

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Review Report
for the Nine-Month Periods Ended September 30, 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 Nine-Month Periods
Ended September 30, 2019 and 2018

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Independent Auditors' Review Report

(2019) Financial Review Reference No. 19001659

To Advanced International Multitech Co., Ltd.

Introduction

We have reviewed the consolidated balance sheets of Advanced International Multitech Co., Ltd. and its subsidiaries ("Advanced Group" hereinafter) as of September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2019 and 2018, the consolidated statements of changes in equity and consolidated statements of cash flows for the nine-month periods ended September 30, 2019 and 2018, as well as the accompanying notes to the consolidated financial statements (including summary of critical accounting policies). It is the management's responsibility to prepare a set of fairly presented financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 Interim Financial Reporting as endorsed by the Financial Supervisory Commission (FSC). Our responsibility is to provide a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion," we conducted our reviews in compliance with Statements of Auditing Standards (SAS) No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity." A review of the consolidated financial statements consists of making inquiries (primarily of persons responsible for financial and accounting matters) and applying analytical and other review procedures. Since a review is substantially less in scope than an audit, we might not be fully aware of all material matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note IV(III) to the consolidated financial statements, the financial statements of the insignificant subsidiaries included in the above consolidated financial statements for the same period of the consolidated financial statements are not reviewed by a CPA. The total assets as of September 30, 2019 and 2018 were NT\$ 872,976 thousand and NT\$ 1,019,537 thousand, respectively, thus respectively accounting for 12% and 15% of total assets. Total liabilities were NT\$ 332,598 thousand and NT\$ 519,401 thousand, respectively, thus respectively accounting for 11% and 20% of total liabilities. Their total comprehensive income for the three-month periods ended September 30, 2019 and 2018 and the nine-month periods ended September 30, 2019 and 2018 were NT\$ (40,974) thousand, NT\$ (22,796) thousand, NT\$ (21,306) thousand and NT\$ 42,511 thousand, respectively. They thus accounted for (91%), (35%), (5%) and 13% of consolidated total comprehensive income.

Qualified Conclusion

Based on our review, except for the effects as stated in the Basis for Qualified Conclusion paragraph that there would have been adjustments to the financial statements of the said insignificant subsidiaries if they had been reviewed by an independent auditor, nothing has come to our attention that caused us to believe that the consolidated financial statements, in all material aspects, do not fairly present the consolidated financial position of Advanced Group as of September 30, 2019 and 2018, the consolidated financial performance for the three-month and nine-month periods ended September 30, 2019 and 2018, and the consolidated cash flows for the nine-month periods ended September 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 Interim Financial Reporting endorsed by the Financial Supervisory Commission of the Republic of China.

PwC Taiwan

CPA: A-Shen Liao
Chien-Chih Wu

Approval No. by the former Financial Supervisory
Commission of the Executive Yuan:

Approval No.: Jin Guan Zheng Shen Zi No. 1010015969

Financial Supervisory Commission

Approval No.: Jin Guan Zheng Shen Zi - No. 1030027246

November 4, 2019

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

September 30, 2019, December 31, 2018 and September 30, 2018

(The Consolidated Balance Sheet on September 30, 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	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		Amount	%	Amount	%	Amount	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,392,509	19	\$ 533,118	7	\$ 1,229,868	19
1110	Financial assets measured at fair value through profit or loss - current	6(2)	-	-	314	-	212	-
1136	Financial assets measured at amortized cost - current	6(3)	84,522	1	-	-	-	-
1150	Notes receivable - net	6(4)	8,118	-	11,181	-	7,657	-
1170	Accounts receivable - net	6(4)	1,480,334	20	2,738,892	36	1,602,181	24
1200	Other receivables		17,308	-	30,465	1	17,196	-
1220	Current income tax assets		27,041	-	-	-	9,491	-
130X	Inventories	6(5)	1,812,445	24	2,070,745	27	1,677,851	26
1410	Prepayments	6(7)	116,436	2	172,436	2	155,182	2
1470	Other current assets		12,553	-	7,804	-	18,256	-
11XX	Total current assets		<u>4,951,266</u>	<u>66</u>	<u>5,564,955</u>	<u>73</u>	<u>4,717,894</u>	<u>71</u>
Non-current assets								
1517	Financial assets measured at fair value through other comprehensive income - non-current	6(6)	55	-	55	-	55	-
1550	Investments accounted for using equity method	6(8) and 7	3,435	-	4,333	-	5,101	-
1600	Property, plant and equipment	6(9), (12) and 8	2,100,637	28	1,794,729	24	1,674,967	25
1755	Right-of-use assets	6(10)	194,342	3	-	-	-	-
1780	Intangible assets	6(11)	15,269	-	18,516	-	14,650	-
1840	Deferred income tax assets		46,424	1	55,784	1	50,957	1
1915	Prepayments for business facilities		101,617	1	111,176	1	90,782	2
1990	Other non-current assets - others	6(13) and 8	33,505	1	54,521	1	51,141	1
15XX	Total non-current assets		<u>2,495,284</u>	<u>34</u>	<u>2,039,114</u>	<u>27</u>	<u>1,887,653</u>	<u>29</u>
1XXX	Total assets		<u>\$ 7,446,550</u>	<u>100</u>	<u>\$ 7,604,069</u>	<u>100</u>	<u>\$ 6,605,547</u>	<u>100</u>

(Continued)

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

September 30, 2019, December 31, 2018 and September 30, 2018

(The Consolidated Balance Sheet on September 30, 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	Notes	September 30, 2019		December 31, 2018		September 30, 2018		
		Amount	%	Amount	%	Amount	%	
Current liabilities								
2100	Short-term loans	6(14) and 8	\$ 267,008	4	\$ 167,109	2	\$ 76,060	1
2150	Notes payable		3,065	-	3,319	-	2,759	-
2170	Accounts payable		944,470	13	1,644,166	22	1,241,202	19
2200	Other payables	6(15)	968,845	13	1,053,104	14	926,519	14
2230	Income tax liabilities		172,839	2	158,433	2	129,921	2
2280	Lease liabilities - current		41,419	1	-	-	-	-
2300	Other current liabilities	6(16)	90,074	1	46,831	1	43,552	1
21XX	Total current liabilities		<u>2,487,720</u>	<u>34</u>	<u>3,072,962</u>	<u>41</u>	<u>2,420,013</u>	<u>37</u>
Non-current liabilities								
2540	Long-term loans	6(16) and 8	242,116	3	93,880	1	48,880	1
2570	Deferred income tax liabilities		175,206	2	143,051	2	109,068	1
2580	Lease liabilities - non-current		121,821	2	-	-	-	-
2640	Net defined benefit liability - non-current		76,253	1	76,259	1	69,486	1
2670	Other non-current liabilities - others		918	-	4,819	-	599	-
25XX	Total non-current liabilities		<u>616,314</u>	<u>8</u>	<u>318,009</u>	<u>4</u>	<u>228,033</u>	<u>3</u>
2XXX	Total liabilities		<u>3,104,034</u>	<u>42</u>	<u>3,390,971</u>	<u>45</u>	<u>2,648,046</u>	<u>40</u>
Equity								
Equity attributable to shareholders of the parent company								
Share capital								
3110	Capital of common shares	6(18)	1,353,127	18	1,353,127	18	1,353,127	21
Capital reserve								
3200	Capital reserve	6(19)	781,236	10	781,236	9	781,236	11
Retained earnings								
3310	Legal reserve	6(20)	799,969	11	743,087	10	743,087	11
3320	Special reserve		75,285	1	65,616	1	65,616	1
3350	Undistributed earnings		1,042,782	14	979,701	13	756,121	12
Other equity								
3400	Other equity		(106,380)	(1)	(75,285)	(1)	(85,895)	(1)
31XX	Total equity attributable to shareholders of the parent company		<u>3,946,019</u>	<u>53</u>	<u>3,847,482</u>	<u>50</u>	<u>3,613,292</u>	<u>55</u>
36XX	Non-controlling interests	4(3)	<u>396,497</u>	<u>5</u>	<u>365,616</u>	<u>5</u>	<u>344,209</u>	<u>5</u>
3XXX	Total equity		<u>4,342,516</u>	<u>58</u>	<u>4,213,098</u>	<u>55</u>	<u>3,957,501</u>	<u>60</u>
Important Contingent Liabilities and Unrecognized Contractual Commitments								
3X2X	Total liabilities and equity		<u>\$ 7,446,550</u>	<u>100</u>	<u>\$ 7,604,069</u>	<u>100</u>	<u>\$ 6,605,547</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

For the Nine-Month Periods Ended September 30, 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

