Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2019 and 2018

(Stock Code: 8938)

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Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report for the Years Ended December 31, 2019 and 2018
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Advanced International Multitech Co., Ltd.
Letter of Representation for Consolidated Financial Statements

The entities that are required to be included in the consolidated financial statements of affiliated enterprises for the annual period ended December 31, 2019 under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the consolidated financial statements of Advanced International Multitech Co., Ltd. and subsidiaries prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements of affiliated enterprises has already been covered in the consolidated financial statements of Advanced International Multitech Co., Ltd. and subsidiaries. Hence, we do not prepare a separate set of consolidated financial statements of affiliated enterprises.

Represented by

Advanced International Multitech Co., Ltd.

Responsible Person: Hsi-Chien Cheng

February 27, 2020

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2019 and 2018

Unit: In Thousands of New Taiwan Dollars

	Assets	Notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets					
1100	Cash and cash equivalents	VI(I)	$ 968,766	12	$ 533,118	7
1110	Financial assets at fair value through profit or loss - current	VI(II)	10	-	314	-
1150	Notes receivable - net	VI(III)	5,689	-	11,181	-
1170	Accounts receivable - net	V and VI(III)	2,645,575	32	2,738,892	36
1200	Other receivables		15,329	-	30,465	1
130X	Inventories	V and VI(IV)	1,898,974	23	2,070,745	27
1410	Prepayments	VI(VI)	128,315	2	172,436	2
1470	Other current assets		8,930	-	7,804	-
11XX	**Total current assets**		5,671,588	69	5,564,955	73
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	VI(V)	55	-	55	-
1550	Investments accounted for using equity method	VI(VII) and VII	2,884	-	4,333	-
1600	Property, plant and equipment	VI(VIII), VI(XI), and VIII	2,197,452	27	1,794,729	24
1755	Right-of-use assets	VI(IX)	179,854	2	-	-
1780	Intangible assets	VI(X)	13,206	-	18,516	-
1840	Deferred income tax assets	VI(XXVII)	56,330	1	55,784	1
1915	Prepayments for business facilities		113,991	1	111,176	1
1990	Other non-current assets - others	XI(XII) and VIII	33,068	-	54,521	1
15XX	**Total non-current assets**		2,596,840	31	2,039,114	27
1XXX	**Total assets**		$ 8,268,428	100	$ 7,604,069	100

(Continued)

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
December 31, 2019 and 2018

Unit: In Thousands of New Taiwan Dollars

	Liabilities and equity	Notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities					
2100	Short-term loans	VI(XIII) and VIII	$ 531,141	6	$ 167,109	2
2150	Notes payable		2,299	-	3,319	-
2170	Accounts payable		1,260,646	15	1,644,166	22
2200	Other payables	VI(XIV)	1,127,718	14	1,053,104	14
2230	Income tax liabilities		133,746	2	158,433	2
2280	Lease liabilities - current		39,263	-	-	-
2300	Other current liabilities	VI(XV) and VIII	68,354	1	46,831	1
21XX	**Total current liabilities**		3,163,167	38	3,072,962	41
	Non-current liabilities					
2540	Long-term loans	VI(XV) and VIII	238,448	3	93,880	1
2570	Deferred income tax liabilities	VI(XXVII)	167,125	2	143,051	2
2580	Lease liabilities - non-current		111,058	1	-	-
2640	Net defined benefit liability - non-current	VI(XVI)	80,348	1	76,259	1
2670	Other non-current liabilities - others		1,292	-	4,819	-
25XX	**Total non-current liabilities**		598,271	7	318,009	4
2XXX	**Total liabilities**		3,761,438	45	3,390,971	45
	Equity					
	Equity attributable to shareholders of the parent company					
	Share capital	VI(XVII)				
3110	Capital of common shares		1,353,127	16	1,353,127	18
	Capital reserve	VI(XVIII)				
3200	Capital reserve		781,236	9	781,236	9
	Retained earnings	VI(XIX)				
3310	Legal reserve		799,969	10	743,087	10
3320	Special reserve		75,285	1	65,616	1
3350	Undistributed earnings		1,226,712	15	979,701	13
	Other equity					
3400	Other equity		(133,828)	(1)	(75,285)	(1)
31XX	**Total equity attributable to shareholders of the parent company**		4,102,501	50	3,847,482	50
36XX	**Non-controlling interests**	IV(III)	404,489	5	365,616	5
3XXX	**Total equity**		4,506,990	55	4,213,098	55
	Important contingent liabilities and unrecognized contractual commitments	IX				
	Significant subsequent events	XI				
3X2X	**Total liabilities and equity**		$ 8,268,428	100	$ 7,604,069	100

(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 Years Ended December 31, 2019 and 2018

Unit: In Thousands of New Taiwan Dollars

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

	Item	Notes	2019 Amount	2019 %	2018 Amount	2018 %
4000	**Operating revenue**	VI(XX)	$ 11,756,861	100	$ 11,114,807	100
5000	**Operating costs**	VI(IV), VI(X) VI(XXV), and VI(XXVI)	(9,773,535)	(83)	(9,513,629)	(86)
5900	**Gross operating profit**		1,983,326	17	1,601,178	14
	Operating expenses	VI(X), VI(XXV), and VI(XXVI)				
6100	Selling expenses		(211,771)	(2)	(200,690)	(2)
6200	Administrative expenses		(436,674)	(4)	(426,634)	(4)
6300	Research and development expenses		(491,013)	(4)	(408,193)	(3)
6450	Expected credit impairment gain (loss)	XII(II)	799	-	6,956	-
6000	**Total operating expenses**		(1,138,659)	(10)	(1,028,561)	(9)
6500	**Other income and expenses - net**	VI(XXI)	107,752	1	116,434	1
6900	**Operating income**		952,419	8	689,051	6
	Non-operating income and expenses					
7010	Other income	VI(XXII)	22,252	-	10,255	-
7020	Other gains and losses	VI(II) and VI(XXIII)	(19,408)	-	104,830	1
7050	Finance costs	VI(XXIV)	(8,692)	-	(228)	-
7060	Share of the profit (loss) of associates and joint ventures accounted for using equity method	VI(VII)	(1,337)	-	(826)	-
7000	**Total non-operating income and expenses**		(7,185)	-	114,031	1
7900	**Profit before tax**		945,234	8	803,082	7
7950	Income tax expense	VI(XXVII)	(272,721)	(2)	(198,684)	(2)
8200	**Net income**		$ 672,513	6	$ 604,398	5

(Continued)

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2019 and 2018

Unit: In Thousands of New Taiwan Dollars

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

	Item	Notes	2019 Amount	2019 %	2018 Amount	2018 %
	Other comprehensive income					
	Items that are not reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans	VI(XVI)	($ 5,515)	-	($ 8,092)	-
8349	Income tax-related items that are not reclassified subsequently to profit or loss	VI(XXVII)	1,103	-	2,112	-
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign financial statements		(58,543)	(1)	(9,669)	-
8300	**Other comprehensive income (loss), net**		($ 62,955)	(1)	($ 15,649)	-
8500	**Total comprehensive income (loss)**		$ 609,558	5	$ 588,749	5
	Net income (loss) attributable to:					
8610	Owners of the parent company		$ 615,662	5	$ 568,820	5
8620	Non-controlling interests		56,851	1	35,578	-
	Total		$ 672,513	6	$ 604,398	5
	Total comprehensive income (loss) attributable to:					
8710	Owners of the parent company		$ 552,707	5	$ 553,171	5
8720	Non-controlling interests		56,851	-	35,578	-
	Total		$ 609,558	5	$ 588,749	5
	Earnings per share	VI(XXVIII)				
9750	**Basic**		$ 4.55		$ 4.20	
9850	**Diluted**		$ 4.51		$ 4.16	

(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 Years Ended December 31, 2019 and 2018

