	<u>-</u>
8300 <b>Other comprehensive income (loss), net</b>		<u>\$ 31,705</u>	<u>1</u>	<u>\$ 10,131</u>	<u>-</u>
8500 <b>Total comprehensive income (loss)</b>		<u>\$ 250,411</u>	<u>7</u>	<u>\$ 57,449</u>	<u>2</u>
<b>Net income (loss) attributable to:</b>					
8610 Owners of parent company		\$ 205,707	6	\$ 55,340	2
8620 Non-controlling interests		<u>12,999</u>	<u>-</u>	<u>( 8,022)</u>	<u>-</u>
<b>Total</b>		<u>\$ 218,706</u>	<u>6</u>	<u>\$ 47,318</u>	<u>2</u>
<b>Total comprehensive income (loss) attributable to:</b>					
8710 Owners of parent company		\$ 237,412	7	\$ 65,471	2
8720 Non-controlling interests		<u>12,999</u>	<u>-</u>	<u>( 8,022)</u>	<u>-</u>
<b>Total</b>		<u>\$ 250,411</u>	<u>7</u>	<u>\$ 57,449</u>	<u>2</u>
<b>Earnings per share</b>	6(28)				
9750 <b>Basic</b>		<u>\$ 1.52</u>		<u>\$ 0.41</u>	
9850 <b>Diluted</b>		<u>\$ 1.51</u>		<u>\$ 0.41</u>	

(The accompanying Notes to the Consolidated Financial Statements 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

Consolidated Statements of Changes in Equity  
January 1 to March 31, 2019 and January 1 to March 31, 2018  
 (Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: In Thousands of New Taiwan Dollars

	Equity attributable to shareholders of the parent company												
	Note	Capital reserve				Retained earnings				Exchange differences arising from translation of foreign financial statements	Total	Non-controlling interests	Total equity
		Capital of common shares	Share premium	Changes in ownership interest in subsidiaries	Others	Legal reserve	Special reserve	Undistributed earnings					
<u>January 1, 2018 ~ March 31, 2018</u>													
Balance as of January 1, 2018		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 698,847	\$ 21,412	\$ 857,118	(\$ 65,616)	\$ 3,646,124	\$ 341,272	\$ 3,987,396	
Net income		-	-	-	-	-	-	55,340	-	55,340	( 8,022 )	47,318	
Other comprehensive income (loss)		-	-	-	-	-	-	493	9,638	10,131	-	10,131	
Total comprehensive income (loss)		-	-	-	-	-	-	55,833	9,638	65,471	( 8,022 )	57,449	
Balance as of March 31, 2018		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 698,847	\$ 21,412	\$ 912,951	(\$ 55,978)	\$ 3,711,595	\$ 333,250	\$ 4,044,845	
<u>January 1, 2019 ~ March 31, 2019</u>													
Balance as of January 1, 2019		\$ 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	
Net income		-	-	-	-	-	-	205,707	-	205,707	12,999	218,706	
Other comprehensive income (loss)		-	-	-	-	-	-	-	31,705	31,705	-	31,705	
Total comprehensive income (loss)		-	-	-	-	-	-	205,707	31,705	237,412	12,999	250,411	
Balance as of March 31, 2019		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 743,087	\$ 65,616	\$ 1,185,408	(\$ 43,580)	\$ 4,084,894	\$ 378,615	\$ 4,463,509	

(The accompanying Notes to the Consolidated Financial Statements 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

January 1 to March 31, 2019 and January 1 to March 31, 2018

(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: In Thousands of New Taiwan Dollars

	Note	January 1, 2019 to March 31, 2019	January 1, 2018 to March 31, 2018
<u>Cash flows from operating activities</u>			
Net profit before tax		\$ 302,095	\$ 77,080
Adjustments:			
Income and expense item			
Depreciation	6(8)(9)(25)	85,785	74,715
Amortization (including amortization of long-term rental prepayments)	6(25)	4,282	5,145
Expected credit impairment loss (gain)	12(2)	739	( 2,134 )
Net income from financial assets and liabilities measured at fair value through profit or loss	6(24)	( 235 )	( 6,197 )
Interest income	6(23)	( 1,035 )	( 1,266 )
Interest expense		1,708	30
Loss (gain) on disposal and retirement of property, plant and equipment	6(24)	1,554	( 24 )
Reclassification of property, plant and equipment to expense		45	279
Share of the profit (loss) of associates and joint ventures accounted for using equity method	6(7)	27	-
Changes in operating assets and liabilities:			
Net changes in operating assets			
Financial assets at fair value through profit or loss - current		744	5,459
Notes receivable		7,992	( 369 )
Accounts receivable		( 21,953 )	255,061
Other receivables		6,132	2,365
Inventories		527,124	63,334
Prepayments		24,038	11,413
Other current assets		( 778 )	( 28,686 )
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current		( 178 )	( 64 )
Notes payable		( 1,651 )	( 565 )
Accounts payable		( 440,391 )	( 129,700 )
Other payables		( 191,807 )	( 230,610 )
Other current liabilities		17,703	( 8,944 )
Accrued pension liability		-	( 3 )
Other operating liabilities		( 3,886 )	-
Cash provided by operating activities		318,054	86,319
Income tax paid for the current period		( 21,468 )	( 3,621 )
Net cash provided by operating activities		<u>296,586</u>	<u>82,698</u>

(Continued)

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to March 31, 2019 and January 1 to March 31, 2018

(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: In Thousands of New Taiwan Dollars

	<u>Note</u>	<u>January 1, 2019 to March 31, 2019</u>	<u>January 1, 2018 to March 31, 2018</u>
<u>Cash provided by investing activities</u>			
Acquisition of property, plant and equipment	6(30)	(\$ 101,837)	(\$ 36,764)
Increase in prepayment for business facilities		( 56,966)	( 30,916)
Proceeds from disposal of property, plant and equipment		-	162
Increase in refundable deposits		( 167)	( 202)
Decrease in refundable deposits		265	46
Acquisition of intangible assets	6(10)	( 4,359)	( 1,945)
Increase in other non-current assets		( 1,712)	( 310)
Interest received		1,186	957
Net cash used in investing activities		<u>( 163,590)</u>	<u>( 68,972)</u>
<u>Cash provided by (used in) financing activities</u>			
Increase in short-term borrowings	6(31)	212,071	61,141
Decrease in short-term borrowings	6(31)	( 288,314)	( 122,699)
Increase in short-term bills payables	6(31)	-	80,000
Decrease in short-term bills payables	6(31)	-	( 40,000)
Increase in long-term borrowings	6(31)	100,070	-
Increase in deposits received		23	-
Interest paid		( 1,381)	( 30)
Repayment of the principal amount of rentals	6(31)	( 9,931)	-
Net cash provided by (used in) financing activities		<u>12,538</u>	<u>( 21,588)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>5,388</u>	<u>1,104</u>
Net increase (decrease) in cash and cash equivalents		150,922	( 6,758)
Cash and cash equivalents, beginning of the period		533,118	989,078
Cash and cash equivalents, end of the period		<u>\$ 684,040</u>	<u>\$ 982,320</u>

(The accompanying Notes to the Consolidated Financial Statements 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 Three-Month Periods Ended March 31, 2019 and 2018

(Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

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

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 March 31, 2019, 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 released on May 9, 2019 after being approved 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 2019:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date issued by the International Accounting Standards Board (IASB)</u>
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
IFRS 16 - Leases	January 1, 2019

New/Revised/Amended Standards and Interpretations	Effective date issued by the International Accounting Standards Board (IASB)
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	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"

1. 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.
2. When applying the 2019 version of IFRSs as endorsed by the FSC, the Group elects to adopt IFRS 16 without restating the comparative information ("modified retrospective approach" hereinafter) and made adjustments to lessee lease contracts by increasing the right-of-use assets by NT\$ 164,196 and lease liabilities by NT\$ 131,104 and reducing long-term lease prepayments by NT\$ 33,092 on January 1, 2019.
3. Upon initial adoption of IFRS 16, the Group adopts the following practical expedients:
  - (1) Contracts that have previously been identified as leases under IAS 17 and IFRIC 4 are not reassessed as to whether they are (or contain) leases but are treated by applying related IFRS 16 requirements.
  - (2) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - (3) Excluding the initial direct costs from the measurement of the right-of-use assets.
  - (4) Using hindsight in determining the lease term when the contracts contain options to extend or terminate the leases.
4. When calculating the present value of the lease liability, the Group uses its incremental borrowing rate of between 1.26% and 5.80%.
5. The Group discloses the amounts of its operating lease commitments pursuant

to IAS 17. Below is the reconciliation of the present value after discount using the incremental borrowing rate upon the initial application date and the lease liability recognized on January 1, 2019.

Operating lease commitments applying IFRS 17 "Disclosures" as at December 31, 2018	\$	16,559
Add: Reassessment of lease contracts that were originally identified as a service contract		21,351
Adjustment to the assessment of reasonable certainty of the extension right and the termination right		96,604
		<hr/>
Total value of lease contracts for which the recognition of a lease liability is required pursuant to IFRS 16 as at January 1, 2019	\$	134,514
		<hr/> <hr/>
The Group's incremental borrowing rate as at the initial application date		1.26%~5.80%
Lease liability recognized pursuant to IFRS 16 as at January 1, 2019	\$	131,104
		<hr/> <hr/>

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

None.

(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:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date issued by the International Accounting Standards Board (IASB)</u>
Amendments to IAS 1 and IAS 8 - Disclosure Initiative - Definition of Material	January 1, 2020
Amendment to IFRS 3 - Definition of Business	January 1, 2020
Amendment 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

Among the significant accounting policies, except for the compliance statement, preparation basis, consolidation basis and additions which are stated below, the rest are the same as Note 4 of the 2018 consolidated financial statements. Unless otherwise stated, the policies shall be applicable to all reporting periods presented.

(I) Statement of compliance

1. The consolidated financial statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and the FSC endorsed IAS 34 "Interim Financial Reporting."
2. These consolidated financial statements shall be read together with the 2018 consolidated financial statements.

(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 fair value through profit or loss (including derivatives).
  - (2) Financial assets measured at fair value through other comprehensive income.
  - (3) Defined benefit liability that is derived from retirement plan assets less the present value of net defined benefit obligation.
2. Critical accounting estimates are required in preparing a set of financial statements in compliance with the FSC endorsed version of International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations (collectively referred to as "IFRSs"). Management judgments are also required in the process of applying the Group's accounting policies. For items that are highly judgmental, complex, or related to significant assumptions and estimates of the consolidated financial statements, please refer to Note 5.

(III) Basis of consolidation

1. Principles for Preparation of Consolidated Financial Statements:

The principles followed in preparing these consolidated financial statements are the same as those in 2018.

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

Investor	Subsidiary	Main Business Activities	Ownership (%)			Descriptions
			December 31, 2019	December 31, 2018	March 31, 2018	
Advanced International Multitech Co., Ltd.	Advanced International Multitech (BVI) Co., Ltd.	Overseas investment expense	100	100	100	Note
Advanced International Multitech Co., Ltd.	Advanced Group International (BVI) Co., Ltd.	Overseas investment expense	100	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	100	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	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	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	100	Note

Note: The financial statements of such insignificant subsidiaries for the three-month periods ended March 31, 2019 and 2018 are not reviewed by a CPA.

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

4. Different accounting and adjustments adopted by subsidiaries in the accounting period: None.

5. Significant restrictions: None.

6. Subsidiaries in which the Group has a material non-controlling interest:

As of March 31, 2019, December 31, 2018 and March 31, 2018, the Group's non-controlling interests totaled NT\$ 378,615 thousand, NT\$ 365,616 thousand,

and NT\$ 333,250 thousand, respectively. Stated below is the information in respect of the Group's significant non-controlling interests and the corresponding subsidiaries:

Subsidiary	Principal place of business	Non-controlling interests						Descriptions
		March 31, 2019		December 31, 2018		March 31, 2018		
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)	
Launch Technologies Co., Ltd. (LTC)	Taiwan	\$ 378,615	44.07	\$ 365,616	44.07	\$ 333,250	44.07	-

Summary of the financial information of subsidiaries is as follows:

### Balance Sheets

	Launch Technologies Co., Ltd. (LTC)		
	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 546,544	\$ 554,395	\$ 448,103
Non-current assets	883,767	697,134	538,761
Current liabilities	( 294,027 )	( 323,520 )	( 230,391 )
Non-current liabilities	( 277,176 )	( 98,396 )	( 299 )
Total net assets	\$ 859,108	\$ 829,613	\$ 756,174

### Statements of Comprehensive Income

	Launch Technologies Co., Ltd. (LTC)	
	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Revenue	\$ 417,851	\$ 314,809
Income (loss) before tax	32,865	( 24,036 )
Income tax expense (gain)	( 3,370 )	5,832
Net income (loss)	29,495	( 18,204 )
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	\$ 29,495	( \$ 18,204 )

## Statements of Cash Flows

	Launch Technologies Co., Ltd. (LTC)	
	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Net cash provided by operating activities	\$ 61,491	\$ 12,106
Net cash used in investing activities	( 98,377 )	( 20,580 )
Net cash provided by (used in) financing activities	44,815	( 14,480 )
Increase (decrease) in cash and cash equivalents for the current period	7,929	( 22,954 )
Cash and cash equivalents, beginning of the period	39,462	49,534
Cash and cash equivalents, end of the period	\$ 47,391	\$ 26,580

### (IV) Lease transaction in the capacity of a lessee - Right-of-use assets/Lease liabilities

#### Applicable for the annual periods beginning on or after January 1, 2019

1. A right-of-use asset and a lease liability are recognized for a leased asset on the date when it becomes readily available for the Group's use. When a lease contract is a short-term lease or when it is a lease of which the underlying asset is of low value, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. A lease liability is recognized at the commencement date of the lease in the amount equal to the present value of the remaining lease payments (i.e. the remaining lease payments discounted at the Group's incremental borrowing rate.)  
Lease payments include:

- (1) Fixed payments, less any lease incentives receivables;
- (2) Variable lease payments that based on the current value of an index or a rate;
- (3) Lease payments expected to be payable by the Group under the residual value guarantee; and
- (4) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is allocated over the lease term. When a change in the lease term or lease payments occurs due to reasons other than lease modifications, lease liabilities are reassessed and the remeasurements are adjusted to the right-of-use assets.

