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review or verification.

Advanced International Multitech Co., Ltd.

Parent Company Only Financial Statements and Independent Auditors'

Report

2020 and 2019

(Stock Code: 8938)

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*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

Advanced International Multitech Co., Ltd.

Parent Company Only Financial Statements and Independent Auditors' Report for

2020 and 2019

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## Independent Auditors' Report

To Advanced International Multitech Co., Ltd.

### **Auditors' Opinions**

Advanced International Multitech Co., Ltd.'s parent company only balance sheets ended December 31, 2020 and 2019, parent company only statements of comprehensive income, parent company only statements of changes in equity, parent company only statements of cash flows from January 1 to December 31, 2020 and 2019, and the notes to the parent company only financial statements (including the summary of significant accounting policies) have been reviewed by the auditor.

In our opinion, the aforementioned parent company only financial statements present fairly, in all material respects, the parent company only financial position of Advanced International Multitech Co., Ltd. as of December 31, 2020 and 2019, and its parent company only financial performance and parent company only cash flows from January 1 to December 31, 2020 and 2019 in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Audit Opinion**

We planned and conducted our audits in accordance with the "Rules Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants" and Generally Accepted Auditing Standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We have stayed independent from Advanced International Multitech Co., Ltd. as required by the Code of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Code. We believe that we have obtained sufficient and appropriate audit evidence to serve as a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 parent company only financial statements of Advanced International Multitech Co., Ltd. Such matters have been dealt with in the course of auditing and compiling the parent company only financial statements and in the preparation of our audit opinion. As such, we do not respond to each key matter individually.

Key Audit Matters for the parent company only financial statements of Advanced International Multitech Co., Ltd. for 2020 are stated as follows:

## **Assessment of Impairment of Accounts Receivable**

### Descriptions

Please refer to Note IV(IX) and IV(X) to the parent company only financial statements for accounting policies regarding accounts receivables and impairment assessment; please refer to Note V(II) to the parent company only financial statements for accounting estimates and assumptions uncertainties regarding accounts receivables. Please refer to Note VI(IV) to the parent company only financial statements for net accounts receivables.

In measuring the expected credit losses, Advanced International Multitech Co., Ltd. must use its judgment to identify the factors that affect the future recoverability of the accounts receivable, and consider the time value of money, the information that is reasonable and available to prove the forecast of future economic conditions, and the supporting documents obtained by the management. Therefore, we identified the evaluation of impairment for accounts receivables as a key audit matter for Advanced International Multitech Co., Ltd.

### Audit Procedures

The procedures we have performed on the afore-mentioned key audit matter are summarized as follows:

1. Based on our understanding of Advanced International Multitech Co., Ltd.'s operation and its sales counter-party, we have determined the reasonableness of the policy and procedures regarding provision of loss allowance for accounts receivables, including the objective evidence that determine the loss rate, e.g. characters of customers, assessment of past payment collection experience, and future economic conditions. We have also compared whether the policy for provision of loss allowance for accounts receivables is consistent throughout the reporting period.
2. We have assessed the reasonableness of the supporting documents based on the expected loss rates for different days past due as provided by the management.
3. We have also verified the correctness of the aging of accounts receivables in order to ensure the agreement of the financial information with its policy.
4. We have also tested the recovery of accounts receivables after the audit period so as to evaluate the possibility of recovery.

## **Inventory Valuation**

### Descriptions

Refer to Note IV(XII) to the parent company only financial statements for accounting policies regarding inventory valuation; Note V(II) for uncertainty of accounting estimates and assumptions regarding inventory valuation; and Note VI(V) for details of inventory accounting subjects.

The main business of Advanced International Multitech Co., Ltd. is to undertake the production of consumer products for the world's major brands. The inventory of such products, owing to rapid changes in technology and a high degree of customization, possesses higher risk of Inventory valuation loss or obsolescence. Advanced International Multitech Co., Ltd. measures the value of inventory through the employment of an item by item approach which recognizes the value at the lower of cost and net realizable value. Advanced International Multitech Co., Ltd. also evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date and writes down the cost of inventories to the net realizable value. Since the assessment process may involve the management's judgment based on the relevant supporting documents obtained, which is an area to be determined in an audit, we have identified the inventory valuation as the key audit matter for Advanced International Multitech Co., Ltd.

### Audit Procedures

The procedures we have performed on the afore-mentioned key audit matter are summarized as follows:

1. We have compared whether the policy for provision of allowance of inventory valuation loss is consistent throughout the reporting period and assessed the reasonableness of its provision policy.
2. We have examined the inventory management process, reviewed the annual inventory plan and participated in annual inventory counts in order to assess the effectiveness of management's judgment and control of obsolete inventory.
3. We have sampled and tested the net realizable value of individual inventory item to assess the reasonableness of the allowance to reduce inventory to market.

## **Responsibility of the management and the governing body for the parent company only financial statements**

It is the management's responsibility to fairly present the parent company only financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain internal controls which are necessary for the preparation of the parent company only financial statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the parent company only financial statements, the responsibility of management includes assessing Advanced International Multitech Co., Ltd.'s ability to continue as a going concern, disclosing going concern matters, as well as adopting going concern accounting, unless the management intends to liquidate Advanced International Multitech Co., Ltd. or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Advanced International Multitech Co., Ltd. (including supervisors) have the responsibility to oversee the financial reporting process.

## **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. "Reasonable assurance" refers to a high level of assurance. Nevertheless, our audit, which was carried out in accordance with the Generally Accepted Auditing Standards in the Republic of China does not guarantee that a material misstatement(s) in the parent company only financial statements will be detected. There may still be material misstatements due to fraud or errors, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We have exercised professional judgment and maintained professional skepticism while abiding by the Generally Accepted Auditing Standards in the Republic of China in our audit. The following tasks have also been performed:

1. Identify and evaluate the risk of material misstatements due to fraud or error in the parent company only financial statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit opinion. As fraud may involve collusion, forgery, deliberate omissions, false statements, or violations of internal controls, the risk of an undetected material misstatement due to fraud is greater than that due to errors.

2. Acquired necessary understanding of internal controls pertaining to the audit in order to develop audit procedures appropriate under the circumstances. Nevertheless, the purpose of such understanding is not to provide any opinion on the effectiveness of the internal controls of Advanced International Multitech Co., Ltd.
3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Concluded, based on the audit evidence acquired, on the appropriateness of the management's use of the going-concern basis of accounting, and determined whether a material uncertainty exists where events or conditions that might cast significant doubt on the ability of Advanced International Multitech Co., Ltd. to continue as going concerns. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the parent company only financial statements in our audit report of the relevant disclosures therein, or to amend our audit opinion in the event that any inappropriate disclosure was found. Our conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or circumstances may cause Advanced International Multitech Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including the notes), and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Acquired sufficient and appropriate audit evidence regarding the financial information of entities within Advanced International Multitech Co., Ltd. in order to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and execution of auditing the parent company, and for formation of an audit opinion on the parent company only financial statements.

Communications between us and the company's governing body take account of the scope and timing of the planned audit and significant audit findings, including any significant deficiencies in the internal controls during the audit process.

We have also provided the governing body with our statement of independence in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China, and communicated with the governing body all relationships and other matters that may be deemed to have an influence on our independence (including safeguard measures).

From the matters communicated with those charged with governance, we determined the key audit matters of the 2020 parent company only financial statements of Advanced International Multitech Co., Ltd. Such matters have been explicitly stated in our audit report, unless laws or regulations prevent their disclosures, or, in extremely rare cases, we decide not to communicate such matters in our audit report in consideration that the reasonably anticipated adverse impacts of such communication would be greater than the public interest it would promote.

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

February 26, 2021

Advanced International Multitech Co., Ltd.

Parent Company Only Balance Sheets

December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

	Assets	Notes	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	VI(I)	\$ 784,090	10	\$ 592,151	9
1110	Financial assets at fair value through profit or loss - current	VI(II)	204	-	-	-
1136	Financial assets at amortized cost - current	VI(III)	465,088	6	-	-
1150	Notes receivable - net	VI(IV)	7,808	-	4,966	-
1170	Accounts receivable- net	V, VI(IV) and VII	2,840,970	35	2,419,837	37
130X	Inventories	V and VI(V)	548,097	7	505,103	8
1410	Prepayments		41,974	-	32,683	1
1470	Other current assets		12,601	-	14,071	-
11XX	<b>Total current assets</b>		<u>4,700,832</u>	<u>58</u>	<u>3,568,811</u>	<u>55</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income - non-current	VI(VI)	55	-	55	-
1535	Financial assets at amortized cost - non-current	VI(III)	44,649	1	-	-
1550	Investments accounted for using equity method	VI(VII)	1,847,051	23	2,128,429	33
1600	Property, plant, and equipment	VI(VIII) and VIII	936,049	11	728,579	11
1755	Right-of-use assets	VI(IX)	483,521	6	6,508	-
1780	Intangible assets	VI(X)	2,492	-	8,475	-
1840	Deferred income tax assets	VI(XXVI)	37,620	-	31,696	-
1900	Other non-current assets	VIII	72,348	1	33,342	1
15XX	<b>Total non-current assets</b>		<u>3,423,785</u>	<u>42</u>	<u>2,937,084</u>	<u>45</u>
1XXX	<b>Total assets</b>		<u>\$ 8,124,617</u>	<u>100</u>	<u>\$ 6,505,895</u>	<u>100</u>

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Advanced International Multitech Co., Ltd.

Parent Company Only Balance Sheets

December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short-term loans	VI(XI) and VIII	\$ 77,487	1	\$ 309,346	5
2150	Notes payable		3,248	-	2,299	-
2170	Accounts payable		204,843	2	116,085	2
2180	Accounts payable - related parties	VII	1,892,668	23	1,211,322	18
2200	Other payables	VI(XII)	498,019	6	439,604	7
2230	Income tax liabilities		140,851	2	19,289	-
2280	Lease liabilities - current		15,151	-	2,841	-
2300	Other current liabilities	VI(XIII)(XVIII)	135,845	2	51,724	1
21XX	<b>Total current liabilities</b>		<u>2,968,112</u>	<u>36</u>	<u>2,152,510</u>	<u>33</u>
<b>Non-current liabilities</b>						
2570	Deferred income tax liabilities	VI(XXVI)	137,490	2	166,828	3
2580	Lease liabilities - non-current		470,473	6	3,708	-
2630	Long-term deferred income	VI(XXI)	6,152	-	-	-
2640	Net defined benefit liability - non-current	VI(XIV)	82,050	1	80,348	1
25XX	<b>Total non-current liabilities</b>		<u>696,165</u>	<u>9</u>	<u>250,884</u>	<u>4</u>
2XXX	<b>Total liabilities</b>		<u>3,664,277</u>	<u>45</u>	<u>2,403,394</u>	<u>37</u>
<b>Equity</b>						
Share capital						
3110	Capital of common shares	VI(XV)	1,353,127	17	1,353,127	21
Capital reserve						
3200	Capital reserve	VI(XVI)	781,236	9	781,236	12
Retained earnings						
3310	Legal reserve	VI(XVII)	861,536	11	799,969	12
3320	Special reserve		133,828	2	75,285	1
3350	Undistributed earnings		1,473,609	18	1,226,712	19
Other equity						
3400	Other equity		( 142,996 )	( 2 )	( 133,828 )	( 2 )
3XXX	<b>Total equity</b>		<u>4,460,340</u>	<u>55</u>	<u>4,102,501</u>	<u>63</u>
Significant contingent liabilities and unrecognized contractual commitments						
Significant subsequent events						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 8,124,617</u>	<u>100</u>	<u>\$ 6,505,895</u>	<u>100</u>

The notes for parent company only financial statements are part of the parent company only financial statements and should be read together.