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

Item	Notes	For the three-month period ended September 30, 2019		For the three-month period ended September 30, 2018		For the nine-month period ended September 30, 2019		For the nine-month period ended September 30, 2018	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	6(21)	\$ 2,235,025	100	\$ 2,326,119	100	\$ 8,439,114	100	\$ 7,686,970	100
5000 Operating costs	6(5), (11), (25) and (26)	(1,867,831)	(83)	(2,010,581)	(86)	(7,081,630)	(84)	(6,690,223)	(87)
5900 Gross operating profit		<u>367,194</u>	<u>17</u>	<u>315,538</u>	<u>14</u>	<u>1,357,484</u>	<u>16</u>	<u>996,747</u>	<u>13</u>
Operating expenses	6(11), (25) and (26)								
6100 Selling expense		(52,525)	(2)	(46,949)	(2)	(152,661)	(2)	(145,678)	(2)
6200 Administrative expense		(111,587)	(5)	(105,763)	(4)	(320,848)	(4)	(308,918)	(4)
6300 Research and development expenses		(130,254)	(6)	(109,130)	(5)	(347,545)	(4)	(287,408)	(3)
6450 Expected credit impairment gain (loss)	12(2)	<u>3,251</u>	-	<u>3,759</u>	-	<u>295</u>	-	<u>6,613</u>	-
6000 Total operating expenses		(291,115)	(13)	(258,083)	(11)	(820,759)	(10)	(735,391)	(9)
6500 Other income and expenses - net	6(22)	<u>27,713</u>	<u>1</u>	<u>29,175</u>	<u>1</u>	<u>76,485</u>	<u>1</u>	<u>86,176</u>	<u>1</u>
6900 Operating income		<u>103,792</u>	<u>5</u>	<u>86,630</u>	<u>4</u>	<u>613,210</u>	<u>7</u>	<u>347,532</u>	<u>5</u>
Non-operating income and expenses									
7010 Other income	6(23)	6,147	-	4,310	-	14,240	-	9,051	-
7020 Other gains and losses	6(2) and (24)	43,629	2	45,501	2	75,074	1	101,884	1
7050 Finance costs	6(9) and (10)	(2,599)	-	(55)	-	(5,677)	-	(181)	-
7060 Share of the profit (loss) of associates and joint ventures accounted for using equity method	6(8)	(865)	-	-	-	(810)	-	-	-
7000 Total non-operating income and expenses		<u>46,312</u>	<u>2</u>	<u>49,756</u>	<u>2</u>	<u>82,827</u>	<u>1</u>	<u>110,754</u>	<u>1</u>
7900 Income before tax		<u>150,104</u>	<u>7</u>	<u>136,386</u>	<u>6</u>	<u>696,037</u>	<u>8</u>	<u>458,286</u>	<u>6</u>
7950 Income tax expense	6(27)	(55,833)	(3)	(32,168)	(1)	(219,858)	(2)	(105,349)	(2)
8200 Net income		<u>\$ 94,271</u>	<u>4</u>	<u>\$ 104,218</u>	<u>5</u>	<u>\$ 476,179</u>	<u>6</u>	<u>\$ 352,937</u>	<u>4</u>

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Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Nine-Month Periods Ended September 30, 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

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

Item	Notes	For the nine-month period ended September 30, 2019		For the nine-month period ended September 30, 2018		For the nine-month period ended September 30, 2019		For the nine-month period ended September 30, 2018		
		Amount	%	Amount	%	Amount	%	Amount	%	
Other comprehensive income										
Items that are not reclassified subsequently to profit or loss										
8349	Income tax-related items that are not reclassified subsequently to profit or loss	6(27)	\$ -	-	\$ 2	-	\$ -	-	\$ 495	-
Items that may be reclassified subsequently to profit or loss										
8361	Exchange differences on translation of foreign financial statements		(49,050)	(2)	(39,096)	(2)	(31,095)	(1)	(20,279)	-
8300	Other comprehensive income (loss), net		<u>(49,050)</u>	<u>(2)</u>	<u>(39,094)</u>	<u>(2)</u>	<u>(31,095)</u>	<u>(1)</u>	<u>(19,784)</u>	<u>-</u>
8500	Total comprehensive income (loss)		<u>\$ 45,221</u>	<u>2</u>	<u>\$ 65,124</u>	<u>3</u>	<u>\$ 445,084</u>	<u>5</u>	<u>\$ 333,153</u>	<u>4</u>
Net income (loss) attributable to:										
8610	Owners of the parent company		\$ 75,476	3	\$ 94,396	5	\$ 427,320	5	\$ 338,765	4
8620	Non-controlling interests		<u>18,795</u>	<u>1</u>	<u>9,822</u>	<u>-</u>	<u>48,859</u>	<u>1</u>	<u>14,172</u>	<u>-</u>
	Total		<u>\$ 94,271</u>	<u>4</u>	<u>\$ 104,218</u>	<u>5</u>	<u>\$ 476,179</u>	<u>6</u>	<u>\$ 352,937</u>	<u>4</u>
Total comprehensive income (loss) attributable to:										
8710	Owners of the parent company		\$ 26,426	1	\$ 55,302	3	\$ 396,225	4	\$ 318,981	4
8720	Non-controlling interests		<u>18,795</u>	<u>1</u>	<u>9,822</u>	<u>-</u>	<u>48,859</u>	<u>1</u>	<u>14,172</u>	<u>-</u>
	Total		<u>\$ 45,221</u>	<u>2</u>	<u>\$ 65,124</u>	<u>3</u>	<u>\$ 445,084</u>	<u>5</u>	<u>\$ 333,153</u>	<u>4</u>
Earnings per share										
9750	Basic	6(28)	<u>\$ 0.56</u>		<u>\$ 0.70</u>		<u>\$ 3.16</u>		<u>\$ 2.50</u>	
9850	Diluted		<u>\$ 0.56</u>		<u>\$ 0.70</u>		<u>\$ 3.14</u>		<u>\$ 2.48</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 Changes in Equity
For the Nine-Month Periods Ended September 30, 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

	Notes	Equity attributable to shareholders of the parent company										
		Capital reserve				Retained earnings			Exchange differences on translation of foreign financial statements	Total	Non-controlling interests	Total equity
Capital of common shares	Share premium	Recognized value of changes in equity of ownership of subsidiaries	Others	Legal reserve	Special reserve	Undistributed earnings	Total					
<u>January 1, 2018 to September 30, 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		-	-	-	-	-	-	338,765	-	338,765	14,172	352,937
Other comprehensive income (loss)		-	-	-	-	-	-	495	(20,279)	(19,784)	-	(19,784)
Total comprehensive income (loss)		-	-	-	-	-	-	339,260	(20,279)	318,981	14,172	333,153
Earnings appropriation and allocation for 2017:												
Legal reserve		-	-	-	-	44,240	-	(44,240)	-	-	-	-
Provision of special reserve		-	-	-	-	-	44,204	(44,204)	-	-	-	-
Cash dividends for common shares	VI(XX)	-	-	-	-	-	-	(351,813)	-	(351,813)	-	(351,813)
Non-controlling interests		-	-	-	-	-	-	-	-	-	(11,235)	(11,235)
Balance as of September 30, 2018		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 743,087	\$ 65,616	\$ 756,121	(\$ 85,895)	\$ 3,613,292	\$ 344,209	\$ 3,957,501
<u>January 1, 2019 to September 30, 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		-	-	-	-	-	-	427,320	-	427,320	48,859	476,179
Other comprehensive income (loss)		-	-	-	-	-	-	-	(31,095)	(31,095)	-	(31,095)
Total comprehensive income (loss)		-	-	-	-	-	-	427,320	(31,095)	396,225	48,859	445,084
Earnings appropriation and allocation for 2018:												
Legal reserve		-	-	-	-	56,882	-	(56,882)	-	-	-	-
Provision of special reserve		-	-	-	-	-	9,669	(9,669)	-	-	-	-
Cash dividends for common shares	VI(XX)	-	-	-	-	-	-	(297,688)	-	(297,688)	-	(297,688)
Non-controlling interests		-	-	-	-	-	-	-	-	-	(17,978)	(17,978)
Balance as of September 30, 2019		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 799,969	\$ 75,285	\$ 1,042,782	(\$ 106,380)	\$ 3,946,019	\$ 396,497	\$ 4,342,516

(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

For the Nine-Month Period Ended September 30, 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

	Notes	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
<u>Cash flows from operating activities</u>			
Net profit before tax		\$ 696,037	\$ 458,286
Adjustments:			
Income and expense item			
Depreciation	6(9), (10) and (25)	263,527	228,904
Amortization (including amortization of long-term rental prepayments)	6(25)	12,594	14,765
Expected credit impairment gain (loss)	12(2)	(295)	(6,613)
Net losses from financial assets and liabilities measured at fair value through profit or loss	6(24)	2,199	5,635
Interest income	6(23)	(9,012)	(6,975)
Interest expense		5,677	181
Loss on disposal and retirement of property, plant and equipment	6(24)	8,422	698
Reclassification of property, plant and equipment to expense		346	269
Impairment loss on non-financial assets	6(12)	-	2,390
Share of the profit (loss) of associates and joint ventures accounted for using equity method	6(8)	810	-
Changes in operating assets and liabilities:			
Net changes in operating assets			
Financial assets measured at fair value through profit or loss - current		(1,320)	(4,476)
Notes receivable		3,063	(1,677)
Accounts receivable		1,237,799	676,040
Other receivables		14,084	2,680
Inventories		245,468	(189,735)
Prepayments		54,566	(31,372)
Other current assets		(4,869)	(10,416)
Net changes in operating liabilities			
Financial liabilities measured at fair value through profit or loss - current		(565)	-
Notes payable		(254)	1,062
Accounts payable		(692,649)	49,360
Other payables		(72,304)	(126,786)
Other current liabilities		35,793	7,457
Net defined benefit liability - non-current		(6)	10
Other non-current liabilities - others		(3,885)	-
Cash provided by operating activities		1,795,226	1,069,687
Income tax paid for the current period		(188,105)	(39,885)
Net cash provided by operating activities		<u>1,607,121</u>	<u>1,029,802</u>