Unit: In Thousands of New Taiwan Dollars

		Equity attributable to shareholders of the parent company										
			Capital reserve			Retained earnings						
	Notes	Capital of common shares	Share premium	Recognized value of changes in equity of ownership of subsidiaries	Others	Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Total	Non-controlling interests	Total equity
2018												
Balance as of January 1, 2018		$ 1,353,127	$ 739,866	$ 16,480	$ 24,890	$ 698,847	$ 21,412	$ 857,118	($ 65,616)	$ 3,646,124	$ 341,272	$ 3,987,396
Net income		-	-	-	-	-	-	568,820	-	568,820	35,578	604,398
Other comprehensive income (loss)		-	-	-	-	-	-	(5,980)	(9,669)	(15,649)	-	(15,649)
Total comprehensive income (loss)		-	-	-	-	-	-	562,840	(9,669)	553,171	35,578	588,749
Earnings appropriation and allocation for 2017:												
Provision of legal reserve		-	-	-	-	44,240	-	(44,240)	-	-	-	-
Provision of special reserve		-	-	-	-	-	44,204	(44,204)	-	-	-	-
Cash dividends for common shares	VI(XIX)	-	-	-	-	-	-	(351,813)	-	(351,813)	-	(351,813)
Cash dividends distributed by subsidiaries		-	-	-	-	-	-	-	-	-	(11,234)	(11,234)
Balance as of December 31, 2018		$ 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
2019												
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		-	-	-	-	-	-	615,662	-	615,662	56,851	672,513
Other comprehensive income (loss)		-	-	-	-	-	-	(4,412)	(58,543)	(62,955)	-	(62,955)
Total comprehensive income (loss)		-	-	-	-	-	-	611,250	(58,543)	552,707	56,851	609,558
Earnings appropriation and allocation for 2018:												
Provision of legal reserve		-	-	-	-	56,882	-	(56,882)	-	-	-	-
Provision of special reserve		-	-	-	-	-	9,669	(9,669)	-	-	-	-
Cash dividends for common shares	VI(XIX)	-	-	-	-	-	-	(297,688)	-	(297,688)	-	(297,688)
Cash dividends distributed by subsidiaries		-	-	-	-	-	-	-	-	-	(17,978)	(17,978)
Balance as of December 31, 2019		$ 1,353,127	$ 739,866	$ 16,480	$ 24,890	$ 799,969	$ 75,285	$ 1,226,712	($ 133,828)	$ 4,102,501	$ 404,489	$ 4,506,990

(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 Years Ended December 31, 2019 and 2018

Unit: In Thousands of New Taiwan Dollars

	Notes	2019	2018
Cash flows from operating activities			
Profit before tax		$ 945,234	$ 803,082
Adjustments			
Income and expense item			
Depreciation	VI(VIII), VI(IX), and VI(XXV)	358,426	306,483
Amortization (including amortization of long-term rental prepayments)	VI(XXV)	16,707	19,256
Expected credit impairment gain (loss)	XII(II)	(799)	(6,956)
Net losses from financial assets and liabilities at fair value through profit or loss	VI(II) and VI(XXIII)	2,280	5,593
Interest income	VI(XXII)	(14,285)	(9,281)
Interest expense	VI(XXIV)	8,373	228
Loss on disposal and retirement of property, plant and equipment	VI(XXIII)	10,601	762
Reclassification of property, plant and equipment to expense		346	269
Gains on lease modification		(12)	-
Impairment loss on non-financial assets	VI(XI)	-	5,283
Share of the profit (loss) of associates and joint ventures accounted for using equity method	VI(VII)	1,337	826
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss - current		(1,386)	(4,545)
Notes receivable - net		5,492	(5,201)
Accounts receivable		44,611	(457,662)
Other receivables		16,142	(11,332)
Inventories		133,259	(581,850)
Prepayments		40,811	(48,830)
Other current assets		(1,198)	(1,594)
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current		(592)	-
Notes payable		(1,020)	1,622
Accounts payable		(343,629)	450,148
Other payables		78,212	(3,487)
Other current liabilities		10,427	10,760
Net defined benefit liability - non-current		(1,426)	(1,309)
Other non-current liabilities - others		(4,216)	4,213
Cash provided by operating activities		1,303,695	476,478
Income tax paid		(270,086)	(68,371)
Net cash provided by operating activities		1,033,609	408,107

(Continued)

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

Unit: In Thousands of New Taiwan Dollars

	Notes	2019	2018
Cash provided by investing activities			
Increase in investments accounted for using equity method		$ -	($ 5,101)
Acquisition of property, plant and equipment	VI(XXX)	(577,302)	(547,450)
Increase in prepayments for business facilities		(163,214)	(113,369)
Proceeds from disposal of property, plant and equipment		2,251	163
Acquisition of intangible assets	VI(X)	(4,973)	(8,286)
Increase in refundable deposits		(4,868)	(3,931)
Decrease in refundable deposits		4,648	4,517
Increase in other non-current assets		(7,935)	(6,815)
Interest received		13,273	9,359
Net cash used in investing activities		(738,120)	(670,913)
Cash provided by (used in) financing activities			
Increase in short-term loans	VI(XXXI)	4,642,854	554,977
Decrease in short-term loans	VI(XXXI)	(4,270,951)	(478,322)
Increase in short-term bills payables		16,000	-
Decrease in short-term bills payables		(16,000)	-
Repayment of the principal amount of rentals	VI(XXXI)	(45,295)	-
Increase in long-term loans	VI(XXXI)	155,710	93,880
Increase in deposits received		738	91
Interest paid		(8,311)	(201)
Cash dividends distributed	VI(XIX)	(297,688)	(351,813)
Cash dividends distributed by subsidiaries		(17,978)	(11,234)
Net cash provided by (used in) financing activities		159,079	(192,622)
Effect of exchange rate changes on cash and cash equivalents		(18,920)	(532)
Increase (decrease) in cash and cash equivalents		435,648	(455,960)
Cash and cash equivalents, beginning of the period		533,118	989,078
Cash and cash equivalents, end of the period		$ 968,766	$ 533,118

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

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

Advanced International Multitech Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018

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

I. Company Profile

(I) Established on July 20, 1987, Advanced International Multitech Co., Ltd. ("the Company" hereinafter) started operation in January 1988 under its former name as Advanced Composite Design Co., Ltd. The Company merged with its subsidiaries, namely Dian Precision Casting Co., Ltd. and Advanced International Co. Ltd., on July 1, 1998. The Company and subsidiaries ("the Group" hereinafter) are mainly engaged in manufacturing, processing, trading, import and export of carbon fiber prepackaged materials, and carbon fiber products (e.g., baseball bat, billiard stick, arrow target, golf club shaft and head, fishing tools, bicycle and accessories), as well as composite materials, namely carbon fiber fabrics, for aviation industry.

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

II. Approval Date and Procedures of the Financial Statements

The consolidated financial statements were approved and issued on February 27, 2020 by the Board of Directors.

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

(I) Effects of the Adoption of New and Amended IFRSs Endorsed by the Financial Supervisory Commission ("FSC")

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

New/revised/amended standards and interpretations	Effective date issued by the International Accounting Standards Board (IASB)
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
IFRS 16 - Leases	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Annual Improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019

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

IFRS 16 - Leases

1. IFRS 16 "Leases" supersedes IAS 17 "Leases" and its relevant IFRIC interpretations and SIC interpretations. IFRS 16 requires that a lessee recognize right-of-use assets and lease liabilities for all leases unless the lease is less than 12 months or the underlying asset has a low value. Accounting treatment under IFRS 16 for a lessor is substantially unchanged, which allows a lessor to continue to classify leases as either operating or finance, except that additional disclosures are required.
2. When applying the 2019 version of IFRSs as endorsed by the FSC, the Group elects to adopt IFRS 16 without restating the comparative information ("modified retrospective approach" hereinafter) and made adjustments to lessee lease contracts by increasing the right-of-use assets by NT$164,196 and lease liabilities by NT$131,104 and reducing long-term lease prepayments by NT$33,092 on January 1, 2019.
3. Upon initial adoption of IFRS 16, the Group adopts the following practical expedients:
   (1) Contracts that have previously been identified as leases under IAS 17 and IFRIC 4 are not reassessed as to whether they are (or contain) leases but are treated by applying related IFRS 16 requirements.
   (2) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
   (3) Excluding the initial direct costs from the measurement of the right-of-use assets.
   (4) Using hindsight in determining the lease term when the contracts contain options to extend or terminate the leases.
4. When calculating the present value of the lease liability, the Group uses its incremental borrowing rate of between 1.26% and 5.80%.
5. The Group discloses the amounts of its operating lease commitments pursuant to IAS 17. Below is the reconciliation of the present value after discount using the incremental borrowing rate upon the initial application date and the lease liability recognized on January 1, 2019.

Operating lease commitments applying IFRS 17 "Disclosures" as at December 31, 2018	$ 16,559
Add: Reassessment of lease contracts that were originally identified as a service contract	21,351
Adjustment to the assessment of reasonable certainty of the extension right and the termination right	96,604
Total value of lease contracts for which the recognition of a lease liability is required pursuant to IFRS 16 as at January 1, 2019	$ 134,514
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	$ 131,104

(II) Effects of Not Yet Applying the Newly-announced and Revised IFRSs Endorsed by the FSC

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

New/revised/amended standards and interpretations	Effective date issued by the International Accounting Standards Board (IASB)
Amendments to IAS 1 and IAS 8 "Disclosure Initiative - Definition of Material"	January 1, 2020
Amendment to IFRS 3 "Definition of Business"	January 1, 2020
Amendments to IFSR 9, IAS 39, and IFRS 7 "Changes in Interest Rate Indicators"	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) Effects of IFRSs Issued by IASB but Not Yet Endorsed by the FSC

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

New/revised/amended standards and interpretations	Effective date issued by the International Accounting Standards Board (IASB)
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
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

IV. Summary of Significant Accounting Policies

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

(I) Statement of Compliance

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

(II) Basis of Preparation

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

   (1) Financial assets and financial liabilities (including derivative instruments)

at fair value through profit or loss.

