

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report
For the Three-month Periods Ended March 31, 2020 and 2019
(Stock Code: 8938)

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Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report for the Three-
month Periods Ended March 31, 2020 and 2019

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Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

March 31, 2020, December 31, 2019, and March 31, 2019

(The Consolidated Balance Sheets on March 31, 2020 and 2019 Were Reviewed Only, Not Audited
in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: In Thousands of New Taiwan Dollars

	Assets	Notes	March 31, 2020		December 31, 2019		March 31, 2019	
			Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	VI(I)	\$ 1,774,596	19	\$ 968,766	12	\$ 684,040	9
1110	Financial assets at fair value through profit or loss - current	VI(II)	-	-	10	-	-	-
1136	Financial assets at amortized cost - current	VI(III)	219,612	2	-	-	-	-
1150	Notes receivable - net	VI(IV)	2,252	-	5,689	-	3,188	-
1170	Accounts receivable - net	V and VI(IV)	2,071,414	23	2,645,575	32	2,790,438	37
1200	Other receivables		10,665	-	15,329	-	24,353	1
130X	Inventories	V and VI(V)	1,753,342	19	1,898,974	23	1,567,365	21
1410	Prepayments	VI(VII)	133,784	2	128,315	2	151,380	2
1470	Other current assets		12,880	-	8,930	-	8,606	-
11XX	Total current assets		<u>5,978,545</u>	<u>65</u>	<u>5,671,588</u>	<u>69</u>	<u>5,229,370</u>	<u>70</u>
	Non-current assets							
1517	Financial assets at fair value through other comprehensive income - non-current	VI(VI)	55	-	55	-	55	-
1535	Financial assets at amortized cost - non-current	VI(III)	428,829	5	-	-	-	-
1550	Investments accounted for using equity method	VI(VIII)	2,572	-	2,884	-	4,410	-
1600	Property, plant and equipment	VI(IX) and VIII	2,397,657	26	2,197,452	27	1,853,893	25
1755	Right-of-use assets	VI(X)	177,308	2	179,854	2	154,178	2
1780	Intangible assets	VI(XI)	11,193	-	13,206	-	20,333	-
1840	Deferred income tax assets		47,564	-	56,330	1	52,926	1
1915	Prepayments for business facilities		102,581	1	113,991	1	156,925	2
1990	Other non-current assets - others	VIII	58,139	1	33,068	-	33,803	-
15XX	Total non-current assets		<u>3,225,898</u>	<u>35</u>	<u>2,596,840</u>	<u>31</u>	<u>2,276,523</u>	<u>30</u>
1XXX	Total assets		<u>\$ 9,204,443</u>	<u>100</u>	<u>\$ 8,268,428</u>	<u>100</u>	<u>\$ 7,505,893</u>	<u>100</u>

(Continued)

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

March 31, 2020, December 31, 2019, and March 31, 2019

(The Consolidated Balance Sheets on March 31, 2020 and 2019 Were Reviewed Only, Not Audited
in Accordance with the Generally Accepted Auditing Standards in the Republic of China)

Unit: In Thousands of New Taiwan Dollars

Liabilities and equity	Notes	March 31, 2020		December 31, 2019		March 31, 2019		
		Amount	%	Amount	%	Amount	%	
Current liabilities								
2100	Short-term loans	VI(XII) and VIII	\$ 1,784,463	19	\$ 531,141	6	\$ 90,866	1
2120	Financial liabilities at fair value through profit or loss - current	VI(XIII)	77	-	-	-	14	-
2150	Notes payable		1,533	-	2,299	-	1,668	-
2170	Accounts payable		1,048,310	11	1,260,646	15	1,229,204	17
2200	Other payables	VI(XIV)	928,868	10	1,127,718	14	902,668	12
2230	Income tax liabilities		89,771	1	133,746	2	202,952	3
2280	Lease liabilities - current		36,726	1	39,263	-	20,503	-
2300	Other current liabilities	VI(XV) and VIII	89,075	1	68,354	1	64,556	1
21XX	Total current liabilities		<u>3,978,823</u>	<u>43</u>	<u>3,163,167</u>	<u>38</u>	<u>2,512,431</u>	<u>34</u>
Non-current liabilities								
2540	Long-term loans	VI(XV) and VIII	287,240	3	238,448	3	193,950	3
2570	Deferred income tax liabilities		127,487	2	167,125	2	158,061	2
2580	Lease liabilities - non-current		111,317	1	111,058	1	100,734	1
2640	Net defined benefit liability - non-current		80,329	1	80,348	1	76,259	1
2670	Other non-current liabilities - others		577	-	1,292	-	949	-
25XX	Total non-current liabilities		<u>606,950</u>	<u>7</u>	<u>598,271</u>	<u>7</u>	<u>529,953</u>	<u>7</u>
2XXX	Total liabilities		<u>4,585,773</u>	<u>50</u>	<u>3,761,438</u>	<u>45</u>	<u>3,042,384</u>	<u>41</u>
Equity								
Equity attributable to shareholders of the parent company								
Share capital								
3110	Capital of common shares	VI(XVII)	1,353,127	15	1,353,127	16	1,353,127	18
Capital reserve								
3200	Capital reserve	VI(XVIII)	781,236	8	781,236	9	781,236	10
Retained earnings								
3310	Legal reserve	VI(XIX)	799,969	9	799,969	10	743,087	10
3320	Special reserve		75,285	1	75,285	1	65,616	1
3350	Undistributed earnings		1,333,836	14	1,226,712	15	1,185,408	16
Other equity								
3400	Other equity		(133,212)	(1)	(133,828)	(1)	(43,580)	(1)
31XX	Total equity attributable to shareholders of the parent company		<u>4,210,241</u>	<u>46</u>	<u>4,102,501</u>	<u>50</u>	<u>4,084,894</u>	<u>54</u>
36XX	Non-controlling interests	IV(III)	<u>408,429</u>	<u>4</u>	<u>404,489</u>	<u>5</u>	<u>378,615</u>	<u>5</u>
3XXX	Total equity		<u>4,618,670</u>	<u>50</u>	<u>4,506,990</u>	<u>55</u>	<u>4,463,509</u>	<u>59</u>
Important contingent liabilities and unrecognized contractual commitments								
3X2X	Total liabilities and equity		<u>\$ 9,204,443</u>	<u>100</u>	<u>\$ 8,268,428</u>	<u>100</u>	<u>\$ 7,505,893</u>	<u>100</u>