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Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the Nine-Month Periods Ended September 30, 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

	<u>Notes</u>	<u>For the nine-month period ended September 30, 2019</u>	<u>For the nine-month period ended September 30, 2018</u>
<u>Cash provided by investing activities</u>			
Increase in financial assets measured at amortized cost - current	6(3)	(\$ 84,522)	\$ -
Increase in investments accounted for using equity method		-	(5,101)
Acquisition of property, plant and equipment	6(30)	(421,006)	(366,173)
Increase in prepayment for business facilities		(128,832)	(83,133)
Proceeds from disposal of property, plant and equipment		813	163
Acquisition of intangible assets	6(11)	(4,519)	(2,275)
Increase in refundable deposits		(4,419)	(817)
Decrease in refundable deposits		4,493	1,821
Increase in other non-current assets		(6,688)	(1,356)
Interest received		8,210	6,416
Net cash used in investing activities		<u>(636,470)</u>	<u>(450,455)</u>
<u>Cash provided by (used in) financing activities</u>			
Increase in short-term borrowings	6(31)	831,459	276,552
Decrease in short-term borrowings	6(31)	(731,436)	(290,946)
Repayment of the principal amount of rentals	6(31)	(33,684)	-
Increase in long-term borrowings	6(31)	155,710	48,880
Increase in deposits received		23	91
Interest paid		(5,669)	(165)
Cash dividends distributed	6(20)	(297,688)	(351,813)
Cash dividends distributed by subsidiaries		(17,978)	(11,235)
Net cash used in financing activities		<u>(99,263)</u>	<u>(328,636)</u>
Effect of exchange rate changes on cash and cash equivalents		(11,997)	(9,921)
Increase in cash and cash equivalents for the current period		859,391	240,790
Cash and cash equivalents, beginning of the period		<u>533,118</u>	<u>989,078</u>
Cash and cash equivalents, end of the period		<u>\$ 1,392,509</u>	<u>\$ 1,229,868</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 Consolidated Financial Statements

for the Nine-Month Periods Ended September 30, 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 History

- (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 \$ 45,000. The capital further increased to \$ 187,170 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 September 30, 2019, the Company had an authorized capital in the amount of \$ 1,800,000 (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 \$ 1,353,127, representing 135,313 thousand shares with each share priced at NT\$ 10 (in dollar). 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 Procedure of Financial Statements

The consolidated financial statements were released on November 4, 2019 after being approved by the Board of Directors.

III. Application of New and Amended Standards and Interpretations

- (I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as 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
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 \$ 164,196 and lease liabilities by \$ 131,104 and reducing long-term lease prepayments by \$ 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		<u>96,604</u>
Total value of lease contracts for which the recognition of a lease liability is required pursuant to IFRS 16 as at January 1, 2019	<u>\$</u>	<u>134,514</u>
The Group's incremental borrowing rate as of the initial application date		1.26%~5.80%
Lease liability recognized pursuant to IFRS 16 as at January 1, 2019	<u>\$</u>	<u>131,104</u>

(II) IFRSs issued by IASB but not yet endorsed by the Taiwan FSC.

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2020:

<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

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.

(III) The impact of the International Financial Reporting Standards issued by the International Accounting Standards Board but not yet approved by the Taiwan Financial Supervisory Commission (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>
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. Significant Accounting Policies

Among the significant accounting policies, except for the compliance statement, preparation basis, consolidation basis and newly-added parts which are stated below, the rest are the same as Note IV 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) Preparation Basis

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 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 V.

(III) Consolidated Basis

1. Preparation Principles for the 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
			September 30, 2019	December 31, 2018	September 30, 2018	
Advanced International Multitech Co., Ltd.	Advanced International (BVI) Co., Ltd.	Overseas investment	100	100	100	Note
Advanced International Multitech Co., Ltd.	Advanced International (BVI) Co., Ltd.	Overseas investment	100	100	100	
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	Engaged in the production and sales of various golf club shafts and heads, and golf sets.	100	100	100	Note
Advanced International Multitech Co., Ltd.	Launch Technologies Co., Ltd. (LTC)	Engaged in production of 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 nine-month periods ended September 30, 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 September 30, 2019, December 31, 2018 and September 30, 2018, the Group's non-controlling interests totaled \$ \$396,497, \$ 365,616, and \$ 344,209, 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					
		September 30, 2019		December 31, 2018		September 30, 2018	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
Launch Technologies Co., Ltd. (LTC)	Taiwan	\$ 396,497	44.07	\$ 365,616	44.07	\$ 344,209	44.07

Summary of the financial information of subsidiaries is as follows:

Balance Sheets

	Launch Technologies Co., Ltd. (LTC)		
	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 510,849	\$ 554,395	\$ 498,245
Non-current assets	984,968	697,134	622,352
Current liabilities	(273,596)	(323,520)	(290,366)
Non-current liabilities	(322,534)	(98,396)	(49,190)
Total net assets	<u>\$ 899,687</u>	<u>\$ 829,613</u>	<u>\$ 781,041</u>

Statements of Comprehensive Income

	Launch Technologies Co., Ltd. (LTC)	
	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Revenue	\$ 465,355	\$ 400,683
Income before tax	53,311	25,869
Income tax expense	(10,663)	(3,582)
Net income	42,648	22,287
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	<u>\$ 42,648</u>	<u>\$ 22,287</u>

	Launch Technologies Co., Ltd. (LTC)	
	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
	\$	\$
Revenue	1,341,974	1,126,211
Income before tax	138,210	35,007
Income tax expense	(27,344)	(2,849)
Net income	110,866	32,158
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	\$ 110,866	\$ 32,158

Statements of Cash Flows

	Launch Technologies Co., Ltd. (LTC)	
	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
	\$	\$
Net cash provided by operating activities	218,104	133,064
Net cash used in investing activities	(276,410)	(143,581)
Net cash provided by financing activities	38,161	15,844
Net increase (decrease) in cash and cash equivalents	(20,145)	5,327
Cash and cash equivalents, beginning of the period	39,462	49,534
Cash and cash equivalents, end of the period	\$ 19,317	\$ 54,861

(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 are 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) Leasing Assets/Operating Leases (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) Employee Benefits

Pensions - Defined Benefits Plans

The pension cost in the interim period is based on the pension cost ratio decided upon actuation at the closing day of previous FY, from beginning until end of the year. If, after the closing date, there incurs material market changes, settlement, or other material one-time event, the defined benefit plans are to be adjusted, and relevant information is to be disclosed in accordance with the aforementioned policies.

(VII) Income taxes

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 for Major Accounting Subjects

(I) Cash and Cash Equivalents

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand and revolving funds	\$ 1,149	\$ 847	\$ 1,307
Checking deposits and demand deposits	874,934	397,408	706,639
Cash equivalents - Time deposits	361,475	134,863	369,547
Cash equivalents - Repo bonds	154,951	-	152,375
	<u>\$ 1,392,509</u>	<u>\$ 533,118</u>	<u>\$ 1,229,868</u>

1. The Group deals with financial institutions having high credit quality. The Group also deals with various financial institutions in order that credit risks can be diversified. Therefore, the expected risk of default is pretty low.
2. No cash or its equivalent are pledged as collateral by the Group.

(II) Financial Assets and Liabilities measured at fair value through profit or loss

Item	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current items:</u>			
Financial assets mandatorily measured at fair value through profit or loss			
Non-hedging derivatives	\$ -	\$ 314	\$ -
Adjustment for valuation	-	-	-
	<u>\$ -</u>	<u>\$ 314</u>	<u>\$ -</u>
Financial liabilities held for trading			
Non-hedging financial derivatives	\$ -	\$ -	\$ 212
Adjustment for valuation	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212</u>

1. Losses recognized for financial assets and liabilities measured at FVTPL are detailed as follows:

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	(\$ 791)	\$ -
For the nine-month period ended September 30, 2019		
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	(\$ 2,199)	\$ -

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Financial assets and liabilities held for trading		
Non-hedging derivatives	\$ -	(\$ 1,367)
	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Financial assets and liabilities held for trading		
Non-hedging derivatives	\$ -	(\$ 5,635)

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

	December 31, 2018	
Derivative financial assets	Contract amount (nominal principal)	Contract Duration
Current items:		
Forward exchange contracts	USD 2,496 thousand	December 10, 2018 - January 18, 2019
	September 30, 2018	
Derivative financial liabilities	Contract amount (nominal principal)	Contract Duration
Current items:		
Forward exchange contracts	USD 1,609 thousand	September 6, 2018 - December 26, 2018

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

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

(III) Financial assets measured at amortized cost

Item	September 30, 2019	December 31, 2018	September 30, 2018
Current items:			
Time deposits with original maturity of more than three months	\$ 84,522	\$ -	\$ -

1. The amounts that best represent the maximum credit risk exposure of the Group's financial assets measured at amortized cost as of September 30, 2019, December 31, 2018 and September 30, 2018 without taking account of any collateral held or other credit enhancements were \$ 84,522, \$ 0, and \$ 0.
2. For information on the credit risks of financial assets measured at amortized cost, please refer to Note XII(II).