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

(3) Defined benefit liabilities recognized based on the amount of pension fund assets less net present value of defined benefit obligations.

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

(III) <u>Basis of Consolidation</u>

1. Basis for preparation of consolidated financial statements:

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

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

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

(4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

2. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018
Advanced International Multitech Co., Ltd.	Advanced International Multitech (BVI) Co., Ltd.	Overseas investment	100	100
Advanced International Multitech Co., Ltd.	Advanced Group International (BVI) Co., Ltd.	Overseas investment	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
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
Advanced Group International (BVI) Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	Engaged in production, import and export of carbon fiber prepreg materials and sports products	100	100
Advanced International Multitech (BVI) Co., Ltd.	Advanced Sporting Goods (Shatian, Dongguan) Co., Ltd.	Engaged in production, import and export of carbon fiber prepreg materials and sports products	100	100

3. Subsidiaries not included in the consolidated financial statements: None.
4. Adjustments for subsidiaries with different balance sheet dates: None.
5. Significant restrictions: None.
6. Subsidiaries with material non-controlling interests to the Group:

As of December 31, 2019 and 2018, the Group's non-controlling interests totaled NT$404,489 and NT$365,616. What stated below is the information in respect of subsidiaries with material non-controlling interests:

		Non-controlling interests			
		December 31, 2019		December 31, 2018	
Subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
Launch Technologies Co., Ltd. (LTC)	Taiwan	$ 404,489	44.07	$ 365,616	44.07

Summary of the financial information of subsidiaries is as follows:

Balance Sheets

	Launch Technologies Co., Ltd. (LTC)	
	December 31, 2019	December 31, 2018
Current assets	$ 524,264	$ 554,395
Non-current assets	1,050,362	697,134
Current liabilities	(339,348)	(323,520)
Non-current liabilities	(317,456)	(98,396)
Total net assets	$ 917,822	$ 829,613

Statements of Comprehensive Income

	Launch Technologies Co., Ltd. (LTC)	
	December 31, 2019	December 31, 2018
Revenue	$ 1,812,830	$ 1,580,530
Profit before tax	158,888	91,856
Income tax expense	(29,887)	(11,126)
Net income	129,001	80,730
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	$ 129,001	$ 80,730

Statements of Cash Flows

	Launch Technologies Co., Ltd. (LTC)	
	December 31, 2019	December 31, 2018
Net cash provided by operating activities	$ 284,763	$ 129,609
Net cash used in investing activities	(351,459)	(242,174)
Net cash provided by financing activities	37,759	102,493
Decrease in cash and cash equivalents	(28,937)	(10,072)
Cash and cash equivalents, beginning of the period	39,462	49,534
Cash and cash equivalents, end of the period	$ 10,525	$ 39,462

(IV) Foreign Currency Translation

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

1. Foreign currency transactions and balances
   (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
   (2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance

sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

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

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

2. Translation from foreign operations

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

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

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

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

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

(V) <u>Classification of Current and Non-current Assets and Liabilities</u>

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

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

(2) Assets held mainly for trading purposes.

(3) Assets that are expected to be realized within twelve months from the balance sheet date.

(4) Cash and cash equivalents, excluding those that are restricted, or to be

exchanged or used to settle liabilities at least twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:
   (1) Liabilities that are expected to be settled within the normal operating cycle.
   (2) Liabilities held mainly for trading purposes.
   (3) Liabilities that are to be settle within twelve months from the balance sheet date.
   (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Settlement by the issue of equity instruments based on transaction party's choice does not impact classification.

   Otherwise they are classified as non-current liabilities.

(VI) Cash Equivalents

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

(VII) Financial Assets at Fair Value through Profit or Loss

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
3. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
4. The Group recognizes dividends income when the rights of shareholders to receive payment are established, provided that the economic benefits related to such dividends are probable to flow to the Group and the amount of such benefits can be reliably measured.

(VIII) Financial Assets at Fair Value through Other Comprehensive Income

1. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(1) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.
(2) The assets' contractual cash flows represent solely payments of principal and interest.

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

(IX) Accounts Receivable and Notes receivables

1. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(X) Impairment of Financial Assets

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

(XI) Derecognition of Financial Assets

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

(XII) Inventories

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

(XIII) Investments Accounted for Using Equity Method

1. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
2. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
3. Any changes in equity of associates are recognized as "capital reserve" by the Group in proportion to its shareholding percentage, provided that such changes are not attributable to profit or loss, or to other comprehensive income, or affect the Group’s shareholding percentage.
4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are adjusted, when necessary, to remain consistent with those of the Group.
5. When the Group disposes its investment in an associate and loses significant influence over this associate, the accounting treatment for amounts previously recognized in other comprehensive income in relation to the associate are the same as the one required if the relevant assets or liabilities were directly disposed of. That is, if gain/loss previously recognized in other comprehensive income will be reclassified to profit or loss upon disposal of relevant assets or liabilities, such gain/loss will be reclassified from equity to profit or loss when the Group loses significant influence over the associate. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(XIV) Property, Plant and Equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset' s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss when incurred.
3. Except for land which is not depreciated, other property, plant and equipment are subsequently measured using the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the property, plant and equipment comprise any significant components, they are depreciated individually.
4. The Group reviews all assets' residual values, useful lives and depreciation methods at the end of each financial year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures, auxiliary equipment	1 year to 56 years
Machinery	1 year to 30 years
Utility equipment	2 years to 41 years
Transportation equipment	2 years to 10 years
Office equipment	1 year to 10 years
Other equipment	1 year to 30 years

(XV) Lease Transaction in the Capacity of a Lessee - Right-of-use Assets/Lease Liabilities Applicable for the annual periods beginning on or after January 1, 2019

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

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

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

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

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

(XVI) Leased Assets/Operating Lease (Lessee)

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

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

(XVII) Intangible Assets

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

(XVIII) Impairment of Non-financial Assets

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

(XIX) Borrowings

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

(XX) Notes Payable and Accounts Payable

1. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
2. The short-term notes and accounts payable without bearing interest are subsequently measured at the initial invoice amount as the effect of discounting is immaterial.

(XXI) Financial Liabilities at Fair Value through Profit or Loss

1. Financial liabilities at fair value through profit or loss refer to financial liabilities designated upon initial recognition to be measured at fair value through profit or loss (FVTPL). Financial liabilities that meet one of the following criteria are designated to be measured at FVTPL on initial recognition:
   (1) Hybrid (combined) contracts; or
   (2) They eliminate or significantly reduce a measurement or recognition inconsistency; or
   (3) They are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management policy.
2. At initial recognition, the Group measures the financial liabilities at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial liabilities at fair value, and recognizes the gain or loss in profit or loss.

(XXII) Offsetting Financial Assets and Financial Liabilities

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

(XXIII) Non-hedging Derivatives

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

(XXIV) Employee Benefits

1. Short-term employee benefits

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

2. Pensions

   (1) Defined contribution plans

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

   (2) Defined benefit plans

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

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

3. Termination benefits

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

4. Employees' compensation and directors' and supervisors' remuneration

   Compensation to employees and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. If the accrued amounts are different from the actual distributed amounts resolved by the shareholders subsequently, the differences should be accounted for as changes in accounting estimates.

(XXV) Income Tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

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

(XXVI) Share Capital

Common shares are classified as equity.

(XXVII) Dividends Distribution

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

(XXVIII) Revenue Recognition

1. The Group manufactures and sells consumer related products and recognizes sales revenue when the control of products is passed to customers, i.e., when products are delivered to customers and the Group doesn’t have further performance obligations that might affect the acceptance of goods by customers. Goods are deemed delivered when the risk of delivery, obsolescence and loss is transferred to customers and customers has accepted the goods in accordance with the contractual terms, or when any objective evidence suggests that all criteria for acceptance have been satisfied.
2. Sales revenue is recognized at the contract price, net of business tax, and sales returns, discounts and allowances. The payment terms of most sales transaction are usually due within 60~90 days after the shipping date. Since the time interval between when the committed goods or services are transferred to customers and when customers pay is shorter than one year, the Group does not adjust the transaction price to reflect the time value of money.
3. The Group provides allowances for defective products sold and estimates discounts on a historical basis. A refund liability is recognized upon sales of products.
4. Accounts receivable is recognized when goods are delivered to customers because at which time the Group's right to the consideration for contracts from customers is unconditional, except for passage of time.

(XXIX) Government Grants

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

(XXX) Operating Segments

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

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

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

(I) Major Judgments in Adopting the Accounting Policies

None.

(II) Major Accounting Estimates and Assumptions

1. Expected credit loss of accounts receivable

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

   As of December 31, 2019, the carrying amount of the Group's accounts receivable was NT$2,645,575.

2. Evaluation of inventories

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

As of December 31, 2019, the carrying amount of the Group's inventory was NT$1,898,974.