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

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

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

January 1 to March 31, 2020 and January 1 to March 31, 2019

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

Unit: In Thousands of New Taiwan Dollars

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

Item	Notes	January 1, 2020 to March 31, 2020		January 1, 2019 to March 31, 2019	
		Amount	%	Amount	%
4000 Operating revenue	VI(XX)	\$ 2,684,000	100	\$ 3,480,857	100
5000 Operating costs	VI(X), VI(XI), VI(XXV), and VI(XXVI)	(2,306,646)	(86)	(2,915,715)	(84)
5900 Gross operating profit		<u>377,354</u>	<u>14</u>	<u>565,142</u>	<u>16</u>
Operating expenses	VI(XI), VI(XXV), and VI(XXVI)				
6100 Selling expenses		(44,577)	(2)	(51,001)	(2)
6200 Administrative expenses		(110,511)	(4)	(107,552)	(3)
6300 Research and development expenses		(110,796)	(4)	(106,543)	(3)
6450 Expected credit impairment loss	XII(II)	(541)	-	(739)	-
6000 Total operating expenses		<u>(266,425)</u>	<u>(10)</u>	<u>(265,835)</u>	<u>(8)</u>
6500 Other income and expenses - net	VI(XXI)	<u>23,459</u>	<u>1</u>	<u>22,089</u>	<u>1</u>
6900 Operating income		<u>134,388</u>	<u>5</u>	<u>321,396</u>	<u>9</u>
Non-operating income and expenses					
7010 Other income	VI(XXII)	5,267	-	5,638	-
7020 Other gains and losses	VI(II), VI(XIII), and VI(XXIII)	24,901	1	(23,204)	-
7050 Finance costs	VI(IX) and VI(XXIV)	(6,079)	-	(1,708)	-
7060 Share of the profit (loss) of associates and joint ventures accounted for using equity method	VI(VIII)	(282)	-	(27)	-
7000 Total non-operating income and expenses		<u>23,807</u>	<u>1</u>	<u>(19,301)</u>	<u>-</u>
7900 Profit before tax		<u>158,195</u>	<u>6</u>	<u>302,095</u>	<u>9</u>
7950 Income tax expense	VI(XXVII)	(47,131)	(2)	(83,389)	(3)
8200 Net income		<u>\$ 111,064</u>	<u>4</u>	<u>\$ 218,706</u>	<u>6</u>
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
8361 Exchange differences on translation of foreign financial statements		\$ 616	-	\$ 31,705	1
8300 Other comprehensive income (loss), net		<u>\$ 616</u>	<u>-</u>	<u>\$ 31,705</u>	<u>1</u>
8500 Total comprehensive income (loss)		<u>\$ 111,680</u>	<u>4</u>	<u>\$ 250,411</u>	<u>7</u>
Net income (loss) attributable to:					
8610 Owners of the parent company		\$ 107,124	4	\$ 205,707	6
8620 Non-controlling interests		3,940	-	12,999	-
Total		<u>\$ 111,064</u>	<u>4</u>	<u>\$ 218,706</u>	<u>6</u>
Total comprehensive income (loss) attributable to:					
8710 Owners of the parent company		\$ 107,740	4	\$ 237,412	7
8720 Non-controlling interests		3,940	-	12,999	-
Total		<u>\$ 111,680</u>	<u>4</u>	<u>\$ 250,411</u>	<u>7</u>
Earnings per share	VI(XXVIII)				
9750 Basic		<u>\$ 0.79</u>		<u>\$ 1.52</u>	
9850 Diluted		<u>\$ 0.79</u>		<u>\$ 1.51</u>	

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

Chairman: Hsi-Chien Cheng

Manager: Hsi-Chien Cheng

Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

January 1 to March 31, 2020 and January 1 to March 31, 2019

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

Unit: In Thousands of New Taiwan Dollars

	Notes	Equity attributable to shareholders of the parent company										
		Capital reserve				Retained earnings				Exchange differences on translation of foreign financial statements	Non-controlling interests	Total equity
		Capital of common shares	Share premium	Recognized value of changes in equity of ownership of subsidiaries	Others	Legal reserve	Special reserve	Undistributed earnings	Total			
<u>January 1, 2019 to March 31, 2019</u>												
Balance as of January 1, 2019		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 743,087	\$ 65,616	\$ 979,701	(\$ 75,285)	\$ 3,847,482	\$ 365,616	\$ 4,213,098
Net income		-	-	-	-	-	-	205,707	-	205,707	12,999	218,706
Other comprehensive income (loss)		-	-	-	-	-	-	-	31,705	31,705	-	31,705
Total comprehensive income (loss)		-	-	-	-	-	-	205,707	31,705	237,412	12,999	250,411
Balance as of March 31, 2019		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 743,087	\$ 65,616	\$ 1,185,408	(\$ 43,580)	\$ 4,084,894	\$ 378,615	\$ 4,463,509
<u>January 1, 2020 to March 31, 2020</u>												
Balance as of January 1, 2020		\$ 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
Net income		-	-	-	-	-	-	107,124	-	107,124	3,940	111,064
Other comprehensive income (loss)		-	-	-	-	-	-	-	616	616	-	616
Total comprehensive income (loss)		-	-	-	-	-	-	107,124	616	107,740	3,940	111,680
Balance as of March 31, 2020		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 799,969	\$ 75,285	\$ 1,333,836	(\$ 133,212)	\$ 4,210,241	\$ 408,429	\$ 4,618,670

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

Chairman: Hsi-Chien Cheng

Manager: Hsi-Chien Cheng

Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to March 31, 2020 and January 1 to March 31, 2019

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

Unit: In Thousands of New Taiwan Dollars

	Notes	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 158,195	\$ 302,095
Adjustments:			
Income and expense item			
Depreciation	VI(IX), VI(X), and VI(XXV)	100,148	85,785
Amortization	VI(XXV)	5,021	4,282
Expected credit impairment loss	XII(II)	541	739
Net losses (gains) from financial assets and liabilities at fair value through profit or loss	VI(II), VI(XIII), and VI(XXIII)	73	(235)
Interest income	VI(XXII)	(4,160)	(1,035)
Interest expense	VI(XXIV)	5,667	1,659
Loss on disposal and retirement of property, plant and equipment	VI(XXIII)	13,082	1,554
Reclassification of property, plant and equipment to expense		-	45
Gains on lease modification	VI(X)	(426)	-
Share of the profit (loss) of associates and joint ventures accounted for using equity method	VI(VIII)	282	27
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss - current		60	744
Notes receivable - net		3,437	7,992
Accounts receivable		568,751	(21,953)
Other receivables		(792)	6,132
Inventories		142,390	527,124
Prepayments		(6,458)	24,038
Other current assets		(3,974)	(778)
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current		(46)	(178)
Notes payable		(766)	(1,651)
Accounts payable		(208,864)	(440,391)
Other payables		(232,549)	(192,562)
Other current liabilities		11,332	17,703
Net defined benefit liability - non-current		(19)	-
Other non-current liabilities - others		-	(3,886)
Cash provided by operating activities		<u>550,925</u>	<u>317,250</u>
Income tax paid		(27,716)	(21,468)
Net cash provided by operating activities		<u>523,209</u>	<u>295,782</u>

(Continued)

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to March 31, 2020 and January 1 to March 31, 2019