3. At the commencement date, the right-of-use asset should be measured at cost. Cost comprises:
  - (1) The amount of the initial measurement of the lease liability;
  - (2) Any lease payments made at or before the commencement date;
  - (3) Any initial direct costs incurred; and
  - (4) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

A right-of-use asset is subsequently measured using the cost model and depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term. When a lease liability is reassessed, the right-of-use asset is adjusted for any remeasurements of the lease liability.

(V) Leased Assets/Operating Lease (Lessee)

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

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.

(VI) Income tax

1. Income tax expense in the interim is computed by applying the estimated average effective tax rate in annual term to the pre-tax profit or loss in the interim, and is disclosed in accordance with the afore-mentioned policies.
2. If tax rate changes occur in the interim, the Group recognizes all effects of changes to the period when such changes accrue; for income tax attributable to items not included in profit or loss, effects of changes are recognized in other comprehensive income or equity; and for income tax related to items included in profit or loss, effects of changes are recognized in profit or loss.

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

There is no material change in the period.



VI. Descriptions of Major Accounting Subjects

(I) Cash and cash equivalents

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Cash on hand and revolving funds	\$ 1,185	\$ 847	\$ 631
Checking deposits and demand deposits	489,098	397,408	748,002
Cash equivalents - Time deposits	193,757	134,863	175,577
Cash equivalents - Repo bonds	-	-	58,110
	<u>\$ 684,040</u>	<u>\$ 533,118</u>	<u>\$ 982,320</u>

1. The Group corresponds with multiple financial institutions having high credit quality so as to diversify the credit risks. Therefore, the expected risk of default is pretty low.
2. No cash or its equivalent was pledged as collateral by the Group.

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

<u>Item</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Non-hedging derivatives	\$ -	\$ 314	\$ 2,223
Adjustment for valuation	-	-	-
	<u>\$ -</u>	<u>\$ 314</u>	<u>\$ 2,223</u>

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

<u></u>	<u>January 1, 2019 ~ March 31, 2019</u>	<u>January 1, 2018 ~ March 31, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	<u>\$ 427</u>	<u>\$ 6,284</u>

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

December 31, 2018		
Derivative financial assets	Contract amount (nominal principal)	Contract period
Current items:		
Forward foreign exchange contracts	USD 2,496 thousand	December 10, 2018 - January 18, 2019
March 31, 2018		
Derivative financial assets	Contract amount (nominal principal)	Contract period
Current items:		
Forward foreign exchange contracts	USD 8,740 thousand	January 1, 2018 ~ June 30, 2018

March 31, 2019: 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).

(III) Notes receivables and accounts receivables

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable	\$ 3,188	\$ 11,181	\$ 6,349
Accounts receivable	\$ 2,792,841	\$ 2,740,556	\$ 2,057,089
Less: loss allowance	( 2,403 )	( 1,664 )	( 6,486 )
	<u>\$ 2,790,438</u>	<u>\$ 2,738,892</u>	<u>\$ 2,050,603</u>

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

	March 31, 2019		December 31, 2018		March 31, 2018	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not overdue	\$ 3,188	\$ 2,602,217	\$ 11,181	\$ 2,586,532	\$ 6,349	\$ 1,931,820
Overdue:						
Up to 30 days	-	173,781	-	138,360	-	71,023
31 to 90 days	-	13,970	-	14,903	-	44,784
91 to 180 days	-	2,660	-	612	-	6,601
Over 181 days	-	213	-	149	-	2,861
	<u>\$ 3,188</u>	<u>\$ 2,792,841</u>	<u>\$ 11,181</u>	<u>\$ 2,740,556</u>	<u>\$ 6,349</u>	<u>\$ 2,057,089</u>

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

2. There are no accounts receivables or notes receivables pledged as collateral by the Group.

3. When not taking into account of any collateral or credit enhancements held, the amounts the best represent the maximum credit exposure of the Group's notes receivables as at March 31, 2019, December 31, 2018 and March 31, 2018 were NT\$ 3,188 thousand, NT\$ 11,181 thousand, and NT\$ 6,349 thousand, respectively; and the amounts that best represent the maximum credit exposure of the Group's accounts receivables as at March 31, 2019, December 31, 2018 and March 31, 2018 were NT\$ 2,790,438 thousand, NT\$ 2,738,892 thousand, and NT\$ 2,050,603 thousand, respectively.
4. For credit risks of accounts receivables and notes receivables, please refer to Note 12(2).

(IV) Inventories

	March 1, 2019		
	Cost	Allowance for price decline	Book value
Raw materials	\$ 682,984	( \$ 27,690 )	\$ 655,294
Work in progress	352,463	( 8,111 )	344,352
Finished goods	569,567	( 23,021 )	546,546
Inventory in transit	21,173	-	21,173
	<u>\$ 1,626,187</u>	<u>( \$ 58,822 )</u>	<u>\$ 1,567,365</u>

  

	December 31, 2018		
	Cost	Allowance for price decline	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
	<u>\$ 2,128,332</u>	<u>( \$ 57,587 )</u>	<u>\$ 2,070,745</u>

  

	March 1, 2018		
	Cost	Allowance for price decline	Book value
Raw materials	\$ 645,909	( \$ 27,338 )	\$ 618,571
Work in progress	293,329	( 6,885 )	286,444
Finished goods	539,480	( 23,432 )	516,048
Inventory in transit	20,064	-	20,064
	<u>\$ 1,498,782</u>	<u>( \$ 57,655 )</u>	<u>\$ 1,441,127</u>

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

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Cost of inventories sold	\$ 2,915,415	\$ 2,369,536
Loss from price decline	739	( 14,160 )
Retirement loss	1,646	4,569
Others	( 2,085 )	1,398
	<u>\$ 2,915,715</u>	<u>\$ 2,361,343</u>

A decrease in cost to sell was recognized due to the recovery of the net realizable value

of inventories contributed by the well-performed de-stocks and retirement of some inventory as at the period between January 1 and March 31, 2018.

(V) Financial assets measured at fair value through other comprehensive income (FVTOCI)

Item	March 31, 2019	December 31, 2018	March 31, 2018
Non - current items:			
Unlisted stocks	\$ 55	\$ 55	\$ 55
Adjustment for valuation	-	-	-
	\$ 55	\$ 55	\$ 55

1. The Group elects to classify its strategic equity investments as financial assets measured at FVTOCI. The fair value of such investments as at March 31, 2019, December 31, 2018 and March 31, 2018 amounted to NT\$ 706 thousand, NT\$ 706 thousand, and NT\$ 642 thousand, respectively.

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

(VI) Prepayments

	March 31, 2019	December 31, 2018	March 31, 2018
Business tax paid	\$ 78,034	\$ 87,370	\$ 55,157
Tax overpaid retained	35,469	52,649	19,732
Prepaid expense	20,813	25,037	29,569
Prepayment for purchases	17,064	7,380	11,636
	\$ 151,380	\$ 172,436	\$ 116,094

(VII) Investments accounted for using equity method

	March 31, 2019	December 31, 2018	March 31, 2018
Beijing Mingda Titanium Technology	\$ 918	\$ 466	\$ -
Baoji Zatech Material Co., Ltd.	3,492	3,867	-
	\$ 4,410	\$ 4,333	\$ -

1. As of March 31, 2019 and March 31, 2018, the Group did 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 March 31, 2019 and 2018, the carrying amounts of the Group's individually insignificant associates were NT\$ 4,410 thousand and NT\$ 0.