VI. Description of Major Accounting Subjects

(I) Cash and Cash Equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 651	$ 847
Checking deposits and demand deposits	671,324	397,408
Cash equivalents - time deposits	266,861	134,863
Cash equivalents - repo bonds	29,930	-
	$ 968,766	$ 533,118

1. The Group transacts with a variety of financial institutions with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. No cash or its equivalent was pledged as collateral by the Group.

(II) Financial Assets and Liabilities at Fair Value through Profit or Loss

Item	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	$ 10	$ 314
Adjustment for valuation	-	-
	$ 10	$ 314

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

	2019	2018
Financial assets and liabilities mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	($ 2,280)	$ 207
Financial assets and liabilities held for trading		
Non-hedging derivatives	-	(5,800)
	($ 2,280)	($ 5,593)

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

	December 31, 2019	
Derivative financial assets	Contract amount (nominal principal)	Contract duration
Current items:		
Forward exchange contracts	US$116 thousand	2019.12.18~2020.1.17

Derivative financial assets	December 31, 2018	
	Contract amount (nominal principal)	Contract duration
Current items:		
Forward exchange contracts	US$2,496 thousand	2018.12.10~2019.1.18

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 at FVTPL, please refer to Note XII(II).

(III) Notes Receivable and Accounts Receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 5,689	$ 11,181
Accounts receivable	$ 2,646,440	$ 2,740,556
Less: Loss allowance	(865)	(1,664)
	$ 2,645,575	$ 2,738,892

1. The aging analysis of notes and accounts receivable is as follows:

	December 31, 2019		December 31, 2018	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not overdue	$ 5,689	$ 2,568,017	$ 11,181	$ 2,586,532
Overdue:				
Up to 30 days	-	73,026	-	138,360
31 to 90 days	-	5,377	-	14,903
91 to 180 days	-	20	-	612
Over 181 days	-	-	-	149
	$ 5,689	$ 2,646,440	$ 11,181	$ 2,740,556

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

2. As at December 31, 2019, December 31, 2018, and January 1, 2018, the Group's accounts receivable and contracts receivable (including notes receivable) amounted to NT$2,652,129, NT$2,751,737, and NT$2,304,240, respectively.
3. No accounts receivable or notes receivable were pledged as collateral by the Group.
4. As of December 31, 2019 and 2018, without taking account of any collateral or other credit enhancements held, the amounts that best represent the maximum credit risk exposure of the Group's notes receivable were NT$5,689 and NT$11,181, respectively, and the amounts that best represent the maximum credit risk exposure of the Group's accounts receivable were NT$2,645,575 and NT$2,738,892, respectively.
5. For information on credit risks of accounts receivable and notes receivable, please refer to Note XII(II).

(IV) Inventories

	December 31, 2019		
	Cost	Allowance for price decline	Book value
Raw materials	$ 775,738	($ 31,364)	$ 744,374
Work in progress	339,606	(439)	339,167
Finished goods	773,777	(14,816)	758,961
Inventory in transit	56,472	-	56,472
	$ 1,945,593	($ 46,619)	$ 1,898,974

	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
	$ 2,128,332	($ 57,587)	$ 2,070,745

	2019	2018
Cost of inventories sold	$ 9,777,500	$ 9,521,439
Recovery gain	(10,381)	(20,163)
Retirement loss	13,329	14,452
Others	(6,913)	(2,099)
	$ 9,773,535	$ 9,513,629

In 2019 and 2018, a decrease in cost of sales was recognized due to the recovery of the net realizable value of inventories contributed by the well-performed liquidation of excess stocks and retirement of some inventories.

(V) Financial Assets at Fair Value through Other Comprehensive Income

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

1. The Group elects to classify strategic equity investments as financial assets at fair value through other comprehensive income (FVTOCI). The fair value of such investments as at December 31, 2019 and 2018 totaled NT$1,014 and NT$706, respectively.
2. No financial assets at FVTOCI were pledged as collateral by the Group.

(VI) Prepayments

	December 31, 2019	December 31, 2018
Business tax paid	$ 61,147	$ 87,370
Tax overpaid retained	30,505	52,649
Prepaid expense	21,047	25,037
Prepayment for purchases	15,616	7,380
	$ 128,315	$ 172,436

(VII) Investments Accounted for Using Equity Method

	December 31, 2019	December 31, 2018
Beijing Mingda Titanium Technology	$ 71	$ 466
Baoji Zatech Material Co., Ltd.	2,813	3,867
	$ 2,884	$ 4,333

1. As at December 31, 2019, 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 December 31, 2019 and 2018, the carrying amounts of the Group's individually insignificant associates totaled NT$2,884 and NT$4,333, respectively.

	2019	2018
Net loss over this period	($ 1,337)	($ 826)
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	($ 1,337)	($ 826)

(VIII) Property, Plant and Equipment

	December 31, 2019	December 31, 2018
Land	$ 162,544	$ 162,544
Buildings and structures	909,773	611,234
Machinery	647,387	492,356
Utility equipment	156,288	90,872
Transportation equipment	669	1,302
Office equipment	26,205	20,785
Other equipment	139,816	110,400
Equipment to be inspected and construction in progress	154,770	305,236
	$ 2,197,452	$ 1,794,729

2019

Cost Name of assets	January 1	Additions	Disposals	Reclassifications	Net exchange differences	December 31
Land	$ 162,544	$ -	$ -	$ -	$ -	$ 162,544
Buildings and structures	1,212,280	122,215	(40,540)	278,551	(21,825)	1,550,681
Machinery	1,508,314	232,348	(213,045)	77,407	(23,805)	1,581,219
Utility equipment	254,087	41,479	(7,017)	47,978	(6,644)	329,883
Transportation equipment	6,880	310	(610)	-	(75)	6,505
Office equipment	58,492	13,527	(2,141)	1,041	(1,536)	69,383
Other equipment	391,473	73,962	(71,686)	8,920	(7,502)	395,167
Equipment to be inspected and construction in progress	305,236	116,008	-	(265,555)	(919)	154,770
	$ 3,899,306	$ 599,849	($ 335,039)	$ 148,342	($ 62,306)	$ 4,250,152

Accumulated depreciation and impairment Name of assets	January 1	Depreciation expense and impairment loss	Disposals	Reclassifications	Net exchange differences	December 31
Buildings and structures	$ 601,046	$ 82,706	($ 28,929)	$ -	($ 13,915)	$ 640,908
Machinery	1,015,958	149,124	(212,494)	-	(18,756)	933,832
Utility equipment	163,215	21,665	(6,972)	-	(4,313)	173,595
Transportation equipment	5,578	942	(610)	-	(74)	5,836
Office equipment	37,707	8,764	(2,114)	-	(1,179)	43,178
Other equipment	281,073	51,229	(71,068)	-	(5,883)	255,351
	$ 2,104,577	$ 314,430	($ 322,187)	$ -	($ 44,120)	$ 2,052,700
	$ 1,794,729					$ 2,197,452

2018

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

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

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

	2019	2018
Capitalization amounts	$ 2,194	$ 611
Range of capitalized interest rate	0.91%~3.01%	0.91%~2.30%

2. Significant components of the Group's buildings and structures include buildings and air conditioning engineering works, which are respectively depreciated over the periods of 41~56 years and 3~21 years.
3. For the information about property, plant, and equipment pledged as collateral, please see Note VIII for details.

(IX) Lease Transaction - Lessee

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

1. The Group's leased underlying assets comprise lands and buildings, of which the lease term is usually between 1 year to 50 years. Lease contracts are individually negotiated and include various terms and conditions that impose no other restrictions except that the leased assets shall not be collateralized against any borrowings, nor shall they be subleased, co-leased, lent out for others' use, nor the right of lease be transferred to others.
2. Below is the carrying amounts of right-of-use assets and their recognized depreciation expenses:

	December 31, 2019	2019
	Book value	Depreciation
Land	$ 119,067	$ 7,557
Buildings and structures	60,787	36,439
	$ 179,854	$ 43,996

3. Additions to the Group's right-of-use assets for the year ended December 31, 2019 amounted to NT$65,299.
4. Profit and loss items associated with lease contracts are as follows:

	2019
Items that affect profit or loss	
Interest expense on lease liability	$ 5,220
Expense on leases with low-value underlying assets	13,588
	$ 18,808

5. The total cash flow arising from the Group's leases in 2019 was NT$64,103.
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.