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

Unit: In Thousands of New Taiwan Dollars

	Notes	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
<u>Cash provided by investing activities</u>			
Increase in financial assets at amortized cost - current		(\$ 219,612)	\$ -
Increase in financial assets at amortized cost - non-current		(428,829)	-
Acquisition of property, plant and equipment	VI(XXIX)	(104,818)	(101,837)
Increase in prepayments for business facilities		(153,056)	(56,966)
Proceeds from disposal of property, plant and equipment		73	-
Acquisition of intangible assets	VI(XI)	(240)	(4,359)
Increase in refundable deposits		(3,413)	(167)
Decrease in refundable deposits		525	265
Increase in other non-current assets		(21,423)	(1,712)
Interest received		9,626	1,186
Net cash used in investing activities		(<u>921,167</u>)	(<u>163,590</u>)
<u>Cash provided by (used in) financing activities</u>			
Increase in short-term loans	VI(XXX)	4,481,511	212,071
Decrease in short-term loans	VI(XXX)	(3,222,954)	(288,314)
Repayment of the principal amount of rentals	VI(XXX)	(10,844)	(9,176)
Increase in long-term loans	VI(XXX)	58,360	100,070
Increase in deposits received		-	23
Decrease in deposits received		(711)	-
Interest paid		(5,667)	(1,381)
Net cash provided by financing activities		<u>1,299,695</u>	<u>13,293</u>
Effect of exchange rate changes on cash and cash equivalents		(<u>95,907</u>)	<u>5,437</u>
Increase in cash and cash equivalents for the current period		805,830	150,922
Cash and cash equivalents, beginning of the period		<u>968,766</u>	<u>533,118</u>
Cash and cash equivalents, end of the period		<u>\$ 1,774,596</u>	<u>\$ 684,040</u>

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

Chairman: Hsi-Chien Cheng

Manager: Hsi-Chien Cheng

Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

For the Three-month Periods Ended March 31, 2020 and 2019

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

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

I. Company Profile

- (I) Established on July 20, 1987, Advanced International Multitech Co., Ltd. ("the Company" hereinafter) started operation in January 1988 under its former name as Advanced Composite Design Co., Ltd. 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 released on May 7, 2020 after being approved by the Board of Directors.

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

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

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

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

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

None.

(III) Effects of IFRSs Issued by IASB but Not Yet Endorsed by the FSC

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

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

Among the significant accounting policies, except for the compliance statement, preparation basis, consolidation basis and additions which are stated below, the rest are the same as Note IV of the consolidated financial statements for the year ended December 31, 2019. Unless otherwise stated, the policies shall be applicable to all reporting periods presented.

(I) Statement of Compliance

1. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the IAS 34 "Interim Financial Reporting" endorsed by the FSC.
2. These consolidated financial statements shall be read together with the consolidated financial statements for the year ended December 31, 2019.

(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 (FVTOCI).
 - (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 in preparing a set of financial statements in compliance with the FSC endorsed version of International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations (collectively referred to as "IFRSs"). Management judgments are also required in the process of applying

the Group's accounting policies. For items that are highly judgmental, complex, or related to significant assumptions and estimates of the consolidated financial statements, please refer to Note V.

(III) Basis of Consolidation

1. Basis for preparation of consolidated financial statements:

The principles followed in preparing these consolidated financial statements are the same as those in 2019.

2. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		
			March 31, 2020	December 31, 2019	March 31, 2019
Advanced International Multitech Co., Ltd.	Advanced International Multitech (BVI) Co., Ltd.	Overseas investment	100	100	100
Advanced International Multitech Co., Ltd.	Advanced International Group (BVI) Co., Ltd.	Overseas investment	100	100	100
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	Engaged in the production and sales of various golf club shafts and heads, and golf sets.	100	100	100
Advanced International Multitech Co., Ltd.	Launch Technologies Co., Ltd. (LTC)	Engaged in production of sports products, other plastic products and international trade	55.93	55.93	55.93
Advanced Group International (BVI) Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	Engaged in production, import and export of carbon fiber prepreg materials and sports products	100	100	100
Advanced International Multitech (BVI) Co., Ltd.	Advanced Sporting Goods (Shatian, Dongguan) Co., Ltd.	Engaged in production, import and export of carbon fiber prepreg materials and sports products	100	100	100

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 March 31, 2020, December 31, 2019, and March 31, 2019, the Group's non-controlling interests totaled NT\$408,429, NT\$404,489, and NT\$378,615, respectively. What stated below is the information in respect of subsidiaries with material non-controlling interests:

Subsidiary	Principal place of business	Non-controlling interests					
		March 31, 2020		December 31, 2019		March 31, 2019	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
Launch Technologies Co., Ltd. (LTC)	Taiwan	\$ 408,429	44.07	\$ 404,489	44.07	\$ 378,615	44.07

Summary of the financial information of subsidiaries is as follows:

Balance Sheets

	Launch Technologies Co., Ltd. (LTC)		
	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 830,559	\$ 524,264	\$ 546,544
Non-current assets	1,120,729	1,050,362	883,767
Current liabilities	(657,823)	(339,348)	(294,027)
Non-current liabilities	(366,702)	(317,456)	(277,176)
Total net assets	\$ 926,763	\$ 917,822	\$ 859,108

Statements of Comprehensive Income

	Launch Technologies Co., Ltd. (LTC)	
	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Revenue	\$ 408,302	\$ 417,851
Profit before tax	11,176	32,865
Income tax expense	(2,235)	(3,370)
Net income	8,941	29,495
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	\$ 8,941	\$ 29,495

Statements of Cash Flows

	Launch Technologies Co., Ltd. (LTC)	
	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Net cash provided by (used in) operating activities	(\$ 21,759)	\$ 61,491
Net cash used in investing activities	(66,404)	(98,377)
Net cash provided by financing activities	340,037	44,815
Increase in cash and cash equivalents for the current period	251,874	7,929
Cash and cash equivalents, beginning of the period	10,525	39,462
Cash and cash equivalents, end of the period	\$ 262,399	\$ 47,391

(IV) Financial Assets at Amortized Cost

- Financial assets at amortized cost are those that meet all of the following criteria:
 - The objective of the Group's business model is achieved by collecting contractual cash flows.
 - The assets' contractual cash flows represent solely payments of principal and interest.
- On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using settlement date accounting.

3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

(V) Income Tax

Income tax expense in the interim is computed by applying the estimated average effective tax rate in annual term to the pre-tax profit or loss in the interim, and is disclosed in accordance with the afore-mentioned policies.

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 assumptions made and actual results, the historical experience, the effect of the COVID-19 pandemic, 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 March 31, 2020, the carrying amount of the Group's accounts receivable was NT\$2,071,414.

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 March 31, 2020, the carrying amount of the Group's inventory was NT\$1,753,342.

VI. Description of Major Accounting Subjects

(I) Cash and Cash Equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand and revolving funds	\$ 2,840	\$ 651	\$ 1,185
Checking deposits and demand deposits	580,887	671,324	489,098
Cash equivalents - time deposits	176,669	266,861	193,757
Cash equivalents - repo bonds	1,014,200	29,930	-
	<u>\$ 1,774,596</u>	<u>\$ 968,766</u>	<u>\$ 684,040</u>

- 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.
- No cash or its equivalent was pledged as collateral by the Group.

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

<u>Item</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Non-hedging financial derivatives	\$ -	\$ 10	\$ -
Adjustment for valuation	-	-	-
	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>

- Financial assets at fair value through profit or loss (FVTPL) that are recognized in profit or loss are detailed as follows:

	<u>January 1, 2020 to March 31, 2020</u>	<u>January 1, 2019 to March 31, 2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging financial derivatives	<u>\$ 50</u>	<u>\$ 427</u>

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

	<u>December 31, 2019</u>	
<u>Derivative financial assets</u>	<u>Contract amount (nominal principal)</u>	<u>Contract duration</u>
Current items:		
Forward exchange contracts	<u>US\$116 thousand</u>	<u>108.12.18~109.1.17</u>

March 31, 2020 and 2019: None.