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Net loss over this period	( \$ 27 )	\$ -
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	( \$ 27 )	\$ -

(VIII) Property, plant and equipment

	March 31, 2019	December 31, 2018	March 31, 2018
Land	\$ 162,544	\$ 162,544	\$ 162,544
Buildings and structures	598,432	611,234	634,396
Machinery	478,498	492,356	429,759
Utility equipment	88,081	90,872	105,776
Transportation equipment	1,047	1,302	2,080
Office equipment	21,391	20,785	18,683
Other equipment	106,514	110,400	108,663
Construction in progress	397,386	305,236	5,726
	<u>\$ 1,853,893</u>	<u>\$ 1,794,729</u>	<u>\$ 1,467,627</u>

Cost	January 1, 2019 ~ March 31, 2019						
	Name of assets	January 1	Additions	Disposals	Reclassifications	Net exchange differences	March 31
	Land	\$ 162,544	\$ -	\$ -	\$ -	\$ -	\$ 162,544
	Buildings and structures	1,212,280	5,425	( 7,562 )	( 7,091 )	11,685	1,214,737
	Machinery	1,508,314	12,456	( 23,982 )	9,351	12,439	1,518,578
	Utility equipment	254,087	321	( 2,203 )	( 46 )	3,701	255,860
	Transportation equipment	6,880	-	-	-	49	6,929
	Office equipment	58,492	2,389	( 524 )	-	765	61,122
	Other equipment	391,473	7,619	( 16,879 )	477	4,761	387,451
	Construction in progress	305,236	100,029	-	( 7,881 )	2	397,386
		<u>\$ 3,899,306</u>	<u>\$ 128,239</u>	<u>( \$ 51,150 )</u>	<u>( \$ 5,190 )</u>	<u>\$ 33,402</u>	<u>\$ 4,004,607</u>

January 1, 2019 ~ March 31, 2019

Accumulated depreciation and impairment						
Name of assets	January 1	Depreciation expense and Impairment loss	Disposals	Reclassifications	Net exchange differences	March 31
Buildings and structures	\$ 601,046	\$ 18,121	( \$ 6,167 )	( \$ 4,260 )	\$ 7,565	\$ 616,305
Machinery	1,015,958	37,958	( 23,982 )	-	10,146	1,040,080
Utility equipment	163,215	4,387	( 2,202 )	( 37 )	2,416	167,779
Transportation equipment	5,578	258	-	-	46	5,882
Office equipment	37,707	1,934	( 524 )	-	614	39,731
Other equipment	281,073	12,699	( 16,721 )	( 17 )	3,903	280,937
	<u>\$ 2,104,577</u>	<u>\$ 75,357</u>	<u>( \$ 49,596 )</u>	<u>( \$ 4,314 )</u>	<u>\$ 24,690</u>	<u>\$ 2,150,714</u>
	<u>\$ 1,794,729</u>					<u>\$ 1,853,893</u>

January 1, 2018 ~ March 31, 2018

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

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

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

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Capitalization amounts	\$ 583	\$ 113
Range of capitalized interest rate	1.25%~3.01%	0.91%~2.30%

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

(IX) Lease Transaction – Lessee

Applicable for the annual periods beginning on or after January 1, 2019

1. The Group's leased underlying assets comprise lands and buildings, of which the lease term is usually between 1 year to 20 years. Lease contracts are individually negotiated and include various terms and conditions that impose no other restrictions except that the leased assets shall not be collateralized against any borrowings, nor shall they be subleased, co-leased, lent out for others use, nor the right of lease be transferred to others.
2. Below is the carrying amounts of right-of-use assets and their recognized depreciation expenses:

	March 31, 2019	January 1, 2019 ~ March 31, 2019
	Book value	Depreciation
Land	\$ 125,989	\$ 1,891
Buildings and structures	28,189	8,537
	<u>\$ 154,178</u>	<u>\$ 10,428</u>

3. The addition to the Group's right-of-use assets amounted to NT\$ 0 as of the period between January 1, 2019 and March 31, 2019.
4. Profit or loss items in connection with lease contracts are stated as follows:

	January 1, 2019 ~ March 31, 2019
Items that affect profit or loss	
Interest expense on lease liability	\$ 755
Expense on leases with low-value underlying assets	244

5. As of the period between January 1, 2019 and March 31, 2019, the Group's cash outflows of lease payments amounted to NT\$ 10,930 thousand.
6. The option to extend a lease and the option to terminate a lease
  - (1) Contracts of which the underlying assets are types of land, buildings and structures contain a lease extension option exercisable by the Group.
  - (2) The Group determines the lease term by taking into consideration all relevant facts and circumstances that create an economic incentive for the Group to exercise the extension option. The lease term is reassessed if there occurs significant events that affect the assessment as to whether the Group would exercise the option to extend the lease or would not exercise the option to terminate the lease.

(X) Intangible assets

	<u>Computer software</u>
January 1, 2019	
Cost	\$ 31,021
Accumulated amortization and impairment (	12,505 )
	<u>\$ 18,516</u>
<u>2019</u>	
January 1	\$ 18,516
Addition - separately acquired	4,359
Derecognition - cost reduction (	120 )
Amortization (	2,554 )
Derecognition - reduction in accumulation	120
amortization and impairment	
Effect of exchange rate changes	12
March 31	<u>\$ 20,333</u>
March 31, 2019	
Cost	\$ 35,260
Accumulated amortization and impairment (	14,927 )
	<u>\$ 20,333</u>



	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 )
	<u>\$ -</u>	<u>\$ 18,519</u>	<u>\$ 18,519</u>
<u>2018</u>			
January 1	\$ -	\$ 18,519	\$ 18,519
Addition - separately acquired	-	1,945	1,945
Derecognition - cost reduction	( 13,000 )	( 103 )	( 13,103 )
Amortization	-	100	100
Derecognition - reduction in accumulation amortization and impairment	-	( 2,088 )	( 2,088 )
Effect of exchange rate changes	13,000	103	13,103
March 31	<u>\$ -</u>	<u>\$ 18,476</u>	<u>\$ 18,476</u>
March 31, 2018			
Cost	\$ -	\$ 27,814	\$ 27,814
Accumulated amortization and impairment	-	( 9,338 )	( 9,338 )
	<u>\$ -</u>	<u>\$ 18,476</u>	<u>\$ 18,476</u>

Amortization of intangible assets is detailed as below:

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Operating costs	\$ 395	\$ 507
Administrative expense	1,241	817
Research and development expenses	918	764
	<u>\$ 2,554</u>	<u>\$ 2,088</u>

(XI) Long-term lease prepayments (presented under "other non-current assets - others")

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

	December 31, 2018	March 31, 2018
Land use rights	<u>\$ 33,092</u>	<u>\$ 33,600</u>

The table below lists information regarding the Group's execution of land-use contracts, of which the lease payments were fully paid upon execution of the contracts. Lease payments recognized for the three-month period ended March 31, 2018 were NT\$ 425 thousand.

