

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report
For the Three-month Periods Ended September 30, 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 September 30, 2020 and 2019
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Independent Auditors' Report

(2020) Cai-Shen-Bao-Zi No. 20001675

To Advanced International Multitech Co., Ltd.

Introduction

Advanced International Multitech Co., Ltd. and Subsidiaries' ("the Group" hereinafter) consolidated balance sheets ended September 30, 2020 and 2019, and consolidated statements of comprehensive income from July 1 to September 30, 2020 and July 1 to September 30, 2019 and January 1 to September 30, 2020 and 2019. The consolidated statements of changes in equity, consolidated statements of cash flows, and the notes to the consolidated financial statements (including the summary of significant accounting policies) from January 1 to September 30, 2020 and January 1 to September 30, 2019, have been reviewed by the auditor. It is the management's responsibility to prepare a set of fairly presented financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 Interim Financial Reporting as endorsed by the Financial Supervisory Commission (FSC). Our responsibility is to provide a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basics for Qualified Conclusion

As described in Note IV(III) to the consolidated financial statements, the financial statements of certain non-material subsidiaries included in the above consolidated financial statements for the same period have not been audited by the accountants. The total assets of these subsidiaries as at 30 September 2020 and 2019 were NT\$921,742 thousand and NT\$872,976 thousand, respectively, representing 9% and 12% of the consolidated total assets, respectively; the total liabilities were NT\$700,067 thousand and NT\$332,598 thousand, respectively, representing 13% and 11% of the consolidated total liabilities, respectively; the total comprehensive income (loss) for the years from 1 July to 30 September, 2020 and 2019 and from 1 January to 30 September, 2020 and 2019 are NT\$21,385 thousand, NT\$(40,974) thousand, NT\$45,617 thousand and NT\$(21,306) thousand, respectively, which accounted for 8%, (91%), 12% and (5%) of the total consolidated comprehensive income (loss), respectively.

Qualified Conclusion

Based on the results of our audit, we are not aware of any material adjustments to the financial statements of certain insignificant subsidiaries as described in the basis paragraph for qualified conclusions, other than the effects of possible adjustments to the consolidated financial statements as reviewed by the CPAs, in all material respects the consolidated financial statements were not prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities and International Accounting Standards No. 34 “Interim Financial Reporting” approved by the FSC, so that they cannot be expressed in an appropriate manner of the consolidated financial status ended on September 30, 2020 and 2019, the consolidated financial performance from July 1 to September 30, 2020 and 2019, the consolidated financial performance from January 1 to September 30, 2020 and 2019 and the consolidated cash flow from January 1 to September 30, 2020 and 2019.

PwC Taiwan

A-Shen Liao

CPA:

Chien-Chih Wu

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

Jin Guan Zheng Shen Zi No. 1010015969

Financial Supervisory Commission

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

November, 6, 2020

Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
September 30, 2020, September 30, 2019 and December 31, 2019
(The Consolidated Balance Sheets as of September 30, 2020 and 2019 are Unaudited)
Unit: In Thousands of New Taiwan Dollars

Assets	Notes	September 30, 2020		December 31, 2019		September 30, 2019		
		Amount	%	Amount	%	Amount	%	
Current assets								
1100	Cash and cash equivalents	VI(I)	\$ 1,022,435	11	\$ 968,766	12	\$ 1,392,509	19
1110	Financial assets at fair value through profit or loss - current	VI(II)	329	-	10	-	-	-
1136	Financial assets at amortized cost - current	VI(III)	128,327	1	-	-	84,522	1
1150	Notes receivable - net	VI(IV)	4,432	-	5,689	-	8,118	-
1170	Accounts receivable - net	V and VI(IV)	2,868,006	29	2,645,575	32	1,480,334	20
1200	Other receivables		28,359	-	15,329	-	17,308	-
1220	Current income tax assets		-	-	-	-	27,041	-
130X	Inventories	V and VI(V)	1,768,131	18	1,898,974	23	1,812,445	24
1410	Prepayments	VI(VII)	174,875	2	128,315	2	116,436	2
1470	Other current assets		14,597	-	8,930	-	12,553	-
11XX	Total current assets		<u>6,009,491</u>	<u>61</u>	<u>5,671,588</u>	<u>69</u>	<u>4,951,266</u>	<u>66</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)	451,923	5	-	-	-	-
1550	Investments Accounted for Using Equity Method	VI(VIII)	52,333	-	2,884	-	3,435	-
1600	Property, plant and equipment	VI(IX) and VIII	2,526,001	25	2,197,452	27	2,100,637	28
1755	Right-of-use assets	VI(X)	643,917	6	179,854	2	194,342	3
1780	Intangible assets	VI(XI)	8,603	-	13,206	-	15,269	-
1840	Deferred income tax assets		59,785	1	56,330	1	46,424	1
1915	Prepayments for business facilities		68,981	1	113,991	1	101,617	1
1990	Other non-current assets - others	VIII	93,840	1	33,068	-	33,505	1
15XX	Total non-current assets		<u>3,905,438</u>	<u>39</u>	<u>2,596,840</u>	<u>31</u>	<u>2,495,284</u>	<u>34</u>
1XXX	Total assets		<u>\$ 9,914,929</u>	<u>100</u>	<u>\$ 8,268,428</u>	<u>100</u>	<u>\$ 7,446,550</u>	<u>100</u>

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Advanced International Multitech Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
September 30, 2020, September 30, 2019 and December 31, 2019
(The Consolidated Balance Sheets as of September 30, 2020 and 2019 are Unaudited)
Unit: In Thousands of New Taiwan Dollars

	Liabilities and Equity	Notes	September 30, 2020		December 31, 2019		September 30, 2019	
			Amount	%	Amount	%	Amount	%
Current liabilities								
2100	Short-term loans	VI(XII) and VIII	\$ 1,473,256	15	\$ 531,141	6	\$ 267,008	4
2150	Notes payable		45	-	2,299	-	3,065	-
2170	Accounts payable		1,337,248	13	1,260,646	15	944,470	13
2200	Other payables	VI(XIII)	1,070,229	11	1,127,718	14	968,845	13
2230	Income tax liabilities		155,668	2	133,746	2	172,839	2
2280	Lease liabilities - current		51,786	-	39,263	-	41,419	1
2300	Other current liabilities	VI(XIV) and VIII	228,247	2	68,354	1	90,074	1
21XX	Total current liabilities		<u>4,316,479</u>	<u>43</u>	<u>3,163,167</u>	<u>38</u>	<u>2,487,720</u>	<u>34</u>
Non-current liabilities								
2540	Long-term loans	VI(XIV) and VIII	244,587	2	238,448	3	242,116	3
2570	Deferred income tax liabilities		153,596	2	167,125	2	175,206	2
2580	Lease liabilities - non-current		566,560	6	111,058	1	121,821	2
2640	Net defined benefit liability - non-current		80,346	1	80,348	1	76,253	1
2670	Other non-current liabilities - others		535	-	1,292	-	918	-
25XX	Total non-current liabilities		<u>1,045,624</u>	<u>11</u>	<u>598,271</u>	<u>7</u>	<u>616,314</u>	<u>8</u>
2XXX	Total liabilities		<u>5,362,103</u>	<u>54</u>	<u>3,761,438</u>	<u>45</u>	<u>3,104,034</u>	<u>42</u>
Equity								
Equity attributable to shareholders of the parent company								
Share Capital VI(XVI)								
3110	Capital of common shares		1,353,127	14	1,353,127	16	1,353,127	18
Capital Reserve VI(XVII)								
3200	Capital Reserve		781,236	8	781,236	9	781,236	10
Retained Earnings VI(XVIII)								
3310	Legal reserve		861,536	9	799,969	10	799,969	11
3320	Special reserve		133,828	1	75,285	1	75,285	1
3350	Undistributed earnings		1,188,784	12	1,226,712	15	1,042,782	14
Other equity								
3400	Other equity		(156,415)	(2)	(133,828)	(1)	(106,380)	(1)
31XX	Total equity attributable to shareholders of the parent company		<u>4,162,096</u>	<u>42</u>	<u>4,102,501</u>	<u>50</u>	<u>3,946,019</u>	<u>53</u>
36XX	Non-controlling interests	IV(III)	<u>390,730</u>	<u>4</u>	<u>404,489</u>	<u>5</u>	<u>396,497</u>	<u>5</u>
3XXX	Total equity		<u>4,552,826</u>	<u>46</u>	<u>4,506,990</u>	<u>55</u>	<u>4,342,516</u>	<u>58</u>
Important Contingent Liabilities and Unrecognized Contractual Commitments IX								
3X2X	Total liabilities and equity		<u>\$ 9,914,929</u>	<u>100</u>	<u>\$ 8,268,428</u>	<u>100</u>	<u>\$ 7,446,550</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 Statement of Comprehensive Income
January 1 to September 30, 2019 and 2020