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

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

(III) Financial Assets at Amortized Cost

Item	March 31, 2020	December 31, 2019	March 31, 2019
Current items:			
Restricted bank deposits	\$ 219,612	\$ -	\$ -
Non-current items:			
Restricted bank deposits	\$ 428,829	\$ -	\$ -

- The amounts that best represent the maximum credit risk exposure of the Group's financial assets at amortized cost as at March 31, 2020, December 31, 2019, and March 31, 2019 without taking account of any collateral held or other credit enhancements were NT\$648,441, NT\$0, and NT\$0, respectively.
- The Group had no financial assets at amortized cost pledged to others.
- For information on the credit risks of financial assets at amortized cost, please refer to Note XII(II).

(IV) Notes Receivable and Accounts Receivable

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	\$ 2,252	\$ 5,689	\$ 3,188
Accounts receivable	\$ 2,072,820	\$ 2,646,440	\$ 2,792,841
Less: Loss allowance	(1,406)	(865)	(2,403)
	\$ 2,071,414	\$ 2,645,575	\$ 2,790,438

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

	March 31, 2020		December 31, 2019		March 31, 2019	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not overdue	\$ 2,252	\$ 1,913,052	\$ 5,689	\$ 2,568,017	\$ 3,188	\$ 2,602,217
Overdue: Up to 30 days	-	155,911	-	73,026	-	173,781
31 to 90 days	-	3,571	-	5,377	-	13,970
91 to 180 days	-	286	-	20	-	2,660
Over 181 days	-	-	-	-	-	213
	\$ 2,252	\$ 2,072,820	\$ 5,689	\$ 2,646,440	\$ 3,188	\$ 2,792,841

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

- As at March 31, 2020, December 31, 2019, March 31, 2019, and January 1, 2019, the Group's accounts receivable and contracts receivable (including notes receivable) amounted to NT\$2,075,072, NT\$2,652,129, NT\$2,796,029, and NT\$2,751,737, respectively.
- No accounts receivable or notes receivable were pledged as collateral by the Group.

4. As of March 31, 2020, December 31, 2019, and March 31, 2019, 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\$2,252, NT\$5,689, and NT\$3,188, respectively, and the amounts that best represent the maximum credit risk exposure of the Group's accounts receivable were NT\$2,071,414, NT\$2,645,575, and NT\$2,790,438, respectively.
5. For information on credit risks of notes receivable and accounts receivable, please refer to Note XII(II).

(V) Inventories

	March 31, 2020		
	Cost	Allowance for price decline	Book value
Raw materials	\$ 731,853	(\$ 27,594)	\$ 704,259
Work in progress	365,735	(2,289)	363,446
Finished goods	631,503	(14,920)	616,583
Inventory in transit	69,054	-	69,054
	<u>\$ 1,798,145</u>	<u>(\$ 44,803)</u>	<u>\$ 1,753,342</u>

	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
	<u>\$ 1,945,593</u>	<u>(\$ 46,619)</u>	<u>\$ 1,898,974</u>

	March 31, 2019		
	Cost	Allowance for price decline	Book value
Raw materials	\$ 682,984	(\$ 27,690)	\$ 655,294
Work in progress	352,463	(8,111)	344,352
Finished goods	569,567	(23,021)	546,546
Inventory in transit	21,173	-	21,173
	<u>\$ 1,626,187</u>	<u>(\$ 58,822)</u>	<u>\$ 1,567,365</u>

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

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Cost of inventories sold	\$ 2,307,278	\$ 2,915,415
(Recovery gain) from price decline	(1,784)	739
Retirement loss	-	1,646
Others	1,152	(2,085)
	<u>\$ 2,306,646</u>	<u>\$ 2,915,715</u>

As at the period between January 1 and March 31, 2020, 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.

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

Item	March 31, 2020	December 31, 2019	March 31, 2019
Non-current items:			
Unlisted stocks	\$ 55	\$ 55	\$ 55
Adjustment for valuation	-	-	-
	<u>\$ 55</u>	<u>\$ 55</u>	<u>\$ 55</u>

1. The Group elects to classify strategic equity investments as financial assets at FVTOCI. The fair value of such investments as at March 31, 2020, December 31, 2019, and March 31, 2019 totaled NT\$1,014, NT\$1,014, and NT\$706, respectively.

2. No financial assets at FVTOCI were pledged as collateral by the Group.

(VII) Prepayments

	March 31, 2020	December 31, 2019	March 31, 2019
Business tax paid	\$ 60,344	\$ 61,147	\$ 78,034
Tax overpaid retained	30,374	30,505	35,469
Prepaid expense	37,794	21,047	20,813
Prepayment for purchases	5,272	15,616	17,064
	<u>\$ 133,784</u>	<u>\$ 128,315</u>	<u>\$ 151,380</u>

(VIII) Investments Accounted for Using Equity Method

	March 31, 2020	December 31, 2019	March 31, 2019
Beijing Mingda Titanium Technology	\$ -	\$ 71	\$ 918
Baoji Zatech Material Co., Ltd.	2,572	2,813	3,492
	<u>\$ 2,572</u>	<u>\$ 2,884</u>	<u>\$ 4,410</u>

1. As of March 31, 2020, December 31, 2019, and March 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 March 31, 2020, December 31, 2019, and March 31, 2019, the carrying amounts of the Group's individually insignificant associates totaled NT\$2,572, NT\$2,884, and NT\$4,410, respectively.

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Net loss over this period	(\$ 282)	(\$ 27)
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	<u>(\$ 282)</u>	<u>(\$ 27)</u>

(IX) Property, Plant and Equipment

	March 31, 2020	December 31, 2019	March 31, 2019
Land	\$ 162,544	\$ 162,544	\$ 162,544
Buildings and structures	900,373	909,773	598,432
Machinery	720,919	647,387	478,498
Utility equipment	144,294	156,288	88,081
Transportation equipment	848	669	1,047
Office equipment	25,748	26,205	21,391
Other equipment	142,342	139,816	106,514
Equipment to be inspected and construction in progress	300,589	154,770	397,386
	<u>\$ 2,397,657</u>	<u>\$ 2,197,452</u>	<u>\$ 1,853,893</u>

January 1, 2020 to March 31, 2020

<u>Cost</u>						
Name of assets	January 1	Additions	Disposals	Reclassifications	Net exchange differences	March 31
Land	\$ 162,544	\$ -	\$ -	\$ -	\$ -	\$ 162,544
Buildings and structures	1,550,681	6,480	(9,711)	6,834	(3,222)	1,551,062
Machinery	1,581,219	50,019	(34,205)	69,359	(2,804)	1,663,588
Utility equipment	329,883	3,661	(17,899)	155	(1,420)	314,380
Transportation equipment	6,505	320	-	-	(22)	6,803
Office equipment	69,383	2,036	(2,453)	-	(288)	68,678
Other equipment	395,167	14,008	(23,468)	4,221	(1,413)	388,515
Equipment to be inspected and construction in progress	154,770	65,486	-	80,060	273	300,589
	<u>\$ 4,250,152</u>	<u>\$ 142,010</u>	<u>(\$ 87,736)</u>	<u>\$ 160,629</u>	<u>(\$ 8,896)</u>	<u>\$ 4,456,159</u>