Chairman: Hsi-Chien Cheng

Manager: Hsi-Chien Cheng

Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd.

Parent Company Only Statement of Comprehensive Income

January 1 to December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

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

Item	Notes	2020		2019		
		Amount	%	Amount	%	
4000	Operating revenue	VI(XVIII)	\$ 10,488,746	100	\$ 9,944,446	100
5000	Operating costs	VI(V)(X) (XXIV) (XXV) and VII	( 9,140,018 )	( 87 )	( 8,950,130 )	( 90 )
5900	Gross operating profit		1,348,728	13	994,316	10
	Operating expenses	VI(X)(XXIV) (XXV) and VII				
6100	Selling expenses		( 131,731 )	( 2 )	( 157,266 )	( 2 )
6200	Administrative expenses		( 224,679 )	( 2 )	( 224,992 )	( 2 )
6300	Research and development expenses		( 422,693 )	( 4 )	( 385,305 )	( 4 )
6450	Expected credit impairment gain (loss)	XII(II)	943	-	800	-
6000	Total operating expenses		( 780,046 )	( 8 )	( 766,763 )	( 8 )
6500	Other Income and Expenses - net	VI(XIX)	109,694	1	103,828	1
6900	Operating income		678,376	6	331,381	3
	Non-operating income and expenses					
7100	Interest revenue	VI(XX)	15,742	-	9,544	-
7010	Other income	VI(XXI)	51,770	-	3,221	-
7020	Other gains and losses	VI(II)(XXII)	( 47,341 )	-	( 17,817 )	-
7050	Finance costs	VI(XXIII)	( 6,100 )	-	( 1,893 )	-
7070	Shares of profit (loss) of subsidiaries, associates and joint ventures accounted for under the equity method		116,640	1	354,002	4
7000	Total non-operating income and expenses		130,711	1	347,057	4
7900	<b>Profit before tax</b>		809,087	7	678,438	7
7950	Income tax expense	VI(XXVI)	( 128,382 )	( 1 )	( 62,776 )	( 1 )
8200	<b>Net income</b>		\$ 680,705	6	\$ 615,662	6
	<b>Other comprehensive income</b>					
	<b>Items that are not reclassified subsequently to profit or loss</b>					
8311	Remeasurement of defined benefit plans	VI(XIV)	( \$ 3,099 )	-	( \$ 5,515 )	-
8349	Income tax-related items that are not reclassified subsequently to profit or loss	VI(XXVI)	620	-	1,103	-
8310	Items that are not reclassified subsequently to profit or loss - total		( 2,479 )	-	( 4,412 )	-
	<b>Items that may be reclassified subsequently to profit or loss</b>					
8361	Exchange differences on translation of foreign financial statements		( 9,168 )	-	( 58,543 )	-
8300	<b>Other comprehensive income loss - net</b>		( \$ 11,647 )	-	( \$ 62,955 )	-
8500	<b>Total comprehensive income loss</b>		\$ 669,058	6	\$ 552,707	6
	Earnings per share	VI(XXVII)				
9750	Basic		\$ 5.03		\$ 4.55	
9850	Diluted		\$ 4.98		\$ 4.51	

The notes for parent company only financial statements are part of the parent company only financial statements and should be read together.

Chairman: Hsi-Chien Cheng

Manager: Hsi-Chien Cheng

Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd.  
Parent Company Only Statements of Changes in Equity  
January 1 to December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

	Notes	Capital reserve			Retained earnings			Exchange differences on translation of foreign financial statements	Total	
		Capital of common shares	Share premium	Recognized value of changes in equity of ownership of subsidiaries	Others	Legal reserve	Special reserve			Undistributed earnings
<u>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
Net income		-	-	-	-	-	-	615,662	-	615,662
Other comprehensive income loss		-	-	-	-	-	-	( 4,412 )	( 58,543 )	( 62,955 )
Total comprehensive income loss		-	-	-	-	-	-	611,250	( 58,543 )	552,707
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(XVII)	-	-	-	-	-	-	( 297,688 )	-	( 297,688 )
Balance as of December 31, 2019		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 799,969	\$ 75,285	\$ 1,226,712	(\$ 133,828)	\$ 4,102,501
<u>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
Net income		-	-	-	-	-	-	680,705	-	680,705
Other comprehensive income loss		-	-	-	-	-	-	( 2,479 )	( 9,168 )	( 11,647 )
Total comprehensive income loss		-	-	-	-	-	-	678,226	( 9,168 )	669,058
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(XVII)	-	-	-	-	-	-	( 311,219 )	-	( 311,219 )
Balance as of December 31, 2020		\$ 1,353,127	\$ 739,866	\$ 16,480	\$ 24,890	\$ 861,536	\$ 133,828	\$ 1,473,609	(\$ 142,996)	\$ 4,460,340

The notes for parent company only financial statements are part of the parent company only financial statements and should be read together.

Chairman: Hsi-Chien Cheng

Manager: Hsi-Chien Cheng

Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd.  
Parent Company Only Statements of Cash Flows  
January 1 to December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities</u>			
Net profit before tax		\$ 809,087	\$ 678,438
Adjustments			
Income and expense item			
Depreciation expenses	VI(VIII)(IX) (XXIV)	124,683	81,493
Amortization expenses	VI(XXIV)	13,039	15,158
Expected credit impairment loss (gain)	XII(II)	943	( 800 )
Net gain (loss) from financial assets and liabilities at fair value through profit or loss		( 2,248 )	964
Interest expense	VI(XXIII)	6,100	1,893
Interest revenue	VI(XX)	( 15,742 )	( 9,544 )
Shares of profit (loss) of subsidiaries, associates and joint ventures accounted for under the equity method		( 116,640 )	( 354,002 )
Gains on disposal and retirement of property, plant and equipment	VI(XXII)	( 33 )	( 739 )
Reclassification of property, plant and equipment to expense	VI(XXVIII)	-	58
Gains on lease modification	VI(IX)(XXII)	( 27 )	( 12 )
Gain on disposal of investments accounted for using equity method	VI(XXII)	( 107,691 )	-
Changes in operating assets and liabilities:			
Net changes in operating assets			
Financial assets at fair value through profit or loss - current		2,044	( 698 )
Notes receivable		( 2,842 )	3,949
Accounts receivable		( 422,076 )	104,037
Inventories		( 42,994 )	( 39,007 )
Prepayments		( 9,291 )	7,060
Other current assets		1,470	1,750
Net changes in operating liabilities			
Financial liabilities measured at FVTPL - current		-	( 185 )
Notes payable		949	( 1,020 )
Accounts payable		88,758	( 56,157 )
Accounts payable - related parties		681,346	( 125,587 )
Other payables		45,861	6,512
Other current liabilities		84,121	9,825
Long-term deferred income		6,152	-
Net defined benefit liability - non-current		( 1,397 )	( 1,426 )
Cash provided by operating activities		1,143,572	321,960
Income tax paid		( 41,462 )	( 131,235 )
Net cash provided by operating activities		<u>1,102,110</u>	<u>190,725</u>

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Advanced International Multitech Co., Ltd.  
Parent Company Only Statements of Cash Flows  
January 1 to December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<u>Cash provided by investing activities</u>			
Increase in financial assets measured at amortized cost - current		(\$ 465,088)	\$ -
Increase in financial assets at amortized cost - non-current		( 44,649)	-
Acquisition of investments accounted for using equity method		( 49,212)	-
Disposal of investments accounted for using equity method		36,336	-
Acquisition of cash dividends accounted for using equity method		509,417	445,335
Acquisition of property, plant and equipment	VI(XXVIII)	( 182,021)	( 155,232)
Increase in prepayments for business facilities		( 118,540)	( 64,858)
Proceeds from disposal of property, plant, and equipment		71	836
Acquisition of intangible assets	VI(X)	( 240)	( 4,022)
Increase in refundable deposits		( 41,927)	( 787)
Decrease in refundable deposits		1,093	433
Increase in other non-current assets		( 12,856)	( 7,249)
Interest received		<u>15,742</u>	<u>9,544</u>
Net cash (used in) provided by investing activities		<u>( 351,874)</u>	<u>224,000</u>
<u>Cash provided by financing activities</u>			
Increase in short-term loans	VI(XXIX)	13,767,989	3,845,839
Decrease in short-term loans	VI(XXIX)	( 13,999,848)	( 3,615,018)
Repayment of the principal amount of rentals	VI(XXIX)	( 10,781)	( 5,347)
Interest paid		( 4,438)	( 1,803)
Cash dividends distributed	VI(XVII)	<u>( 311,219)</u>	<u>( 297,688)</u>
Net cash used in financing activities		<u>( 558,297)</u>	<u>( 74,017)</u>
Increase in cash and cash equivalents for the current period		191,939	340,708
Cash and cash equivalents, beginning of the period		<u>592,151</u>	<u>251,443</u>
Cash and cash equivalents, end of the period		<u>\$ 784,090</u>	<u>\$ 592,151</u>

The notes for parent company only financial statements are part of the parent company only financial statements and should be read together.

Chairman: Hsi-Chien Cheng

Manager: Hsi-Chien Cheng

Accounting Manager: Yi-Miao Kuo

Advanced International Multitech Co., Ltd.  
Notes to Parent Company Only Financial Statements  
2020 and 2019

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 is 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 parent company only financial statements were released on February 26, 2021, after being approved by the Board of Directors.

III. Application of New and Amended 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 Materiality"	January 1, 2020
Amendments to IFRS 3 - Definition of 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 Company's assessment of the above criteria and interpretations has no material impact on the Company'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:

New/revised/amended standards and interpretations	Effective date issued by the International Accounting Standards Board (IASB)
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	January 1, 2021
Phase II amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform"	January 1, 2021

The Company's assessment of the above criteria and interpretations has no material impact on the Company's financial position and financial performance.