(X) Intangible Assets

	Computer software	
January 1, 2019		
Cost	$	31,021
Accumulated amortization	(	12,505)
	$	18,516
2019		
January 1	$	18,516
Addition - separately acquired		4,973
Derecognition - cost reduction	(	6,075)
Amortization	(	10,200)
Derecognition - reduction in accumulated amortization		6,075
Effect of exchange rate changes	(	83)
December 31	$	13,206
December 31, 2019		
Cost		29,919
Accumulated amortization	(	16,713)
	$	13,206

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

Amortization of intangible assets is detailed below:

	2019	2018
Operating costs	$ 1,620	$ 1,750
Administrative expenses	4,679	3,689
Research and development expenses	3,901	3,015
	$ 10,200	$ 8,454

(XI) Impairment of Non-financial Assets

1. Impairment losses recognized by the Group for the years ended December 31, 2019 and 2018 are detailed as follows:

	2019		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
Impairment loss - buildings and structures	$ -	$ -	$ 1,977	$ -
Impairment loss - machinery	-	-	2,758	-
Impairment loss - utility equipment	-	-	166	-
Impairment loss - other equipment	-	-	382	-
	$ -	$ -	$ 5,283	$ -

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

	2019		2018	
	Recognized in the current profit or loss	Recognized in other comprehensi ve income	Recognized in the current profit or loss	Recognized in other comprehensi ve income
Consumer Products Divisions	$ -	$ -	$ 5,283	$ -

(XII) Long-term Rental Prepayments (Presented under "Other Non-current Assets - Others")

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

	December 31, 2018
Land use rights	$ 33,092

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 year ended December 31, 2018 were NT$1,648.

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

(XIII) Short-term Loans

Type of loans	December 31, 2019	Interest rate range	Collateral
Bank credit loan	$ 498,956	0.82%~3.30%	
Loans against letter of credit	32,185	-	Note
	$ 531,141		

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

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

(XIV) Other Payables

	December 31, 2019	December 31, 2018
Payroll and bonus payable	$ 522,022	$ 456,719
Processing fee payable	214,327	244,897
Payables of compensation to employees and remuneration to directors and supervisors	64,987	63,813
Equipment expenses payable	61,178	38,631
Others	265,204	249,044
	$ 1,127,718	$ 1,053,104

(XV) Long-term Loans

Type of loans	Loan period and repayment method	Interest rate range	Collateral	December 31, 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
				249,590
Less: long-term loan due in one year				(11,142)
				$ 238,448

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
				$ 93,880

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

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 113,940	$ 108,475
Fair value of planned assets	(33,592)	(32,216)
Net defined benefit liabilities	$ 80,348	$ 76,259

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

	Present value of defined benefit obligations	Fair value of planned assets	Net defined benefit liabilities
2019			
Balance as of January 1	$ 108,475	($ 32,216)	$ 76,259
Current service cost	136	-	136
Interest income (expense)	1,083	(322)	761
	109,694	(32,538)	77,156
Remeasurement:			
Plan assets return (excluding amounts included in interest income or expenses)			
Effects of changes in financial assumptions	3,792	-	3,792
Experience adjustment	2,823	(1,100)	1,723
	6,615	(1,100)	5,515
Provision of pension fund	-	(2,323)	(2,323)
Pension paid	(2,369)	2,369	-
Balance as of December 31	$ 113,940	($ 33,592)	$ 80,348

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

(4) The fund asset of the Company's defined benefit pension plan ("the Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e., deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Since the Company has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19 paragraph 142. For the fair value of the total retirement fund as at December 31, 2019 and 2018, please refer to the Labor Retirement Fund Utilization Report published by the government each year.

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

	2019	2018
Discount rate	0.70%	1.00%
Future salary increase rate	2.50%	2.50%

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

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

	Discount rate		Future salary increase rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2019				
Effect on the present value of defined benefit obligation	($ 3,171)	$ 3,291	$ 2,939	($ 2,853)

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

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

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

(6) The Company expects to make contributions of NT$2,615 to the pension plans within one year.

(7) As at December 31, 2019, the pension plan's weighted average duration was 12 years.

2. (1) Starting from July 1, 2005, the Company and its domestic 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 percentages for the years ended December 31, 2019 and 2018 were both 13%. The pension for each employee is managed by the government, hence the Group doesn't have further obligation except for making a monthly contribution.

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

(4) The pension costs recognized by the Group in accordance the aforementioned contribution plans for the years ended December 31, 2019 and 2018 were NT$124,092 and NT$121,604, respectively.

(XVII) Share Capital

As of December 31, 2019, the Company had an authorized capital in the amount of NT$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 NT$1,353,127 with each share priced at NT$10. Share payments for the Company's issued stocks have been collected in full. Quantities of the Company's outstanding common shares at the beginning of periods are the same as those at the end of the periods.

(XVIII) Capital Reserve

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

(XIX) Retained Earnings

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

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

2. The Company’ s dividend policy is stated as below: The Company adopts a residual dividend policy in order to operate sustainably and increase profits.
3. Legal reserves may only be used for offsetting deficits and issuing new shares or distributing cash in proportion to shareholders’ original holdings. However, when new shares are issued or cash is distributed, the amount shall be limited to 25% of the reserves in excess of the paid-in capital.
4. The Company may allocate earnings only after providing a special reserve for debt balance in other equity on the date of balance sheet, and the reversal of debit balance in other equity, if any, may be stated into allocable earnings.
5. The Company recognized dividends distributed to shareholders of the Company in the amounts equal to NT$297,688 (NT$2.2 per share) and NT$351,813 (NT$2.6 per share) for the years ended December 31, 2019 and 2018, respectively. The Board of Directors proposed on February 27, 2020 to distribute NT$2.3 to each common share using the undistributed earnings, and the dividends came to a total of NT$311,219.

(XX) Operating Revenue

All the Group's revenue comes from contacts with customers under which revenue is generated by transferring goods at a point of time. Revenue can be sub-divided by geographical areas as follows:

	2019		2018	
Customer by geographical areas				
Americas	$	8,227,633	$	7,633,914
Asia		3,116,519		2,888,730
Others		412,709		592,163
	$	11,756,861	$	11,114,807

(XXI) Other income and expenses - net

	2019		2018	
Income from molds	$	47,412	$	53,396
Income from samples		27,575		26,260
Other income		32,765		36,778
	$	107,752	$	116,434

(XXII) Other Income

	2019	2018
Interest income	$ 14,285	$ 9,281
Others	7,967	974
	$ 22,252	$ 10,255

(XXIII) Other Gains and Losses

	2019	2018
Loss on disposal and retirement of property, plant and equipment	($ 10,601)	($ 762)
Net gain (loss) on foreign exchange	(10,874)	107,303
Net losses from financial assets and liabilities at fair value through profit or loss	(2,280)	(5,593)
Others	4,347	3,882
	($ 19,408)	$ 104,830

(XXIV) Finance Costs

	2019	2018
Interest expense	$ 8,373	$ 228
Other financing costs	319	-
	$ 8,692	$ 228

(XXV) Additional Information regarding the Nature of Expense

	2019	2018
Employee benefits expense	$ 2,742,405	$ 2,682,921
Depreciation	358,426	306,483
Amortization	16,707	19,256
	$ 3,117,538	$ 3,008,660

(XXVI) Employee Benefits Expense

	2019	2018
Salary and wages	$ 2,314,717	$ 2,304,452
Labor and health insurance premiums	162,526	147,590
Pension expense	124,989	122,564
Remuneration to Directors	9,120	9,140
Other personnel cost	131,053	99,175
	$ 2,742,405	$ 2,682,921

1. The Articles of Incorporation requires that the Company should allocate no less than one percent (1%) of its annual earnings as employee compensation, and no greater than five percent (5%) of its annual earnings as remuneration for directors and supervisors. Provided, however, that a portion of earnings shall be reserved if the Company still has an accumulated deficit.
2. For the years ended December 31, 2019 and 2018, the Company recognized compensation to employees in the amounts equal to NT$42,559 and NT$45,600, respectively, and remuneration to directors and supervisors in the amounts equal

to NT$10,000 and NT$10,000, respectively, all presented under payroll expense. The amounts for 2019 were estimated at certain percentages based on the profits earned by the end of the year.