(IV) Notes and accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	\$ 8,118	\$ 11,181	\$ 7,657

Accounts receivable	\$ 1,481,703	\$ 2,740,556	\$ 1,604,188
Less: loss allowance	(<u>1,369</u>)	(<u>1,664</u>)	(<u>2,007</u>)
	<u>\$ 1,480,334</u>	<u>\$ 2,738,892</u>	<u>\$ 1,602,181</u>

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

	September 30, 2019		December 31, 2018		September 30, 2018	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not overdue	\$ 8,118	\$ 1,401,221	\$ 11,181	\$ 2,586,532	\$ 7,657	\$ 1,456,411
Overdue:						
Up to 30 days	-	70,004	-	138,360	-	119,815
31 to 90 days	-	6,924	-	14,903	-	27,076
91 to 180 days	-	3,506	-	612	-	757
Over 181 days	-	48	-	149	-	129
	<u>\$ 8,118</u>	<u>\$ 1,481,703</u>	<u>\$ 11,181</u>	<u>\$ 2,740,556</u>	<u>\$ 7,657</u>	<u>\$ 1,604,188</u>

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

- As of September 30, 2019, December 31, 2018, September 30, 2018 and January 1, 2018, the balance of the Group's accounts receivables (including notes receivables) derived from contracts with customers were \$ 1,489,821, \$ 2,751,737, \$ 1,611,845 and \$ 2,304,240, respectively.
- No accounts receivables or notes receivables were pledged as collateral by the Group.
- When not taking into account of any collateral or credit enhancements held, the amounts that best represent the maximum credit exposure of the Group's notes receivables as of September 30, 2019, December 31, 2018 and September 30, 2018 were \$ 8,118, \$ 11,181 and \$ 7,657, respectively; and the amounts that best represent the maximum credit exposure of the Group's accounts receivables as of September 30, 2019, December 31, 2018 and September 30, 2018 were \$ 1,480,334, \$ 2,738,892, and \$ 1,602,181, respectively.
- For credit risks of accounts receivables and notes receivables, please refer to Note XII(II).

(V) Inventory

	September 30, 2019		
	Cost	Allowance for price decline	Book value
Raw materials	\$ 798,191	(\$ 25,387)	\$ 772,804
Work in progress	412,324	(662)	411,662
Finished goods	589,202	(13,430)	575,772
Inventory in transit	52,207	-	52,207
	<u>\$ 1,851,924</u>	<u>(\$ 39,479)</u>	<u>\$ 1,812,445</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>

	September 30, 2018		
	Cost	Allowance for price decline	Book value
Raw materials	\$ 663,587	(\$ 23,731)	\$ 639,856
Work in progress	343,567	(3,898)	339,669
Finished goods	654,803	(22,439)	632,364
Inventory in transit	65,962	-	65,962
	<u>\$ 1,727,919</u>	<u>(\$ 50,068)</u>	<u>\$ 1,677,851</u>

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

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Cost of inventories sold	\$ 1,869,525	\$ 2,006,161
(Recovery gain) from price decline	(5,796)	3,113
Retirement loss	2,605	2,410
Others	1,497	(1,103)
	<u>\$ 1,867,831</u>	<u>\$ 2,010,581</u>

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Cost of inventories sold	\$ 7,095,067	\$ 6,704,153
Recovery gain	(18,137)	(21,231)
Retirement loss	7,535	10,278
Others	(2,835)	(2,977)
	<u>\$ 7,081,630</u>	<u>\$ 6,690,223</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 stock clearance and retirement of some inventory as of the period between July 1 and September 30, 2019 and the periods between January 1 and September 30, 2019 and 2018.

(VI) Financial assets at FVTOCI

Item	September 30, 2019	December 31, 2018	September 30, 2018
Non - current items:			
Unlisted stocks	\$ 55	\$ 55	\$ 55
Adjustment for valuation	-	-	-
	<u>\$ 55</u>	<u>\$ 55</u>	<u>\$ 55</u>

1. The Group elects to classify its strategic equity investments as financial assets measured at FVTOCI. The fair value of such investments as of September 30, 2019, December 31, 2018 and September 30, 2018 amounted to \$ 1,030, \$ 706 and \$ 642, respectively.

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

(VII) Prepayments

	September 30, 2019	December 31, 2018	September 30, 2018
Business tax paid	\$ 45,094	\$ 87,370	\$ 65,764
Tax overpaid retained	27,281	52,649	26,652
Prepaid expense	35,103	25,037	42,270
Prepayment for purchases	8,958	7,380	20,496
	<u>\$ 116,436</u>	<u>\$ 172,436</u>	<u>\$ 155,182</u>

(VIII) Investments accounted for using equity method

	September 30, 2019	December 31, 2018	September 30, 2018
Beijing Mingda Titanium Technology	\$ 575	\$ 466	\$ 665
Baoji Zatech Material Co., Ltd.	2,860	3,867	4,436
	<u>\$ 3,435</u>	<u>\$ 4,333</u>	<u>\$ 5,101</u>

1. As of September 30, 2019, December 31, 2018 and September 30, 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 September 30, 2019, December 31, 2018 and September 30, 2018, the carrying amounts of the Group's individually insignificant associates were \$ 3,435, \$4,333 and \$5,101.

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Net loss over this period	(\$ 865)	\$ -
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	<u>(\$ 865)</u>	<u>\$ -</u>

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Net loss over this period	(\$ 810)	\$ -
Other comprehensive income (net after tax)	-	-

Total comprehensive income (loss)	(\$	810)	\$	-
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(IX) Property, plant and equipment

	September 30, 2019	December 31, 2018	September 30, 2018
Land	\$ 162,544	\$ 162,544	\$ 162,544
Buildings and structures	960,081	611,234	607,998
Machinery	577,721	492,356	485,087
Utility equipment	140,861	90,872	94,774
Transportation equipment	880	1,302	1,558
Office equipment	27,034	20,785	17,042
Other equipment	121,587	110,400	116,191
Equipment to be inspected and construction in progress	109,929	305,236	189,773
	<u>\$ 2,100,637</u>	<u>\$ 1,794,729</u>	<u>\$ 1,674,967</u>

For the nine-month period ended September 30, 2019

Cost						
Name of assets	January 1	Additions	Disposals	Reclassifications	Net exchange differences	September 30
Land	\$ 162,544	\$ -	\$ -	\$ -	\$ -	\$ 162,544
Buildings and structures	1,212,280	120,118	(27,174)	298,471	(9,814)	1,593,881
Machinery	1,508,314	140,402	(154,681)	56,523	(10,132)	1,540,426
Utility equipment	254,087	41,336	(6,543)	24,721	(4,288)	309,313
Transportation equipment	6,880	310	(208)	-	(55)	6,927
Office equipment	58,492	11,739	(1,317)	1,041	(847)	69,108
Other equipment	391,473	43,000	(41,101)	7,092	(4,522)	395,942
Equipment to be inspected and construction in progress	305,236	66,868	-	(262,176)	1	109,929
	<u>\$ 3,899,306</u>	<u>\$ 423,773</u>	<u>(\$ 231,024)</u>	<u>\$ 125,672</u>	<u>(\$ 29,657)</u>	<u>\$ 4,188,070</u>

Accumulated depreciation and impairment

Name of assets	January 1	Depreciation expense and Impairment loss	Disposals	Reclassifications	Net exchange differences	September 30
Buildings and structures	\$ 601,046	\$ 61,054	(\$ 18,814)	(\$ 1,467)	(\$ 8,019)	\$ 633,800
Machinery	1,015,958	110,387	(154,277)	-	(9,363)	962,705
Utility equipment	163,215	14,511	(6,516)	(13)	(2,745)	168,452
Transportation equipment	5,578	732	(208)	-	(55)	6,047
Office equipment	37,707	6,318	(1,309)	-	(642)	42,074
Other equipment	281,073	37,633	(40,665)	(6)	(3,680)	274,355
	<u>\$ 2,104,577</u>	<u>\$ 230,635</u>	<u>(\$ 221,789)</u>	<u>(\$ 1,486)</u>	<u>(\$ 24,504)</u>	<u>\$ 2,087,433</u>
	<u>\$ 1,794,729</u>					<u>\$ 2,100,637</u>