(III) Effects of IFRSs issued by IASB but not yet endorsed by the FSC:

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

New/revised/amended standards and interpretations	Effective date issued by the International Accounting Standards Board (IASB)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments 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 1 "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	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

The Company's assessment of the above criteria and interpretations has no material impact on the Company's financial position and financial performance.

#### IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. Unless otherwise stated, the policies shall be applicable to all reporting periods presented.

##### (I) Statement of Compliance

The parent company only financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers

##### (II) Basis of Preparation

1. Except for the following significant items, these parent company only financial statements have been prepared under the historical cost convention:

- (1) Financial assets and liabilities measured at FVTPL (including derivatives).
- (2) Financial assets measured at FVTOCI.
- (3) Defined benefit liability that is derived from retirement plan assets less the present value of net defined benefit obligation.

2. Critical accounting estimates are required when preparing financial statements in compliance with IFRSs. When the Company adopts the accounting policies, the management is required to exercise judgments on highly judgmental or complex items or significant assumptions and estimates with regards to this parent company only financial reports. Please refer to Note 5 for details.

##### (III) Foreign Currency Translation

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

1. Foreign Currency Transaction and Balance

- (1) Foreign currency transaction is translated to the functional currency by using the spot exchange rate on the trade date or measurement date. Any translation differences occurred are to be recognized in the current profit or loss.
- (2) Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss
- (3) Balances of non-monetary assets and liabilities denominated in foreign currency, if they are measured at FVTPL, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange

differences arising therefrom are recognized in profit or loss; if they are measured at FVOCI, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in other comprehensive income; and if they are not measured at fair value, they are measured at the historical exchange rates on initial transaction dates.

- (4) All exchange gains and losses are presented as “Other gains and losses” on the statement of comprehensive income.

## 2. Translation from Foreign Operations

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

- (1) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the end of the financial reporting period;
- (2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (3) All resulting exchange differences are recognized in other comprehensive income.
- (4) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

## (IV) Classification of Current and Non-current Assets and Liabilities

1. Assets that meet one of the following criteria are classified as current assets:
  - (1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
  - (2) Assets held primarily for trading purposes.
  - (3) Assets that are expected to be realized within 12 months after the balance sheet date.
  - (4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date.

The company classifies all the assets that do not meet the above-mentioned criteria as non-current.

2. Liabilities that meet one of the following criteria are classified as current

liabilities:

- (1) Liabilities that are expected to be settled within the normal operating cycle.
- (2) Assets held primarily for trading purposes.
- (3) Liabilities that are expected to be settled within 12 months after the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Settlement by the issue of equity instruments based on transaction party's choice does not impact classification.

The Company shall classify all liabilities that do not meet the above conditions as noncurrent.

(V) Cash equivalents

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

(VI) Financial assets measured at FVTPL

1. Financial assets that are neither measured at amortized cost nor measured at FVTOCI.
2. On a regular way purchase or sale basis, financial assets at FVTPL are recognized and derecognized using settlement date accounting.
3. Financial assets at FVTPL are initially recognized at fair value with related transaction costs recognized in profit or loss, and subsequently measured at fair value with related gains or losses recognized in profit or loss.
4. The Company recognizes dividends income when the rights of shareholders to receive payment are established, provided that the economic benefits related to such dividends are probable to flow to the Company and the amount of such benefits can be reliably measured.

(VII) Financial assets measured at FVTOCI

1. Refers to the irrevocable election made at initial recognition that allows the Company to present fair value changes of equity investment not held for trading in other comprehensive income; or debt investment that meets all the criteria simultaneously:
  - (1) Financial assets held within a business model of which the objective of holding is to collect the contractual cash flows and to sell.
  - (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 measured at FVTOCI are recognized and derecognized using settlement date accounting.
3. Financial assets measured at FVTOCI are initially measured at fair value plus transaction costs and subsequently measured at fair value with fair value changes in equity instruments recognized in other comprehensive income. Upon derecognition, the cumulative gains or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss, but to be transferred to retained earnings. When the right to receive dividends is established, the economic benefits associated with dividends are likely to flow-in. If the amount of dividends can be reliably measured, the Company shall recognize the dividend income as profit or loss.

(VIII) Financial assets measured 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 Company.
3. At initial recognition, the Company 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.

(IX) Accounts receivables and notes receivables

1. Accounts receivables and notes receivables are receivables and notes of which the contractual right to consideration for goods sold or services rendered is unconditional.
2. However, short-term accounts/notes receivables without interest payment, given insignificant effects of their discounting, are subsequently measured at the invoice price.

(X) Impairments of Financial Assets

The Company measures the loss allowance for financial assets measured at amortized cost after taking into account all reasonable and proving information (including foreseeing information) at each balance sheet date; where the credit risk has not significantly increased since initial recognition, the loss allowance is measured at the 12-month expected credit losses; where the credit risk has increased significantly since initial recognition, the loss allowance is measured at full lifetime expected

credit losses; and where they are accounts receivables or contract assets that do not comprise any significant financing components, the loss allowance is measured at full lifetime expected credit losses.

(XI) Derecognition of financial assets

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

(XII) Inventories

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

(XIII) Investments Accounted for under the Equity Method/Subsidiaries and Associates

1. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
2. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its stake in the associate (including any other unsecured receivables), the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
3. Any changes in equity of associates are recognized as "Capital Reserve" by the Company in proportion to its shareholding percentage, provided that such changes are not attributable to profit or loss, or to other comprehensive income, or affect the Company's shareholding percentage.
4. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are adjusted, when necessary, to remain consistent with those of the Company.
5. When the Company disposes its investment in an associate and loses significant influence over this associate, the accounting treatment for amounts previously

recognized in other comprehensive income in relation to the associate are the same as the one required if the relevant assets or liabilities were directly disposed of. That is, if gain/loss previously recognized in other comprehensive income will be reclassified to profit or loss upon disposal of relevant assets or liabilities, such gain/loss will be reclassified from equity to profit or loss when the Company loses significant influence over the associate. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

6. Subsidiaries refer to entities controlled by the Company (including structural entities). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
7. Unrealized gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries are adjusted, when necessary, to remain consistent with those of the Company.
8. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the share of loss from a subsidiary exceeds the carrying amount of Company's interests in that subsidiary, the Company continues to recognize its shares in the subsidiary's loss proportionately.
9. A change in the ownership interest of a subsidiary without a loss of control (transactions with non-controlling interests) is accounted for as an equity transaction, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
10. According to Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss of the period and other comprehensive income presented in parent company only financial statements shall be the same as the allocations of profit or loss of the period and of other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements shall be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis.

(XIV) Property, plant, and equipment

1. Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

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

Housing and structures	2 year to 56 years
Machinery and equipment	1 year to 15 years
Utility equipment	2 years to 41 years
Transportation equipment	2 year to 6 years
Office equipment	3 year to 5 years
Other equipment	1 year to 21 years

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

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

- (4) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

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

(XVI) Intangible assets

Computer software is recognized at acquisition cost, amortized by the straight-line method, with an estimated useful life of 3 to 5 years.

(XVII) Impairment of non-financial assets

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

(XVIII) Borrowings

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

over the lives of borrowings using the effective interest method.

(XIX) Notes payables and accounts payables

1. These refer to the debts incurred by purchase of materials, goods, or services on credit, and the notes payable incurred by both operating and non-operating activities.
2. However, short-term accounts/notes payable without interest payment, given insignificant effects of their discounting, are subsequently measured at the invoice price.

(XX) Financial liabilities measured at FVTPL

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

(XXI) Offsetting financial assets and financial liabilities

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

(XXII) Non-hedging Derivatives

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

(XXIII) Employee benefits

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

(1) Defined contribution plan

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

(2) Defined benefit plans

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

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

3. Termination benefits

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

4. Employee bonus and remuneration to directors and supervisors

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

(XXIV) Income tax

1. Income tax expense includes current income tax and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which

cases the tax is recognized in other comprehensive income or equity.

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

(XXV) Share capital

Common shares are classified as equity.

(XXVI) Dividend distribution

Dividends to be distributed to shareholders of the Company are recognized when they are resolved by the Shareholders' Meeting; Distribution in cash dividends is

recognized as a liability, whilst distribution in stock dividends is recognized as stock dividends to be distributed, which is transferred to common share on the date when new shares are issued.

(XXVII) Revenue recognition

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

(XXVIII) Government grants

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

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

When preparing the parent company only financial statement, management of the Company had determined its accounting policies based on its judgments and made accounting estimates and assumptions based on a rational expectation of future events depending on 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 Company must use its judgment to identify the factors that affect the future recoverability of the accounts receivable (e.g., customers' operation condition and historical transaction records that may affect customers' ability to pay), and consider the time value of money, and the information that is reasonable and available to prove the forecast of future economic conditions. The said judgments and factors may significantly affect the measurement of the expected credit losses.

As of December 31, 2020, the carrying amount of the Company's accounts receivable was \$2,840,970.

2. Inventory valuation

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

As of December 31, 2020, the carrying amount of the Company's inventory was \$548,097.

VI. Descriptions of Major Accounting Subjects

(I) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and revolving funds	\$ 212	\$ 172
Checking deposits and demand deposits	311,758	562,049
Cash equivalents - time deposits	158,400	-
Cash equivalents - repo bonds	313,720	29,930
	<u>\$ 784,090</u>	<u>\$ 592,151</u>

1. The Company deals with financial institutions having high credit quality. The Company 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 equivalents were pledged as collateral by the Company.

(II) Financial assets measured at FVTPL

<u>Item</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	\$ 204	\$ -
Adjustment for valuation	-	-
	<u>\$ 204</u>	<u>\$ -</u>

1. Financial assets at FVTPL recognized in profit (loss) is as follows:

	<u>2020</u>	<u>2019</u>
Financial assets mandatorily measured at fair value through profit or loss		
Non-hedging derivatives	<u>\$ 2,248</u>	<u>(\$ 964)</u>

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

	<u>December 31, 2020</u>	
<u>Derivative financial assets</u>	<u>Contract amount (nominal principal)</u>	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	<u>USD 10,000 thousand</u>	2020.12.09 ~ 2021.01.29

December 31, 2019: None

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

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

(III) Financial assets measured at amortized cost

<u>Item</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Restricted bank deposits	<u>\$ 465,088</u>	<u>\$ -</u>
Non-current items:		
Restricted bank deposits	<u>\$ 44,649</u>	<u>\$ -</u>

1. As of December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost was its carrying amount.
2. The Company had no financial assets at amortized cost pledged to others.

- For information on the credit risk of financial assets measured by amortized cost, please refer to Note XII(II).