Accumulated depreciation and impairment

Name of assets	January 1	Depreciation expense and Impairment loss	Disposals	Reclassifications	Net exchange differences	March 31
Buildings and structures	\$ 640,908	\$ 22,446	(\$ 9,711)	\$ -	(\$ 2,954)	\$ 650,689
Machinery	933,832	42,377	(30,617)	-	(2,923)	942,669
Utility equipment	173,595	6,344	(8,881)	-	(972)	170,086
Transportation equipment	5,836	141	-	-	(22)	5,955
Office equipment	43,178	2,426	(2,452)	-	(222)	42,930
Other equipment	255,351	14,816	(22,920)	-	(1,074)	246,173
	<u>\$ 2,052,700</u>	<u>\$ 88,550</u>	<u>(\$ 74,581)</u>	<u>\$ -</u>	<u>(\$ 8,167)</u>	<u>\$ 2,058,502</u>
	<u>\$ 2,197,452</u>					<u>\$ 2,397,657</u>

January 1, 2019 to March 31, 2019

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

Accumulated depreciation and impairment

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

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

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Capitalization amounts	\$ 513	\$ 583
Range of capitalized interest rate	0.92%~1.395%	1.25%~3.01%

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.

(X) Lease Transaction - Lessee

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:

	March 31, 2020	December 31, 2019	March 31, 2019
	Book value	Book value	Book value
Land	\$ 118,873	\$ 119,067	\$ 125,989
Buildings and structures	58,435	60,787	28,189
	<u>\$ 177,308</u>	<u>\$ 179,854</u>	<u>\$ 154,178</u>

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
	Depreciation	Depreciation
Land	\$ 1,888	\$ 1,891
Buildings and structures	9,710	8,537
	<u>\$ 11,598</u>	<u>\$ 10,428</u>

3. Additions to the Group's right-of-use assets for the three-month periods ended March 31, 2020 and 2019 amounted to NT\$23,117 and NT\$0, respectively.
4. Profit and loss items associated with lease contracts are as follows:

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
<u>Items that affect profit or loss</u>		
Interest expense on lease liability	\$ 1,342	\$ 755
Expense on leases with low-value underlying assets	241	244
Gains on lease modification	426	-

5. The cash flows used in the Group's leases for the three-month periods ended

March 31, 2020 and 2019 totaled NT\$12,427 and NT\$10,175, respectively.

6. The option to extend a lease and the option to terminate a lease
 - (1) Contracts of which the underlying assets are types of land, buildings and structures contain a lease extension option exercisable by the Group.
 - (2) The Group determines the lease term by taking into consideration all relevant facts and circumstances that create an economic incentive for the Group to exercise the extension option. The lease term is reassessed if there occur significant events that affect the assessment as to whether the Group would exercise the option to extend the lease or would not exercise the option to terminate the lease.

(XI) Intangible Assets

	<u>Computer software</u>
January 1, 2020	
Cost	\$ 29,919
Accumulated amortization	(16,713)
	<u>\$ 13,206</u>
<u>2020</u>	
January 1	\$ 13,206
Addition - separately acquired	240
Derecognition - cost reduction	(360)
Amortization	(2,280)
Derecognition - reduction in accumulated amortization	360
Effect of exchange rate changes	27
March 31	<u>\$ 11,193</u>
March 31, 2020	
Cost	\$ 29,799
Accumulated amortization	(18,606)
	<u>\$ 11,193</u>
	<u>Computer software</u>
January 1, 2019	
Cost	\$ 31,021
Accumulated amortization	(12,505)
	<u>\$ 18,516</u>
<u>2019</u>	
January 1	\$ 18,516
Addition - separately acquired	4,359
Derecognition - cost reduction	(120)
Amortization	(2,554)
Derecognition - reduction in accumulated amortization	120
Effect of exchange rate changes	12
March 31	<u>\$ 20,333</u>
March 31, 2019	
Cost	\$ 35,260
Accumulated amortization	(14,927)
	<u>\$ 20,333</u>

Amortization of intangible assets is detailed below:

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Operating costs	\$ 246	\$ 395
Administrative expenses	933	1,241
Research and development expenses	<u>1,101</u>	<u>918</u>
	<u>\$ 2,280</u>	<u>\$ 2,554</u>

(XII) Short-term Loans

Type of loans	March 31, 2020	Interest rate range	Collateral
Bank credit loan	\$ 1,772,038	0.78%~3.30%	
Loans against letter of credit	12,425		- Note
	<u>\$ 1,784,463</u>		

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
	<u>\$ 531,141</u>		

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

Note: For collateral against the said short-term loans, please refer to Note VIII - Pledged Assets.

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

<u>Item</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current items:			
Financial liabilities held for trading			
Non-hedging financial derivatives	\$ 77	\$ -	\$ 14
Adjustment for valuation	-	-	-
	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ 14</u>

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

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Financial liabilities held for trading		
Non-hedging financial derivatives	<u>(\$ 123)</u>	<u>(\$ 192)</u>

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

	<u>March 31, 2020</u>	
	<u>Contract amount (nominal principal)</u>	<u>Contract duration</u>
<u>Derivative financial liabilities</u>		
Current items:		
Forward exchange contracts	<u>US\$ 460 thousand</u>	109.3.11~109.4.17

	<u>March 31, 2019</u>	
	<u>Contract amount (nominal principal)</u>	<u>Contract duration</u>
<u>Derivative financial liabilities</u>		
Current items:		
Forward exchange contracts	<u>US\$ 2,426 thousand</u>	108.3.7~108.4.15

December 31, 2019: None.

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

(XIV) Other Payables

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Payroll and bonus payable	\$ 299,079	\$ 522,022	\$ 301,631
Processing fee payable	167,880	214,327	214,170
Payables of compensation to employees and remuneration to directors and supervisors	77,795	64,987	78,300
Equipment expenses payable	98,370	61,178	65,033
Others	285,744	265,204	243,534
	<u>\$ 928,868</u>	<u>\$ 1,127,718</u>	<u>\$ 902,668</u>

(XV) Long-term Loans

Type of loans	Loan period and repayment method	Interest rate range	Collateral	December 31, 2020
Long-term bank loans	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.	0.945%~1.145%	Machinery	
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.	1.145%	Buildings and structures	\$ 148,050
				159,900
				307,950
Less: long-term loan due in one year				(20,710)
				\$ 287,240

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	
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	\$ 89,690
				159,900
				249,590
Less: long-term loan due in one year				(11,142)
				\$ 238,448

<u>Type of loans</u>	<u>Loan period and repayment method</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2019</u>
Long-term bank loans				
Secured loan	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	\$ 73,950
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	120,000
				\$ 193,950

For collateral against the said long-term loans, 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) The pension costs recognized by the Group in accordance the aforementioned contribution plans for the three-month periods ended March 31, 2020 and 2019 were NT\$508 and NT\$592, respectively.
 - (3) The Company expects to make contributions of NT\$2,615 to the pension plans within one year.
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 three-month periods ended March 31, 2020 and 2019 were both 13%. The pension for each employee is managed by the government, hence the Group doesn't have further obligation except for making a monthly contribution.
 - (3) As required by the Vietnamese government, Advanced International Multitech (VN) Corporation Ltd. makes a monthly contribution in an amount equal to one month of an employee's minimum wages to the retirement plan, which is managed by the various responsible departments of the Vietnamese government. Other than making a monthly contribution, the Company has no further obligations.
 - (4) The pension costs recognized by the Group in accordance the aforementioned contribution plans for the three-month periods ended March 31, 2020 and 2019 were NT\$20,545 and NT\$37,627, respectively.