For the nine-month period ended September 30, 2018

Cost	January 1	Additions	Disposals	Reclassifications	Net exchange differences	September 30
Land	\$ 162,544	\$ -	\$ -	\$ -	\$ -	\$ 162,544
Buildings and structures	1,236,013	13,088	(48,994)	4,449	(7,261)	1,197,295
Machinery	1,437,163	123,693	(134,373)	57,854	(7,468)	1,476,869
Utility equipment	279,468	1,354	(22,945)	(910)	(3,738)	253,229
Transportation equipment	6,824	98	-	-	(58)	6,864
Office equipment	55,404	2,481	(3,606)	133	(563)	53,849
Other equipment	411,896	36,681	(45,626)	4,439	(4,362)	403,028
Equipment to be inspected and construction in progress	5,079	185,357	-	(720)	57	189,773
	<u>\$ 3,594,391</u>	<u>\$ 362,752</u>	<u>(\$ 255,544)</u>	<u>\$ 65,245</u>	<u>(\$ 23,393)</u>	<u>\$ 3,743,451</u>

Accumulated depreciation and impairment

Name of assets	January 1	Depreciation expense and Impairment loss	Disposals	Reclassifications	Net exchange differences	September 30
Buildings and structures	\$ 588,615	\$ 54,242	(\$ 48,816)	\$ 2,267	(\$ 7,011)	\$ 589,297
Machinery	1,018,127	116,714	(133,796)	(1,361)	(7,902)	991,782
Utility equipment	169,846	15,039	(22,908)	(1,001)	(2,521)	158,455
Transportation equipment	4,592	769	-	-	(55)	5,306
Office equipment	35,910	5,005	(3,606)	-	(552)	36,807
Other equipment	296,491	39,475	(45,557)	95	(3,667)	286,837
	<u>\$ 2,113,581</u>	<u>\$ 231,294</u>	<u>(\$ 254,683)</u>	<u>\$ -</u>	<u>(\$ 21,708)</u>	<u>\$ 2,068,484</u>
	<u>\$ 1,480,810</u>					<u>\$ 1,674,967</u>

- Capitalized amount and interest range of borrowing costs attributable to property, plant and equipment and prepayments for business facilities:

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Capitalization amounts	\$ 1,677	\$ 8,452
Range of capitalized interest rate	0.91%~3.01%	0.9%~2.3%
- 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.
- For the information about property, plant and equipment pledged as collateral, please see Note VIII for details.

(X) Lease transactions – lessee

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

- 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.

- Below is the carrying amounts of right-of-use assets and their recognized depreciation expenses:

	September 30, 2019	For the three-month period ended September 30, 2019	For the nine-month period ended September 30, 2019
	Book value	Depreciation	Depreciation
Land	\$ 121,796	\$ 1,890	\$ 5,673
Buildings and structures	72,546	9,427	27,219
	<u>\$ 194,342</u>	<u>\$ 11,317</u>	<u>\$ 32,892</u>

- The addition to the Group's right-of-use assets were \$ 0 and \$ 66,000 as of the three-month and nine-month periods ended September 30, 2019, respectively.
- Profit or loss items in connection with lease contracts are stated as follows:

	For the three-month period ended September 30, 2019	For the nine-month period ended September 30, 2019
Items that affect profit or loss		
Interest expense on lease liability	\$ 1,587	\$ 3,668
Expense on leases with low-value underlying assets	258	702

- The Group's outflow of lease payments in cash were \$ 13,674 and \$ 38,054, respectively as of the three-month and the nine-month periods ended September 30, 2019.

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 occur 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.

(XI) 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	4,519
Derecognition - cost reduction	(2,213)
Amortization	(7,804)
Derecognition - reduction in accumulation amortization and impairment	2,213
Effect of exchange rate changes	38
September 30	<u>\$ 15,269</u>
September 30, 2019	
Cost	33,327
Accumulated amortization and impairment	(18,058)
	<u>\$ 15,269</u>

	<u>Technology transfer royalty</u>	<u>Computer software</u>	<u>Total</u>
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	-	2,275	2,275
Derecognition - cost reduction	(13,000)	(3,237)	(16,237)
Reclassifications	-	100	100
Amortization	-	(6,244)	(6,244)
Derecognition - reduction in accumulation amortization and impairment	13,000	3,237	16,237
September 30	<u>\$ -</u>	<u>\$ 14,650</u>	<u>\$ 14,650</u>
September 30, 2018			
Cost	\$ -	\$ 25,010	\$ 25,010
Accumulated amortization and impairment	-	(10,360)	(10,360)
	<u>\$ -</u>	<u>\$ 14,650</u>	<u>\$ 14,650</u>

Amortization of intangible assets is detailed as below:

	<u>For the three-month period ended September 30, 2019</u>	<u>For the three-month period ended September 30, 2018</u>
Operating costs	\$ 395	\$ 388
Administrative expense	1,181	912
Research and development expenses	973	719
	<u>\$ 2,549</u>	<u>\$ 2,019</u>

	<u>For the nine-month period ended September 30, 2019</u>	<u>For the nine-month period ended September 30, 2018</u>
Operating costs	\$ 1,186	\$ 1,362
Administrative expense	3,644	2,634
Research and development expenses	2,974	2,248
	<u>\$ 7,804</u>	<u>\$ 6,244</u>

(XII) Impairment - non-derivative financial assets

1. For the three-month periods ended September 30, 2019 and 2018, and the nine-month periods ended September 30, 2019 and 2018, the Group recognized impairment losses in the amounts of \$ 0, \$ 2,390, \$ 0 and \$ 2,390, the details of which are stated as follows:

	<u>For the three-month period ended September 30, 2019</u>		<u>For the three-month period ended September 30, 2018</u>	
	<u>Recognized in the current profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Recognized in the current profit or loss</u>	<u>Recognized in other comprehensive income</u>
Impairment losses - Buildings and structures	\$ -	\$ -	\$ 1,991	\$ -
Impairment losses - Machinery	-	-	199	-
Impairment losses - Utility equipment	-	-	167	-
Impairment losses - Other equipment	-	-	33	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,390</u>	<u>\$ -</u>

	<u>For the nine-month period ended September 30, 2019</u>		<u>For the nine-month period ended September 30, 2018</u>	
	<u>Recognized in the current profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Recognized in the current profit or loss</u>	<u>Recognized in other comprehensive income</u>
Impairment losses - Buildings and structures	\$ -	\$ -	\$ 1,991	\$ -
Impairment losses - Machinery	-	-	199	-
Impairment losses - Utility equipment	-	-	167	-
Impairment losses - Other equipment	-	-	33	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,390</u>	<u>\$ -</u>

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

	<u>For the three-month period ended September 30, 2019</u>		<u>For the three-month period ended September 30, 2018</u>	
	<u>Recognized in the current profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Recognized in the current profit or loss</u>	<u>Recognized in other comprehensive income</u>
Consumer Products Divisions	\$ -	\$ -	\$ 2,390	\$ -

	For the nine-month period ended September 30, 2019		For the nine-month period ended September 30, 2018	
	Recognized in the current profit or loss	Recognized in other comprehensive income	Recognized in the current profit or loss	Recognized in other comprehensive income
Consumer Products Divisions	\$ -	\$ -	\$ 2,390	\$ -

(XIII) 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	September 30, 2018
Land use rights	\$ 33,092	\$ 33,230

The table below lists information regarding the Group's execution of the land-use contract, of which the rent was fully paid upon execution of the contract. Rental expenses recognized for the three-month and nine-month periods ended September 30, 2018 were \$ 426 and \$ 1,282, respectively.

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

(XIV) Short-term borrowing

Type of loans	September 30, 2019	Interest rate range	Collateral
Credit loan	\$ 203,190	0.88%~3.2%	
Loans against letter of credit	63,818	-	Note
	<u>\$ 267,008</u>		
Type of loans	December 31, 2018	Interest rate range	Collateral
Loans against letter of credit	\$ 167,109	-	Note
Type of loans	September 30, 2018	Interest rate range	Collateral
Loans against letter of credit	\$ 76,060	-	Note

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

(XV) Other Payables

	September 30, 2019	December 31, 2018	September 30, 2018
Payroll and bonus payable	\$ 421,804	\$ 456,719	\$ 357,876
Processing fee payable	160,546	244,897	251,748
Payables of compensation to employees and remuneration to directors and supervisors	46,182	63,813	42,444
Equipment expenses payable	41,398	38,631	34,198
Others	298,915	249,044	240,253
	<u>\$ 968,845</u>	<u>\$ 1,053,104</u>	<u>\$ 926,519</u>

(XVI) Long-term borrowing

Type of loans	Loan period and repayment method	Interest rate range	Collateral	September 30, 2019
Long-term bank loans				
Secured loan	Duration from June 2018 to June 2023 and interest paid on a monthly basis. In addition, from September 2020 onwards, the remaining amounts are paid back in 12 installments on a quarterly basis.	1.395%	Machinery	\$ 89,690
Secured loan	Duration from July 2018 to July 2025 and interest paid on a monthly basis. In addition, from October 2020 onwards, the remaining amounts are paid back in 20 installments on a quarterly basis.	1.395%	Buildings and structures	159,900
Less: long-term loan due in one year				(7,474)
				<u>\$ 242,116</u>