(IV) Notes Receivables and Accounts Receivables

	December 31, 2020	December 31, 2019
Notes receivable	\$ 7,808	\$ 4,966
Accounts receivable	\$ 2,842,168	\$ 2,420,080
Accounts receivable - due from related parties	609	621
	<u>2,842,777</u>	<u>2,420,701</u>
Less: Loss allowance	( 1,807)	( 864)
	<u>\$ 2,840,970</u>	<u>\$ 2,419,837</u>

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

	December 31, 2020		December 31, 2019	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not overdue	\$ 7,808	\$ 2,767,705	\$ 4,966	\$ 2,354,409
Overdue:				
Up to 30 days	-	70,707	-	60,896
31 to 90 days	-	4,324	-	5,376
91 to 180 days	-	41	-	20
Over 181 days	-	-	-	-
	<u>\$ 7,808</u>	<u>\$ 2,842,777</u>	<u>\$ 4,966</u>	<u>\$ 2,420,701</u>

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

- As at December 31, 2020, December 31, 2019, and January 1, 2019, the Company's accounts receivable and contracts receivable (including notes receivable) amounted to \$2,850,585, \$2,425,667, and \$2,533,653, respectively.
- No accounts receivables or notes receivables were pledged as collateral by the Company.
- As of December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes and accounts receivable was its carrying amount.
- For information on the credit risks of notes receivables and accounts receivables, please refer to Note XII(II).

(V) Inventories

	December 31, 2020		
	Cost	Allowance for price decline	Book value
Raw materials	\$ 249,294	(\$ 19,361)	\$ 229,933
Work in progress	38,701	( 654)	38,047
Finished goods	287,956	( 7,839)	280,117
	<u>\$ 575,951</u>	<u>(\$ 27,854)</u>	<u>\$ 548,097</u>

	December 31, 2019		
	Cost	Allowance for price decline	Book value
Raw materials	\$ 319,619	(\$ 14,465)	\$ 305,154
Work in progress	15,229	(134)	15,095
Finished goods	190,055	(5,201)	184,854
	<u>\$ 524,903</u>	<u>(\$ 19,800)</u>	<u>\$ 505,103</u>

The cost of inventories recognized as expense for the period:

	2020	2019
Cost of inventories sold	\$ 9,128,617	\$ 8,950,791
(Recovery gain) from price decline	8,054	( 2,101)
Retirement loss	1,766	4,320
Others	1,581	( 2,880)
	<u>\$ 9,140,018</u>	<u>\$ 8,950,130</u>

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

(VI) Financial assets measured at FVTOCI

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

1. The Company elects to classify strategic equity investments as financial assets at fair value through other comprehensive income (FVTOCI). The fair value of such investments as at December 31, 2020 and 2019 totaled \$1,011 and \$1,014, respectively.
2. No financial asset measured at FVTOCI was pledged by the Company as collateral.

(VII) Investments accounted for using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries		
Advanced International Multitech(VN) Corporation Ltd.	\$ 674,299	\$ 582,445
Advanced Group International (BVI) Co., Ltd.	605,925	927,258
Launch Technologies Co., Ltd. (LTC)	518,466	513,333
Advanced International Multitech(BVI) Co., Ltd.	-	105,393
Associates:		
Munich Composites GmbH	48,361	-
	<u>\$ 1,847,051</u>	<u>\$ 2,128,429</u>

1. For information on the Company's subsidiaries, please refer to Note IV(III) in the consolidated financial statements for the year ended December 31, 2020.

2. (1) Associates:

As at December 31, 2020 and 2019, the Company did not have any significant associates.

(2) The carrying amount and operating results of the Company's individually insignificant associates are summarized as follows:

As of December 31, 2020 and 2019, the carrying amounts of the Company's individually insignificant associates totaled \$48,361 and \$0, respectively.

	<u>2020</u>	<u>2019</u>
Other comprehensive income (net after tax)	( 4,170)	\$ -
Total comprehensive income (loss)	-	-
Total comprehensive income loss	<u>(\$ 4,170)</u>	<u>\$ -</u>

(3) The Company 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 Company has no practical ability to direct the relevant activities, and thus it is judged that it has no control but only significant influence over such company.

(VIII) Property, Plant and Equipment

	December 31, 2020	December 31, 2019
Land	\$ 162,544	\$ 162,544
Housing and structures	230,898	237,619
Machinery and equipment	328,573	209,593
Utility equipment	23,757	23,018
Office equipment	7,672	8,800
Other equipment	67,043	44,403
Construction in progress	115,562	42,602
	<u>\$ 936,049</u>	<u>\$ 728,579</u>

2020

Cost					
Name of assets	January 1	Additions	Disposals	Reclassifications	December 31
Land	\$ 162,544	\$ -	\$ -	\$ -	\$ 162,544
Housing and structures	375,364	11,221	( 2,752)	2,403	386,236
Machinery and equipment	461,861	140,115	( 30,754)	47,563	618,785
Utility equipment	28,259	3,097	( 520)	1,123	31,959
Office equipment	14,820	1,862	( 968)	-	15,714
Other equipment	82,216	35,797	( 6,786)	3,180	114,407
Construction in progress	42,602	822	-	72,138	115,562
	<u>\$ 1,167,666</u>	<u>\$ 192,914</u>	<u>(\$ 41,780)</u>	<u>\$ 126,407</u>	<u>\$ 1,445,207</u>

Accumulated depreciation and impairment

Name of assets	January 1	Depreciation expenses and impairment loss	Disposals	Reclassifications	December 31
Housing and structures	\$ 137,745	\$ 20,345	(\$ 2,752)	\$ -	\$ 155,338
Machinery and equipment	252,268	68,698	( 30,754)	-	290,212
Utility equipment	5,241	3,481	( 520)	-	8,202
Office equipment	6,020	2,990	( 968)	-	8,042
Other equipment	37,813	16,299	( 6,748)	-	47,364
	<u>\$ 439,087</u>	<u>\$ 111,813</u>	<u>(\$ 41,742)</u>	<u>\$ -</u>	<u>\$ 509,158</u>
	<u>\$ 728,579</u>				<u>\$ 936,049</u>

2019

Cost					
Name of assets	January 1	Additions	Disposals	Reclassifications	December 31
Land	\$ 162,544	\$ -	\$ -	\$ -	\$ 162,544
Housing and structures	189,829	12,694	( 2,705)	175,546	375,364
Machinery and equipment	376,482	101,529	( 57,683)	41,533	461,861
Utility equipment	10,134	617	( 5,892)	23,400	28,259
Transportation equipment	402	-	( 402)	-	-
Office equipment	9,007	5,340	( 550)	1,023	14,820
Other equipment	66,832	23,375	( 16,177)	8,186	82,216
Construction in progress	182,360	15,881	-	( 155,639)	42,602
	<u>\$ 997,590</u>	<u>\$ 159,436</u>	<u>(\$ 83,409)</u>	<u>\$ 94,049</u>	<u>\$ 1,167,666</u>

Accumulated depreciation and impairment

Name of assets	January 1	Depreciation expenses and impairment loss	Disposals	Reclassifications	December 31
Housing and structures	\$ 125,506	\$ 14,944	(\$ 2,705)	\$ -	\$ 137,745
Machinery and equipment	266,608	43,343	( 57,683)	-	252,268
Utility equipment	9,017	2,116	( 5,892)	-	5,241
Transportation equipment	284	118	( 402)	-	-
Office equipment	4,274	2,296	( 550)	-	6,020
Other equipment	40,444	13,449	( 16,080)	-	37,813
	<u>\$ 446,133</u>	<u>\$ 76,266</u>	<u>(\$ 83,312)</u>	<u>\$ -</u>	<u>\$ 439,087</u>
	<u>\$ 551,457</u>				<u>\$ 728,579</u>

1. The Company has no capitalization of borrowing costs in 2020 and 2019.
2. Significant components of the Company's buildings and structures include buildings and air conditioning engineering works, which are respectively depreciated over the periods of 41~ 56 years and 3~21 years.
3. For the information about property, plant and equipment pledged as collateral, please see Note VIII for details.

(IX) Lease Transaction - Lessee

1. The Company's leased underlying assets comprise lands and buildings, of which the lease term is usually between 2 years to 35 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 are as follows:

	December 31, 2020	December 31, 2019
	Book value	Book value
Land	\$ 471,365	\$ 4,118
Housing and structures	12,156	2,390
	<u>\$ 483,521</u>	<u>\$ 6,508</u>

	2020	2019
	Depreciation expenses	Depreciation expenses
Land	\$ 7,232	\$ 456
Housing and structures	5,638	4,771
	<u>\$ 12,870</u>	<u>\$ 5,227</u>

3. Additions to the Company's right-of-use assets for the year ended December 31, 2020 and 2019 amounted to \$494,035 and \$0, respectively.
4. Profit or loss items in connection with lease contracts are stated as follows:

	2020	2019
<u>Items that affect profit or loss</u>		
Interest expense on lease liability	\$ 1,662	\$ 172
Expense on leases with low-value underlying assets	5,897	6,529
Gains on lease modification	27	12

5. The cash outflow used in the Company's leases for the year ended 2020 and 2019 totaled \$18,340 and \$12,048, 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 Company.
  - (2) The Company determines the lease term by taking into consideration all relevant facts and circumstances that create an economic incentive for the Company to exercise the extension option. The lease term is reassessed if there occurs significant events that affect the assessment as to whether the Company would exercise the option to extend the lease or would not exercise the option to terminate the lease.
7. In 2020, the Company adopted the practical expedient of "leasing allowances related to lung inflammation in a new coronary viral" and recognized a gain or loss of \$42 on the change in lease payments resulting from the rental reduction.

(X) Intangible assets

	<u>Computer software</u>	
January 1, 2020		
Cost	\$	23,777
Accumulated amortization	(	15,302)
	\$	8,475
<u>2020</u>		
January 1	\$	8,475
Addition - separately acquired		240
Derecognition - cost reduction	(	12,209)
Amortization expenses	(	6,223)
Derecognition - reduction in accumulated amortization		12,209
December 31	\$	2,492
December 31, 2020		
Cost	\$	11,808
Accumulated amortization	(	9,316)
	\$	2,492

	<u>Computer software</u>	
January 1, 2019		
Cost	\$	25,710
Accumulated amortization	(	12,280)
	<u>\$</u>	<u>13,430</u>
<u>2019</u>		
January 1	\$	13,430
Addition - separately acquired		4,022
Derecognition - cost reduction	(	5,955)
Amortization expenses	(	8,977)
Derecognition - reduction in accumulated amortization		5,955
December 31	<u>\$</u>	<u>8,475</u>
December 31, 2019		
Cost	\$	23,777
Accumulated amortization	(	15,302)
	<u>\$</u>	<u>8,475</u>

Amortization of intangible assets is detailed below:

	<u>2020</u>	<u>2019</u>
Operating costs	\$ 954	\$ 1,620
Administrative expenses	1,649	3,463
Research and development expenses	3,620	3,894
	<u>\$ 6,223</u>	<u>\$ 8,977</u>

(XI) Short-term loans

<u>Type of loans</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank credit loan	\$ 31,727	\$ 296,302
Loans against letter of credit	45,760	13,044
	<u>\$ 77,487</u>	<u>\$ 309,346</u>
Interest rate range	<u>0.50%</u>	<u>0.82%~2.53%</u>

1. For the names and amounts of collateral for the said short-term borrowings, please refer to Note VIII - Pledged Assets.
2. For information on the Company's interest expense of bank loans recognized in profit or loss, please refer to Note VI (XXIII).