<u>Contract counter-party</u>	<u>Leased location</u>	<u>Lease term</u>
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 borrowings

<u>Type of loans</u>	<u>March 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Loans against letter of credit	\$ 90,866	-	Note

  

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

  

<u>Type of loans</u>	<u>March 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Loans against letter of credit	\$ 28,896	-	Note

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

(XIII) Short-term bills payable

<u>Type of bills</u>	<u>March 31, 2018</u>
Commercial paper	\$ 40,000
Less: Unamortized discount	( 45 )
	<u>\$ 39,955</u>
Interest rate range	<u>1.15%</u>

March 31, 2019 and December 31, 2018: None.

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

(XIV) Financial liabilities measured at fair value through profit and loss (FVTPL)

<u>Item</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Current items:			
Financial liabilities held for trading			
Non-hedging financial derivatives	\$ 14	\$ -	\$ 24
Adjustment for valuation	-	-	-
	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 24</u>

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

	<u>January 1, 2019 ~ March 31, 2019</u>	<u>January 1, 2018 ~ March 31, 2018</u>
Financial liabilities held for trading		
Derivatives	( <u>\$ 192</u> )	( <u>\$ 87</u> )

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

	<u>March 31, 2019</u>	
<u>Derivative financial liabilities</u>	<u>Contract amount (nominal principal)</u>	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	<u>USD 2,426 thousand</u>	March 7, 2019 - April 15, 2019
	<u>March 31, 2018</u>	
<u>Derivative financial liabilities</u>	<u>Contract amount (nominal principal)</u>	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	<u>USD 320 thousand</u>	March 22, 2018 - April 26, 2018

December 31, 2018: 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.

(XV) Other payables

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Payroll and bonus payable	\$ 301,631	\$ 456,719	\$ 253,053
Processing fee payable	214,170	244,897	202,890
Payables of compensation to employees and remuneration to directors and supervisors	78,300	63,813	58,850
Equipment expenses payable	65,033	38,631	30,009
Others	243,534	249,044	283,295
	<u>\$ 902,668</u>	<u>\$ 1,053,104</u>	<u>\$ 828,097</u>

(XVI) Long-term borrowings

<u>Type of loans</u>	<u>Loan period and repayment method</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2019</u>
Long-term bank loans				
Secured loan	From June 2018 to June 2023; interest paid on a monthly basis.	1.395%	Machinery	\$ 73,950
Secured loan	From July 2018 to July 2025; interest paid on a monthly basis.	1.395%	Buildings and structures	120,000
				<u>\$ 193,950</u>
<u>Type of loans</u>	<u>Loan period and repayment method</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2018</u>
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
				<u>\$ 93,880</u>

March 31, 2018: None.

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

## (XVII) 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 Labor Retirement Reserve. Prior to the end of each annual period, the Company assesses the balance of the aforementioned designated account for labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within next year, the Company will make a lump sum contribution to make up the shortfall before the end of March of the following year.
  - (2) The pension costs recognized by the Group in accordance the aforementioned contribution plans for the three-month periods ended March 31, 2019 and 2018 were NT\$ 592 thousand and NT\$ 564 thousand, respectively.
  - (3) The Company expects to make contributions of NT\$ 2,368 thousand to the pension plan within one year.
2. (1) Starting from July 1, 2005, the Company and subsidiaries have set up a defined contribution plan for all employees with ROC citizenship in accordance with the Labor Pension Act. Where the employees have elected to apply the labor pension system as stipulated in the Labor Pension Act, the Company and subsidiaries make a contribution in an amount equal to 6% of the employees' monthly salaries or wages to their individual accounts in the Bureau of Labor Insurance.
  - (2) Advanced Sporting Goods (Dongguan) Co., Ltd. and Advanced Sporting Goods (Shatian, Dongguan) Co., Ltd. make a pension contribution on a monthly basis in an amount equal to a certain percentage of the employees' monthly salaries and wages in accordance with the requirements as set forth in the pension system of the People's Republic of China. The contribution percentage for the three-month periods ended March 31, 2019 and 2018

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 the three-month periods ended March 31, 2019 and 2018 were NT\$ 37,627 thousand and NT\$ 25,676 thousand, respectively.

(XVIII) Share capital

As of March 31, 2019, the Company had an authorized capital in the amount of NT\$ 1,463,000 thousand (including 5,000 thousand shares of employee stock option certificates and 10,000 thousand shares of convertible corporate bonds) and a paid-in capital in the amount of NT\$ 1,353,127 thousand with each share priced at NT\$ 10. Share payments for the Company's issued stocks have been collected in full. Quantities of the Company's outstanding common shares at the beginning of periods are the same as those at the end of the periods.

(XIX) Capital reserve

Under the Company Act, capital reserve arising from shares issued at premium or from donation may be used for offsetting deficit. Furthermore, if the Company has no accumulated loss, capital reserve 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 reserve is used for capitalization, the total amount every year shall not exceed 10% of the paid-in capital. The Company may use capital reserve to offset loss only when the amount of earnings and reserves are insufficient to offset the loss.

(XX) Retained earnings

1. The Articles of Incorporation requires that earnings after the final account, if any, be used in the first place to pay off the profit-seeking enterprise income tax and to offset the previous deficits according to law ; and 10% of the remainder, if any, be set aside as its legal reserve, except in cases when the legal reserve has reached the capital amount. If there is any remaining earnings, a special reserve shall be provided or reversed in accordance with laws or regulations imposed by

the competent authority; the remaining amount, if any, shall be added up to the undistributed earnings of the prior periods to serve as the allocable earnings, of which the amount of distribution and retention shall be indicated in the earnings distribution proposal which is made by the Board of Directors before submitting to the Shareholders' Meeting for approval. The cash dividends distributed shall not exceed 10% of the total dividends distributed.

2. The Company's dividend policy is stated as below: The Company adopts a residual dividend policy in order to operate sustainably and increase profits.
3. Legal reserves may only be used for offsetting deficits and issuing new shares or distributing cash in proportion to shareholders' original holdings. However, when new shares are issued or cash is distributed, the amount shall be limited to 25% of the reserves in excess of the paid-in capital.
4. The Company may allocate earnings only after providing special reserve for debt balance in other equity on the date of balance sheet, and the reversal of debit balance in other equity, if any, may be stated into allocable earnings.
5. The Company recognized dividends distributed to shareholders of the Company in the amounts equal to NT\$ 351,813 thousand (NT\$ 2.6 per share) and NT\$ 173,388 thousand (NT\$ 1.3 per share) for the years ended December 31, 2019 and 2018, 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.