(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	July 1 to September 30, 2020		July 1 to September 30, 2019		January 1 to September 30, 2020		January 1 to September 30, 2019		
		Amount	%	Amount	%	Amount	%	Amount	%	
4000 Operating revenue	VI(XIX)	\$ 3,235,769	100	\$ 2,235,025	100	\$ 8,001,133	100	\$ 8,439,114	100	
5000 Operating costs	VI(V)(XI) (XXV) (XXVI)	(2,538,499)	(78)	(1,867,831)	(83)	(6,692,500)	(84)	(7,081,630)	(84)	
5900 Gross operating profit		<u>697,270</u>	<u>22</u>	<u>367,194</u>	<u>17</u>	<u>1,308,633</u>	<u>16</u>	<u>1,357,484</u>	<u>16</u>	
Operating expenses	VI(XI) (XXV) (XXVI)									
6100 Selling expense		(48,313)	(2)	(52,525)	(2)	(126,480)	(1)	(152,661)	(2)	
6200 Administrative expense		(104,633)	(3)	(111,587)	(5)	(304,476)	(4)	(320,848)	(4)	
6300 Research and development expenses		(123,484)	(4)	(130,254)	(6)	(333,964)	(4)	(347,545)	(4)	
6450 Expected credit impairment gain (loss)	XII(II)	<u>1,651</u>	<u>-</u>	<u>3,251</u>	<u>-</u>	<u>(2,513)</u>	<u>-</u>	<u>295</u>	<u>-</u>	
6000 Total operating expenses		<u>(274,779)</u>	<u>(9)</u>	<u>(291,115)</u>	<u>(13)</u>	<u>(767,433)</u>	<u>(9)</u>	<u>(820,759)</u>	<u>(10)</u>	
6500 Other income and expenses - net	VI(XX)	<u>25,575</u>	<u>1</u>	<u>27,713</u>	<u>1</u>	<u>69,790</u>	<u>1</u>	<u>76,485</u>	<u>1</u>	
6900 Operating income		<u>448,066</u>	<u>14</u>	<u>103,792</u>	<u>5</u>	<u>610,990</u>	<u>8</u>	<u>613,210</u>	<u>7</u>	
Non-operating income and expenses										
7100 Interest income	VI(XXI)	3,529	-	5,601	-	15,308	-	9,012	-	
7010 Other income	VI(XXII)	18,878	-	546	-	68,373	1	5,228	-	
7020 Other gains and losses	VI(II) (XXIII)	(82,661)	(3)	43,629	1	(111,752)	(2)	75,074	1	
7050 Finance costs	VI(IX) and (X) (XXIV)	(12,437)	-	(2,599)	-	(28,748)	-	(5,677)	-	
7060 Share of the profit (loss) of associates and joint ventures accounted for using equity method	VI(VIII)	<u>254</u>	<u>-</u>	<u>(865)</u>	<u>-</u>	<u>260</u>	<u>-</u>	<u>(810)</u>	<u>-</u>	
7000 Total non-operating income and expenses		<u>(72,437)</u>	<u>(3)</u>	<u>46,312</u>	<u>1</u>	<u>(56,559)</u>	<u>(1)</u>	<u>82,827</u>	<u>1</u>	
7900 Profit before tax		<u>375,629</u>	<u>11</u>	<u>150,104</u>	<u>6</u>	<u>554,431</u>	<u>7</u>	<u>696,037</u>	<u>8</u>	
7950 Income tax expense	VI(XXVII)	<u>(108,435)</u>	<u>(3)</u>	<u>(55,833)</u>	<u>(3)</u>	<u>(145,576)</u>	<u>(2)</u>	<u>(219,858)</u>	<u>(2)</u>	
8200 Net income		<u>\$ 267,194</u>	<u>8</u>	<u>\$ 94,271</u>	<u>3</u>	<u>\$ 408,855</u>	<u>5</u>	<u>\$ 476,179</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		<u>(\$ 3,022)</u>	<u>-</u>	<u>(\$ 49,050)</u>	<u>(2)</u>	<u>(\$ 22,587)</u>	<u>-</u>	<u>(\$ 31,095)</u>	<u>(1)</u>	
8500 Total comprehensive income (loss)		<u>\$ 264,172</u>	<u>8</u>	<u>\$ 45,221</u>	<u>1</u>	<u>\$ 386,268</u>	<u>5</u>	<u>\$ 445,084</u>	<u>5</u>	
Net income (loss) attributable to:										
8610 Owners of the parent company		\$ 251,016	7	\$ 75,476	2	\$ 393,401	5	\$ 427,320	5	
8620 Non-controlling interests		<u>16,178</u>	<u>1</u>	<u>18,795</u>	<u>1</u>	<u>15,454</u>	<u>-</u>	<u>48,859</u>	<u>1</u>	
Total		<u>\$ 267,194</u>	<u>8</u>	<u>\$ 94,271</u>	<u>3</u>	<u>\$ 408,855</u>	<u>5</u>	<u>\$ 476,179</u>	<u>6</u>	
Total comprehensive income (loss) attributable to:										
8710 Owners of the parent company		\$ 247,994	7	\$ 26,426	-	\$ 370,814	5	\$ 396,225	4	
8720 Non-controlling interests		<u>16,178</u>	<u>1</u>	<u>18,795</u>	<u>1</u>	<u>15,454</u>	<u>-</u>	<u>48,859</u>	<u>1</u>	
Total		<u>\$ 264,172</u>	<u>8</u>	<u>\$ 45,221</u>	<u>1</u>	<u>\$ 386,268</u>	<u>5</u>	<u>\$ 445,084</u>	<u>5</u>	
Earnings per share VI(XXVIII)										
9750 Basic		<u>\$ 1.86</u>		<u>\$ 0.56</u>		<u>\$ 2.91</u>		<u>\$ 3.16</u>		
9850 Diluted		<u>\$ 1.85</u>		<u>\$ 0.56</u>		<u>\$ 2.89</u>		<u>\$ 3.14</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 September 30, 2019 and 2020

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

Unit: In Thousands of New Taiwan Dollars

Equity attributable to shareholders of the parent company

Notes	Capital Reserve				Retained Earnings			Exchange differences on translation of foreign financial statements	Total	Non-controlling interests	Total equity
	Capital of common shares	Share premium	Recognized value of changes in equity of ownership of subsidiaries	Others	Legal reserve	Special reserve	Undistributed earnings				
<u>January 1 to September 30, 2019</u>											
Balance as of January 1, 2019	\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 743,087	\$ 65,616	\$ 979,701	(\$ 75,285)	\$ 3,847,482	\$ 365,616	\$ 4,213,098
Net income	-	-	-	-	-	-	427,320	-	427,320	48,859	476,179
Other comprehensive income (loss)	-	-	-	-	-	-	-	(31,095)	(31,095)	-	(31,095)
Total comprehensive income (loss)	-	-	-	-	-	-	427,320	(31,095)	396,225	48,859	445,084
Earnings appropriation and allocation for 2018:											
Provision of legal reserve	-	-	-	-	56,882	-	(56,882)	-	-	-	-
Provision of special reserve	-	-	-	-	-	9,669	(9,669)	-	-	-	-
Cash dividends for common shares	VI(XVIII)	-	-	-	-	-	(297,688)	-	(297,688)	-	(297,688)
Non-controlling interests	-	-	-	-	-	-	-	-	-	(17,978)	(17,978)
Balance as of September 30, 2019	\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 799,969	\$ 75,285	\$ 1,042,782	(\$ 106,380)	\$ 3,946,019	\$ 396,497	\$ 4,342,516
<u>January 1 to September 30, 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	-	-	-	-	-	-	393,401	-	393,401	15,454	408,855
Other comprehensive income (loss)	-	-	-	-	-	-	-	(22,587)	(22,587)	-	(22,587)
Total comprehensive income (loss)	-	-	-	-	-	-	393,401	(22,587)	370,814	15,454	386,268
Earnings appropriation and allocation for 2019:											
Provision of legal reserve	-	-	-	-	61,567	-	(61,567)	-	-	-	-
Provision of special reserve	-	-	-	-	-	58,543	(58,543)	-	-	-	-
Cash dividends for common shares	VI(XVIII)	-	-	-	-	-	(311,219)	-	(311,219)	-	(311,219)
Non-controlling interests	-	-	-	-	-	-	-	-	-	(29,213)	(29,213)
Balance as of September 30, 2020	\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 861,536	\$ 133,828	\$ 1,188,784	(\$ 156,415)	\$ 4,162,096	\$ 390,730	\$ 4,552,826

(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 cash flow statement

January 1 to September 30, 2019 and 2020

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

Unit: In Thousands of New Taiwan Dollars

	<u>Notes</u>	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
<u>Cash flows from operating activities</u>			
Net profit before tax		\$ 554,431	\$ 696,037
Adjustments:			
Income and expense item			
Depreciation	VI(IX), VI(X), and VI(XXV)	310,044	263,527
Amortization	VI(XXV)	17,412	12,594
Expected credit impairment loss (gain)	XII(II)	2,513 (295)
Net (gain) loss on financial assets measured at fair value through profit and loss	VI(II) and VI(XXIII)	(920)	2,199
Interest income	VI(XXI)	(15,308)	(9,012)
Interest expense	VI(XXIV)	25,549	5,530
Loss on disposal and retirement of property, plant and equipment	VI(XXIII)	12,969	8,422
Reclassification of property, plant and equipment to expense		-	346
Gains on lease modification	VI(X)	(421)	-
Share of the profit (loss) of associates and joint ventures accounted for using equity method	VI(VIII)	(260)	810
Gain on disposal of subsidiaries	VI(XXIII)	(8,509)	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Financial assets at fair value through profit or loss - current		780 (1,320)
Notes receivable		1,257	3,063
Accounts receivable		(247,074)	1,237,799
Other receivables		4,955	14,084
Inventories		111,221	245,468
Prepayments		(47,581)	54,566
Other current assets		(5,683)	(4,869)
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current		(179)	(565)
Notes payable		(2,254)	(254)
Accounts payable		92,319	(692,649)
Other payables		(32,946)	(72,157)
Other current liabilities		72,408	35,793
Net defined benefit liability - non-current		(2)	(6)
Other non-current liabilities - others		-	(3,885)
Cash provided by operating activities		<u>844,721</u>	<u>1,795,226</u>
Income tax paid		(<u>139,515</u>)	(<u>188,105</u>)
Net cash provided by operating activities		<u>705,206</u>	<u>1,607,121</u>

(Continue to next page)