(XII) Other Payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payroll and bonus payable	\$ 285,995	\$ 252,614
Employee, directors and supervisors remuneration payable	61,386	52,693
Processing fee payable	13,139	23,548
Equipment expenses payable	30,487	19,594
Others	107,012	91,155
	<u>\$ 498,019</u>	<u>\$ 439,604</u>

(XIII) Other Current Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Receipts under custody	\$ 116,863	\$ 47,387
Contract liabilities – current	17,343	1,065
Others	1,639	3,272
	<u>\$ 135,845</u>	<u>\$ 51,724</u>

(XIV) Pensions

1. (1) In compliance with the requirements set forth in the Labor Standards Law, the Company has stipulated a defined benefit pension plan, which is applicable to the years of service rendered by regular employees prior to, and after (if employees elect to continue to apply the Labor Standards Law), the implementation of the Labor Pension Act on July 1, 2005. Pension payments for employees qualified for the aforementioned retirement criteria are calculated in accordance with the years of service rendered and the average salaries or wages of the last 6 months prior to retirement. Two bases are given for each full year of service over the first 15 years, and one base is given for an additional year of service thereafter, provided that the total bases do not exceed forty-five (45). The Company contributes on a monthly basis 2% of the total salary (wages) as the pension fund, which is deposited in a designated account with the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Fund. Prior to the end of each annual period, the Company assesses the balance of the aforementioned designated account for the labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within next year, the Company will make a lump sum contribution to make up the shortfall before the end of March of the following year.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 108,696	\$ 113,940
Fair value of planned assets	( 26,646)	( 33,592)
Net defined benefit liabilities	<u>\$ 82,050</u>	<u>\$ 80,348</u>

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

	Present value of defined benefit obligations	Fair value of planned assets	Net defined benefit liabilities
<u>2020</u>			
Balance as of January 1	\$ 113,940	(\$ 33,592)	\$ 80,348
Current service cost	141	-	141
Interest expense (income)	800	( 236)	564
	<u>114,881</u>	<u>( 33,828)</u>	<u>81,053</u>
Remeasurement:			
Plan assets return (excluding amounts included in interest income or expenses)			
Effects of changes in financial assumptions	4,521	-	4,521
Experience adjustment	( 275)	( 1,147)	( 1,422)
	<u>4,246</u>	<u>( 1,147)</u>	<u>3,099</u>
Provision of pension fund	-	( 2,102)	( 2,102)
Pension paid	( 10,431)	10,431	-
Balance as of December 31	<u>\$ 108,696</u>	<u>( \$ 26,646)</u>	<u>\$ 82,050</u>
<u>2019</u>			
Balance as of January 1	\$ 108,475	(\$ 32,216)	\$ 76,259
Current service cost	136	-	136
Interest expense (income)	1,083	( 322)	761
	<u>109,694</u>	<u>( 32,538)</u>	<u>77,156</u>
Remeasurement:			
Plan assets return (excluding amounts included in interest income or expenses)			
Effects of changes in financial assumptions	3,792	-	3,792
Experience adjustment	2,823	( 1,100)	1,723
	<u>6,615</u>	<u>( 1,100)</u>	<u>5,515</u>
<u>2019</u>			
Provision of pension fund	\$ -	(\$ 2,323)	(\$ 2,323)
Pension paid	( 2,369)	2,369	-
Balance as of December 31	<u>\$ 113,940</u>	<u>( \$ 33,592)</u>	<u>\$ 80,348</u>

(4) The fund asset of the Company's defined benefit pension plan (the "Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e. deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate

and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Since the Company has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19 paragraph 142. For the fair value of the total retirement fund as at December 31, 2020 and 2019, please refer to the Labor Retirement Fund Utilization Report published by the government each year.

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

	<u>2020</u>	<u>2019</u>
Discount rate	0.30%	0.70%
Future salary increase rate	2.50%	2.50%

Future mortality rate is estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	<u>Discount rate</u>		<u>Future salary increase rate</u>	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2020				
Effect on the present value of defined benefit obligation	(\$ 2,856)	\$ 2,966	\$ 2,623	(\$ 2,543)
	<u>Discount rate</u>		<u>Future salary increase rate</u>	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2019				
Effect on the present value of defined benefit obligation	(\$ 3,171)	\$ 3,291	\$ 2,939	(\$ 2,853)

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

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

- (6) The Company expects to make contributions of \$1,992 to the pension plans within one year.
  - (7) As of December 31, 2020, the weighted average duration of the retirement plan is 11 years.
2. (1) Starting July 1, 2005; the Company has established a retirement scheme based on the "Labor Pension Act", which shall apply to the employees of this nationality. 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. The benefits accrued are paid monthly or in lump sum upon termination of employment.
  - (2) For the years ended December 31, 2020 and 2019, the Company's net pension costs recognized under the defined contribution plan were \$28,380 and \$28,145, respectively.

(XV) Share capital

As of December 31, 2020, the Company had an authorized capital in the amount of \$1,800,000, comprising 180,000 thousand shares (including 5,000 thousand shares of employee stock option certificates and 10,000 thousand shares of convertible corporate bonds), and a paid-in capital in the amount of \$1,353,127 with each share priced at 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 at the end of the periods.

(XVI) Capital reserve

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

(XVII) Retained earnings

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

which the amount of distribution and retention shall be indicated in the earnings distribution proposal which is made by the Board of Directors before submitting to the Shareholders' Meeting for approval. The cash dividends distributed shall not exceed 10% of the total dividends distributed.

2. The Company's dividend policy is stated as below: The Company adopts a residual dividend policy in order to operate sustainably and increase profits.
3. Legal reserves may only be used for offsetting deficits and issuing new shares or distributing cash in proportion to shareholders' original holdings. However, when new shares are issued or cash is distributed, the amount shall be limited to 25% of the reserves in excess of the paid-in capital.
4. The Company may allocate earnings only after providing special reserve for debt balance in other equity on the date of balance sheet, and the reversal of debit balance in other equity, if any, may be stated into allocable earnings.
5. The Company recognized dividends distributed to shareholders of the Company in the amounts equal to \$311,219 (NT\$2.3 per share) and \$297,688 (NT\$2.2 per share) for the years ended December 31, 2020 and 2019, respectively. The Board of Directors proposed on February 26, 2021 to distribute NT\$2.7 to each common share using the undistributed earnings, and the dividends came to a total of \$365,344.

(XVIII) Operating revenue

1. Detailed contracts with customers

All the Company's revenue comes from contracts 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>Customer by geographical areas</u>	<u>2020</u>	<u>2019</u>
Americas	\$ 6,373,855	\$ 6,771,743
Asia	3,939,268	2,776,941
Others	175,623	395,762
	<u>\$ 10,488,746</u>	<u>\$ 9,944,446</u>

2. Contract liabilities

- (1) The contract liabilities in relation to contracts with customers recognized by the Company are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Consumer products	\$ 17,343	\$ 1,065	\$ 58

- (2) Provision for Opening Contract Liabilities

	<u>2020</u>	<u>2019</u>
Consumer products	\$ 717	\$ 32

(XIX) Other Income and Expenses

	2020	2019
Income from molds	\$ 50,578	\$ 47,412
Income from samples	14,668	27,369
Other income	44,448	29,047
	<u>\$ 109,694</u>	<u>\$ 103,828</u>

(XX) Interest Income

	2020	2019
Interest from bank deposits	\$ 15,742	\$ 9,544

(XXI) Other Income

	2020	2019
Government Subsidy Income	\$ 51,704	\$ 3,221
Others	66	-
	<u>\$ 51,770</u>	<u>\$ 3,221</u>

1. In May 2020, the Company 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 \$45,052 was recognized. There were no unfulfilled conditions and other contingencies.
2. In December 2020, the Company received government grants of \$11,300 under the guidance of industrial upgrade and innovation platform, which was recognized in deferred revenue and transferred to profit or loss upon expenses associated with the implementation of the plan. In 2020, the government subsidy income recognized was \$5,148.

(XXII) Other Profits and Losses

	2020	2019
Gain on disposal of investments accounted for using equity method	\$ 107,691	\$ -
Net gain (loss) on financial assets and financial liabilities at fair value through profit or loss	2,248	( 964)
Gains on disposal and retirement of property, plant and equipment	33	739
Gains on lease modification	27	12
Foreign exchange loss - net	( 163,353)	( 21,152)
Others	6,013	3,548
	<u>(\$ 47,341)</u>	<u>(\$ 17,817)</u>

(XXIII) Finance Costs

	2020	2019
Interest expense	\$ 6,100	\$ 1,893

(XXIV) Additional information regarding the nature of expense

	2020	2019
Employee benefits expense	\$ 859,522	\$ 821,809
Depreciation expenses	124,683	81,493
Amortization expenses	13,039	15,158
	<u>\$ 997,244</u>	<u>\$ 918,460</u>

(XXV) Employee benefits expense

	2020	2019
Salary and wages	\$ 729,254	\$ 693,108
Labor and health insurance premiums	57,596	57,958
Pension expense	29,085	29,042
Remuneration to Directors	7,340	7,380
Other personnel cost	36,247	34,321
	<u>\$ 859,522</u>	<u>\$ 821,809</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. However, that a portion of earnings shall be reserved if the Company still has an accumulated deficit.
2. For the years ended December 31, 2020 and 2019, the Company recognized compensation to employees in the amounts equal to \$52,218 and \$42,559 respectively, and remuneration to directors and supervisors in the amounts equal to \$9,000 and \$10,000, respectively, all presented under payroll expense.

The amounts for 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 were 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.