(XXI) 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. Revenue can be sub-divided by geographical areas as follows:

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Customer by geographical areas		
Americas	\$ 2,425,936	\$ 2,021,014
Asia	896,496	488,942
Others	158,425	209,849
	<u>\$ 3,480,857</u>	<u>\$ 2,719,805</u>

(XXII) Other income and expenses - net

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Income from samples	\$ 6,120	\$ 7,106
Income from molds	9,212	5,455
Other income	6,757	13,625
	<u>\$ 22,089</u>	<u>\$ 26,186</u>

(XXIII) Other income

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Recognition of interest revenue	\$ 1,035	\$ 1,266
Others	4,603	750
	<u>\$ 5,638</u>	<u>\$ 2,016</u>

(XXIV) Other gains and losses

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Gain (loss) on disposal and retirement of property, plant and equipment	( \$ 1,554 )	\$ 24
Foreign exchange loss - net	( 19,900 )	( 82,689 )
Net gains from financial assets and liabilities measured at fair value through profit or loss	235	6,197
Other gains and losses	( 1,985 )	1,563
	<u>( \$ 23,204 )</u>	<u>( \$ 74,905 )</u>

(XXV) Additional information regarding the nature of expense

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Employee benefits expense	\$ 688,233	\$ 632,216
Depreciation	85,785	74,715
Amortization	4,282	5,145
	<u>\$ 778,300</u>	<u>\$ 712,076</u>

(XXVI) Employee benefits expense

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Salary and wages	\$ 582,567	\$ 548,807
Labor and health insurance premiums	42,651	34,218
Pension expense	38,219	26,240
Remuneration to Directors	2,370	2,360
Other personnel cost	22,426	20,591
	<u>\$ 688,233</u>	<u>\$ 632,216</u>

1. The Articles of Incorporation requires that the Company allocate no less than one percent (1%) of its annual earnings as employee compensation, and no greater than five percent (5%) of its annual earnings as remuneration for directors and supervisors; provided, however, that a portion of earnings shall be reserved if the Company still has an accumulated deficit.
2. For the three-month periods ended March 31, 2019 and 2018, the Company's compensation to employees were recognized in the amounts equal to NT\$ 9,533 thousand and NT\$ 9,032 thousand, respectively; and remuneration to directors



and supervisors were recognized in the amounts equal to NT\$ 2,500 thousand and NT\$ 2,500 thousand, respectively, all presented under the payroll expense account.

The amounts for the three-month period ended March 31, 2019 were estimated at certain percentages based on the profits earned during the period.

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

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

(XXVII) Income tax

1. Income tax expense

(1) Components of income tax expense

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Current income tax:		
Income tax arising from current period	\$ 65,019	\$ 16,560
Deferred income tax:		
Originating and reversed temporary differences	18,370	4,321
Effect of tax rate changes	-	8,881
Total deferred income tax	18,370	13,202
Income tax expense	<u>\$ 83,389</u>	<u>\$ 29,762</u>

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

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Effect of tax rate changes	<u>\$ -</u>	<u>\$ 493</u>

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

3. The amendments to the Income Tax Act 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.

(XXVIII) Earnings per share

	January 1, 2019 ~ March 31, 2019		
	After-tax amount	Weighted average number of outstanding shares	Earnings per share (dollar)
<u>Basic earnings per share</u>			
Net income attributable to shareholders of common shares	\$ 205,707	135,313	\$ 1.52
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	205,707	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	949	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	\$ 205,707	136,262	\$ 1.52
<u>January 1, 2018 ~ March 31, 2018</u>			
	After-tax amount	Weighted average number of outstanding shares	Earnings per share (dollar)
<u>Basic earnings per share</u>			
Net income attributable to shareholders of common shares	\$ 55,340	135,313	\$ 0.41
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	55,340	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	928	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	\$ 55,340	136,241	\$ 0.41

(XXIX) Operating leases

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

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	March 31, 2018
Less than 1 year	\$ 11,069	\$ 10,718
More than 1 year but no more than 5 years	5,490	12,512
	<u>\$ 16,559</u>	<u>\$ 23,230</u>

(XXX) Additional information regarding cash flows

1. Investing activities with partial cash payments:

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Acquisition of property, plant and equipment	\$ 128,239	\$ 29,154
Add: Equipment payable, beginning of period (recognized as other payables)	38,631	37,619
Less: Equipment payable, end of period (recognized as other payables)	( 65,033 )	( 30,009 )
Amount paid in cash	<u>\$ 101,837</u>	<u>\$ 36,764</u>

2. Investing activities that do not affect cash flows:

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Equipment prepayments transferred to property, plant and equipment	\$ 9,403	\$ 32,615
Reclassification of property, plant and equipment to other non- current assets	\$ 10,234	\$ -
Reclassification of equipment prepayments to intangible assets	\$ -	\$ 100

(XXXI) Changes in liabilities from financing activities

	Short-term loans	Long-term loans	Lease liabilities	Total financing liability
January 1, 2019	\$ 167,109	\$ 93,880	\$ 131,104	\$ 392,093
Changes in financing cash flows	( 76,243 )	100,070	( 9,931 )	13,896
Effect of exchange rate changes	-	-	64	64
March 31, 2019	<u>\$ 90,866</u>	<u>\$ 193,950</u>	<u>\$ 121,237</u>	<u>\$ 406,053</u>

	Short-term loans	Short-term bills payable	Total financing liability
January 1, 2018	\$ 90,454	\$ -	\$ 90,454
Changes in financing cash flows	( 61,558 )	40,000	( 21,558 )
Effect of exchange rate changes	-	( 45 )	( 45 )
March 31, 2018	<u>\$ 28,896</u>	<u>\$ 39,955</u>	<u>\$ 68,851</u>

## 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

None.

### (III) Information about remunerations to the major management:

	January 1, 2019 ~ March 31, 2019	January 1, 2018 ~ March 31, 2018
Salary and other employee benefits	\$ 18,422	\$ 8,934

## VIII. Pledged Assets

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

Assets	Carrying amount			Guarantee use
	March 31, 2019	December 31, 2018	March 31, 2018	
Land	\$ 125,648	\$ 125,648	\$ 125,648	Short-term and long-term loans
Buildings and structures - net	277,137	280,014	292,556	Short-term and long-term loans and credit facility guarantee
Machinery	86,649	89,285	-	Credit facility guarantee for long-term loans
Other equipment	1,762	1,823	-	Credit facility guarantee for long-term loans
Pledged time deposits (presented as "other non-current assets - others")	5,245	5,243	430	Customs deposits and performance guarantee
	<u>\$ 496,441</u>	<u>\$ 502,013</u>	<u>\$ 418,634</u>	

IX. Important Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingency

None.

(II) Commitments

1. Balance of outstanding letters of credit

	March 31, 2019	December 31, 2018	March 31, 2018
Raw materials imported	\$ 159,674	\$ 88,845	\$ 71,910

2. Capital expenditure committed but yet to incur:

	March 31, 2019	December 31, 2018	March 31, 2018
Property, plant and equipment	\$ 204,018	\$ 190,646	\$ 85,799

3. Operating lease agreements:

Please refer to Note 6(29) for elaboration.

X. Significant Losses from Disasters

None.

XI. Material Subsequent Events

None.

XII. Others

(I) Capital management

There is no significant changes in the current period. Please refer to Note 12 to the consolidated financial statements for 2018.