Advanced International Multitech Co., Ltd. and Subsidiaries

Consolidated cash flow statement

January 1 to September 30, 2019 and 2020

(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 to September 30, 2020	January 1 to September 30, 2019
<u>Cash provided by investing activities</u>			
Increase in financial assets at amortized cost - current		(\$ 128,327)	(\$ 84,522)
Increase in financial assets at amortized cost - non-current		(451,923)	-
Acquisition of investments accounted for using equity method		(49,212)	-
Net cash outflow from disposal of subsidiaries	VI(XXIX)	(7,513)	-
Acquisition of property, plant and equipment	VI(XXIX)	(405,882)	(421,006)
Increase in prepayment for business facilities		(200,071)	(128,832)
Proceeds from disposal of property, plant and equipment		2,370	813
Acquisition of intangible assets	VI(XI)	(1,831)	(4,519)
Increase in refundable deposits		(40,842)	(4,419)
Decrease in refundable deposits		3,109	4,493
Increase in other non-current assets		(34,772)	(6,688)
Interest received		15,308	8,210
Net cash used in investing activities		<u>(1,299,586)</u>	<u>(636,470)</u>
<u>Cash provided by (used in) financing activities</u>			
Increase in short-term loans	VI(XXX)	14,580,559	831,459
Decrease in short-term loans	VI(XXX)	(13,617,809)	(731,436)
Repayment of the principal amount of rentals	VI(XXX)	(33,248)	(30,016)
Increase in long-term loans	VI(XXX)	110,311	155,710
Repayment of long-term loan	VI(XXX)	(16,667)	-
Increase in deposits received		-	23
Decrease in deposits received		(746)	-
Interest paid		(20,582)	(5,669)
Cash dividends distributed	VI(XVIII)	(311,219)	(297,688)
Cash dividends distributed by subsidiaries		<u>(29,213)</u>	<u>(17,978)</u>
Net cash provided by (used in) financing activities		<u>661,386</u>	<u>(95,595)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>(13,337)</u>	<u>(15,665)</u>
Increase in cash and cash equivalents for the current period		53,669	859,391
Cash and cash equivalents, beginning of the period		968,766	533,118
Cash and cash equivalents, end of the period		<u>\$ 1,022,435</u>	<u>\$ 1,392,509</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 September 30, 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 November 6, 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 a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020 (Note)

Note: The FSC allows early application on 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

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2021:

<u>New/revised/amended standards and interpretations</u>	<u>Effective date issued by the International Accounting Standards Board (IASB)</u>
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	January 1, 2021

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

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

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

<u>New/revised/amended standards and interpretations</u>	<u>Effective date issued by the International Accounting Standards Board (IASB)</u>
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
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, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022
Phase II amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform"	January 1, 2021

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

IV. Summary of Significant Accounting Policies

Among the significant accounting policies, except for the compliance statement, preparation basis, consolidation basis and additions which are stated below, the rest are the same as Note 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 are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and the FSC endorsed IAS 34 "Interim Financial Reporting."
2. These consolidated financial statements shall be read together with the 2019 consolidated financial statements.

(II) Basis of Preparation

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

(III) Basis of Consolidation

1. Preparation Principles for the Consolidated Financial Statements:

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

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

Investor	Subsidiary	Main Business Activities	Ownership (%)			Descriptions
			September 30, 2020	December 31, 2019	September 30, 2019	
Advanced International Multitech Co., Ltd.	Advanced International Multitech (BVI) Co., Ltd.	Overseas investment	100	100	100	
Advanced International Multitech Co., Ltd.	Advanced Group International (BVI) Co., Ltd.	Overseas investment	100	100	100	
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	Engaged in the production and sales of various golf club shafts and heads, and golf sets.	100	100	100	Note 1
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	Note 1 and Note 2

Note 1: The financial statements of such insignificant subsidiaries for the third quarter ended September 30, 2020 and 2019, are not reviewed by an independent auditor.

Note 2: The Group disposed of 100% equity interest in this company on 24 August 2020 and ceased to include this company in the Group's consolidated financial statements.

3. Subsidiaries that are not consolidated into the consolidated financial statements: None.
4. Different accounting and adjustments adopted by subsidiaries in the accounting period: None.
5. Significant restrictions: None.
6. Subsidiaries with material non-controlling interests to the Group:
As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group's non-controlling interests totaled \$390,730, \$404,489, and \$396,497, respectively. What stated below is the information in respect of the Group's material non-controlling interests and the corresponding subsidiaries:

Name of subsidiary	Principal place of business	Non-controlling interests					
		September 30, 2020		December 31, 2019		September 30, 2019	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
Launch Technologies Co., Ltd. (LTC)	Taiwan	\$390,730	44.07	\$404,489	44.07	\$ 396,497	44.07

Summary of the financial information of subsidiaries is as follows:

Balance Sheets

	Launch Technologies Co., Ltd. (LTC)		
	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 604,335	\$ 524,264	\$ 510,849
Non-current assets	1,159,252	1,050,362	984,968
Current liabilities	(550,957)	(339,348)	(273,596)
Non-current liabilities	(326,028)	(317,456)	(322,534)
Total net assets	\$ 886,602	\$ 917,822	\$ 899,687

Statements of Comprehensive Income

	Launch Technologies Co., Ltd. (LTC)	
	July 1 to September 30, 2020	July 1 to September 30, 2019
Revenue	\$ 427,024	\$ 465,355
Profit before tax	44,658	53,311
Income tax expense	(7,949)	(10,663)
Net income	36,709	42,648
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	\$ 36,709	\$ 42,648

Launch Technologies Co., Ltd. (LTC)

	January 1 to September 30, 2020	January 1 to September 30, 2019
Revenue	\$ 1,073,545	\$ 1,341,974
Profit before tax	28,214	138,210
Income tax benefit (expense)	6,853	(27,344)
Net income	35,067	110,866
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	\$ 35,067	\$ 110,866

Statements of Cash Flows

	Launch Technologies Co., Ltd. (LTC)	
	January 1 to September 30, 2020	January 1 to September 30, 2019
Net cash provided by operating activities	\$ 99,170	\$ 218,104
Net cash used in investing activities	(216,293)	(276,410)
Net cash provided by financing activities	166,198	38,161
Increase (decrease) in cash and cash equivalents	49,075	(20,145)
Cash and cash equivalents, beginning of the period	10,525	39,462
Cash and cash equivalents, end of the period	\$ 59,600	\$ 19,317

(IV) Financial Assets at Amortized Cost

1. Financial assets at amortized cost are those that meet all of the following criteria:
 - (1) The objective of the Company's business model is achieved by collecting contractual cash flows of the financial assets; and
 - (2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principle and interest on the principle amount outstanding.
2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using settlement date accounting by the Group.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. In subsequent periods, interest income is recognized using the effective interest method and impairment loss is accounted for. Upon derecognition, the gain or loss is recognized in profit or loss.

(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 major accounting estimates and assumptions made and actual results, the historical experience, the impact of COVID-19 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 receivables

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

As of September 30, 2020, the carrying amount of the Group's accounts receivable was \$2,868,006.

2. Inventory valuation

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

As of September 30, 2020, the carrying amount of inventories was \$1,768,131.

VI. Descriptions of Major Accounting Subjects

(I) Cash and cash equivalents

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand and revolving funds	\$ 1,475	\$ 651	\$ 1,149
Checking deposits and demand deposits	547,201	671,324	874,934
Cash equivalents - time deposits	67,059	266,861	361,475
Cash equivalents - repo bonds	406,700	29,930	154,951
	<u>\$ 1,022,435</u>	<u>\$ 968,766</u>	<u>\$ 1,392,509</u>

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

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

Item	September 30, 2020	December 31, 2019	September 30, 2019
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Non-hedging financial derivatives	\$ 329	\$ 10	\$ -
Adjustment for valuation	-	-	-
	\$ 329	\$ 10	\$ -

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

	July 1 to September 30, 2020	July 1 to September 30, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging Derivatives	\$ 465	(\$ 791)
	\$ 465	(\$ 791)
	January 1 to September 30, 2020	January 1 to September 30, 2019
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging Derivatives	\$ 920	(\$ 2,199)
	\$ 920	(\$ 2,199)

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

	September 30, 2020	
Derivative financial assets	Contract amount (nominal principal)	Contract Duration
Current items:		
Forward exchange contracts	<u>US\$ 3,540 thousand</u>	2020.9.9~2020.10.23
	December 31, 2019	
Derivative financial assets	Contract amount (nominal principal)	Contract Duration
Current items:		
Forward exchange contracts	<u>US\$ 116 thousand</u>	2019.12.18~2020.1.17

September 30, 2019: None.

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

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

(III) Financial Assets at Amortized Cost

Item	September 30, 2020	December 31, 2019	September 30, 2019
Current items:			
Restricted bank deposits	\$ 128,327	\$ -	\$ -
Time deposits with original maturity of more than three months	-	-	84,522
	\$ 128,327	\$ -	\$ 84,522
Non-current items:			
Restricted bank deposits	\$ 451,923	\$ -	\$ -

1. The amounts that best represent the maximum credit risk exposure of the Group's financial assets measured at amortized cost as at September 30, 2020, December 31, 2019 and September 30, 2019 without taking account of any collateral held or other credit enhancements were \$580,250, \$0, and \$84,522.
2. The Group had no financial assets at amortized cost pledged to others.
3. For information on the credit risk of financial assets measured by amortized cost, please refer to Note XII(II).

(IV) Notes Receivable and Accounts Receivable

Item	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 4,432	\$ 5,689	\$ 8,118
Accounts receivable	\$ 2,871,384	\$ 2,646,440	\$ 1,481,703
Less: Loss allowance	(3,378)	(865)	(1,369)
	\$ 2,868,006	\$ 2,645,575	\$ 1,480,334

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

	September 30, 2020		December 31, 2019		September 30, 2019	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not overdue	\$ 4,432	\$ 2,558,248	\$ 5,689	\$ 2,568,017	\$ 8,118	\$ 1,401,221
Overdue:						
Up to 30 days	-	280,308	-	73,026	-	70,004
31 to 90 days	-	26,501	-	5,377	-	6,924
91 to 180 days	-	6,327	-	20	-	3,506
Over 181 days	-	-	-	-	-	48
	\$ 4,432	\$ 2,871,384	\$ 5,689	\$ 2,646,440	\$ 8,118	\$ 1,481,703

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

2. As of September 30, 2020, December 31, 2019, September 30, 2019 and January 1, 2019, the balance of the Group's accounts receivables (including notes receivables) derived from contracts with customers were \$2,875,816, \$2,652,129, \$1,489,821 and \$2,751,737, respectively.
3. No accounts receivables or notes receivables were pledged as collateral by the Group.
4. The maximum exposure to credit risk without taking account of collateral held or other credit enhancements to the Group's notes receivable as at 30 September

2020, 31 December 2019 and 30 September 2019 is \$4,432, \$5,689 and \$8,118, respectively; The maximum exposure to credit risk as at 30 September 2020, 31 December 2019 and 30 September 2019 is \$2,868,006, \$2,645,575 and \$1,480,334, respectively.