(XXVI) Income tax

1. Income tax expense (benefit)

(1) Components of income tax expense

	<u>2020</u>	<u>2019</u>
Current income tax:		
Income tax arising from the current period	\$ 165,912	\$ 82,704
Overestimation of prior years' income tax payable	( 2,888)	( 38,525)
Total current income tax	<u>163,024</u>	<u>44,179</u>
Deferred income tax:		
Originating and reversed temporary differences	( 34,642)	18,597
Income tax expense	<u>\$ 128,382</u>	<u>\$ 62,776</u>

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

	<u>2020</u>	<u>2019</u>
Remeasurement of defined benefit obligation	(\$ 620)	(\$ 1,103)

2. Relation between income tax expense and accounting profit

	<u>2020</u>	<u>2019</u>
Income tax calculated by applying the statutory tax rate to net income before tax	\$ 161,817	\$ 135,688
Tax exempted income pursuant to the taxation law	( 9,010)	-
Effects from items prohibited from being recognized by laws and regulations	( 14,643)	( 13,429)
Overestimation of prior years' income tax payable	( 2,888)	( 38,525)
Effect of investment tax credit	( 6,894)	( 20,958)
Income tax expense	<u>\$ 128,382</u>	<u>\$ 62,776</u>

3. The amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
Inventory valuation and obsolescence loss	\$ 3,960	\$ 1,611	\$ -	\$ 5,571
Pensions	16,070	( 280)	620	16,410
Unrealized exchange losses	7,764	2,252	-	10,016
Others	3,902	1,721	-	5,623
	<u>31,696</u>	<u>5,304</u>	<u>620</u>	<u>37,620</u>
Deferred income tax liabilities:				
Differences in investment gains or losses recognized	( 155,230)	29,379	-	( 125,851)
Liability of land value increment tax	( 11,598)	-	-	( 11,598)
Others	-	( 41)	-	( 41)
	<u>( 166,828)</u>	<u>29,338</u>	<u>-</u>	<u>( 137,490)</u>
	<u>(\$ 135,132)</u>	<u>\$ 34,642</u>	<u>\$ 620</u>	<u>(\$ 99,870)</u>

	2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
Inventory valuation and obsolescence loss	\$ 4,380	(\$ 420)	\$ -	\$ 3,960
Pensions	15,252	( 285)	1,103	16,070
Unrealized exchange losses	1,822	5,942	-	7,764
Others	3,658	244	-	3,902
	<u>25,112</u>	<u>5,481</u>	<u>1,103</u>	<u>31,696</u>
Deferred income tax liabilities:				
Differences in investment gains or losses recognized	( 131,135)	( 24,095)	-	( 155,230)
Liability of land value increment tax	( 11,598)	-	-	( 11,598)
Others	( 17)	17	-	-
	<u>( 142,750)</u>	<u>( 24,078)</u>	<u>-</u>	<u>( 166,828)</u>
	<u>(\$ 117,638)</u>	<u>(\$ 18,597)</u>	<u>\$ 1,103</u>	<u>(\$ 135,132)</u>

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

(XXVII) Earnings per share

	2020		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (\$)
<u>Basic earnings per share</u>			
Net income attributable to shareholders of common shares	\$ 680,705	135,313	\$ 5.03
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	\$ 680,705	135,313	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	1,461	
Profit attributable to ordinary shareholders plus effect of potentially dilutive common stocks	\$ 680,705	136,774	\$ 4.98

	2019		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (\$)
<u>Basic earnings per share</u>			
Net income attributable to shareholders of common shares	\$ 615,662	135,313	\$ 4.55
<u>Diluted earnings per share</u>			
Net income attributable to shareholders of common shares	\$ 615,662	135,313	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	1,223	
Profit attributable to ordinary shareholders plus effect of potentially dilutive common stocks	\$ 615,662	136,536	\$ 4.51

(XXVIII) Additional information regarding cash flows

1. Investing activities with partial cash payments:

	2020	2019
Acquisition of property, plant and equipment	\$ 192,914	\$ 159,436
Add: Equipment payable, beginning of period	19,594	15,390
(recognized in other payables)		
Less: Equipment payable, end of period	( 30,487)	( 19,594)
(recognized in other payables)		
Amount paid in cash	\$ 182,021	\$ 155,232

2. Investing activities that do not affect cash flows:

	2020	2019
Equipment prepayments transferred to property, plant and equipment	\$ 127,699	\$ 96,200
Reclassification of property, plant and equipment to other non-current assets	\$ 1,292	\$ 2,093
Reclassification of property, plant and equipment to expense	\$ -	\$ 58

(XXIX) Changes in liabilities from financing activities

	Short-term loans	Lease liabilities	Total financing liability
January 1, 2020	\$ 309,346	\$ 6,549	\$ 315,895
Changes in financing cash flows	( 231,859)	( 10,781)	( 242,640)
Other non-cash changes	-	489,856	489,856
December 31, 2020	\$ 77,487	\$ 485,624	\$ 563,111
	Short-term loans	Lease liabilities	Total financing liability
January 1, 2019	\$ 78,525	\$ 13,639	\$ 92,164
Changes in financing cash flows	230,821	( 5,347)	225,474
Other non-cash changes	-	( 1,743)	( 1,743)
December 31, 2019	\$ 309,346	\$ 6,549	\$ 315,895

VII. Related-party transactions

(I) Name and relationship of subsidiaries

Name of related party	Relationship with the Company
Advanced Sporting Goods (Dongguan) Co., Ltd.	Subsidiary of the Company
Advanced International Multitech (VN) Corporation Ltd.	Subsidiary of the Company
Launch Technologies Co., Ltd. (LTC)	Subsidiary of the Company

(II) Significant transactions with related parties

1. Purchase

	2020	2019
Purchase of inventories		
Advanced Sporting Goods (Dongguan) Co., Ltd.	\$ 5,725,940	\$ 6,172,025
Advanced International Multitech (VN) Corporation Ltd.	2,847,088	2,170,461
Others	245	416
	\$ 8,573,273	\$ 8,342,902

- (1) In 2020 and 2019, in preparation of the parent company only financial statements, the sales amount comprises the sales revenue (sales of raw materials and work-in-process ) and operating costs (purchase of goods) arising from the Company's sales to its subsidiaries that's about processing of removal materials, offset by \$980,420 and \$1,174,191, respectively.
- (2) The price and payment terms of the Company's sales to related parties were agreed by both parties, which were not comparable to normal transactions as there were no similar product transactions.

2. Receivables from related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Receivables from related parties:		
Others	<u>\$ 609</u>	<u>\$ 621</u>

Receivables from related parties are primarily incurred in the provision of services, which are due 60 days after the settlement date. There is no mortgage and non-interest bearing on receivables. There is no provision for liability reserve for the receivables from related parties.

3. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables to related parties:		
Advanced Sporting Goods (Dongguan) Co., Ltd.	\$ 1,351,291	\$ 967,699
Advanced International Multitech (VN) Corporation Ltd.	541,136	243,613
Others	241	10
	<u>\$ 1,892,668</u>	<u>\$ 1,211,322</u>

Payables to related parties are primarily incurred in the purchases and transactions, which are due 2 months after the settlement date. There is no interest bearing on the payable items.

(III) Information about remunerations to the major management:

	<u>2020</u>	<u>2019</u>
Salary and other employee benefits	<u>\$ 33,561</u>	<u>\$ 32,604</u>

### VIII. Pledged Assets

The details of the asset pledged as collateral provided by the Company are as follows:

Assets	Carrying amount		Guarantee use
	December 31, 2020	December 31, 2019	
Land	\$ 125,648	\$ 125,648	Short-term loans
Buildings and structures - net	50,186	57,608	Short-term loans
Pledged time deposits (presented as "other non-current assets")	41,509	312	Customs deposits, project deposits and rental deposits
	<u>\$ 217,343</u>	<u>\$ 183,568</u>	

### IX. Significant contingent liabilities and unrecognized contractual commitments

#### (I) Contingency

None.

#### (II) Commitments

##### 1. Balance of outstanding letters of credit

	December 31, 2020	December 31, 2019
Raw materials imported	<u>\$ 18,858</u>	<u>\$ 28,038</u>

##### 2. Capital expenditure committed but yet to incur

	December 31, 2020	December 31, 2019
Property, plant, and equipment	<u>\$ 44,051</u>	<u>\$ 60,046</u>

##### 3. Operating lease agreements

Please refer to Note VI(IX) for details.

### X. Significant Losses from Disasters

None.

### XI. Significant subsequent events

The Company's Board of Directors proposed on February 26, 2021 to distribute cash dividends of NT\$2.7 to each common share using the undistributed earnings, and the dividends came to a total of \$365,344. Please refer to Note VI(XVII) for details.

## XII. Others

### (I) Capital management

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

The Company's strategies employed for 2020 were the same as those for 2019, i.e., striving to strike a balance for the overall capital structure. The Company's debt-to-capital ratios as at December 31, 2020 and 2019 are stated below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 3,664,277	\$ 2,403,394
Total assets	\$ 8,124,617	\$ 6,505,895
Debt-to-capital ratio	<u>45</u>	<u>37</u>

### (II) Financial Instruments

#### 1. Types of Financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets measured at FVTPL		
Financial assets mandatorily measured at fair value through profit or loss	\$ 204	\$ -
Financial assets measured at FVTOCI		
Election of the designated equity instrument investment	55	55
Financial assets measured at amortized cost		
Cash and cash equivalents	784,090	592,151
Financial assets measured at amortized cost	509,737	-
Notes receivable	7,808	4,966
Accounts receivable	2,840,970	2,419,837
Other receivables	6,341	7,599
Refundable deposits	42,808	1,974
	<u>\$ 4,192,013</u>	<u>\$ 3,026,582</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial liabilities		
Financial liabilities measured at amortized costs		
Short-term loans	\$ 77,487	\$ 309,346
Notes payable	3,248	2,299
Accounts payable	204,843	116,085
Accounts payable - related parties	1,892,668	1,211,322
Other payables	498,019	439,604
	<u>\$ 2,676,265</u>	<u>\$ 2,078,656</u>
Lease liabilities (including non-current)	<u>\$ 485,624</u>	<u>\$ 6,549</u>

## 2. Risk management policy

- (1) The daily operations of the Company are subject to a number of financial risks, including market risks (including exchange rate risks, interest rate risks, and price risks) credit risks, and liquidity risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (2) Risk management is carried out by the Company's finance department in compliance with relevant policies. Through cooperation with the Company's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks. With respect to the overall risk management, the Company has established principles in writing, as well as policies in writing concerning specified scope and matters, e.g. exchange risk, credit risk, utilization of derivatives and non-derivatives, and investment of remaining liquidity.

## 3. The nature and degree of significant financial risks

### (1) Market risk

#### Foreign exchange rate risk

- A. Since the Company operates in different countries, it is subject to the foreign exchange risk arising from various currencies, mainly USD, RMB and EURO, among others. The foreign exchange risk mainly comes from future business transactions, recognized assets and liabilities, and net investment in foreign operations.
- B. Management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency. The Company is required to hedge their entire foreign exchange risk exposure through the finance department. To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the

Company's finance department uses forward foreign exchange contracts. When future commercial transactions, recognized assets, or liabilities are calculated in a foreign currency other than the functional currency of the entity; exchange rate risk may arise.