The amounts of compensation to employees and remuneration to directors and supervisors for 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 (gains)

(1) Components of income tax expense

	2019	2018
Current income tax:		
Income tax arising from the current period	$ 287,183	$ 167,278
Overestimation of prior years' income tax payable	(38,296)	(24,881)
Total current income tax	248,887	142,397
Deferred income tax:		
Originating and reversed temporary differences	23,834	47,406
Effect of tax rate changes	-	8,881
Total deferred income tax	23,834	56,287
Income tax expense	$ 272,721	$ 198,684

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

	2019	2018
Remeasurement of defined benefit obligation	($ 1,103)	($ 1,617)
Effect of tax rate changes	-	(495)
	($ 1,103)	($ 2,112)

2. Relation between income tax expense and accounting profit

	2019	2018
Income tax calculated by applying the statutory tax rate to net income before tax	$ 338,867	$ 214,039
Effects from items prohibited from being recognized by laws and regulations	(6,892)	5,519
Overestimation of prior years' income tax payable	(38,296)	(24,881)
Effect of investment tax credit	(20,958)	-
Tax exemptions according to tax laws and regulations	-	(4,874)
Current temporary difference - effects from the difference in tax rate in the current year and that in the year of realization	-	8,881
Income tax expense	$ 272,721	$ 198,684

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

	2019				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Net exchange differences	December 31
Deferred income tax assets:					
Temporary differences:					
Inventory valuation and obsolescence loss	$ 10,435	($ 2,844)	$ -	($ 78)	$ 7,513
Pensions	15,252	(285)	1,103	-	16,070
Differences between financial and book depreciation	12,840	2,253	-	(564)	14,529
Unrealized exchange losses	2,000	6,479	-	-	8,479
Others	8,849	1,045	-	(155)	9,739
Tax loss	6,408	(6,408)	-	-	-
	55,784	240	1,103	(797)	56,330
Deferred income tax liabilities:					
Differences in investment gains or losses recognized	(131,135)	(24,095)	-	-	(155,230)
Liability of land value increment tax	(11,598)	-	-	-	(11,598)
Others	(318)	21	-	-	(297)
	(143,051)	(24,074)	-	-	(167,125)
	($ 87,267)	($ 23,834)	$ 1,103	($ 797)	($ 110,795)

	2018				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Net exchange differences	December 31
Deferred income tax assets:					
Temporary differences:					
Inventory valuation and obsolescence loss	$ 14,124	($ 3,582)	$ -	($ 107)	$ 10,435
Pensions	11,811	1,329	2,112	-	15,252
Differences between financial and book depreciation	13,287	(180)	-	(267)	12,840
Unrealized exchange losses	3,861	(1,861)			2,000
Others	8,060	854	-	(65)	8,849
Tax loss	5,447	961	-	-	6,408
	56,590	(2,479)	2,112	(439)	55,784
Deferred income tax liabilities:					
Differences in investment gains or losses recognized	(77,394)	(53,741)	-	-	(131,135)
Liability of land value increment tax	(11,598)	-	-	-	(11,598)
Others	(251)	(67)	-	-	(318)
	(89,243)	(53,808)	-	-	(143,051)
	($ 32,653)	($ 56,287)	$ 2,112	($ 439)	($ 87,267)

4. Below states the Company and subsidiaries' validity periods of unused tax losses and amounts of unrecognized deferred tax assets:
December 31, 2019: None.

December 31, 2018					
Company name	Year of incurrence	Amount declared/Amount approved	Tax credits not used	Unrecognized deferred income tax assets	Final deductible year
Advanced International Multitech Co., Ltd.	103	$ 136,725	$ 21,314	$ 21,314	113
Launch Technologies Co., Ltd. (LTC)	100	115,192	32,039	-	110

5. The Group didn't recognize taxable temporary differences attributable to investment in subsidiaries as deferred tax liabilities. As of December 31, 2018, the amount of temporary differences of unrecognized deferred tax liabilities was NT$679,064.
6. The profit-seeking enterprise income tax of the Company is approved by the taxation authority through 2017.
7. Deductible temporary differences not recognized as deferred tax assets:

	December 31, 2019	December 31, 2018
Deductible temporary difference	$ -	$ 4,263

8. 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

	2019		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net income attributable to shareholders of common shares	$ 615,662	135,313	$ 4.55
Diluted earnings per share			
Net income attributable to shareholders of common shares	615,662	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	1,223	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	$ 615,662	136,536	$ 4.51

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

(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
Less than 1 year	$	11,069
More than 1 year but no more than 5 years		5,490
	$	16,559

(XXX) Additional Information regarding Cash Flows

1. Investing activities with partial cash payments:

		2019		2018
Acquisition of property, plant and equipment	$	599,849	$	548,462
Add: Equipment payable, beginning of period (recognized in other payables)		38,631		37,619
Less: Equipment payable, end of period (recognized in other payables)	(	61,178)	(	38,631)
Amount paid in cash	$	577,302	$	547,450

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

		2019		2018
Equipment prepayments transferred to property, plant and equipment	$	152,138	$	76,517
Equipment prepayments transferred to intangible assets	$	-	$	100
Reclassification of property, plant and equipment to other non-current assets	$	3,450	$	-
Reclassification of property, plant and equipment to expense	$	346	$	269

(XXXI) Changes in Financing Liabilities

	Short-term loans	Long-term loans (including 1-year due)	Lease liabilities	Total financing liabilities
January 1, 2019	$ 167,109	$ 93,880	$ 131,104	$ 392,093
Changes in financing cash flows	371,903	155,710	(45,295)	482,318
Effect of exchange rate changes	(7,871)	-	(4,092)	(11,963)
Other non-cash changes	-	-	68,604	68,604
December 31, 2019	$ 531,141	$ 249,590	$ 150,321	$ 931,052

	Short-term loans	Long-term loans	Total financing liabilities
January 1, 2018	$ 90,454	$ -	$ 90,454
Changes in financing cash flows	76,655	93,880	170,535
December 31, 2018	$ 167,109	$ 93,880	$ 260,989

VII. Related-party Transactions

(I) Name and Relationship of Related Parties

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

(II) Significant Transactions with Related Parties

Acquisition of financial assets

	Accounting subject	Number of shares traded	Transaction target	Consideration for acquisition in 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
				$ 5,101

For the year ended December 31, 2019: None.

(III) Information about Remunerations to the Major Management

	2019	2018
Salary and other employee benefits	$ 43,398	$ 37,859

VIII. Pledged Assets

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

	Carrying amount		
Assets	December 31, 2019	December 31, 2018	Guarantee use
Land	$ 125,648	$ 125,648	Short-term loans
Buildings and structures - net	265,001	280,014	Short-term and long-term loans and credit facility guarantee
Machinery and equipment - net	163,045	89,285	Credit facility guarantee for long-term loans
Other equipment - net	6,833	1,823	Credit facility guarantee for long-term loans
Pledged time deposits (presented as "other non-current assets - others")	1,083	5,243	Customs deposits and performance bond
	$ 561,610	$ 502,013	

IX. Important Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingency

None.

(II) Commitments

1. Balance of outstanding letters of credit

	December 31, 2019	December 31, 2018
Raw materials imported	$ 49,428	$ 88,845

2. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows

	December 31, 2019	December 31, 2018
Property, plant and equipment	$ 338,087	$ 190,646

3. Operating lease commitments

Please refer to Note VI(IX) and VI(XXIX) for details.

X. Significant Losses from Disasters

None.

XI. Significant Subsequent Events

1. The Company's Board of Directors proposed on February 27, 2020 to distribute cash dividends of NT$2.3 to each common share using the undistributed earnings, and the dividends came to a total of NT$311,219. Please refer to Note VI(XIX) for details.

2. The spread of the COVID-19 pandemic has taken a toll on the Group's operations in some regions. As of the date of publication of the consolidated financial statements, the possible impact was yet to be reasonably estimated.

XII. Others

(I) Capital Management

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

The Group's strategies employed for 2019 were the same as those for 2018, i.e., striving to strike a balance for the overall capital structure. The Group's debt-to-capital ratios as at December 31, 2019 and 2018 are stated below:

	December 31, 2019	December 31, 2018
Total liabilities	$ 3,761,438	$ 3,390,971
Total assets	$ 8,268,428	$ 7,604,069
Debt-to-capital ratio	45	45

(II) Financial Instruments

1. Types of financial instruments

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 10	$ 314
Financial assets at fair value through other comprehensive income		
Election of the designated equity instrument investment	55	55
Financial assets measured at amortized cost		
Cash and cash equivalents	968,766	533,118
Notes receivable	5,689	11,181
Accounts receivable	2,645,575	2,738,892
Other receivables	15,329	30,465
Refundable deposits	11,832	11,965
	$ 3,647,256	$ 3,325,990

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities measured at amortized costs		
Short-term loans	$ 531,141	$ 167,109
Notes payable	2,299	3,319
Accounts payable	1,260,646	1,644,166
Other payables	1,127,718	1,053,104
Long-term loans (including 1-year due)	249,590	93,880
Deposits received	1,292	604
	$ 3,172,686	$ 2,962,182
Lease liabilities (including non-current)	$ 150,321	$ -

2. Risk management policy

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

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

3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange rate risk

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

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

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

	December 31, 2019		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 120,353	29.93	$ 3,602,165
USD:CNY	32,751	6.9762	980,237
Non-monetary items			
USD:NTD	19,460	29.93	582,445
CNY:NTD	177,434	4.31	763,854
Financial liabilities			
Monetary items			
USD:NTD	46,252	30.03	1,388,948
USD:CNY	17,549	6.9762	526,996

	December 31, 2018		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 103,293	30.67	$ 3,167,996
USD:CNY	35,476	6.87	1,088,049
Non-monetary items			
USD:NTD	17,153	30.67	526,082
CNY:NTD	272,933	4.47	1,220,556
Financial liabilities			
Monetary items			
USD:NTD	49,511	30.77	1,523,453
USD:CNY	12,594	6.87	387,517

D. Due to the exchange rate volatility, total exchange gains and losses from the Group' s monetary items amounted to NT$(10,874) and NT$107,303 for the years ended December 31, 2019 and 2018, respectively.