5. For credit risks of accounts receivables and notes receivables, please refer to Note XII(II).

(V) Inventory

	September 30, 2020		
	Cost	Allowance for price decline	Book value
Raw materials	\$ 678,644	(\$ 37,311)	\$ 641,333
Work in progress	394,800	(2,602)	392,198
Finished goods	710,609	(22,279)	688,330
Inventory in transit	46,270	-	46,270
	<u>\$ 1,830,323</u>	<u>(\$ 62,192)</u>	<u>\$ 1,768,131</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>

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

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

	July 1 to September 30, 2020	July 1 to September 30, 2019
Cost of inventories sold	\$ 2,529,201	\$ 1,869,525
(Recovery gain) from price decline	6,427	(5,796)
Retirement loss	3,194	2,605
Others	(323)	1,497
	<u>\$ 2,538,499</u>	<u>\$ 1,867,831</u>

	January 1 to September 30, 2020	January 1 to September 30, 2019
Cost of inventories sold	\$ 6,687,346	\$ 7,095,067
(Recovery gain) from price decline	15,912	(18,137)
Retirement loss	3,789	7,535
Others	(14,547)	(2,835)
	<u>\$ 6,692,500</u>	<u>\$ 7,081,630</u>

A decrease in cost to sell was recognized due to the recovery of the net realizable value of inventories contributed by the well-performed stock clearance and retirement of some inventory as at the period between July 1 and September 30, 2019 and the periods between January 1 and September 30, 2019.

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

Item	September 30, 2020	December 31, 2019	September 30, 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 its strategic equity investments as financial assets measured at FVTOCI. The fair value of such investments as at September 30, 2020, December 31, 2019 and September 30, 2019 amounted to \$1,014, \$1,014, and \$1,030, respectively.

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

(VII) Prepayments

	September 30, 2020	December 31, 2019	September 30, 2019
Business tax paid	\$ 74,729	\$ 61,147	\$ 45,094
Tax overpaid retained	45,023	30,505	27,281
Prepaid expense	42,124	21,047	35,103
Prepayment for purchases	12,999	15,616	8,958
	<u>\$ 174,875</u>	<u>\$ 128,315</u>	<u>\$ 116,436</u>

(VIII) Investments Accounted for Using Equity Method

	September 30, 2020	December 31, 2019	September 30, 2019
Munich Composites GmbH	\$ 49,212	\$ -	\$ -
Baoji Zatech Material Co., Ltd.	3,121	2,813	2,860
Beijing Mingda Titanium Technology	-	71	575
	<u>\$ 52,333</u>	<u>\$ 2,884</u>	<u>\$ 3,435</u>

1. As of September 30, 2020, December 31, 2019 and September 30, 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 September 30, 2020, December 31, 2019 and September 30, 2019, the carrying amounts of the Group's individually insignificant associates were \$52,333, \$2,884, and \$3,435.

	July 1 to September 30, 2020	July 1 to September 30, 2019
Net income (loss)	\$ 254	(\$ 865)
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	<u>\$ 254</u>	<u>(\$ 865)</u>
	January 1 to September 30, 2020	January 1 to September 30, 2019
Net income (loss)	\$ 260	(\$ 810)
Other comprehensive income (net after tax)	-	-
Total comprehensive income (loss)	<u>\$ 260</u>	<u>(\$ 810)</u>

3. The Group holds 27.27% equity interest in Munich Composites GmbH and is the single largest shareholder of the Company. As it only holds one out of four seats of Directors, the Group has no practical ability to direct the relevant activities, and thus it is judged that it has no control but only significant influence over the Company.

(IX) Property, plant and equipment

	September 30, 2020	December 31, 2019	September 30, 2019
Land	\$ 162,544	\$ 162,544	\$ 162,544
Buildings and structures	894,978	909,773	960,081
Machinery	825,305	647,387	577,721
Utility equipment	145,760	156,288	140,861
Transportation equipment	1,644	669	880
Office equipment	24,708	26,205	27,034
Other equipment	147,869	139,816	121,587
Equipment to be inspected and construction in progress	323,193	154,770	109,929
	<u>\$ 2,526,001</u>	<u>\$ 2,197,452</u>	<u>\$ 2,100,637</u>

Name of assets	January 1 to September 30, 2020					
	January 1	Additions	Disposals	Reclassifications	Net exchange differences	September 30
Land	\$ 162,544	\$ -	\$ -	\$ -	\$ -	\$ 162,544
Buildings and structures	1,550,681	40,453	(18,879)	17,206	(10,378)	1,579,083
Machinery	1,581,219	171,392	(100,850)	151,400	(12,867)	1,790,294
Utility equipment	329,883	14,471	(18,482)	3,893	(2,057)	327,708
Transportation equipment	6,505	1,334	(3,420)	-	(17)	4,402
Office equipment	69,383	6,113	(2,716)	-	(586)	72,194
Other equipment	395,167	46,252	(43,373)	7,172	(2,697)	402,521
Equipment to be inspected and construction in progress	154,770	106,600	-	63,133	(1,310)	323,193
	<u>\$ 4,250,152</u>	<u>\$ 386,615</u>	<u>(\$ 187,720)</u>	<u>\$ 242,804</u>	<u>(\$ 29,912)</u>	<u>\$ 4,661,939</u>

January 1 to September 30, 2020

Accumulated depreciation and impairment						
Name of assets	January 1	Depreciation expense and Impairment loss	Disposals	Reclassifications	Net exchange differences	September 30
Buildings and structures	\$ 640,908	\$ 66,968	(\$ 18,750)	\$ -	(\$ 5,021)	\$ 684,105
Machinery	933,832	134,813	(95,192)	-	(8,464)	964,989
Utility equipment	173,595	19,174	(9,472)	-	(1,349)	181,948
Transportation equipment	5,836	360	(3,420)	-	(18)	2,758
Office equipment	43,178	7,480	(2,716)	-	(456)	47,486
Other equipment	255,351	44,293	(42,831)	(31)	(2,130)	254,652
	<u>\$ 2,052,700</u>	<u>\$ 273,088</u>	<u>(\$ 172,381)</u>	<u>(\$ 31)</u>	<u>(\$ 17,438)</u>	<u>\$ 2,135,938</u>
	<u>\$ 2,197,452</u>					<u>\$ 2,526,001</u>

January 1 to September 30, 2019

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

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

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

	January 1 to September 30, 2020	January 1 to September 30, 2019
Capitalization amounts	\$ 1,376	\$ 1,677
Range of capitalized interest rate	0.78%~1.395%	0.91%~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:

	September 30, 2020	December 31, 2019	September 30, 2019
	Book value	Book value	Book value
Land	\$ 585,486	\$ 119,067	\$ 121,796
Buildings and structures	58,431	60,787	72,546
	<u>\$ 643,917</u>	<u>\$ 179,854</u>	<u>\$ 194,342</u>

	July 1 to September 30, 2020	July 1 to September 30, 2019
	Depreciation	Depreciation
Land	\$ 5,276	\$ 1,890
Buildings and structures	9,944	9,427
	<u>\$ 15,220</u>	<u>\$ 11,317</u>

	January 1 to September 30, 2020	January 1 to September 30, 2020
	Depreciation	Depreciation
Land	\$ 9,052	\$ 5,673
Buildings and structures	27,904	27,219
	<u>\$ 36,956</u>	<u>\$ 32,892</u>

3. The Group's additions to right-of-use assets for the periods from 1 July to 30 September, and 1 January to 30 September, 2020 and 2019 were \$499,599, \$0 and \$522,966, \$66,000, respectively.
4. Profit or loss items in connection with lease contracts are stated as follows:

	July 1 to September 30, 2020	July 1 to September 30, 2019
<u>Items that affect profit or loss</u>		
Interest expense on lease liability	\$ 2,415	\$ 1,587
Expense on leases with low-value underlying assets	344	258
Gains on lease modification	-	-
	January 1 to September 30, 2020	January 1 to September 30, 2019
<u>Items that affect profit or loss</u>		
Interest expense on lease liability	\$ 4,967	\$ 3,668
Expense on leases with low-value underlying assets	922	702
Gains on lease modification	421	-

5. The Group's total lease cash outflows were \$12,087, \$13,674, \$39,137 and \$34,386 for the periods from 1 July to 30 September and 1 January to 30 September 2020 and 2019, 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.
7. The Group adopted the practical expedient of "leasing allowances related to lung inflammation in a new coronary viral" and recognized a gain or loss of \$1,189 on the change in lease payments resulting from the rental reduction from 1 January to 30 September 2020.