(II) Financial Instruments

1. Types of Financial instruments

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit and loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 314	\$ 2,223
Financial assets measured at fair value through other comprehensive income			
Election of the designated equity instrument investment	55	55	55
Financial assets measured at amortized cost			
Cash and cash equivalents	684,040	533,118	982,320
Notes receivable	3,188	11,181	6,349
Accounts receivable	2,790,438	2,738,892	2,050,603
Other receivables	24,353	30,465	16,946
Refundable deposits	11,996	11,965	7,665
	<u>\$ 3,514,070</u>	<u>\$ 3,325,990</u>	<u>\$ 3,066,161</u>
	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial liabilities</u>			
Financial liabilities measured at fair value through profit and loss			
Financial liabilities held for trading	\$ 14	\$ -	\$ 24
Financial liabilities measured at amortized costs			
Short-term loans	90,866	167,109	28,896
Short-term bills payable	-	-	39,955
Notes payable	1,668	3,319	11,312
Accounts payable	1,229,204	1,644,166	1,082,812
Other payables	902,668	1,053,104	828,097
Lease liabilities (including non-current)	121,237	-	-
Long-term loans	193,950	93,880	-
Deposits received	618	604	534
	<u>\$ 2,540,225</u>	<u>\$ 2,962,182</u>	<u>\$ 1,981,450</u>

2. Credit risk management policy  
There is no significant changes in the current period. Please refer to Note 12 to the consolidated financial statements for 2018.

3. The nature and degree of significant financial risks  
Except for matters stated below, there is no significant changes in the current period. Please refer to Note 12 to the consolidated financial statements for 2018.

(1) Market risk

Foreign exchange rate risk:

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

	March 31, 2019		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
(Foreign currency:Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 105,813	30.77	\$ 3,255,866
USD:RMB	47,599	6.7552	1,464,621
<u>Non-monetary items</u>			
RMB:NTD	302,541	4.555	1,378,074
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	54,801	30.87	1,691,707
USD:RMB	10,859	6.7552	335,217
	December 31, 2018		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
(Foreign currency:Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 103,293	30.67	\$ 3,167,996
USD:RMB	35,476	6.8658	1,088,049
<u>Non-monetary items</u>			
RMB:NTD	272,933	4.472	1,220,556
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	49,511	30.77	1,523,453
USD:RMB	12,594	6.8658	387,517

	March 31, 2018		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
(Foreign currency:Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 98,899	29.06	\$ 2,873,510
USD:RMB	35,743	6.2755	1,038,513
<u>Non-monetary items</u>			
RMB:NTD	238,143	4.622	1,100,697
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	43,137	29.16	1,257,659
USD:RMB	10,438	6.2755	304,320

- B. Due to the exchange rate volatility, total exchange losses from the Group's monetary items amounted to NT\$ 19,900 thousand and NT\$ 82,689 thousand for the three-month periods ended March 31, 2019 and 2018, respectively.
- C. The table below illustrates assets and liabilities denominated in foreign currencies of which the values were materially affected by the exchange rate volatility:

	January 1, 2019 ~ March 31, 2019		
	Range of change	Effects on profit or loss	Effects on other comprehensive income
(Foreign currency:Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 32,559	-
USD:RMB	1%	14,646	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	16,917	-
USD:RMB	1%	3,352	-
	January 1, 2018 ~ March 31, 2018		
	Range of change	Effects on profit or loss	Effects on other comprehensive income
(Foreign currency:Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 28,735	-
USD:RMB	1%	10,385	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	12,577	-
USD:RMB	1%	3,043	-



### Price risk

The Group does not 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 borrowings 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 three-month period ended March 31, 2019, the Group's issuance of long-term borrowings with floating interest rates was mainly denominated in New Taiwan Dollars. January 1 to March 31, 2018: None.
- 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 three-month period ended March 31, 2019 will decrease or increase by NT\$ 97 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 a default is deemed to have occurred when contractual payments are more than 90 days past due.
- C. 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.
- D. 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.
- E. After the recourse procedures, the Group writes off financial assets to the extent of the amount that cannot be reasonably expected to be recovered. However, the Group will continue the legal procedures to recourse in order to secure its creditor's rights.
- F. The Group has established an expected loss rate for different segments of the accounts receivables due from customers as at March 31, 2019 and 2018: 0.00% to 0.02% for accounts receivables not past due; 0.01% to 0.21% for accounts receivables within 30 days past due; 0.01% to 3.73% for accounts receivables 31 days to 60 days past due; 0.04% to 8.10% for accounts receivables 61 days to 90 days past due, 0.19% to 17.40% for accounts receivables 91 days to 120 days past due; 1.86% to 58.22% for accounts receivables 121 days to 150 days past due; 22.31% to 96.74% 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 0.60% of the Group's total accounts receivables.
- G. Changes in loss allowance for notes receivables and accounts receivables using the simplified approach are stated as follows:

	2019		2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
January 1	\$ 1,664	\$ -	\$ 8,620	\$ -
Recognized (reversed) impairment loss	739	-	( 2,134 )	-
March 31	<u>\$ 2,403</u>	<u>\$ -</u>	<u>\$ 6,486</u>	<u>\$ -</u>

### (3) Liquidity risk

- A. Cash flows forecasting is carried out by the Group's Office of Finance and Accounting in order to ensure that sufficient funds are readily available, both for the operating needs and for the unused loan commitments.
- B. The Group's remaining cash in excess of its operating needs is invested in demand deposits bearing interests, time deposits, bonds sold under repurchase agreement, and marketable securities, all of which are instruments either with appropriate maturity or with sufficient liquidity so as to satisfy the said forecasting and provide sufficient position for dispatching of funds. As of March 31, 2019, December 31, 2018 and March 31, 2018, the Group had a money market position in the amounts equal to NT\$ 682,855 thousand, NT\$ 532,271 thousand, and NT\$ 981,689 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:

	March 31, 2019		
	Less than 1 year	1 - 2 years	Over 2 years
<u>Non-derivative financial liabilities</u>			
Short-term loans	\$ 90,866	\$ -	\$ -
Notes payable	1,668	-	-
Accounts payable	1,229,204	-	-
Other payables	902,668	-	-
Lease liabilities (including non-current)	22,784	16,345	88,997
Long-term loans	2,706	33,080	167,757
	March 31, 2019		
	Less than 1 year	1 - 2 years	Over 2 years
<u>Derivative financial liabilities:</u>			
Forward foreign exchange contracts	\$ 14	\$ -	\$ -
	December 31, 2018		
	Less than 1 year	1 - 2 years	Over 2 years
<u>Non-derivative financial liabilities</u>			
Short-term loans	\$ 167,109	\$ -	\$ -
Notes payable	3,319	-	-
Accounts payable	1,644,166	-	-
Other payables	1,053,104	-	-
Long-term loans	1,310	8,192	89,604
Derivative financial liabilities:			
None.			
	March 31, 2018		
	Less than 1 year	1 - 2 years	Over 2 years
<u>Non-derivative financial liabilities</u>			
Short-term loans	\$ 28,896	\$ -	\$ -
Notes payable	40,000	-	-
Accounts payable	1,132	-	-
Other payables	1,082,812	-	-
Long-term loans	828,097	-	-
Derivative financial liabilities:			
Forward foreign exchange contracts	\$ 24	\$ -	\$ -

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

(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, refundable deposits, short-term borrowings, short-term bills payable, notes payable, accounts payable, other payables, lease liabilities and long-term borrowings) are reasonable approximation of fair value.