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

	2019		
	Sensitivity analysis		
	Range of change	Effects on profit or loss	Effects on other comprehensive income
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 36,022	$ -
USD:CNY	1%	9,802	-
Non-monetary items			
USD:NTD	1%	-	5,824
USD:CNY	1%	-	7,639
Financial liabilities			
Monetary items			
USD:NTD	1%	13,889	-
USD:CNY	1%	5,270	-

	2018		
	Sensitivity analysis		
	Range of change	Effects on profit or loss	Effects on other comprehensive income
(Foreign currency: Functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 31,680	$ -
USD:CNY	1%	10,880	-
Non-monetary items			
USD:NTD	1%	-	5,261
USD:CNY	1%	-	12,206
Financial liabilities			
Monetary items			
USD:NTD	1%	15,235	-
USD:CNY	1%	3,875	-

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 short-term and long-term loans with floating interest rates that have resulted in the Group exposing to cash flow interest rate risks. The Group's policy aims to maintain at least 1.395% of the loans as fixed interests and, if necessary, achieves the target by means of interest rates swaps. For the years ended December 31, 2019 and 2018, the Group's issuance of short-term and long-term loans with floating interest rates was mainly denominated in New Taiwan Dollars.

B. If the borrowing interest rate of NTD increases or decreases by 0.25%, held other variables constant, the net income after tax for the years ended December 31, 2019 and 2018 will decrease or increase by NT$879 and NT$522, respectively, 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 Group arising from default by customers or counterparties of financial instruments on the contract obligations. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience and other factors.

Cash and cash equivalents and financial derivatives

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

Accounts receivable

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

B. The Group adopts the presumption 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 receivable 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 receivable due from customers as at December 31, 2019 and 2018, respectively: both 0.00% to 0.02% for accounts receivable not past due, 0.01% to 0.21% and 0.00% to 0.17% for accounts receivable within 30 days past due, 0.01% to 3.72% and 0.00% to 3.48% for accounts receivable 31 days to 60 days past due, 0.04% to 8.1% and 0.02% to 9.39% for accounts receivable 61 days to 90 days past due, 0.19% to 17.4% and 0.13% to 13.67% for accounts receivable 91 days to 120 days past due, 1.86% to 58.22% and 1.49% to 35.84% for accounts receivable 121 days to 150 days past due, 22.31% to 96.74% and 17.29% to 84.81% for accounts receivable 151 days to 180 days past due, and both 100% for accounts receivable more than 180 days past due; the amount of the accounts receivable that is more than 31 days past due constituted roughly 0.20% and 0.57% of the Group's total accounts receivable.

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

	2019	
	Notes receivable	Accounts receivable
January 1	$ -	$ 1,664
Reversal of impairment loss	-	(799)
December 31	$ -	$ 865

	2018	
	Notes receivable	Accounts receivable
January 1	$ -	$ 8,620
Reversal of impairment loss	-	(6,956)
December 31	$ -	$ 1,664

(3) Liquidity risk

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

B. The Group's remaining cash in excess of its operating needs is invested in demand deposits bearing interests, time deposits, bonds sold under repurchase agreement, and marketable securities, all of which are instruments either with appropriate maturity or with sufficient liquidity so as to satisfy the said forecasting and provide sufficient position for dispatching of funds. As of December 31, 2019, and 2018, the Group had a money market position in the amounts equal to NT$968,115 and NT$532,271.

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:

	December 31, 2019		
	Less than 1 year	1~2 years	Over 2 years
Non-derivative financial liabilities			
Short-term loans	$ 531,630	$ -	$ -
Notes payable	2,299	-	-
Accounts payable	1,260,646	-	-
Other payables	1,127,718	-	-
Lease liabilities (including non-current)	43,972	32,064	93,077
Long-term loans	14,599	61,678	183,487
Derivative financial liabilities: None.			

	December 31, 2018		
	Less than 1 year	1~2 years	Over 2 years
Non-derivative financial liabilities			
Short-term loans	$ 167,109	$ -	$ -
Notes payable	3,319	-	-
Accounts payable	1,644,166	-	-
Other payables	1,053,104	-	-
Long-term loans	1,310	8,192	89,604
Derivative financial liabilities: None.			

D. For non-derivative financial liabilities, the Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(III) Fair Value Information

1. The different levels of inputs used in the valuation techniques for measuring the fair

value of financial and non-financial instruments have been defined as follows:

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

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

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

2. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, short-term loans, notes payable, accounts payable, other payables, lease liabilities, long-term loans (including those due within a year), and deposits received, 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) The related information of assets and liabilities categorized by their nature is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 10	$ -	$ 10
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	55	55
	$ -	$ 10	$ 55	$ 65

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

(2) The methods and assumptions of fair value measurement are as follows:

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

4. There was no transfer between Level 1 and Level 2 of the fair value hierarchy in 2019 and 2018.
5. There were no changes in Level 3 of the fair value hierarchy in 2019 and 2018.
6. The finance department of the Group is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable, and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model, and making any other necessary adjustments to the fair value.
7. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value as of December 31, 2019	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	$ 1,014	Net asset method	Not applicable	Not applicable	Not applicable

	Fair value on December 31, 2018	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	$ 706	Net asset method	Not applicable	Not applicable	Not applicable

8. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets categorized within Level 3 of the fair value hierarchy, changes in valuation parameters will not have a significant influence on either profit or loss or other comprehensive income.

XIII. Additional Disclosure

(I) Information about Significant Transactions

1. Loans to Others: None.
2. Endorsements and Guarantees: None.
3. Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates and Joint Ventures): Table 1.
4. Aggregate Trading Value on the Same Securities (Including Purchase and Sales) Reaching NT$300 Million or 20 Percent of the Paid-in Capital or More: None.
5. Acquisition of Property Amounting to at Least NT$300 Million or Exceeding 20% of Paid-in Capital: None.
6. Disposal of Property Amounting to at Least NT$300 Million or Exceeding 20% of Paid-in Capital: None.
7. Purchases from and Sales to Related Parties Amounting to at Least NT$100 Million or Exceeding 20% of Paid-in Capital: Table 2.
8. Receivables from Related Parties Amounting to at Least NT$100 Million or Exceeding 20% of Paid-in Capital: Table 3.
9. Engagement in Derivatives Transactions: Note VI(II) and XII(III).
10. Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof: Table 4.

(II) Reinvestment Information

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

(III) Investments in Mainland China

1. General Information: Table 6.
2. Significant Transactions between the Company and Investee Companies in China Directly or Indirectly through Entities in a Third Area: 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) Measurement of Segment Information

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

(III) Information on Segment Profit or Loss, Assets, and Liabilities

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

(IV) Reconciliation of Segment Profit or Loss

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

(V) Information by Product and Service

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

Components making the income balance are stated below:

	2019	2018
Sales revenue	$ 11,756,861	$ 11,114,807

(VI) Geographical Information

Geographical information for years ended December 31, 2019 and 2018 is as follows:

	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Americas	$ 8,227,633	$ -	$ 7,633,914	$ -
Asia	3,116,519	2,345,885	2,888,730	1,966,977
Others	412,709	-	592,163	-
	$ 11,756,861	$ 2,345,885	$ 11,114,807	$ 1,966,977

Non-current assets comprise property, plant and equipment (PP&E), intangible assets, prepayments for business facilities, and other non-current assets, excluding refundable deposits.

(VII) Major Customer Information

The Group's major customers for the years ended December 31, 2019 and 2018 are as follows:

	2019		2018	
	Revenue	Ratio to net sales (%)	Revenue	Ratio to net sales (%)
Customer No. 10986	$ 4,808,338	41	$ 4,276,961	38
Customer No. 10008	2,343,969	20	2,085,240	19
	$ 7,152,307	61	$ 6,362,201	57

Advanced International Multitech Co., Ltd. and Subsidiaries
Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates and Joint Ventures)
For the Year Ended December 31, 2019

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

Table 1

Investor	Type and name of securities	Relationship with the issuer	General ledger account	End of the period				Note
				Number of shares	Book value	Ownership (%)	Fair value	
Advanced International Multitech Co., Ltd.	Hua Nan Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	57,438	$ 55	10.6	$ 1,014	
Advanced International Multitech Co., Ltd.	IBF Securities Co., Ltd.	None	Cash and cash equivalents	-	29,930	-	29,930	

Advanced International Multitech Co., Ltd. and Subsidiaries
Purchases from and Sales to Related Parties Amounting to at Least NT$100 Million or Exceeding 20% of Paid-in Capital
For the Year Ended December 31, 2019

Table 2

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

Name of company	Name of the counterparty	Relationship	Transaction details: Purchase/sale	Transaction details: Amount	Transaction details: Ratio to total purchases/sales (%)	Transaction details: Loan period	Situation and reason of why trading conditions are different from general trading: Unit price	Situation and reason of why trading conditions are different from general trading: Loan period	Notes or accounts receivable (payable): Balance	Notes or accounts receivable (payable): Ratio to total notes or accounts receivable (payable) (%)	Note
Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	Second-tier subsidiary	Purchase	$ 6,172,025	67%	Note 1	Note 1	Note 1	($ 967,699)	(72%)	
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	Subsidiary	Purchase	2,170,461	20%	Note 1	Note 1	Note 1	(243,613)	(17%)	Note 2
Advanced Sporting Goods (Dongguan) Co., Ltd.	Advanced International Multitech Co., Ltd.	Ultimate parent company	Sale	(6,172,025)	(100%)	Note 3	Note 3	Note 3	967,699	100%	Note 2
Advanced International Multitech (VN) Co., Ltd.	Advanced International Multitech Co., Ltd.	Parent company	Sale	(2,170,461)	(100%)	Note 3	Note 3	Note 3	243,613	100%	

Note 1. The price and payment terms of the Company's purchases from 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, it is incomparable with the general transaction.