(XI) Intangible assets

	<u>Computer software</u>
January 1, 2020	
Cost	\$ 29,919
Accumulated amortization	(16,713)
	<u>\$ 13,206</u>
2020	
January 1	\$ 13,206
Addition - separately acquired	1,831
Derecognition - cost reduction	(8,782)
Amortization	(6,320)
Derecognition - reduction in accumulated amortization	8,782
Effect of exchange rate changes	(114)
September 30	<u>\$ 8,603</u>
September 30, 2020	
Cost	\$ 22,968
Accumulated amortization	(14,365)
	<u>\$ 8,603</u>

	<u>Computer software</u>
January 1, 2019	
Cost	\$ 31,021
Accumulated amortization	(12,505)
	<u>\$ 18,516</u>
2019	
January 1	\$ 18,516
Addition - separately acquired	4,519
Derecognition - cost reduction	(2,213)
Amortization	(7,804)
Derecognition - reduction in accumulated amortization	2,213
Effect of exchange rate changes	38
September 30	<u>\$ 15,269</u>
September 30, 2019	
Cost	\$ 33,327
Accumulated amortization	(18,058)
	<u>\$ 15,269</u>

Amortization of intangible assets is detailed as below:

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Operating costs	\$ 236	\$ 395
Administrative expense	664	1,181
Research and development expenses	938	973
	<u>\$ 1,838</u>	<u>\$ 2,549</u>
	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Operating costs	\$ 718	\$ 1,186
Administrative expense	2,448	3,644
Research and development expenses	3,154	2,974
	<u>\$ 6,320</u>	<u>\$ 7,804</u>

(XII) Short-term loans

<u>Type of loans</u>	<u>September 30, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank credit loan	\$ 1,440,746	0.70%~3.70%	
Loans against letter of credit	32,510	-	Note
	<u>\$ 1,473,256</u>		
<u>Type of loans</u>	<u>December 31,</u>	<u>Interest rate</u>	<u>Collateral</u>

	2019	range	
Bank credit loan	\$ 498,956	0.82%~3.30%	
Loans against letter of credit	32,185	-	Note
	<u>\$ 531,141</u>		

Type of loans	September 30, 2019	Interest rate range	Collateral
Bank credit loan	\$ 203,190	0.88%~3.20%	
Loans against letter of credit	63,818	-	Note
	<u>\$ 267,008</u>		

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

(XIII) Other payables

	September 30, 2020	December 31, 2019	September 30, 2019
Payroll and bonus payable	\$ 396,932	\$ 522,022	\$ 421,804
Processing fee payable	221,919	214,327	160,546
Payables of compensation to employees and remuneration to directors and supervisors	29,464	64,987	46,182
Equipment expenses payable	41,911	61,178	41,398
Others	380,003	265,204	298,915
	<u>\$ 1,070,229</u>	<u>\$ 1,127,718</u>	<u>\$ 968,845</u>

(XIV) Long-term loans

Type of loans	Loan period and repayment method	Interest rate range	Collateral	September 30, 2020
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.	0.945% ~1.145%	Machinery	\$183,334
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	159,900
				<u>343,234</u>
Less: long-term loan due in one year				<u>(98,647)</u>
				<u>\$244,587</u>

Type of loans	Loan period and repayment method	Interest rate range	Collateral	December 31, 2019
Long-term bank loans				
Secured loan	Duration from June 2018 to June 2023 and interest paid on a monthly basis. In addition, from September 2020 onwards, the remaining amounts are paid back in 12 installments on a quarterly basis.	1.395%	Machinery	\$ 89,690
Secured loan	Duration from July 2018 to July 2025 and interest paid on a monthly basis. In addition, from October 2020 onwards, the remaining amounts are paid back in 20 installments on a quarterly basis.	1.395%	Buildings and structures	159,900
				<u>249,590</u>
Less: long-term loan due in one year				<u>(11,142)</u>
				<u>\$ 238,448</u>

Type of loans	Loan period and repayment method	Interest rate range	Collateral	September 30, 2019
Long-term bank loans				
Secured loan	Duration from June 2018 to June 2023 and interest paid on a monthly basis. In addition, from September 2020 onwards, the remaining amounts are paid back in 12 installments on a quarterly basis.	1.395%	Machinery	\$ 89,690
Secured loan	Duration from July 2018 to July 2025 and interest paid on a monthly basis. In addition, from October 2020 onwards, the remaining amounts are paid back in 20 installments on a quarterly basis.	1.395%	Buildings and structures	159,900
				<u>249,590</u>
Less: long-term loan due in one year				<u>(7,474)</u>
				<u>\$ 242,116</u>

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

(XV) Pensions

1. (1) In compliance with the requirements set forth in the Labor Standards 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) For the three-month and nine-month periods ended September 30, 2020 and 2019, the pension costs recognized by the Group in accordance with the afore-mentioned pension plans were \$539, \$578, \$1,538 and \$1,743.
- (3) The Company expects to make contributions of \$2,615 to the pension plans within one year.
2. (1) Starting from July 1, 2005, the Company and subsidiaries have set up a defined contribution plan for all employees with ROC citizenship in accordance with the Labor Pension Act. Where the employees have elected to apply the labor pension system as stipulated in the Labor Pension Act, the Company and subsidiaries make a contribution in an amount equal to 6% of the employees' monthly salaries or wages to their individual accounts in the Bureau of Labor Insurance.
- (2) Advanced Sporting Goods (Dong Guan) Co., Ltd. and Advanced Sporting Goods(Sha Tian, Dong Guan) Co., Ltd. make a pension contribution on a monthly basis in an amount equal to a certain percentage of the employees' monthly salaries and wages in accordance with the requirements as set forth in the pension system of the People's Republic of China. The contribution percentage was 13% for the three-month and nine-month periods ended September 30, 2020 and 2019. 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 pension plans were \$24,540, \$27,295, \$64,161 and \$98,293 for the three-month and nine-month periods ended September 30, 2020 and 2019.

(XVI) Capital

As of September 30, 2020, the Company had an authorized capital in the amount of \$1,800,000 (including 5,000 thousand shares of employee stock option certificates and 10,000 thousand shares of convertible corporate bonds), and a paid-in capital in the amount of \$1,353,127 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.

(XVII) 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.

(XVIII) 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 be less than 10% of the total dividends distributed.
2. The Company's dividend policy is as follows: The Company adopts a residual dividend policy in order to operate sustainably and increase profits.
3. Legal reserve 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 reserve in excess of the paid-in capital.
4. The Company may allocate earnings only after providing special reserve for debt balance in other equity on the date of balance sheet, and the reversal of debit balance in other equity, if any, may be stated into allocable earnings.
5. The Company recognized dividends distributed to shareholders of the Company in the amounts equal to \$297,688 (or NT\$2.2 per share) for 2019. The Shareholders' Meeting resolved on May 28, 2020 to distribute NT\$2.3 to each common share using the undistributed earnings, and the dividends came to a total of \$311,219.

(XIX) 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:

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Customer by geographical areas		
Americas	\$ 1,897,022	\$ 1,290,266
Asia	1,313,236	845,412
Others	25,511	99,347
	<u>\$ 3,235,769</u>	<u>\$ 2,235,025</u>

	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Customer by geographical areas		
Americas	\$ 4,808,922	\$ 5,584,180
Asia	3,086,776	2,508,812
Others	105,435	346,122
	<u>\$ 8,001,133</u>	<u>\$ 8,439,114</u>

(XX) Other income and expenses - net

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Income from molds	\$ 13,457	\$ 14,165
Income from samples	3,596	6,941
Other income	8,522	6,607
	<u>\$ 25,575</u>	<u>\$ 27,713</u>

	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Income from molds	\$ 27,265	\$ 33,648
Income from samples	13,403	21,408
Other income	29,122	21,429
	<u>\$ 69,790</u>	<u>\$ 76,485</u>

(XXI) Interest income

	<u>July 1 to September 30, 2020</u>	<u>July 1 to September 30, 2019</u>
Interest from bank deposits	\$ 3,529	\$ 5,601

	<u>January 1 to September 30, 2020</u>	<u>January 1 to September 30, 2019</u>
Interest from bank deposits	\$ 15,308	\$ 9,012

(XXII) Other income

	July 1 to September 30, 2020	July 1 to September 30, 2019
Government Subsidy Income	\$ 18,823	\$ 495
Others	55	51
	<u>\$ 18,878</u>	<u>\$ 546</u>

	January 1 to September 30, 2020	January 1 to September 30, 2019
Government Subsidy Income	\$ 68,123	\$ 5,043
Others	250	185
	<u>\$ 68,373</u>	<u>\$ 5,228</u>

1. In September 2020, the Group applied to the Industrial Development Bureau of the Ministry of Economic Affairs for compensation and working capital subsidies for the manufacturing industry and its technical services industry due to severe and unusual communicable disease. After review and approval, the government subsidy income of \$65,353 was recognized. There were no unfulfilled conditions and other contingencies.
2. In December 2018, the Group received government grants of \$4,215 under the guidance of industrial upgrade and innovation platform, which was recorded as other current liabilities and transferred to profit or loss upon expenses associated with the implementation of the plan. From January 1 to September 30, 2019, the recognized government subsidy income was \$4,050.