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

- (1) Classified by nature of assets or liabilities:

March 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets measured at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 55	\$ 55

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 foreign exchange contracts	\$ -	\$ 314	\$ -	\$ 314
Financial assets measured at fair value through other comprehensive income				
Equity securities	-	-	55	55
	<u>\$ -</u>	<u>\$ 314</u>	<u>\$ 55</u>	<u>\$ 369</u>
March 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets measured at fair value through profit and loss				
Forward foreign exchange contracts	\$ -	\$ 2,223	\$ -	\$ 2,223
Financial assets measured at fair value through other comprehensive income				
Equity securities	-	-	55	55
	<u>\$ -</u>	<u>\$ 2,223</u>	<u>\$ 55</u>	<u>\$ 2,278</u>

(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 valued based on the current forward exchange rates.

4. There was no transfer between Level 1 and Level 2 of the fair value hierarchy as at the three-month periods ended March 31, 2019 and 2018.
5. There were no changes in Level 3 of the fair value hierarchy as at the three-month periods ended March 31, 2019 and 2018.
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 through 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.

### 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): Please refer to Appendix Table 1.
4. Aggregate Trading Value on the Same Securities (Including Purchase and Sales) Reaching NT\$ 300 Million or 20 Percent of the Paid-in Capital or More: None.
5. Acquisition of Property Amounting to at Least NT\$ 300 Million or Exceeding 20% of Paid-in Capital: None.
6. Disposal of Property Amounting to at Least NT\$ 300 Million or Exceeding 20% of Paid-in Capital: None.
7. Purchases from and Sales to Related Parties Amounting to at Least NT\$ 100 Million or Exceeding 20% of Paid-in Capital: Please refer to Appendix Table 2.
8. Receivables from Related Parties Amounting to at Least NT\$ 100 Million or Exceeding 20% of Paid-in Capital: Please refer to Appendix Table 3.
9. Engagement in Derivative Transactions: Please refer to Note 6(2), 6(14) and 12(3).
10. Parent-Subsidiary and Subsidiary-Subsidiary Business Relations and Significant Transactions and Amounts Thereof: Please refer to Appendix Table 4.

#### (II) Reinvestment Information

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

#### (III) Investments in Mainland China

1. Basic Investee Information: Please refer to Appendix Table 6.
2. Significant Transactions Between the Company and Investees in Mainland China Directly or Indirectly Through Entities in a Third Area: Please refer to Appendix Table 7.

### 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) Segment information

The Group evaluates the performance of an operating segment by examining the profit

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

(III) Reconciliation of segment profit or loss

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

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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, 2019 ~ March 31, 2019

Expressed in thousands of NTD  
(Unless Otherwise Specified)

Table 1

Investor	Type and name of securities	Relationship with the issuer	General ledger account	Number of shares	Ending balance		Fair value	Note
					Book value	Percentage of ownership		
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	\$ 722	-

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, 2019 ~ March 31, 2019

Table 2

Purchases / sales	Name of the counter-party	Relationship	Purchases / (sales)	Description of transaction			Description and reasons for difference in transaction terms compared to non-related party		Notes or accounts receivable / (payable)		Note
				Amount	Percentage of net purchases/(sales) Credit Period	Credit Period	Unit Price	Credit Period	Amount	or accounts receivable/(payable)	
Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd	grandson company	Purchases	\$ 2,160,953	70%	note 1	note 1	note 1	(\$1,466,214)	(87%)	note 2
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	subsidiary	Purchases	467,646	16%	note 1	note 1	note 1	(110,640)	(7%)	note 2
Advanced Sporting Goods (Dongguan) Co., Ltd	Advanced International Multitech Co., Ltd.	ultimate parent company	sales	(2,160,953)	(100%)	note 3	note 3	note 3	1,466,214	100%	
Advanced International Multitech (VN) Corporation Ltd.	Advanced International Multitech Co., Ltd.	parent company	sales	(467,646)	(100%)	note 3	note 3	note 3	110,640	100%	

note 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 to Advanced 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.

Expressed in thousands of NTD  
(Unless Otherwise Specified)

Advanced International Multitech Co., Ltd. and Subsidiaries  
 Receivable from related parties exceeding \$100,000 or 20% of paid-in capital or more  
 January 1, 2019 ~ March 31, 2019

Table 3

Expressed in thousands of NTD  
 (Unless Otherwise Specified)

The name of the Company	Name of the counter-party	Relationship	Amount	Turnover rat	Overdue receivables		Subsequent collections	Allowance for doubtful accounts	Note
					Amount	Action adopted for overdue accounts			
Advanced Sporting Goods (Dongguan) Co., Ltd	Advanced International Multitech Co., Ltd.	ultimate parent company	\$ 1,466,214	-	\$ -	-	\$ 308,971	\$ -	
Advanced International Multitech (VN) Corporation Ltd.	Advanced International Multitech Co., Ltd.	parent company	110,640	-	-	-	89,004	-	

Advanced International Multitech Co., Ltd. and Subsidiaries  
Significant inter-company transactions during the reporting periods  
January 1, 2019 ~ June 30, 2019

Table 4

Expressed in thousands of NTD  
(Unless Otherwise Specified)

Number (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	General ledger account	Amount	Transaction terms	
						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	\$ 2,160,953	According to the agreement of both parties	62%
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd	1	Accounts payable	1,466,214	According to the agreement of both parties	20%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Purchases	467,646	According to the agreement of both parties	13%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Accounts payable	110,640	According to the agreement of both parties	1%

(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, 2019 ~ March 31, 2019

Expressed in thousands of NTD  
(Unless Otherwise Specified)

Table 5

Investors	Name of investees	Location	Main Business	Original investments		Holding status			Net income (loss) of the investee	Income (loss) recognized by the Company	Note
				Ending balance of the current period	Ending balance of prior period	Shares	Percentage of ownership	Book value			
Advanced International Multitech Co., Ltd.	Advanced International Multitech (BVI) Co., Ltd.	British Virgin Islands	Overseas investment	\$ 34,471	\$ 34,471	1,050,000	100	\$ 143,631	(\$3,428)	(\$3,428)	
Advanced International Multitech Co., Ltd.	Advanced Group International (BVI) Co., Ltd.	British Virgin Islands	Overseas investment	149,434	149,434	4,584,815	100	1,311,346	138,042	140,272	(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	541,355	13,138	13,474	(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	480,494	29,495	16,497	

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, 2019 ~ March 31, 2019

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		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
					Payment	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	\$ 138,031	100	\$ 138,031	\$ 1,316,829 #	\$ 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	-	-	-	-	(2,857)	100	(2,857)	68,809 #	-
Advanced Sporting Goods (Dongguan) Co., Ltd : Beijing Mingda Titanium Technology	Engaged in material research and development	1,330	3	-	-	-	-	880	50	440	918 #	-
Advanced Sporting Goods (Dongguan) Co., Ltd : Baoji Zatech Material Co., Ltd.	Engaged in material production	17,744	3	-	-	-	-	(1,867)	25	(467)	3,492 #	-

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	\$ 171,883	\$ 2,678,105

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, 2019 ~ March 31, 2019

Table 7

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	(\$2,160,953)	(74%)	\$ -	-	(\$1,466,214)	(87%)	\$ -	-	\$ -	\$ -	-	\$ -	-	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.