Type of loans	Loan period and repayment method	Interest rate range	Collateral	December 31, 2018
Long-term bank loans				
Secured loan	Duration from June 2018 to June 2023 and interest paid on a monthly basis. In addition, from September 2020 onwards, the remaining amounts are paid back in 12 installments on a quarterly basis.	1.395%	Machinery	\$ 18,880
Secured loan	Duration from July 2018 to July 2025 and interest paid on a monthly basis. In addition, from October 2020 onwards, the remaining amounts are paid back in 20 installments on a quarterly basis.	1.395%	Buildings and structures	75,000
				<u>\$ 93,880</u>

Type of loans	Loan period and repayment method	Interest rate range	Collateral	September 30, 2018
Long-term bank loans				
Secured loan	From June 2018 to June 2023; interest paid on a monthly basis.	1.395%	Machinery	\$ 18,880
Secured loan	From July 2018 to July 2025; interest paid on a monthly basis.	1.395%	Buildings and structures	30,000
				<u>\$ 48,880</u>

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

(XVII) Pensions

1. (1) In compliance with the requirements set forth in the Labor Standards Act, 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 Act), 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) As of the three-month periods and nine-month periods ended September 30, 2019 and 2018, the pension costs recognized by the Group in accordance with the afore-mentioned contribution plans were \$ 578, \$ 569, \$ 1,743, \$ 1,677, respectively.
 - (3) The Company expects to make contributions of \$ 2,332 to the pension plans within one year.
2. (1) Starting from July 1, 2005, the Company and subsidiaries have set up a defined contribution plan for all employees with ROC citizenship in accordance with the Labor Pension Act. Where the employees have elected to apply the labor pension system as stipulated in the Labor Pension Act, the Company and subsidiaries make a contribution in an amount equal to 6% of the employees' monthly salaries or wages to their individual accounts in the Bureau of Labor Insurance.
 - (2) Advanced Sporting Goods (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 was both 13% for the periods between July 1 and September 30, 2019 and 2018, and the periods between January 1 and September 30, 2019 and 2018. The pension for each employee is managed by the government, hence the Group doesn't have further obligation except for making a monthly contribution.

- (3) As required by the Vietnamese government, Advanced International Multitech (VN) Corporation Ltd. makes a monthly contribution in an amount equal to one month of an employee's minimum wages to the retirement plan, which is managed by the various responsible departments of the Vietnamese government. Other than making a monthly contribution, the Company has no further obligations.
- (4) The pension costs recognized by the Group in accordance the aforementioned contribution plans were \$ 27,295, \$ 30,023, \$ 98,293, and \$ 86,204, respectively, as of the three-month periods and nine-month periods ended September 30, 2019 and 2018.

(XVIII) Share Capital

As of September 30, 2019, the Company had an authorized capital in the amount of \$ 1,800,000, divided into 180,000 thousand shares (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 \$ 1,353,127 with each share priced at \$ 10(in dollar). 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 Surplus

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 as follows: The Company adopts a residual dividend policy in order to operate sustainably and increase profits.
3. Legal reserves may only be used for offsetting deficits and issuing new shares or distributing cash in proportion to shareholders' original holdings. However, when new shares are issued or cash is distributed, the amount shall be limited to 25% of the reserves in excess of the paid-in capital.
4. The Company may allocate earnings only after providing special reserve for debt balance in other equity on the date of balance sheet, and the reversal of debit balance in other equity, if any, may be stated into allocable earnings.
5. The Company recognized dividends distributed to shareholders of the Company in the amounts equal to \$ 351,813 (NT\$ 2.6 per share) for 2018. The Shareholders' Meeting resolved on May 31, 2019 to distribute NT\$ 2.2 to each common share using the undistributed earnings, and the dividends came to a total of \$ 297,688.

(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:

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
<u>Customer by geographical areas</u>		
Americas	\$ 1,290,266	\$ 1,484,456
Asia	845,412	687,648
Others	99,347	154,015
	<u>\$ 2,235,025</u>	<u>\$ 2,326,119</u>

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
<u>Customer by geographical areas</u>		
Americas	\$ 5,584,180	\$ 5,300,544
Asia	2,508,812	1,745,034
Others	346,122	641,392
	<u>\$ 8,439,114</u>	<u>\$ 7,686,970</u>

(XXII) Other income and expenses - net

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Income from samples	\$ 6,941	\$ 4,136
Income from molds	14,165	20,873
Other income	6,607	4,166
	<u>\$ 27,713</u>	<u>\$ 29,175</u>

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Income from samples	\$ 21,408	\$ 16,580
Income from molds	33,648	42,121
Other income	21,429	27,475
	<u>\$ 76,485</u>	<u>\$ 86,176</u>

(XXIII) Other Revenues

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Interest income	\$ 5,601	\$ 3,656
Others	546	654
	<u>\$ 6,147</u>	<u>\$ 4,310</u>

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Interest income	\$ 9,012	\$ 6,975
Others	5,228	2,076
	<u>\$ 14,240</u>	<u>\$ 9,051</u>

(XXIV) Other Gains and Losses

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Loss on disposal and retirement of property, plant and equipment	(\$ 3,580)	(\$ 512)
Foreign exchange loss - net	47,539	47,970
Net losses from financial assets and liabilities measured at fair value through profit or loss	(791)	(1,367)
Others	461	(590)
	<u>\$ 43,629</u>	<u>\$ 45,501</u>

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Loss on disposal and retirement of property, plant and equipment	(\$ 8,422)	(\$ 698)
Foreign exchange gains - net	85,308	105,806
Net losses from financial assets and liabilities measured at fair value through profit or loss	(2,199)	(5,635)
Others	387	2,411
	<u>\$ 75,074</u>	<u>\$ 101,884</u>

(XXV) Additional information regarding the nature of expense

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Employee benefits expense	\$ 668,979	\$ 665,447
Depreciation	92,466	77,738
Amortization	4,054	4,612
	<u>\$ 765,499</u>	<u>\$ 747,797</u>

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Employee benefits expense	\$ 1,996,106	\$ 1,900,071
Depreciation	263,527	228,904
Amortization	12,594	14,765
	<u>\$ 2,272,227</u>	<u>\$ 2,143,740</u>

(XXVI) Employee benefit expenses

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Salary and wages	\$ 569,925	\$ 568,057
Labor and health insurance premiums	39,458	36,743
Pension expense	27,873	30,592
Remuneration to Directors	2,230	1,430
Other personnel cost	29,493	28,625
	<u>\$ 668,979</u>	<u>\$ 665,447</u>

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Salary and wages	\$ 1,690,827	\$ 1,628,381
Labor and health insurance premiums	121,255	107,645
Pension expense	100,036	87,881
Remuneration to Directors	6,880	6,110
Other personnel cost	77,108	70,054
	<u>\$ 1,996,106</u>	<u>\$ 1,900,071</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 and nine-month periods ended September 30, 2019 and 2018, the Company recognized compensation to employees in the amounts equal to \$ 9,808, \$ 9,230, \$ 28,918, and \$ 27,369, respectively, and remuneration to directors and supervisors in the amounts equal to \$ 2,500, \$ 2,500, \$ 7,500, and \$ 7,500, respectively, all presented under payroll expense.

The amounts for the nine-month period ended September 30, 2019 were estimated at certain percentages of the profits earned by the end of 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 was distributed in cash.

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

(XXVII) Income tax

1. Income tax expense

(1) Components of income tax expense:

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Current income tax:		
Income tax arising from the current period	\$ 45,763	\$ 41,201
Overestimation of income taxes in prior years	4,732 (2)
Total current income tax	<u>50,495</u>	<u>41,199</u>
Deferred income tax		
Originating and reversed temporary differences	5,338 (9,031)
Total deferred income tax	<u>5,338</u> (<u>9,031</u>)
Income tax expense	<u>\$ 55,833</u>	<u>\$ 32,168</u>
	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Current income tax:		
Income tax arising from the current period	\$ 167,522	\$ 82,372
Additional tax on undistributed earnings	11,523	-
Overestimation of income taxes in prior years	247 (1,102)
Total current income tax	<u>179,292</u>	<u>81,270</u>
Deferred income tax		
Originating and reversed temporary differences	40,566	15,198
Effect of tax rate changes	-	8,881
Total deferred income tax	<u>40,566</u>	<u>24,079</u>
Income tax expense	<u>\$ 219,858</u>	<u>\$ 105,349</u>

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

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Effect of tax rate changes	\$ -	\$ 2

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Effect of tax rate changes	\$ -	\$ 495

- The profit-seeking enterprise income tax of the Company is approved by the taxation authority through 2017.
- 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

	<u>For the three-month period ended September 30, 2019</u>		
	<u>After-tax amount</u>	<u>Weighted average number of outstanding shares (thousand shares)</u>	<u>Earnings per share (dollar)</u>
<u>Basic earnings per share</u>			
Net income attributable to shareholders of common shares	\$ 75,476	135,313	\$ 0.56
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	75,476	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	242	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	\$ 75,476	135,555	\$ 0.56

	<u>For the three-month period ended September 30, 2018</u>		
	<u>After-tax amount</u>	<u>Weighted average number of outstanding shares (thousand shares)</u>	<u>Earnings per share (dollar)</u>
<u>Basic earnings per share</u>			
Net income attributable to shareholders of common shares	\$ 94,396	135,313	\$ 0.70
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	94,396	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	168	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	\$ 94,396	135,481	\$ 0.70