(XXIII) Other gains and losses

	July 1 to September 30, 2020	July 1 to September 30, 2019
Loss on disposal and retirement of property, plant and equipment	(\$ 446)	(\$ 3,580)
Foreign exchange gain (loss) - net	(95,375)	47,539
Gain on disposal of subsidiaries	8,509	
Net gain (loss) on financial assets and financial liabilities at fair value through profit or loss	465	(791)
Others	4,186	461
	<u>(\$ 82,661)</u>	<u>\$ 43,629</u>

	January 1 to September 30, 2020	January 1 to September 30, 2019
Loss on disposal and retirement of property, plant and equipment	(\$ 12,969)	(\$ 8,422)
Foreign exchange gain (loss) - net	(121,323)	85,308
Gain on disposal of subsidiaries	8,509	-
Net gain (loss) on financial assets and financial liabilities at fair value through profit or loss	920	(2,199)
Others	13,111	387
	<u>(\$ 111,752)</u>	<u>\$ 75,074</u>

(XXIV) Finance costs

	July 1 to September 30, 2020	July 1 to September 30, 2019
Interest expense	\$ 11,056	\$ 2,545
Other financing costs	1,381	54
	<u>\$ 12,437</u>	<u>\$ 2,599</u>

	January 1 to September 30, 2020	January 1 to September 30, 2019
Interest expense	\$ 25,549	\$ 5,530
Other financing costs	3,199	147
	<u>\$ 28,748</u>	<u>\$ 5,677</u>

(XXV) Additional information regarding the nature of expense

	July 1 to September 30, 2020	July 1 to September 30, 2019
Employee benefits expense	\$ 660,216	\$ 668,979
Depreciation	108,395	92,466
Amortization	6,310	4,054
	<u>\$ 774,921</u>	<u>\$ 765,499</u>

	January 1 to September 30, 2020	January 1 to September 30, 2019
Employee benefits expense	\$ 1,766,995	\$ 1,996,106
Depreciation	310,044	263,527
Amortization	17,412	12,594
	<u>\$ 2,094,451</u>	<u>\$ 2,272,227</u>

(XXVI) Employee benefits expense

	July 1 to September 30, 2020	July 1 to September 30, 2019
Salary and wages	\$ 561,728	\$ 569,925
Labor and health insurance premiums	37,688	39,458
Pension expense	25,079	27,873
Remuneration to Directors	3,465	2,230
Other personnel cost	32,256	29,493
	<u>\$ 660,216</u>	<u>\$ 668,979</u>

	January 1 to September 30, 2020	January 1 to September 30, 2019
Salary and wages	\$ 1,492,462	\$ 1,690,827
Labor and health insurance premiums	118,752	121,255
Pension expense	65,699	100,036
Remuneration to Directors	3,875	6,880
Other personnel cost	86,207	77,108
	<u>\$ 1,766,995</u>	<u>\$ 1,996,106</u>

1. The Articles of Incorporation requires that the Company allocate no less than one percent (1%) of its annual earnings as employee compensation, and no greater than five percent (5%) of its annual earnings as remuneration for directors and

supervisors; Provided, however, that a portion of earnings shall be reserved if the Company still has an accumulated deficit.

2. For the three-month and nine-month periods ended September 30, 2020 and 2019, the Company recognized compensation to employees in the amounts equal to \$9,807, \$9,808, \$21,464, and \$28,918, respectively, and remuneration to directors and supervisors in the amounts equal to \$4,250, \$2,500, \$4,250, and \$7,500, respectively, all presented under payroll expense.

The amounts for the nine-month period ended September 30, 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.

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. Components of income tax expense

	July 1 to September 30, 2020	July 1 to September 30, 2019
Current income tax:		
Income tax arising from the current period	\$ 90,317	\$ 45,763
Underestimation (Overestimation) of prior year's income tax	(2,889)	4,732
Total current income tax	87,428	50,495
Deferred income tax:		
Originating and reversed temporary differences	21,007	5,338
Income tax expense	<u>\$ 108,435</u>	<u>\$ 55,833</u>

	January 1 to September 30, 2020	January 1 to September 30, 2019
Current income tax:		
Income tax arising from the current period	\$ 169,482	\$ 167,522
Additional tax on undistributed earnings	-	11,523
Underestimation (Overestimation) of prior year's income tax	(11,131)	247
Total current income tax	158,351	179,292
Deferred income tax:		
Originating and reversed temporary differences	(12,775)	40,566
Income tax expense	<u>\$ 145,576</u>	<u>\$ 219,858</u>

2. The profit-seeking enterprise income tax of the Company is approved by the taxation authority through 2018.

(XXVIII) Earnings per share

	July 1 to September 30, 2020		
	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	\$ 251,016	135,313	\$ 1.86
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	251,016	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	250	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	<u>\$ 251,016</u>	<u>135,563</u>	<u>\$ 1.85</u>

	July 1 to September 30, 2019		
	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	\$ 75,476	135,313	\$ 0.56
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	75,476	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	242	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	<u>\$ 75,476</u>	<u>135,555</u>	<u>\$ 0.56</u>

	January 1 to September 30, 2020		
	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	\$ 393,401	135,313	\$ 2.91
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	393,401	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	790	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	<u>\$ 393,401</u>	<u>136,103</u>	<u>\$ 2.89</u>

	January 1 to September 30, 2019		
	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	\$ 427,320	135,313	\$ 3.16
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	427,320	135,313	
Effect of dilutive potential common shares			
Employee compensation	-	946	
Sum of net income attributable to shareholders of common shares and the effects of potential common shares	\$ 427,320	136,259	\$ 3.14

(XXIX) Additional information regarding cash flows

1. Investing activities with partial cash payments:

	January 1 to September 30, 2020	January 1 to September 30, 2019
Acquisition of property, plant and equipment	\$ 386,615	\$ 423,773
Add: opening balance of payable on machinery and equipment (within 'other payables')	61,178	38,631
Less: Equipment payable, end of period (recognized in other payables)	(41,911)	(41,398)
Amount paid in cash	\$ 405,882	\$ 421,006

	January 1 to September 30, 2020	January 1 to September 30, 2019
Proceeds from disposal of subsidiaries	\$ 18,018	\$ -
Less: amount receivable from disposal of investments (included in other receivables)	(18,018)	-
Less: Cash and cash equivalents disposed	(7,513)	-
Cash outflow for the period	(\$ 7,513)	\$ -

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

	January 1 to September 30, 2020	January 1 to September 30, 2019
Equipment prepayments transferred to property, plant and equipment	\$ 244,940	\$ 134,177
Reclassification of property, plant and equipment to other non-current assets	\$ 2,105	\$ 6,673
Reclassification of property, plant and equipment to expense	\$ -	\$ 346

3. On 24 August 2020, the Group disposed of 100% equity interest in Dongguan Sports Equipment Co., Ltd., resulting in the Group losing control over the subsidiary. The consideration received for the transaction and information about the relevant assets and liabilities of the subsidiary are as follows:

	<u>Aug. 24th, 2020</u>
Consideration received	
Amounts due from disposal of investments (included in other receivables)	\$ 18,018
Carrying amount of assets and liabilities over which control was lost	
Cash	\$ 7,513
Other non-current assets	2,021
Other payables	(25)
Total net assets	<u>\$ 9,509</u>

(XXX) Changes in financing liabilities

	Short-term loans	Long-term loans (including 1-year due)	Lease liabilities	Total financing liability
January 1, 2020	\$ 531,141	\$ 249,590	\$ 150,321	\$ 931,052
Changes in financing cash flows	962,750	93,644	(33,248)	1,023,146
Effect of exchange rate changes	(20,635)	-	(508)	(21,143)
Other non-cash changes	-	-	501,781	501,781
September 30, 2020	<u>\$1,473,256</u>	<u>\$ 343,234</u>	<u>\$ 618,346</u>	<u>\$2,434,836</u>

	Short-term loans	Long-term loans (including 1-year due)	Lease liabilities	Total financing liability
January 1, 2019	\$ 167,109	\$ 93,880	\$ 131,104	\$ 392,093
Changes in financing cash flows	100,023	155,710	(30,016)	225,717
Effect of exchange rate changes	(124)	-	(180)	(304)
Other non-cash changes	-	-	62,332	62,332
September 30, 2019	<u>\$ 267,008</u>	<u>\$ 249,590</u>	<u>\$ 163,240</u>	<u>\$ 679,838</u>

VII. Related-party Transactions

(I) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Beijing Mingda Titanium Technology ("Mingda Titanium" hereinafter)	Associates of the Group
Baoji Zatech Material Co., Ltd. ("Zatech" hereinafter)	Associates of the Group
Munich Composites GmbH ("MC" hereinafter)	Associates of the Group

(II) Information about remunerations to the major management

	July 1 to September 30, 2020	July 1 to September 30, 2019
Salary and other employee benefits	\$ 10,913	\$ 9,578

	January 1 to September 30, 2020	January 1 to September 30, 2019
Salary and other employee benefits	\$ 32,010	\$ 35,732

VIII. Pledged Assets

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

Assets	Carrying amount			Guarantee use
	September 30, 2020	December 31, 2019	September 30, 2019	
Land	\$ 125,648	\$ 125,648	\$ 125,648	Short-term loans
Buildings and structures - net	253,553	265,001	269,319	Short-term and long-term loans and credit facility guarantee
Machinery and equipment - net	212,858	163,045	96,453	Long-term loans and credit facility guarantee
Other equipment - net	5,694	6,833	4,846	Long-term loans and credit facility guarantee
Pledged time deposits (presented as "other non- current assets - others")	30,981	1,083	1,033	Customs deposits, performance bonds and rental deposits
	<u>\$ 628,734</u>	<u>\$ 561,610</u>	<u>\$ 497,299</u>	

IX. Important Contingent Liabilities and Unrecognized Contractual Commitments

(I) Contingency

None.

(II) Commitments

1. Balance of outstanding letters of credit

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials imported	\$ 72,101	\$ 49,428	\$ 84,529

2. Capital expenditure committed but not incurred:

	September 30, 2020	December 31, 2019	September 30, 2019
Property, plant and equipment	\$ 198,451	\$ 338,087	\$ 278,971

3. Operating lease contracts

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 changes in the current period. Please refer to Note XII to the consolidated financial statements for 2019.