- C. The Company's business involves the use of various non-functional currencies 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:

December 31, 2020			
	Foreign currency (in \$ thousands)	Exchange rate	Book value (NTD)
<b>(Foreign currency: Functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 128,008	28.43	\$ 3,639,267
<u>Non-monetary items</u>			
USD:NTD	23,718	28.43	674,299
RMB:NTD	138,434	4.377	605,925
EUR:NTD	1,389	34.82	48,361
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	71,641	28.53	2,043,918

December 31, 2019			
	Foreign currency (in \$ thousands)	Exchange rate	Book value (NTD)
<b>(Foreign currency: Functional currency)</b>			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 103,245	29.93	\$ 3,090,123
<u>Non-monetary items</u>			
USD:NTD	19,460	29.93	582,445
RMB:NTD	177,434	4.31	763,854
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	43,305	30.03	1,300,449

- D. In 2020 and 2019, due to the exchange rate volatility, total exchange gains (losses) from the Company's monetary items amounted to \$163,353 and \$21,152, respectively.
- E. The Company's analysis of the foreign currency market affected by significant exchange rate fluctuations is as follows:

		2020		
		Sensitivity analysis		
	Range of change	Effects on profit or loss	Effects on other comprehensive income	
<b>(Foreign currency: Functional currency)</b>				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 36,393	\$ -
<u>Non-monetary items</u>				
	USD:NTD	1%	-	6,743
	RMB:NTD	1%	-	6,059
	EUR:NTD	1%		484
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	20,439	-

		2019		
		Sensitivity analysis		
	Range of change	Effects on profit or loss	Effects on other comprehensive income	
<b>(Foreign currency: Functional currency)</b>				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 30,901	\$ -
<u>Non-monetary items</u>				
	USD:NTD	1%	-	5,824
	RMB:NTD	1%	-	7,639
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	13,004	-

### Price risk

The Company is not exposed to price risks from products.

### Cash flow interest rate risk and fair value interest rate risk

The Company's short-term borrowings are all instruments with fixed interest rate, and are consequently not exposed to any significant cash flow interest rate risk.

## (2) Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by customers or counterparties of financial instruments on the contract obligations. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors.

### Cash and cash equivalents and financial derivatives

Since the transaction policy adopted requires the Company 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 Company has established a specific internal credit policy, which requires entities within the Company 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 Company 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 Company's accounts receivables are due from ordinary enterprises. The Company assesses the credit quality of an individual customer by type by taking into account such customer's financial position, historical transaction records, and current economic status, and estimates the expected credit losses on the basis of the provision matrix using the simplified approach.
- D. After the recourse process, the Company writes off the financial asset to the extent of the recovery amount that can not be reasonably expected; nonetheless, the Company will keep legal recourse to secure its creditor's rights.
- E. The Company has established an expected loss rate for different segments of the accounts receivable due from customers as at December 31, 2020 and 2019, respectively: 0.04% to 0.02% for accounts receivable not past due, 0.51% and 0.21% for accounts receivable within 30 days past due, 3.39% and 3.72% for accounts receivable 31 days to 60 days past due, 7.35% and 8.1% for accounts receivable 61 days to 90 days past due, 14.47% and 17.4% for accounts receivable 91 days to 120 days past due, 58.06% and 58.22% for accounts receivable 121 days to 150 days past due, 93.69% and 96.74% for accounts receivable 151 days to 180 days past due, and both 100% for accounts receivable more than 180 days past due; the amount of the accounts receivable that is more than 31 days past due constituted roughly 0.15% and 0.22% of the Company's total accounts receivable.

- 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	\$ -	\$ 864
Provision of impairment loss	-	943
December 31	\$ -	\$ 1,807

	2019	
	Notes receivable	Accounts receivable
January 1	\$ -	\$ 1,664
Reversal of impairment loss	-	( 800)
December 31	\$ -	\$ 864

(3) Liquidity risk

- A. Cash flows forecasting is carried out by the Company'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 Company's remaining cash in excess of its operating needs is invested in demand deposits bearing interests, time deposits, bonds sold under repurchase agreement, and marketable securities, all of which are instruments either with appropriate maturity or with sufficient liquidity so as to satisfy the said forecasting and provide sufficient position for dispatching of funds. As of December 31, 2020, and 2019, the Company had a money market position in the amounts equal to \$783,878 and \$591,979.
- C. The table below shows an analysis of the non-derivative financial liabilities held by the Company with defined repayment terms based on maturity dates and undiscounted payment at maturity:

	December 31, 2020		
	Less than 1 year	1-2 years	Over 2 years
<u>Non-derivative financial liabilities:</u>			
Short-term loans	\$ 77,500	\$ -	\$ -
Notes payable	3,248	-	-
Accounts payable	204,843	-	-
Accounts payable - related parties	1,892,668	-	-
Other payables	498,019	-	-
Lease liabilities (including non-current)	18,837	16,797	520,640
<u>Derivative financial liabilities: None.</u>			

	December 31, 2019		
<u>Non-derivative financial liabilities:</u>	Less than 1 year	1-2 years	Over 2 years
Short-term loans	\$ 309,435	\$ -	\$ -
Notes payable	2,299	-	-
Accounts payable	116,085	-	-
Accounts payable - related parties	1,211,322	-	-
Other payables	439,604	-	-
Lease liabilities (including non-current)	2,921	488	3,450
<u>Derivative financial liabilities: None.</u>			

D. The Company 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: Quoted prices (unadjusted) 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: 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 Company's investment in derivatives is all Level 2 inputs.

Level 3: Unobservable inputs for the asset or liability.

2. Financial instruments not measured at fair value

The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, financial assets valued at amortized cost, notes receivables, accounts receivable, other receivables, refundable deposits, short-term borrowings, notes payable, accounts payable, other payables, and lease liabilities) are reasonable approximation of fair value.

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

- (1) The Company is classified according to the nature of assets and liabilities. The relevant information is as follows:

December 31, 2020	Level 1:	Level 2:	Level 3:	Total
<b>Assets</b>				
<u>Recurring fair value</u>				
Financial assets measured at FVTPL				
Forward foreign exchange contracts	\$ -	\$ 204	\$ -	\$ 204
Financial assets measured at FVTOCI				
Equity securities	-	-	55	55
	<u>\$ -</u>	<u>\$ 204</u>	<u>\$ 55</u>	<u>\$ 259</u>
December 31, 2019	Level 1:	Level 2:	Level 3:	Total
<b>Assets</b>				
<u>Recurring fair value</u>				
Financial assets measured at FVTOCI				
Equity securities	\$ -	\$ -	\$ 55	\$ 55

(2) The methods and assumptions used by the Company to measure fair value are as follows:

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

4. There was no transfer between Level 1 and Level 2 of the fair value hierarchy in 2020 and 2019.
5. There were no changes in Level 3 of the fair value hierarchy in 2020 and 2019.
6. Valuation process regarding fair value Level 3 is conducted by the Company'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 as of December 31, 2020	Valuation technique(s)	Significant unobservable inputs	Interval (weighted- average)	Relations between input value and fair value
Non-derivative equity instruments:					
Shares of venture capital company	\$ 1,011	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

8. The Company 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 Table 1.
4. The aggregate trading value on the same securities (including purchase and sales) reaching NT\$300 million or 20 percent of the paid-in capital or more: None.
5. Acquisition of 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) Major Shareholder Information

Please refer to Table 9.

XIV. Segment Information

Not applicable.

Advanced International Multitech Co., Ltd.  
Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Associates and Joint Ventures)  
January 1 to December 31, 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
				Number of shares	Book value	Shareholding ratio	Fair value	
Advanced International Multitech Co., Ltd.	Hua Nan Venture Capital Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	57,438	\$ 55	10.6	\$ 1,011	

Advanced International Multitech Co., Ltd.  
Acquisition of Real Estate Reaching NT\$300 Million or 20% of the Paid-in Capital or More  
January 1 to December 31, 2020

Table 2

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

Company that acquired the real estate	Property name	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	Transferring date	Amount			
Advanced International Multitech Co., Ltd.	Industrial land in Kaohsiung City's Hofa Industrial Park	June 30, 2020	\$ 474,509	\$ 6,329	Kaohsiung City Government	Non-related party	-	-	-	\$ -	Based on market price	For business use	None

Advanced International Multitech Co., Ltd.  
Purchases from and Sales to Related Parties Amounting to at Least NT\$100 Million or Exceeding 20% of Paid-in Capital  
January 1 to December 31, 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 on total notes and accounts receivable (payable)	
Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	Second-tier subsidiary	Purchases	\$ 5,725,940	68%	Note 1	Note 1	Note 1	(\$ 1,351,291)	(64%)	Note 2
Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	Subsidiary	Purchases	2,847,088	34%	Note 1	Note 1	Note 1	( 541,136)	(26%)	Note 2
Advanced Sporting Goods (Dongguan) Co., Ltd.	Advanced International Multitech Co., Ltd.	Ultimate parent company	Sales	( 5,725,940)	(100%)	Note 3	Note 3	Note 3	1,351,291	100%	
Advanced International Multitech (VN) Corporation Ltd.	Advanced International Multitech Co., Ltd.	Parent company	Sales	( 2,847,088)	(100%)	Note 3	Note 3	Note 3	541,136	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 purchase/sales amount comprises the sales revenue (sales of raw materials and work-in-process) and operating costs (purchase of goods) arising from the Company's sales to its subsidiaries and sub-subsidiaries that's about processing of removal materials, offset by \$980,420 in 2020.