Note 2. The Company purchases raw materials on behalf of Advanced Sporting Goods (Dongguan) Co., Ltd. and Advanced International Multitech (VN) Corporation Ltd., and after processing, they sell the finished products to the Company. This is the balance of other receivables and payables.

Note 3. The price and collection terms 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 product transaction, it is incomparable with the general transaction.

Advanced International Multitech Co., Ltd. and Subsidiaries
Receivables from Related Parties Amounting to at Least NT$100 Million or Exceeding 20% of Paid-in Capital
For the Year Ended December 31, 2019

Table 3

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

Name of company	Name of the counterparty	Relationship	Balance of receivables from related parties	turnover rate	Overdue receivables from related parties		Amounts received in subsequent period	Allowance for doubtful accounts	Note
					Amount	Action taken			
Advanced Sporting Goods (Dongguan) Co., Ltd.	Advanced International Multitech Co., Ltd.	Ultimate parent company	$ 967,699	0.74	$ -	-	$ 413,837	$ -	
Advanced International Multitech (VN) Co., Ltd.	Advanced International Multitech Co., Ltd.	Parent company	243,613	0.91	-	-	166,882	-	

Advanced International Multitech Co., Ltd. and Subsidiaries
Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof
For the Year Ended December 31, 2019

Table 4

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

No. (Note 1)	Name of company	Name of the transaction counterparty	Relationship (Note 2)	Conditions of transactions			
				General ledger account	Amount	Transaction terms	Ratio to consolidated revenue or total assets (%)
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	1	Purchase	$ 6,172,025	According to the agreement between both parties	52%
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	1	Accounts payable	967,699	According to the agreement between both parties	12%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Purchase	2,170,461	According to the agreement between both parties	18%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Accounts payable	243,613	According to the agreement between both parties	3%

Note 1. The numbers filled in for the parent-subsidiary and subsidiary-subsidiary transactions are described as follows:

(1) The number 0 represents the parent company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2. The relationship between the company and the transaction counterparty comprises the following:

(1) The parent company to the consolidated subsidiary.

(2) The consolidated subsidiary to the parent company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Advanced International Multitech Co., Ltd. and Subsidiaries
Name, Location and Information on Investee Companies (Not Including Investee Companies in China)
For the Year Ended December 31, 2019

Table 5

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

Investor	Name of investee company	Location	Primary business	Original investment amount: End of this year	Original investment amount: End of last year	Ownership, end of period: Number of shares	Ownership, end of period: Ownership (%)	Ownership, end of period: Book value	Net profit or loss of investee company	Share of profit or loss of investee company	Note
Advanced International Multitech Co., Ltd.	Advanced International Multitech (BVI) Co., Ltd.	British Virgin Islands	Investment in other regions	$ 34,471	$ 34,471	1,050,000	100	$ 105,393	($ 38,718)	($ 38,718)	
Advanced International Multitech Co., Ltd.	Advanced Group International (BVI) Co., Ltd.	British Virgin Islands	Investment in other regions	149,434	149,434	4,584,815	100	927,258	244,280	249,417	Note 1
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Co., 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	582,445	71,994	71,153	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	513,333	129,001	72,150	

Note 1. The difference between the net profit or loss of investee company and the share of profit or loss of investee company is the unrealized gains or losses arising from inter-company transactions.

Advanced International Multitech Co., Ltd. and Subsidiaries
Investments in Mainland China - General Information
For the Year Ended December 31, 2019

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

Table 6

Investee company	Primary business	Actual paid-in capital	Method of investment	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount		Ending balance of accumulated outflow of investment from Taiwan	Net profit or loss of investee company	Direct or indirect ownership of the Company (%)	Share of profit or loss of investee company	Carrying amount, end of period	Ending balance of accumulated inward remittance of investment income	Note
					Remittance	Recovery							
Advanced Group International (BVI) Co., Ltd.: Advanced Sporting Goods (Dongguan) Co., Ltd.	Engaged in production and sale of carbon fiber prepreg materials and sports products	$ 149,446	2	$ 149,434	$ -	$ -	$ 149,434	$ 316,202	100	$ 316,202	$ 731,169	$ 440,730	Note 1 and Note 2
Advanced International Multitech (BVI) Co., Ltd.: Advanced Sporting Goods (Shatian, Dongguan) Co., Ltd.	Engaged in production and sale of carbon fiber prepreg materials and sports products	30,340	2	-	-	-	-	(36,033)	100	(36,033)	32,685	-	Note 1~Note 4
Advanced Sporting Goods (Dongguan) Co., Ltd.: Beijing Mingda Titanium Technology	Engaged in development of materials	1,330	3	-	-	-	-	(784)	50	(392)	71	-	Note 1, Note 2, Note 5, and Note 7
Advanced Sporting Goods (Dongguan) Co., Ltd.: Baoji Zatech Material Co., Ltd.	Engaged in production of materials	17,744	3	-	-	-	-	(3,778)	25	(945)	2,813	-	Note 1, Note 2, Note 6, and Note 7

Note 1. The methods of investment are divided into the following four types:
1. Investment in China's companies through remittance from a third area.
2. Investment in China's companies through companies invested in and established by a third area.
3. Investment in China's companies through reinvestment in existing companies in a third area.
4. Other methods

Note 2. The share of profit or loss of investee company is recognized in accordance with the parent company's financial statements audited by a certified public accountant.

Note 3. Paid-in capital is translated at the exchange rate of 30.34 on the investment amount of US$1,000 thousand for the year.

Note 4. It is an direct investee company in China of Advanced International Multitech (BVI) Co., Ltd., a subsidiary of the Company. The Company did not remit any amount.

Note 5. Paid-in capital is translated at the exchange rate of 4.436 on the investment amount of RMB300 thousand.

Note 6. Paid-in capital is translated at the exchange rate of 4.436 on the investment amount of NT$4,000 thousand.

Note 7. It is an direct investee company in China of Advanced Sporting Goods (Dongguan) Co., Ltd., a second-tier subsidiary of the Company. The Company did not remit any amount.

Name of company	Accumulated investment remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (M.O.E.A.)	Upper limit on investment authorized by the Investment Commission, M.O.E.A.
Advanced International Multitech Co., Ltd. (Note 8~Note 11)	$ 149,434	$ 167,198	$ 2,704,194

Note 8. The accumulated investment remitted from Taiwan to Mainland China at the end of the period is translated at the spot exchange rate at the time of remittance on the investment amount of USD4,577 thousand.

Note 9. The investment amount approved by the Investment Commission, M.O.E.A., US$5,577 thousand, is translated at the exchange rate of 29.98 on the balance sheet date.

Note 10. The upper limit on investment authorized by the Investment Commission, M.O.E.A. is based on the Letter Jing-Shen-Zi No. 09704604680 dated August 29, 2008.

Note 11. It also includes the amount of investment in the direct investee company in China of Advanced International Multitech (BVI) Co., Ltd., a subsidiary of the Company, approved by the Investment Commission, M.O.E.A.

Advanced International Multitech Co., Ltd. and Subsidiaries
Investments in Mainland China - Significant Transactions between the Company and Investee Companies in China Directly or Indirectly through Entities in a Third Area
For the Year Ended December 31, 2019

Table 7

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

	Sale/purchase		Property transaction		Accounts receivable (payable)		Endorsement/guarantee or collateral provided		Financing				
Investee company	Amount	%	Amount	%	Balance	%	Ending balance	Purpose	Maximum balance	Ending balance	Interest rate range	Interest during the current period	Note
Advanced Sporting Goods (Dongguan) Co., Ltd.	($ 6,172,025)	(67%)	$ -	-	($ 967,699)	(72%)	$ -	-	$ -	$ -	-	$ -	Note 1

Note 1: The Company purchases raw materials on behalf of Advanced Sporting Goods (Dongguan) Co., Ltd., which, and after processing, sells the finished products to the Company. This is the balance of other receivables and payables.