(II) Financial Instruments

1. Types of financial instruments

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets</u>			
Financial Assets at Fair Value through Profit or Loss			
Financial assets mandatorily measured at fair value through profit and loss	\$ 329	\$ 10	\$ -
Financial Assets at Fair Value through Other Comprehensive Income			
Election of the designated equity instrument investment	55	55	55
Financial Assets at Amortized Cost			
Cash and cash equivalents	1,022,435	968,766	1,392,509
Financial Assets at Amortized Cost	580,250	-	84,522
Notes receivable	4,432	5,689	8,118
Accounts receivable	2,868,006	2,645,575	1,480,334
Other receivables	28,359	15,329	17,308
Refundable deposits	49,512	11,832	11,598
	<u>\$ 4,553,378</u>	<u>\$ 3,647,256</u>	<u>\$ 2,994,444</u>
	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial liabilities</u>			
Financial liabilities at amortized costs			
Short-term loans	\$ 1,473,256	\$ 531,141	\$ 267,008
Notes payable	45	2,299	3,065
Accounts payable	1,337,248	1,260,646	944,470
Other payables	1,070,229	1,127,718	968,845
Long-term loans (including 1-year due)	343,234	249,590	249,590
Deposits received	535	1,292	587
	<u>\$ 4,224,547</u>	<u>\$ 3,172,686</u>	<u>\$ 2,433,565</u>
Lease liabilities (including non-current)	<u>\$ 618,346</u>	<u>\$ 150,321</u>	<u>\$ 163,240</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. The nature and degree of significant 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 as below:

	September 30, 2020		
	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Carrying amount (New Taiwan Dollars)</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 142,881	29.05	\$ 4,150,693
USD:CNY	54,438	6.8101	1,581,424
<u>Non-monetary items</u>			
USD:NTD	22,163	29.05	\$ 643,832
CNY:NTD	139,406	4.269	595,124
EUR:NTD	1,450	33.95	49,212
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	73,806	29.15	2,151,445
USD:CNY	32,508	6.8101	947,608

	December 31, 2019		
	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Carrying amount (New Taiwan Dollars)</u>
(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	2.93	\$ 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

		September 30, 2019		
		Foreign currency (in thousands)	Exchange rate	Carrying amount (New Taiwan Dollars)
(Foreign currency: Functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	89,457	30.99	\$ 2,772,272
USD:CNY		29,646	7.07	918,730
<u>Non-monetary items</u>				
USD:NTD		16,853	30.99	\$ 522,262
CNY:NTD		260,818	4.35	1,134,558
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD		36,616	31.09	1,138,391
USD:CNY		6,530	7.07	203,018

- B. Due to the significant influence from exchange rate volatility, total exchange gain (losses) of the Group's monetary items amounted to (\$95,375), \$47,539, (\$121,323) and \$85,308, respectively, for the three-month periods and the nine-month periods ended September 30, 2020 and 2019.
- 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 to September 30, 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%	\$	41,507	\$ -
USD:CNY	1%		15,814	-
<u>Non-monetary items</u>				
USD:NTD	1%		-	6,438
CNY:NTD	1%		-	5,951
EUR:NTD	1%		-	492
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%		21,514	-
USD:CNY	1%		9,476	-

	January 1 to September 30, 2019		
	Sensitivity analysis		
	Range of change	Effects on profit or loss	Effects on other comprehensive income
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 27,723	\$ -
USD:CNY	1%	9,187	-
<u>Non-monetary items</u>			
USD:NTD	1%	-	5,223
USD:CNY	1%	-	11,346
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	11,384	-
USD:CNY	1%	2,030	-

Price risk

The Group is not exposed to price risks from products.

Cash flow interest rate risk and fair value interest rate risk

- A. The Group's interest rate risk mainly comes from its issuance of long-term loans with floating interest rates that have resulted in the Group 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 nine-month periods ended September 30, 2020 and 2019, the Group's issuance of long-term loans with floating interest rates was mainly denominated in New Taiwan Dollars.
 - B. If the borrowing interest rate of NTD increases or decreases by 0.25%, held other variables constant, the net income after tax for the nine-month periods ended September 30, 2020 and 2019 will decrease or increase by \$2,253 and \$378, 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 receivables are due from ordinary enterprises. The Group assesses the credit quality of an individual customer by type by taking into account such a customer's financial position, historical transaction records, and current economic status, and estimates the expected credit losses on the basis of the provision matrix using the simplified approach.
- D. After the recourse procedures, the Group writes off financial assets to the extent of the amount that cannot be reasonably expected to be recovered. However, the Group will continue the legal procedures to recourse in order to secure its creditor's rights.
- E. The expected loss rate established by the Group for accounts receivable from customers on September 30, 2020, December 31, 2019, and September 30, 2019, respectively: not overdue are 0.00% to 0.04%, 0.00% to 0.02% and 0.00% to 0.02%; up to 30 days of overdue are 0.02% to 0.51%, 0.01% to 0.21% and 0.01% to 0.21%; 31 days to 60 days overdue are 0.02% to 3.39%, 0.01% to 3.72%, and 0.01% to 3.72%; 61 days to 90 days overdue are 0.04% to 7.35%, 0.04% to 8.10%, and 0.04% to 8.10%; 91 days to 120 days overdue are 0.19% to 14.47%, 0.19% to 17.4% and 0.19% to 17.4%; 121 days to 150 days overdue are 1.86% to 58.06%, 1.86% to 58.22% and 1.86% to 58.22%; 151 days to 180 days overdue are 22.31% to 93.69%, 22.31% to 96.74%, and 22.31% to 96.74%; more than 180 days overdue are 100%; and the balance of accounts overdue for more than 31 days of the Group accounted for approximately 1.14%, 0.20% and 0.71% of the total.
- F. Changes in loss allowance for notes receivables and accounts receivables using the simplified approach are stated as follows:

	2020	
	Notes receivable	Accounts receivable
January 1	\$ -	\$ 865
Provision of impairment loss	-	2,513
September 30	\$ -	\$ 3,378
	2019	
	Notes receivable	Accounts receivable
January 1	\$ -	\$ 1,664
Reversal of impairment loss	-	(295)
September 30	\$ -	\$ 1,369

(3) Liquidity risk

- A. Cash flows forecasting is carried out by the Group's Office of Finance and Accounting in order to ensure that sufficient funds are readily available, both for the operating needs and for the unused loan commitments.
- B. The Group's remaining cash in excess of its operating needs is invested in demand deposits bearing interest, time deposits, bonds sold under repurchase agreement, and marketable securities, all of which are instruments either with appropriate maturity or with sufficient liquidity so as to satisfy the said forecasting and provide sufficient position for dispatching of funds. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group had a money market position in the amounts equal to \$1,020,960, \$968,115, and \$1,475,882.
- C. The table below shows an analysis of the non-derivative financial liabilities held by the Group with defined repayment terms based on maturity dates and undiscounted payment at maturity:

	September 30, 2020		
	Less than 1 year	1 - 2 years	Over 2 years
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 1,476,252	\$ -	\$ -
Notes payable	45	-	-
Accounts payable	1,337,248	-	-
Other payables	1,070,229	-	-
Lease liabilities (including non-current)	59,393	41,534	605,199
Long-term loans	101,917	100,861	147,801
<u>Derivative financial liabilities:</u> None.			

	December 31, 2019		
	Less than 1 year	1 - 2 years	Over 2 years
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 531,630	\$ -	\$ -
Notes payable	2,299	-	-
Accounts payable	1,260,646	-	-
Other payables	1,121,160	-	-
Lease liabilities (including non-current)	43,972	32,064	93,077
Long-term loans	14,599	61,678	183,487
<u>Derivative financial liabilities:</u> None.			

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

- D. The Group does not expect a maturity analysis of which the cash flows

timing would be significantly earlier, or the actual amount would be significantly different.

(III) Fair Value Information:

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

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

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

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

2. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, 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) Classified by nature of assets or liabilities:

September 30, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial Assets at Fair Value through Profit or Loss				
Forward exchange contracts	\$ -	\$ 329	\$ -	\$ 329
Financial Assets at Fair Value through Other Comprehensive Income				
Equity securities	-	-	55	55
	<u>\$ -</u>	<u>\$ 329</u>	<u>\$ 55</u>	<u>\$ 384</u>
December 31, 2019	Level 1	Level 2	Level 3	Total
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
	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ 55</u>	<u>\$ 65</u>
September 30, 2019	Level 1	Level 2	Level 3	Total

Assets

Recurring fair value

Financial Assets at Fair Value through Other

Comprehensive Income

Equity securities

\$	-	\$	-	\$	55	\$	55
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(2) Methods and assumptions adopted by the Group for measurement of fair value are stated as follows:

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

4. There was no transfer between Level 1 and Level 2 of the fair value hierarchy as at the nine-month periods ended September 30, 2020 and 2019.
5. There were no changes in Level 3 of the fair value hierarchy as at the nine-month periods ended September 30, 2020 and 2019.
6. Valuation process regarding fair value Level 3 is conducted by the Group's finance department, by which the independence of fair value of financial instruments is verified through use of independent data source in order that such valuation results are close to market conditions, and that the data source is independent, reliable, consistent with other resources, and representative of the exercisable price. In addition, multiple actions are regularly taken to ensure the reasonableness of the fair value valuation, e.g. calibrating the valuation model, conducting retrospective testing, updating the inputs and data for the valuation model, and making any necessary fair value adjustments.
7. Below states the quantitative information about the significant unobservable inputs of the valuation model used in the measurements categorized within Level 3 of the fair value hierarchy, as well as the sensitivity analysis of changes in significant unobservable inputs:

	Fair value at September 30, 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 September 30, 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	\$ 1,030	Net asset method	Not applicable	Not applicable	Not applicable

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

XIII. Additional Disclosure

(I) Information about significant transactions

1. Loans to Others: None.
2. Endorsements and Guarantees: None.
3. Marketable Securities Held at the End of the Period (Excluding investment in Subsidiaries, Associates and Joint Ventures): Please refer to Appendix Table 1.
4. Aggregate Trading Value on the Same Securities (Including Purchase and Sales) Reaching NT\$300 Million or 20% of the Paid-in Capital or More: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to Table 2.
6. Disposal of Property Amounting to at Least NT\$300 Million or Exceeding 20% of Paid-in Capital: None.
7. Purchase or sale of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Table 3.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Table 4.
9. For engagement in derivatives transactions, refer to Note VI(II) and XII(III).
10. The business relationship and significant transactions between the inter-companies: Please refer to Table 5.

(II) Reinvestment Information

Names, locations and other information of investee companies (excluding the investees in Mainland China): Please refer to Table 6.