For the nine-month period ended September 30, 2019

	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (dollar)
<u>Basic earnings per share</u>			
Net income attributable to shareholders of common shares	\$ 427,320	135,313	\$ 3.16
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	427,320	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	946	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	\$ 427,320	136,259	\$ 3.14

For the nine-month period ended September 30, 2018			
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (dollar)
<u>Basic earnings per share</u>			
Net income attributable to shareholders of common shares	\$ 338,765	135,313	\$ 2.50
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	338,765	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	1,042	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	\$ 338,765	136,355	\$ 2.48

(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	September 30, 2018
Less than 1 year	\$ 11,069	\$ 10,450
More than 1 year but no more than 5 years	5,490	7,420
	<u>\$ 16,559</u>	<u>\$ 17,870</u>

(XXX) Additional information regarding cash flows

1. Investing activities with partial cash payments:

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Acquisition of property, plant and equipment	\$ 423,773	\$ 362,752
Add: Equipment payable, beginning of period (recognized as other payables)	38,631	37,619
Less: Equipment payable, end of period (recognized as other payables)	(41,398)	(34,198)
Amount paid in cash	<u>\$ 421,006</u>	<u>\$ 366,173</u>

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

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Equipment prepayments transferred to property, plant and equipment	\$ 134,177	\$ 65,514
Equipment prepayments transferred to intangible assets	\$ -	\$ 100
Reclassification of property, plant and equipment to other non-current assets	\$ 6,673	\$ -
Reclassification of property, plant and equipment to expense	\$ 346	\$ 269

(XXXI) Changes in financing liabilities

	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	100,023	155,710	(33,684)	222,049
Effect of exchange rate changes	(124)	-	(180)	(304)
Other non-cash changes	-	-	66,000	66,000
September 30, 2019	<u>\$ 267,008</u>	<u>\$ 249,590</u>	<u>\$ 163,240</u>	<u>\$ 679,838</u>

	Short-term loans	Short-term bills payable	Lease liabilities	Total financing liability
January 1, 2018	\$ 90,454	\$ -	\$ -	\$ 90,454
Changes in financing cash flows	(14,394)	-	48,880	34,486
September 30, 2018	<u>\$ 76,060</u>	<u>\$ -</u>	<u>\$ 48,880</u>	<u>\$ 124,940</u>

VII. Related Party Transactions

(I) The names and relationships of related parties

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

(II) Significant transactions with related parties:

Acquisition of financial assets

	Accounting subject	Number of shares traded	Transaction target	Proceeds obtained in the nine-month period ended September 30, 2018
Zatech	Adopt the equity method in investments	100,000	Marketable security	\$ 4,436
Mingda Titanium	Adopt the equity method in investments	15,000	Marketable security	665
				<u>\$ 5,101</u>

For the nine-month period ended September 30, 2019: None.

(III) Information about remunerations to the major management:

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Salary and other employee benefits	\$ 9,578	\$ 8,773
	<u>For the nine-month period ended September 30, 2019</u>	<u>For the nine-month period ended September 30, 2018</u>
Salary and other employee benefits	\$ 35,732	\$ 30,685

VIII. Pledged Assets

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

Assets	Carrying amount			Guarantee use
	September 30, 2019	December 31, 2018	September 30, 2018	
Land	\$ 125,648	\$ 125,648	\$ 125,648	Short-term and long-term loans
Buildings and structures - net	269,319	280,014	284,027	Short-term and long-term loans and credit facility guarantee
Machinery and equipment - net	96,453	89,285	21,238	Credit facility guarantee for long-term loans
Other equipment - net	4,846	1,823	1,428	Credit facility guarantee for long-term loans
Pledged time deposits (presented as "other non-current assets - others")	1,033	5,243	1,033	Customs deposits and performance guarantee
	<u>\$ 497,299</u>	<u>\$ 502,013</u>	<u>\$ 433,374</u>	

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingency

None.

(II) Commitments

1. Balance of outstanding letters of credit

	September 30, 2019	December 31, 2018	September 30, 2018
Raw materials imported	<u>\$ 84,529</u>	<u>\$ 88,845</u>	<u>\$ 179,583</u>

2. Capital expenditure committed but not incurred:

	September 30, 2019	December 31, 2018	September 30, 2018
Property, plant and equipment	<u>\$ 278,971</u>	<u>\$ 190,646</u>	<u>\$ 144,958</u>

3. Operating lease contracts

Please refer to Notes VI(X) and (XXIX) for elaboration.

X. Significant Disaster Losses

None.

XI. Significant Subsequent Events:

None.

XII. Others

(I) Capital management

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

(II) Financial instruments

1. Types of financial instruments

	September 30, 2019	December 31, 2018	September 30, 2018
<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	\$ -
Financial assets held for trading	-		212
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	1,392,509	533,118	1,229,868
Financial assets measured at amortized cost	84,522	-	-
Notes receivable	8,118	11,181	7,657
Accounts receivable	1,480,334	2,738,892	1,602,181
Other receivables	17,308	30,465	17,196
Refundable deposits	11,598	11,965	8,028
	<u>\$ 2,994,444</u>	<u>\$ 3,325,990</u>	<u>\$ 2,865,197</u>

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial liabilities</u>			
Financial liabilities measured at amortized costs			
Short-term loans	\$ 267,008	\$ 167,109	\$ 76,060
Notes payable	3,065	3,319	2,759
Accounts payable	944,470	1,644,166	1,241,202
Other payables	968,845	1,053,104	926,519
Long-term loans (including 1-year due)	249,590	93,880	48,880
Deposits received	587	604	599
	<u>\$ 2,433,565</u>	<u>\$ 2,962,182</u>	<u>\$ 2,296,019</u>
Lease liabilities (including non-current)	<u>\$ 163,240</u>	<u>\$ -</u>	<u>\$ -</u>

2. Risk management policy

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

3. The nature and degree of significant financial risks

Except for matters stated below, there were no significant changes in the current period. Please refer to Note XII 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:

	September 30, 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	\$ 89,457	30.99	\$ 2,772,272
USD:RMB	29,646	7.07	918,730
<u>Non-monetary items</u>			
USD:NTD	16,853	30.99	522,262
RMB:NTD	260,818	4.35	1,134,558
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	36,616	31.09	1,138,391
USD:RMB	6,530	7.07	203,018

	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	6.87	1,088,049
<u>Non-monetary items</u>			
USD:NTD	17,153	30.67	526,082
RMB:NTD	272,933	4.47	1,220,556
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	49,511	30.77	1,523,453
USD:RMB	12,594	6.87	387,517

September 30, 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	\$ 81,973	30.48	\$ 2,498,537
USD:RMB	24,660	6.89	751,637
<u>Non-monetary items</u>			
USD:NTD	16,395	30.48	499,726
RMB:NTD	251,357	4.44	1,115,020
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	32,965	30.58	1,008,070
USD:RMB	5,833	6.89	178,373

- B. Due to the significant influence from exchange rate volatility, total exchange losses of the Group's monetary items amounted to \$ 47,539, \$ 47,970, \$ 85,308, and \$ 105,806, respectively, for the three-month periods and the nine-month periods ended September 30, 2019 and 2018.
- C. The table below illustrates assets and liabilities denominated in foreign currencies of which the values were materially affected by the exchange rate volatility:

For the nine-month period ended September 30, 2019			
Sensitivity analysis			
	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%	\$ 27,723	\$ -
USD:RMB	1%	9,187	-
<u>Non-monetary items</u>			
USD:NTD	1%	-	5,223
USD:RMB	1%	-	11,346
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	11,384	-
USD:RMB	1%	2,030	-

For the nine-month period ended September 30, 2018			
Sensitivity analysis			
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%	\$ 24,985	\$ -
USD:RMB	1%	7,516	-
<u>Non-monetary items</u>			
USD:NTD	1%	-	4,997
USD:RMB	1%	-	11,150
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	10,081	-
USD:RMB	1%	1,784	-

Price risk

The Group is not exposed to price risks from products.