(XVII) Share Capital

As of March 31, 2020, 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:

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
<u>Customer by geographical areas</u>		
Americas	\$ 1,950,474	\$ 2,425,936
Asia	667,119	896,496
Others	66,407	158,425
	<u>\$ 2,684,000</u>	<u>\$ 3,480,857</u>

(XXI) Other Income and Expenses - Net

	January 1, 2019 to March 31, 2020	January 1, 2019 to March 31, 2019
Income from molds	\$ 8,451	\$ 9,212
Income from samples	7,004	6,120
Other income	8,004	6,757
	<u>\$ 23,459</u>	<u>\$ 22,089</u>

(XXII) Other Income

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Interest income	\$ 4,160	\$ 1,035
Others	1,107	4,603
	<u>\$ 5,267</u>	<u>\$ 5,638</u>

(XXIII) Other Gains and Losses

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Loss on disposal and retirement of property, plant and equipment	(\$ 13,082)	(\$ 1,554)
Foreign exchange gain (loss) - net	34,297	(19,900)
Net gain (loss) on financial assets and financial liabilities at fair value through profit or loss	(73)	235
Others	3,759	(1,985)
	<u>\$ 24,901</u>	<u>(\$ 23,204)</u>

(XXIV) Finance Costs

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Interest expense	\$ 5,667	\$ 1,659
Other financing costs	412	49
	<u>\$ 6,079</u>	<u>\$ 1,708</u>

(XXV) Additional Information regarding the Nature of Expense

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Employee benefits expense	\$ 605,729	\$ 688,233
Depreciation	100,148	85,785
Amortization	5,021	4,282
	<u>\$ 710,898</u>	<u>\$ 778,300</u>

(XXVI) Employee Benefits Expense

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Salary and wages	\$ 508,088	\$582,567
Labor and health insurance premiums	43,121	42,651
Pension expense	21,053	38,219
Remuneration to Directors	2,475	2,370
Other personnel cost	30,992	22,426
	<u>\$ 605,729</u>	<u>\$ 688,233</u>

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 three-month periods ended March 31, 2020 and 2019, the Company recognized compensation to employees in the amounts equal to NT\$7,350 and NT\$9,533, respectively, and remuneration to directors and supervisors in the amounts equal to NT\$2,500 and NT\$2,500, respectively, all presented under payroll expense.

The amounts for the three-month period ended March 31, 2020 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 2019 that had been resolved by the Board of Directors are the same as the amounts stated on the 2019 financial statements. The above-mentioned employee compensation was distributed in cash. In addition, compensation to employees and remuneration to directors and supervisors for the previous year has not been distributed.

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

(XXVII) Income Tax

1. Income tax expense
Components of income tax expense

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Current income tax:		
Income tax arising from the current period	\$ 78,576	\$ 65,019
Deferred income tax:		
Originating and reversed temporary differences	(31,445)	18,370
Income tax expense	<u>\$ 47,131</u>	<u>\$ 83,389</u>

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

(XXVIII) Earnings per Share

	<u>January 1, 2020 to March 31, 2020</u>		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net income attributable to shareholders of common shares	<u>\$ 107,124</u>	<u>135,313</u>	<u>\$ 0.79</u>
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	107,124	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	<u>982</u>	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	<u>\$ 107,124</u>	<u>136,295</u>	<u>\$ 0.79</u>
	<u>January 1, 2019 to March 31, 2019</u>		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net income attributable to shareholders of common shares	<u>\$ 205,707</u>	<u>135,313</u>	<u>\$ 1.52</u>
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	205,707	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	<u>949</u>	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	<u>\$ 205,707</u>	<u>136,262</u>	<u>\$ 1.51</u>

(XXIX) Additional Information regarding Cash Flows

1. Investing activities with partial cash payments:

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Acquisition of property, plant and equipment	\$ 142,010	\$ 128,239
Add: Equipment payable, beginning of period (recognized in other payables)	61,178	38,631
Less: Equipment payable, end of period (recognized in other payables)	(98,370)	(65,033)
Amount paid in cash	<u>\$ 104,818</u>	<u>\$ 101,837</u>

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

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Equipment prepayments transferred to property, plant and equipment	\$ 160,629	\$ 9,403
Reclassification of property, plant and equipment to other non-current assets	\$ -	\$ 10,234

(XXX) Changes in Financing Liabilities

	Short-term loans	Long-term loans (including 1- year due)	Lease liabilities	Total financing liabilities
January 1, 2020	\$ 531,141	\$ 249,590	\$ 150,321	\$ 931,052
Changes in financing cash flows	1,258,557	58,360	(10,844)	1,306,073
Effect of exchange rate changes	(5,235)	-	(608)	(5,843)
Other non-cash changes	-	-	9,174	9,174
March 31, 2020	<u>\$ 1,784,463</u>	<u>\$ 307,950</u>	<u>\$ 148,043</u>	<u>\$ 2,240,456</u>

	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	(76,243)	100,070	(9,176)	14,651
Effect of exchange rate changes	-	-	64	64
Other non-cash changes	-	-	(755)	(755)
March 31, 2019	<u>\$ 90,866</u>	<u>\$ 193,950</u>	<u>\$ 121,237</u>	<u>\$ 406,053</u>

VII. Related-party Transactions

(I) Name and Relationship of Related Parties

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

(II) Significant Transactions with Related Parties

None.

(III) Information about Remunerations to the Major Management

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
Salary and other employee benefits	\$ 20,401	\$ 18,422

VIII. Pledged Assets

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

Assets	Carrying amount			Guarantee use
	March 31, 2020	December 31, 2019	March 31, 2019	
Land	\$ 125,648	\$ 125,648	\$ 125,648	Short-term loans
Buildings and structures - net				Short-term and long-term loans and credit facility guarantee
	261,562	265,001	277,137	Long-term loans and credit facility guarantee
Machinery and equipment - net				Long-term loans and credit facility guarantee
	158,092	163,045	86,649	Long-term loans and credit facility guarantee
Other equipment - net				Customs deposits and performance bond
	6,453	6,833	1,762	
Pledged time deposits (presented as "other non-current assets - others")	1,085	1,083	5,245	
	<u>\$ 552,840</u>	<u>\$ 561,610</u>	<u>\$ 496,441</u>	

IX. Important Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingency

None.

(II) Commitments

1. Balance of outstanding letters of credit

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials imported	\$ 43,215	\$ 49,428	\$ 159,674

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

	March 31, 2020	December 31, 2019	March 31, 2019
Property, plant and equipment	\$ 301,466	\$ 338,087	\$ 204,018

3. Operating lease commitments

Please refer to Note VI(X) for details.