(III) Investments in Mainland China

1. Basic information: Please refer to Table 7.
2. Significant transactions between the Company and investees in Mainland China directly or indirectly through entities in a third area: Please refer to Appendix Table 8.

(IV) Information on major shareholders

Information about major shareholders: Please refer to Table 9.

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, and assets and liabilities

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

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 nine-month period ended September 30, 2020

Table 1

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

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

Advanced International Multitech Co., Ltd. and Subsidiaries
Acquisition of Real Estate Reaching NT\$300 Million or 20% of the Paid-in Capital or More
For the nine-month period ended September 30, 2020

Table 2

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

Company that acquired the real estate		Date of occurrence	Transaction amount	Payment situation	Counterparty	Relationship	The counterparty of the transaction is related parties, the previous transfer data				Reference basis for price decision	Achieving purpose and use situation	Other appointments
							Owner	Relationship with the issuer	with date	Transferring Amount			
Advanced International Multitech Co., Ltd.	Industrial land in Kaohsiung City's Hofa Industrial Park	June 30, 2020	\$ 474,509	\$ 3,182	Kaohsiung City Government	Non-related party	-	-	-	\$ -	Based on market price	For business use	None

Table 2-1

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 nine-month period ended September 30, 2020

Table 3

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

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)		Note
			Purchase/sale	Amount	Ratio to total purchases/sales (%)	Loan period	Unit price	Loan period	Balance	Ratio to total notes or accounts receivable (payable) (%)		
Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	Second-tier subsidiary	Purchases	\$ 3,946,642	62%	Note 1	Note 1	Note 1	(\$ 1,532,317)	(71%)		
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	Subsidiary	Purchases	1,821,590	29%	Note 1	Note 1	Note 1	(462,625)	(22%)	Note 2	
Advanced Sporting Goods (Dongguan) Co., Ltd.	Advanced International Multitech Co., Ltd.	Ultimate parent company	Sales	(3,946,642)	(100%)	Note 3	Note 3	Note 3	1,532,317	100%	Note 2	
Advanced International Multitech (VN) Co., Ltd.	Advanced International Multitech Co., Ltd.	Parent company	Sales	(1,821,590)	(100%)	Note 3	Note 3	Note 3	462,625	100%		

Note 1: The prices and terms of payment of the Company's purchases from Ming An Sports Equipment (Dong Guan) Co., Ltd. and Advanced International Multitech (VN) Corporation Ltd. were agreed by both parties and were not comparable to the normal transactions as there were no transactions of similar products.

Note 2: The Company purchased raw materials on behalf of Ming An Sports Equipment (Dong Guan) Co., Ltd. and Advanced International Multitech (VN) Corporation Ltd., which sold finished products to the Company after processing. 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. were agreed by both parties, which were not comparable to normal transactions as there were no similar counterparties or products.

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 nine-month period ended September 30, 2020

Table 4

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Company Name	Name of the counterparty	Relationship	Balance of receivables		<u>Overdue receivables from related parties</u>		Amounts received in subsequent period	Allowance for doubtful accounts	Note
			from related parties	Turnover rate	Amount	Action taken			
					\$	-			
Advanced Sporting Goods (Dongguan) Co., Ltd.	Advanced International Multitech Co., Ltd.	Ultimate parent company	\$ 1,532,317	0.39	-	-	\$ 261,329	\$ -	
Advanced International Multitech (VN) Co., Ltd.	Advanced International Multitech Co., Ltd.	Parent	462,625	0.57			129,499	-	

Table 4-1

Advanced International Multitech Co., Ltd. and Subsidiaries

Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof

For the nine-month period ended September 30, 2020

Table 5

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

No. (Note 1)	Name of the company	Name of the transaction counterparty	Nature of 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	Purchases	\$ 3,946,642	According to the agreement between both parties	49%
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	1	Accounts payable	1,532,317	According to the agreement between both parties	15%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Purchases	1,821,590	According to the agreement between both parties	23%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Accounts payable	462,625	According to the agreement between both parties	5%

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) The parent company is coded 0.

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: 3 kinds of relationship with counterparty are as follows:

(1) Parent company to its subsidiary.

(2) Subsidiary to its parent company.

(3) Subsidiary to another subsidiary.

Advanced International Multitech Co., Ltd. and Subsidiaries

Name, Location and Information on Investee Companies (Not Including Investee Companies in Mainland China)

For the nine-month period ended September 30, 2020

Table 6

Unit: In Thousands of New Taiwan Dollars											
(Unless Otherwise Specified)											
Investor	Name of investee company	Location	Primary business	Original investment amount		Ownership, end of period			Net income (loss) of the investee	Recognized investment gain or loss for the period	Note
				End of the period	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	\$ 36,713	(\$ 15,444)	(\$ 15,444)	
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	591,122	87,554	86,427	Note
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	643,832	81,532	80,518	Note
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	495,871	35,067	19,613	
Advanced International Multitech Co., Ltd.	Munich Composites GmbH	Germany	Engaged in design, research, development and production of carbon fiber bicycle wheels and carbon fiber reinforced polymer product.	49,212	-	21,003	27.27	49,212	-	-	

Note: The difference between the profit or loss of the investee for the period and the investment profit or loss recognized by the Company is the unrealized gain or loss arising from inter-company transactions.

Advanced International Multitech Co., Ltd. and Subsidiaries
Investment in Mainland China - General Information
For the nine-month period ended September 30, 2020

Table 7

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

Investee Company	Primary business	Actual paid-in capital	Investment method	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 income (loss) of the investee	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.:	Engaged in production and sale of carbon fiber prepreg materials and sports products	\$ 149,446	2	\$ 149,434	\$ -	\$ -	\$ 149,434	\$ 107,356	100	\$ 107,356	\$ 595,124	\$ 860,163	Note 1 and Note 2
Advanced Sporting Goods (Dongguan) Co., Ltd.	Engaged in production and sale of carbon fiber prepreg materials and sports products	30,340	2	-	-	-	(22,852)	(22,852)	100	(22,852)	-	52,911	Notes 1, 3, 4, 5, and 10
Advanced Sporting Goods (Shatian, Dongguan) Co., Ltd.	Engaged in development of materials	1,330	3	-	-	-	(942)	(942)	50	(71)	-	-	Note 1, Note 3, Note 6, Note 8 and Note 9
Beijing Mingda Titanium Technology Advanced Sporting Goods (Dongguan) Co., Ltd.:	Engaged in production of materials	17,744	3	-	-	-	1,323	1,323	25	331	3,121	-	Note 1, Note 3, Note 7 and Note 8
Baoji Zatech Material Co., Ltd.													

Note 1: Investment methods are classified into the following four categories:

1. Remittance to Mainland China through a third region
2. Investment in Mainland China company through company invested and established by third-party region.
3. Investment in Mainland China company through reinvestment in existing company in third-party region.
4. Others

Note 2: Investment gain or loss recognized in accordance with the financial statements reviewed by the parent company in Taiwan;

Note 3: Investment gain or loss recognized in the financial statements of the investee company.

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: Being a subsidiary of the Company, ADVANCED INTERNATIONAL MULTITECH (BVI) CO., LTD., directly invested in an investee company in Mainland China, the Company does not have actual remittance amount.

Note 6: the amount of paid-in capital is converted based on the RMB 300 thousand exchange rate of 4.436.

Note 7: the amount of paid-in capital is converted based on the RMB 4000 thousand exchange rate of 4.436.

Note 8: Being the subsidiary of the Company, Ming An Sports Equipment (Dong Guan) Co., Ltd. directly invested in the investee company in Mainland China, the Company does not have actual remittance amount.

Note 9: The reinvestment company was liquidated in May 2020.

Note 10: The Group disposed of 100% equity interest in the reinvestment company on 24 August 2020 and completed the registration of the transfer.

Company name	Accumulated investment remitted from Taiwan to Mainland China at the end of the period	Investment Amounts Authorized by Investment Commission, MOEA	Upper limit on investment authorized by MOEAIC
Ming An International Enterprise Co., Ltd. (Notes 11, 12, 13 and 14)	\$ 149,434	\$ 162,291	\$ 2,731,696

Note 11: Accumulated outward remittance from Taiwan to Mainland China at the end of the period is translated at the spot exchange rate of US\$4,577 thousand at the time of the remittance.

Note 12: The investment amount approved by the Investment Commission of the Ministry of Economic Affairs is US\$5,577 thousand, which is translated using the USD exchange rate of 29.1 at the balance sheet date.

Note 13: According to the quota stipulated in the letter No. 09704604680 of the Ministry of Economic Affairs on August 29, 2008.

Note 14: Including the amount approved by the Investment Commission of the Ministry of Economic Affairs for the Company's subsidiary ADVANCED INTERNATIONAL MULTITECH (BVI) CO., LTD. to directly invest in investee companies in Mainland China.

Table 7-1

Advanced International Multitech Co., Ltd. and Subsidiaries

Investments in Mainland China - Significant Transactions between the Company and Investee Companies in Mainland China Directly or Indirectly through Entities in a Third Area

For the nine-month period ended September 30, 2020

Table 8

Unit: In Thousands of New Taiwan Dollars

(Unless Otherwise Specified)

Investee Company	Sales/purchases		Property transaction		Accounts receivable (payable)		Endorsement/guarantee or collateral provided		Financing				Others 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.	(\$ 3,946,642)	(62%)	\$ -	-	(\$ 1,532,317)	(71%)	\$ -	-	\$ -	\$ -	-	\$ -	-	-

Note: The Company purchased raw materials on behalf of Advanced Sporting Goods (Dongguan) Co., Ltd., which sold finished goods to the Company after processing, which represented the balances of other receivables and payables.

Advanced International Multitech Co., Ltd. and Subsidiaries

Major Shareholder Information

September 30, 2020

Table 9

Major shareholder's name	Shareholding	
	Number of shares	Shareholding ratio
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 preference shares that have completed delivery of non-physical registration (incl. 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 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.