Cash flow interest rate risk and fair value interest rate risk

- A. The Group's interest rate risk mainly comes from its issuance of long-term loans with floating interest rates that have resulted in the Group being exposed to cash flow interest rate risks. The Group's policy aims to maintain at least 1.395% of the loans as fixed interest and, if necessary, achieves the target by means of interest rate swaps. For the nine-month periods ended September 30, 2019 and 2018, the Group's issuance of long-term loans with floating interest rates was mainly denominated in New Taiwan Dollars.
- B. If the borrowing interest rate of NTD increases or decreases by 0.25%, and other variables hold constant, the net income after tax for the nine-month periods ended September 30, 2019 and 2018 will decrease or increase by \$ 378 and \$ 74, 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, Financial Assets Measured at Amortized Cost, 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, financial assets measured at amortized cost, 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 that the credit risk of a financial asset is deemed significantly increased since initial recognition when contractual payments are more than 90 days past due, and that a default is deemed to have occurred when the contractual payments are more than 180 days past due.
- C. The Group's accounts receivables are due from ordinary enterprises. The Group assesses the credit quality of an individual customer by type by taking into account such a customer's financial position, historical transaction records, and current economic status, and estimates the expected credit losses on the basis of the provision matrix using the simplified approach.
- D. After the recourse procedures, the Group writes off financial assets to the extent of the amount that cannot be reasonably expected to be recovered. However, the Group will continue the legal procedures to recourse in order to secure its creditor's rights.
- E. The Group has established an expected loss rate for different segments of the accounts receivables due from customers as of September 30, 2019, December 31, 2018 and September 30, 2018: 0.00% 0.02% for accounts receivables not past due, 0.01% to 0.21%, 0.00% to 0.17%, and 0.00% to 0.17% for accounts receivables within 30 days past due, 0.01% to 3.72%, 0.00% to 3.48%, and 0.00% to 3.48% for accounts receivables 31 days to 60 days past due, 0.04% to 8.10%, 0.02% to 9.39%, and 0.02% to 9.39% for accounts receivables 61 days to 90 days past due, 0.19% to 17.40%, 0.13% to 13.67%, and 0.13% to 13.67% for accounts receivables 91 days to 120 days past due, 1.86% to 58.22%, 1.49% to 35.84%, and 1.49% to 35.84% for accounts receivables 121 days to 150 days past due, 22.31% to 96.74%, 17.29% to 84.81%, and 17.29% to 84.81% for accounts receivables 151 days to 180 days past due, and 100% for accounts receivables more than 180 days past due. The amount of the accounts receivables that is more than 31 days past due constitutes 0.71%, 0.57% and 1.74% of the Group's total accounts receivables.

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

	2019	
	Accounts receivable	Notes receivable
January 1	\$ -	\$ 1,664
Reversal of impairment loss	-	(295)
September 30	\$ -	\$ 1,369

	2018	
	Accounts receivable	Notes receivable
January 1	\$ -	\$ 8,620
Reversal of impairment loss	-	(6,613)
September 30	\$ -	\$ 2,007

(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 interest, 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 September 30, 2019, December 31, 2018 and September 30, 2018, the Group had a money market position in the amounts equal to \$ 1,475,882, \$ 532,271, and \$ 1,228,561, 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:

	September 30, 2019		
	Less than 1 year	1 - 2 years	Over 2 years
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 267,161	\$ -	\$ -
Notes payable	3,065	-	-
Accounts payable	944,470	-	-
Other payables	968,845	-	-
Lease liabilities (including non-current)	46,630	37,760	99,267
Long-term loans	10,956	64,856	184,464
<u>Derivative financial liabilities:</u>			
None.			

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
<u>Derivative financial liabilities:</u>			
<u>None.</u>			

	September 30, 2018		
	Less than 1 year	1 - 2 years	Over 2 years
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 76,060	\$ -	\$ -
Notes payable	2,759	-	-
Accounts payable	1,241,202	-	-
Other payables	926,519	-	-
Long-term loans	682	2,255	48,712
<u>Derivative financial liabilities:</u>			
<u>None.</u>			

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

- 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.

- 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, financial assets valued at amortized

cost, notes receivables, accounts receivable, other receivables, refundable deposits, short-term borrowings, notes payable, accounts payable, other payables, lease liabilities, long-term borrowings including those due within a year, and guarantee deposits) 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:

September 30, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets measured at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 55	\$ 55
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55</u>	<u>\$ 55</u>
December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets measured at fair value through profit and loss				
Forward exchange contracts	\$ -	\$ 314	\$ -	\$ 314
Financial assets measured at fair value through other comprehensive income				
Equity securities	-	-	55	55
	<u>\$ -</u>	<u>\$ 314</u>	<u>\$ 55</u>	<u>\$ 369</u>
September 30, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets measured at fair value through profit and loss				
Forward exchange contracts	\$ -	\$ 212	\$ -	\$ 212
Financial assets measured at fair value through other comprehensive income				
Equity securities	-	-	55	55
	<u>\$ -</u>	<u>\$ 212</u>	<u>\$ 55</u>	<u>\$ 267</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 of the nine-month periods ended September 30, 2019 and 2018.
5. There were no changes in Level 3 of the fair value hierarchy as of the nine-month

periods ended September 30, 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	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 Disclosures

(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% 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: Appendix Table 3.

9. For engagement in derivatives transactions, refer to Note VI(II) and XII(III).
10. Parent-Subsidiary and Subsidiary-Subsidiary Business Relations and Significant Transactions and Amounts Thereof: Please refer to Appendix Table 4.

(II) Information on reinvestments:

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

(III) Information on 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 prestigious brands around the world. The chief operating decision makers conduct performance evaluation and resource 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) Department 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 for segment income (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.

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 ~ September 30, 2019

Table 1

Expressed in thousands of NTD
(Unless Otherwise Specified)

Investor	Type and name of securities	Relationship with the issuer	General ledger account	Ending balance				Note
				Number of shares	Book value	Percentage of ownership	Fair value	
Advanced International Multitech Co., Ltd.	HWA NAN VENTURE CAPITAL CO., LTD.	-	Financial assets measured at fair value through other comprehensive income - non-current	57,438	\$ 55	10.6	\$ 1,030	-
Advanced International Multitech Co., Ltd.	International Bills Finance Cor	-	Cash and cash equivalents	-	154,951	-	154,951	-

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 ~ September 30, 2019

Table 2

Expressed in thousands of NTD
(Unless Otherwise Specified)

Purchases / sales	Name of the counter-party	Relationship	Description of transaction			Description and reasons for difference in transaction terms compared to non-related party			Notes or accounts receivable / (payable)		Note
			Purchases / (sales)	Amount	Percentage of net purchases/(sales) Credit Period	Credit Period	Unit Price	Credit Period	Amount	Percentage of notes or accounts receivable/(payable)	
Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd	grandson company	Purchases	#####	67%	note 1	note 1	note 1	(\$911,397)	(80%)	note 2
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	subsidiary	Purchases	1,382,474	20%	note 1	note 1	note 1	(99,851)	(9%)	note 2
Advanced Sporting Goods (Dongguan) Co., Ltd	Advanced International Multitech Co., Ltd.	ultimate parent company	Sales	(4,558,566)	(100%)	note 3	note 3	note 3	911,397	100%	
Advanced International Multitech (VN) Corporation Ltd.	Advanced International Multitech Co., Ltd.	parent company	Sales	(1,382,474)	(100%)	note 3	note 3	note 3	99,851	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.

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 ~ September 30, 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	\$ 911,397	-	\$ -	-	\$ 28,239	\$ -	
Advanced International Multitech (VN) Corporation Ltd.	Advanced International Multitech Co., Ltd.	parent company	99,851	-	-	-	94,635	-	

Advanced International Multitech Co., Ltd. and Subsidiaries
Significant inter-company transactions during the reporting periods
January 1, 2019 ~ September 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	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	\$4,558,566	ording to the agreement of both parti	54%
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd	1	Accounts payable	911,397	ording to the agreement of both parti	12%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Purchases	1,382,474	ording to the agreement of both parti	16%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Accounts payable	99,851	ording to the agreement of both parti	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 ~ September 30, 2019

Table 5

Expressed in thousands of NTD
(Unless Otherwise Specified)

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	#####	(\$16,173)	(\$16,173)	
Advanced International Multitech Co., Ltd.	Advanced Group International (BVI) Co., Ltd.	British Virgin Islands	Overseas investment	149,434	149,434	4,584,815	100	#####	317,946	323,965	(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	522,262	(8,541)	(9,404)	(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	503,190	110,866	62,007	

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 ~ September 30, 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)	Investmen t gain (loss)	Investment s 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	\$ 320,202	100	\$ 320,202	\$ 1,081,703 #	\$ 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	-	-	-	-	(15,818)	100	(15,818)	52,853	-
Advanced Sporting Goods (Dongguan) Co., Ltd : Beijing Mingda Titanium Technology	Engaged in material research and development	1,330	3	-	-	-	-	254	50	127	575	-
Advanced Sporting Goods (Dongguan) Co., Ltd : Baoji Zatech Material Co., Ltd.	Engaged in material production	17,744	3	-	-	-	-	(3,748)	25	(937)	2,860	-

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	Amount approved by MOEA	Ceiling amount of investment in Mainland China by MOEA
Advanced International Multitech Co., Ltd.	\$ 149,434	\$ 173,110	\$ 2,605,510

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 ~ September 30, 2019

Table 7

Expressed in thousands of NTD
(Unless Otherwise Specified)

Name of investee in Mainland China	Sales(Purchase)		Property transaction		Accounts receivable (Accounts payable)		Endorsement of the bill guarantee or provide collateral		intermediation				Other	
	Amount	%	Amount	%	Amount	%	Ending balance	purpose	Maximum balance	Ending balance	Interest rate range	Current interest		
Advanced Sporting Goods (Dongguan) Co., Ltd	(\$4,558,566)	(67%)	\$ -	-	(\$911,397)	(80%)	\$ -	-	\$ -	\$ -	-	\$ -	-	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.