X. Significant Losses from Disasters

None.

XI. Significant Subsequent Events

None.

XII. Others

(I) Capital Management

There is no significant change in the current period. Please refer to Note XII to the consolidated financial statements for the year ended December 31, 2019.

(II) Financial Instruments

1. Types of financial instruments

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 10	\$ -
Financial assets at fair value through other comprehensive income			
Election of the designated equity instrument investment	55	55	55
<u>Financial assets at amortized cost</u>			
Cash and cash equivalents	1,774,596	968,766	684,040
Financial assets at amortized cost	648,441	-	-
Notes receivable	2,252	5,689	3,188
Accounts receivable	2,071,414	2,645,575	2,790,438
Other receivables	10,665	15,329	24,353
Refundable deposits	14,579	11,832	11,996
	<u>\$ 4,522,002</u>	<u>\$ 3,647,256</u>	<u>\$ 3,514,070</u>
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 77	\$ -	\$ 14
Financial liabilities at amortized costs			
Short-term loans	1,784,463	531,141	90,866
Notes payable	1,533	2,299	1,668
Accounts payable	1,048,310	1,260,646	1,229,204
Other payables	928,868	1,127,718	902,668
Long-term loans (including 1-year due)	307,950	249,590	193,950
Deposits received	574	1,292	618
	<u>\$ 4,071,775</u>	<u>\$ 3,172,686</u>	<u>\$ 2,418,988</u>
Lease liabilities (including non-current)	<u>\$ 148,043</u>	<u>\$ 150,321</u>	<u>\$ 121,237</u>

2. Risk management policy

There is no significant change in the current period. Please refer to Note XII to the consolidated financial statements for the year ended December 31, 2019.

3. Significant financial risks and degrees of financial risks

Except for matters stated below, there is no significant change in the current period. Please refer to Note XII to the consolidated financial statements for the year ended December 31, 2019.

(1) Market risk

Foreign exchange rate risk

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

				March 31, 2020		
				Foreign		Carrying
				currency (in	Exchange rate	amount (New
				thousands)		Taiwan
						Dollars)
(Foreign currency: Functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	128,050		30.18	\$	3,864,549
USD:CNY		23,544		7.0851		710,558
<u>Non-monetary items</u>						
USD:NTD		21,251		30.18		641,347
CNY:NTD		103,823		4.26		442,285
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD		37,769		30.28		1,143,645
USD:CNY		20,369		7.0851		616,773
				December 31, 2019		
				Foreign		Carrying
				currency (in	Exchange rate	amount (New
				thousands)		Taiwan
						Dollars)

(Foreign currency: Functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	120,353		29.93	\$	3,602,165
USD:CNY		32,751		6.9762		980,237
<u>Non-monetary items</u>						
USD:NTD		19,460		29.93		582,445
CNY:NTD		177,434		4.31		763,854
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD		46,252		30.03		1,388,948
USD:CNY		17,549		6.9762		526,996

		March 31, 2019		
		Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	\$ 105,813	30.77	\$ 3,255,866
	USD:CNY	47,599	6.7552	1,464,621
<u>Non-monetary items</u>				
	USD:NTD	17,594	30.77	\$ 541,355
	CNY:NTD	304,202	4.555	1,385,638
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	54,801	30.87	1,691,707
	USD:CNY	10,859	6.7552	335,217

- B. Due to the exchange rate volatility, total exchange gains and losses from the Group's monetary items amounted to NT\$34,297 and NT\$(19,900) for the three-month periods ended March 31, 2020 and 2019, respectively.
- C. The table below illustrates assets and liabilities denominated in foreign currencies of which the values were materially affected by the exchange rate volatility:

		January 1, 2020 to March 31, 2020		
		Sensitivity analysis		
		Range of change	Effects on profit or loss	Effects on other comprehensive income
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 38,645	\$ -
	USD:CNY	1%	7,106	-
<u>Non-monetary items</u>				
	USD:NTD	1%	-	6,413
	USD:CNY	1%	-	4,423
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	11,436	-
	USD:CNY	1%	6,168	-

		January 1, 2019 to March 31, 2019		
		Sensitivity analysis		
		Range of change	Effects on profit or loss	Effects on other comprehensive income
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 32,559	\$ -
	USD:CNY	1%	14,646	-
<u>Non-monetary items</u>				
	USD:NTD	1%	-	5,414
	USD:CNY	1%	-	13,856
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	16,917	-
	USD:CNY	1%	3,352	-

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 1.145% of the loans as fixed interests and, if necessary, achieves the target by means of interest rates swaps. For the three-month periods ended March 31, 2020 and 2019, 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 three-month periods ended March 31, 2020 and 2019 will decrease or increase by NT\$673 and NT\$97, 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 March 31, 2020, December 31, 2019, and March 31, 2019, respectively: 0.00% to 0.04%, 0.00% to 0.02%, and 0.00% to 0.02% for accounts receivable not past due, 0.02% to 0.51%, 0.01% to 0.21%, and 0.01% to 0.21% for accounts receivable within 30 days past due, 0.02% to 3.39%, 0.01% to 3.72%, and 0.01% to 3.73% for accounts receivable 31 days to 60 days past due, 0.04% to 7.35%, 0.04% to 8.10%, and 0.04% to 8.1% for accounts receivable 61 days to 90 days past due, 0.19% to 14.47%, 0.19% to 17.4%, and 0.19% to 17.4% for accounts receivable 91 days to 120 days past due, 1.86% to 58.06%, 1.86% to 58.22%, and 1.86% to 58.22% for accounts receivable 121 days to 150 days past due, 22.31% to 93.69%, 22.31% to 96.74%, and 22.31% to 96.74% for accounts receivable 151 days to 180 days past due, and 100%, 100%, 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 0.19%, 0.20%, and 0.60% 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:

	2020	
	Notes receivable	Accounts receivable
January 1	\$ -	\$ 865
Provision of impairment loss	-	541
March 31	<u>\$ -</u>	<u>\$ 1,406</u>

	2019	
	Notes receivable	Accounts receivable
January 1	\$ -	\$ 1,664
Provision of impairment loss	-	739
March 31	<u>\$ -</u>	<u>\$ 2,403</u>

(3) Liquidity risk

- A. Cash flows forecasting is carried out by the Group's Office of Finance and Accounting in order to ensure that sufficient funds are readily available, both for the operating needs and for the unused loan commitments.
- B. The Group's remaining cash in excess of its operating needs is invested in demand deposits bearing interests, time deposits, bonds sold under repurchase agreement, and marketable securities, all of which are instruments either with appropriate maturity or with sufficient liquidity so as to satisfy the said forecasting and provide sufficient position for dispatching of funds. As of March 31, 2020, December 31, 2019, and March 31, 2019, the Group had a money market position in the amounts equal to NT\$1,771,756, NT\$968,115, and NT\$682,855, respectively.
- C. The table below shows an analysis of the non-derivative financial liabilities held by the Group with defined repayment terms based on maturity dates and undiscounted payment at maturity:

	March 31, 2020		
	Less than 1 year	1~2 years	Over 2 years
<u>Non-derivative financial liabilities</u>			
Short-term loans	\$ 1,787,656	\$ -	\$ -
Notes payable	1,533	-	-
Accounts payable	1,048,310	-	-
Other payables	928,868	-	-
Lease liabilities (including non-current)	42,327	31,975	92,194
Long-term loans	24,058	68,964	224,400
<u>Derivative financial liabilities: None.</u>			

	December 31, 2019		
	Less than 1	1~2 years	Over 2 years
	year		
<u>Non-derivative financial liabilities</u>			
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
<u>Derivative financial liabilities: None.</u>			

	March 31, 2019		
	Less than 1	1~2 years	Over 2 years
	year		
<u>Non-derivative financial liabilities</u>			
Short-term loans	\$ 90,866	\$ -	\$ -
Notes payable	1,668	-	-
Accounts payable	1,229,204	-	-
Other payables	902,668	-	-
Lease liabilities (including non-current)	22,784	16,345	88,997
Long-term loans	2,706	33,080	167,757
<u>Derivative financial liabilities:</u>			
Forward exchange contracts	\$ 14	\$ -	\$ -

- 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, financial assets at amortized cost, 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:

March 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 55	\$ 55
Liabilities				
<u>Recurring fair value</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 77	\$ -	\$ 77
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
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

March 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ -	\$ -	\$ 55	\$ 55
Liabilities				
<u>Recurring fair value</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 14	\$ -	\$ 14

(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 valued based on the current forward exchange rates.

- There was no transfer between Level 1 and Level 2 of the fair value hierarchy for the three-month periods ended March 31, 2020 and 2019.
- There were no changes in Level 3 of the fair value hierarchy for the three-month periods ended March 31, 2020 and 2019.
- 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.
- 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 March 31, 2020	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 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 as of March 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	\$ 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), VI(XIII), 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.

(IV) Information on Major Shareholders

Information on Major Shareholders: Table 8.

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).

(Blank Below)

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 Three-month Period Ended March 31, 2020

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. 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 Three-month Period Ended March 31, 2020

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

Table 2

Name of company	Name of the counterparty	Relationship	Transaction details				Situation and reason of why trading conditions are different from general trading		Notes or accounts receivable (payable)		
			Purchase/sale	Amount	Ratio to total purchases/sales (%)	Loan period	Unit price	Loan period	Balance	Ratio to total notes or accounts receivable (payable) (%)	Note
			Purchase	\$ 1,151,382	57%	Note 1	Note 1	Note 1	(\$ 701,860)	65%	Note 2
Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	Second-tier subsidiary	Purchase	703,798	35%	Note 1	Note 1	Note 1	(279,073)	26%	Note 2
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	Subsidiary	Sale	(1,151,382)	(100%)	Note 3	Note 3	Note 3	701,860	100%	
Advanced Sporting Goods (Dongguan) Co., Ltd.	Advanced International Multitech Co., Ltd.	Ultimate parent company	Sale	(703,798)	(100%)	Note 3	Note 3	Note 3	279,073	100%	
Advanced International Multitech (VN) Co., Ltd.	Advanced International Multitech Co., Ltd.	Parent company									

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 Three-month Period Ended March 31, 2020

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

Table 3

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	\$ 701,860	0.20	\$ -	-	\$ 62,191	\$ -	-
Advanced International Multitech (VN) Co., Ltd.	Advanced International Multitech Co., Ltd.	Parent company	279,073	0.50			9,072		-

Advanced International Multitech Co., Ltd. and Subsidiaries
Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof
For the Three-month Period Ended March 31, 2020

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

Table 4

No. (Note 1)	Name of company	Name of the transaction counterparty	Relationship (Note 2)	Conditions of transactions			Ratio to consolidated revenue or total assets (%)
				General ledger account	Amount	Transaction terms	
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	1	Purchase \$	1,151,382	According to the agreement between both parties	43%
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	1	Accounts payable	701,860	According to the agreement between both parties	8%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Purchase	703,798	According to the agreement between both parties	26%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Accounts payable	279,073	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 Three-month Period Ended March 31, 2020

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

Table 5

Investor	Name of investee company	Location	Primary business	Original investment amount		Ownership, end of period			Net profit or loss of investee company	Share of profit or loss of investee company	Note
				End of this year	End of last year	Number of shares	Ownership (%)	Book value			
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	\$ 89,227	(\$ 15,999)	(\$ 15,999)	
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	430,329	(79,877)	(73,289)	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	641,347	55,266	53,912	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	518,333	8,940	5,000	

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 Three-month Period Ended March 31, 2020

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	(\$ 60,113)	100	(\$ 60,113)	\$ 426,578	\$ 860,163	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	-	-	-	(16,812)		100	(16,812)	15,707	-	Note 1, Note 3, Note 4, and Note 5
Advanced Sporting Goods (Dongguan) Co., Ltd.: Beijing Mingda Titanium Technology	Engaged in development of materials	1,330	3	-	-	-	(883)		50	(71)	-	-	Note 1, Note 3, Note 6, and Note 8
Advanced Sporting Goods (Dongguan) Co., Ltd.: Baoji Zatech Material Co., Ltd.	Engaged in production of materials	17,744	3	-	-	-	(845)		25	(211)	2,572	-	Note 1, Note 3, Note 7, and Note 8

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. The share of profit or loss of investee company is recognized in accordance with the investee company's unaudited financial statements.

Note 4. 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 5. 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 6. Paid-in capital is translated at the exchange rate of 4.436 on the investment amount of RMB300 thousand.

Note 7. Paid-in capital is translated at the exchange rate of 4.436 on the investment amount of RMB4,000 thousand.

Note 8. 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 9~Note 12)	\$ 149,434	\$ 168,565	\$ 2,771,202

- Note 9. 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 US\$4,577 thousand.
- Note 10. The investment amount approved by the Investment Commission, M.O.E.A., US\$5,577 thousand, is translated at the exchange rate of 30.225 on the balance sheet date.
- Note 11. 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 12. 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 Three-month Period Ended March 31, 2020

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

Table 7

Investee company	Sale/purchase		Property transaction		Accounts receivable (payable)		Endorsement/guarantee or collateral provided		Financing				Note	
	Amount	%	Amount	%	Balance	%	Ending balance	Purpose	Maximum balance	Ending balance	Interest rate range	Interest during the current period		
Advanced Sporting Goods (Dongguan) Co., Ltd.	(\$ 1,151,382)	(57%)	\$ -	-	(\$ 701,860)	(65%)	\$ -	-	\$ -	\$ -	-	-	-	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.

Advanced International Multitech Co., Ltd. and Subsidiaries
Information on Major Shareholders
As of March 31, 2020

Table 8

Shareholder's name	Number of shares	Shareholding Ownership (%)
Ming An Investment Co., Ltd.	12,134,838	8.96%

- Note: (1) The major shareholders in this table are shareholders holding more than 5% of the common and preferred shares that have completed delivery of non-physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. However, the share capital recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to calculation bases.
- (2) For the above are shares entrusted by the shareholders, the information thereto shall be based on the shares disclosed by the individual trust account of opened by the trustees. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act and whose shareholdings include their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to the Market Observation Post System.