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.  
Receivables from Related Parties Amounting to at Least NT\$100 Million or Exceeding 20% of Paid-in Capital  
January 1 to December 31, 2020

Table 4

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

Name of company	Name of the counterparty	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Amounts received in subsequent period	Allowance for doubtful accounts	Note
					Amount	Action taken			
Advanced Sporting Goods (Dongguan) Co., Ltd.	Advanced International Multitech Co., Ltd.	Ultimate parent company	\$ 1,351,291	0.74	\$ -	-	\$ 292,492	\$ -	
Advanced International Multitech (VN) Co., Ltd.	Advanced International Multitech Co., Ltd.	Parent company	541,136	0.80	-	-	202,510	-	

Advanced International Multitech Co., Ltd.  
Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof  
January 1 to December 31, 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	Relationship (Note 2)	Conditions of transactions			
				General ledger account	Amount	Transaction terms	Ratio to consolidated revenue or total assets (%)
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	1	Purchases	\$ 5,725,940	According to the agreement between both parties	47%
0	Advanced International Multitech Co., Ltd.	Advanced Sporting Goods (Dongguan) Co., Ltd.	1	Accounts payable	1,351,291	According to the agreement between both parties	12%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Purchases	2,847,088	According to the agreement between both parties	24%
0	Advanced International Multitech Co., Ltd.	Advanced International Multitech (VN) Corporation Ltd.	1	Accounts payable	541,136	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.  
Name, Location and Information on Investee Companies (Not Including Investee Companies in Mainland China)  
January 1 to December 31, 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 profit or loss of investee company	Share of profit or loss of investee company	Note
				End of this year	End of last year	Number of shares	Ownership (%)	Book value			
Advanced International Multitech Co., Ltd.	ADVANCED GROUP INTERNATIONAL (BVI) CO., LTD.	British Virgin Islands	Investment in other regions	\$ 149,434	\$ 149,434	4,584,815	100	\$ 605,925	\$ 86,836	\$ 86,758	Note
Advanced International Multitech Co., Ltd.	ADVANCED INTERNATIONAL MULTITECH (VN) Corporation LTD.	Vietnam	Engaged in the production and sales of various golf club shafts and heads, golf sets.	447,331	447,331	14,000,000	100	674,299	127,588	125,729	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	518,466	75,465	42,207	
Advanced International Multitech Co., Ltd.	ADVANCED INTERNATIONAL MULTITECH (BVI) CO., LTD.	British Virgin Islands	Investment in other regions	34,471	34,471	-	-	-	(133,884)	(133,884)	
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	48,361	( 15,291)	( 4,170)	

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.  
Investments in Mainland China - General Information  
January 1 to December 31, 2020

Table 7

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

Investee company	Primary business	Actual paid-in capital	Method of investment	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount		Ending balance of accumulated outflow of investment from Taiwan	Net profit or loss of investee company	Direct or indirect ownership of the Company (%)	Share of profit or loss of investee company	Carrying amount, end of period	Ending balance of accumulated inward remittance of investment income	Note
					Remittance	Recovery							
Advanced Group International (BVI) Co.,Ltd. :	Engaged in production and sale of carbon fiber prepreg materials and sports products	\$ 149,446	2	\$ 149,434	\$ -	\$ -	\$ 149,434	\$ 106,663	100	\$ 106,663	\$ 608,902	\$ 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)	-	54,776	Note 1, Note 2, Note 3, Note 4, and Note 9
Advanced Sporting Goods (Shatian, Dongguan) Co., Ltd.	Engaged in development of materials	1,330	3	-	-	-	( 947)	( 947)	50	( 71)	-	-	Note 1, Note 2, Note 5, Note 7, and Note 8
Advanced Sporting Goods (Dongguan) Co., Ltd.:	Engaged in production of materials	17,744	3	-	-	-	1,904	1,904	25	476	3,347	-	Note 1, Note 2, Note 6, and Note 7

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. Paid-in capital is translated at the exchange rate of 30.34 on the investment amount of USD1,000 thousand for the year.

Note 4. 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 5. The amount of paid-in capital is converted based on the RMB300 thousand exchange rate of 4.436.

Note 6. The amount of paid-in capital is converted based on the RMB4,000 thousand exchange rate of 4.436.

Note 7. Being a 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 8. The reinvestment company was liquidated in May 2020.

Note 9. The Group disposed of 100% equity interest in the reinvestment company on August 24, 2020 and completed the registration of the transfer.

Name of company	Accumulated investment remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Upper limit on investment authorized by the Investment Commission, M.O.E.A.
Advanced International Multitech Co., Ltd. (Note 10, Note 11, Note 12, and Note 13)	\$ 149,434	\$ 158,833	\$ 1,947,550

Note 10. Accumulated outward remittance from Taiwan to Mainland China at the end of the period is translated at the spot exchange rate of USD4,577 thousand at the time of the remittance.

Note 11. The investment amount approved by the Investment Commission of the Ministry of Economic Affairs is USD5,577 thousand, which is translated using the USD exchange rate of 28.48 at the balance sheet date.

Note 12. According to the quota stipulated in letter No. 09704604680 of the Ministry of Economic Affairs on August 29, 2008.

Note 13. 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.

Advanced International Multitech Co., Ltd.

Investments in Mainland China - Significant Transactions between the Company and Investee Companies in Mainland China Directly or Indirectly through Entities in a Third Area  
January 1 to December 31, 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	
	Amount	%	Amount	%	Balance	%	Ending balance	Purpose	Maximum balance	Ending balance	Interest rate range		Interest during the current period
Advanced Sporting Goods (Dongguan) Co., Ltd.	(\$ 5,725,940)	(68%)	\$ -	-	(\$ 1,351,291)	(64%)	\$ -	-	\$ -	\$ -	-	\$ -	Note

Note: The purchase/sales amount comprises the sales revenue (sales of raw materials and work-in-process) and operating costs (purchase of goods) arising from the Company's sales to Advanced Sporting Goods (Dongguan) Co., Ltd., that's about processing of removal materials, offset by \$980,420 in 2020.

Advanced International Multitech Co., Ltd.

Major Shareholder Information

December 31, 2020

Table 9

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.

Advanced International Multitech Co., Ltd.

Statement of Cash and Cash Equivalents

December 31, 2020

Statement 1

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash on hand and revolving funds		\$ 212
Check deposits		280
Demand deposits	Taiwan Dollar demand deposits	108,268
	US Dollar demand deposits (USD7,148 thousand; Exchange rate: 28.43)	203,210
Cash equivalents		
Time deposits	Interest rate range: 0.35%	158,400
	Maturity date: January 2 to January 31, 2021	
Repo bonds (NTD)	Interest rate range: 0.25%	200,000
	Maturity date: January 29, 2021	
Repo bonds (USD)	Interest rate range: 0.30%~0.35%	113,720
	Maturity date: January 11, 2021	-
		<u>\$ 784,090</u>

Advanced International Multitech Co., Ltd.  
Statement of Financial Assets Measured at Amortized Cost - Current

December 31, 2020

Statement 2

Unit: In Thousands of New Taiwan Dollars

<u>Name of company</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Taishin International Bank	Use of funds subject to regulatory restrictions	<u>\$ 465,088</u>	

Advanced International Multitech Co., Ltd.

Statement of Net Accounts Receivable

December 31, 2020

Statement 3

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
General customers:			
Customer No. 10986	Account receivable from customer	\$ 1,486,454	
Customer No. 11273	Account receivable from customer	424,866	
Customer No. 10008	Account receivable from customer	237,770	
Other (the balance did not exceed 5% of this account)	Account receivable from customer	<u>693,078</u>	
Subtotal		2,842,168	
Related party:			
Launch Technologies Co., Ltd. (LTC)	Account receivable from customer	<u>609</u>	
Total		2,842,777	
Less: Loss allowance		<u>( 1,807)</u>	
		<u>\$ 2,840,970</u>	

Advanced International Multitech Co., Ltd.

Statement of Inventories

December 31, 2020

Statement 4

Unit: In Thousands of New Taiwan Dollars

Item	Summary	Amount		Note
		Cost	Net realizable value	
Raw Materials		\$ 239,074	\$ 220,148	Note
Materials		10,220	9,785	Note
Work in progress		38,701	38,047	Note
Finished goods		287,956	280,117	Note
		575,951	<u>\$ 548,097</u>	
Less: Allowance for valuation and obsolescence loss		<u>( 27,854)</u>		
		<u>\$ 548,097</u>		

Note: The net realizable value of raw materials refers to its replacement cost. The net realizable value of work in progress and finished goods refers to the estimated selling price in the normal operating course less the estimated cost of completion and applicable variable selling expenses.

Advanced International Multitech Co., Ltd.

Statement of Changes in Investments Accounted for Using Equity Method

January 1, 2020 to December 31, 2020

Statement 5

Unit: In Thousands of New Taiwan Dollars

Name of company	Balance in the beginning of the period		Increase in the period (Note)		Decrease in the period (Note)		Ending balance			Market Value/Net Equity Value		Guarantee or Pledge
	Thousand shares	Amount	Thousand shares	Amount	Thousand shares	Amount	Thousand shares	Shareholding ratio	Amount	Unit price (Dollar)	Total	
ADVANCED INTERNATIONAL MULTITECH (VN) CORPORATION LTD.	14,000	\$ 582,445	-	\$ 91,854	-	\$ -	14,000	100%	\$ 674,299	48.46	\$ 678,441	None
ADVANCED GROUP INTERNATIONAL (BVI) CO., LTD.	4,585	927,258	-	-	-	( 321,333)	4,585	100%	605,925	133.05	610,048	None
Launch Technologies Co., Ltd. (LTC)	28,518	513,333	-	5,133	-	-	28,518	55.93%	518,466	23.90	681,580	None
ADVANCED INTERNATIONAL MULTITECH (BVI) CO., LTD.	1,050	105,393	-	-	( 1,050)	(105,393)	-	-	-	-	-	None
MUNICH COMPOSITES GMBH	-	-	21,003	48,361	-	-	21,003	27.27%	48,361	2.30	48,361	None
	<u>48,153</u>	<u>\$ 2,128,429</u>	<u>21,003</u>	<u>\$ 145,348</u>	<u>( 1,050)</u>	<u>(\$ 426,726)</u>	<u>68,106</u>		<u>\$ 1,847,051</u>		<u>\$ 2,018,430</u>	

Note: Including increase in investment, disposal of investments, recognition of investment gains (losses), realized (unrealized) sales gains and losses, cash dividends and exchange differences on translation of financial statements of foreign operations.

Advanced International Multitech Co., Ltd.

Statement of Changes in Accumulated Depreciation of Property, Plant and Equipment

January 1, 2020 to December 31, 2020

Statement 6

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Balance in the beginning of the period</u>	<u>Increase in the period</u>	<u>Decrease in the period</u>	<u>Ending balance</u>	<u>Note</u>
Housing and structures	\$ 137,745	\$ 20,345	(\$ 2,752)	\$ 155,338	
Machinery and equipment	251,462	68,698	( 30,754)	289,406	
Utility equipment	5,241	3,481	( 520)	8,202	
Office equipment	6,020	2,990	( 968)	8,042	
Other equipment	37,519	16,299	( 6,748)	47,070	
	<u>\$ 437,987</u>	<u>\$ 111,813</u>	<u>(\$ 41,742)</u>	<u>\$ 508,058</u>	

Advanced International Multitech Co., Ltd.

Statement of Changes in Impairment Depreciation of Property, Plant and Equipment

January 1, 2020 to December 31, 2020

Statement 7

Unit: In Thousands of New Taiwan Dollars

Item	Balance in the beginning of the period	Increase in the period	Decrease in the period	Ending balance	Note
Machinery and equipment	\$ 806	\$ -	\$ -	\$ 806	
Other equipment	294	-	-	294	
	\$ 1,100	\$ -	\$ -	\$ 1,100	

Advanced International Multitech Co., Ltd.  
Statement of Changes in Right-of-use Assets  
January 1, 2020 to December 31, 2020

Statement 8

Unit: In Thousands of New Taiwan Dollars

Item	Balance in the beginning of the period	Increase in the period	Decrease in the period	Ending balance	Note
Land	\$ 4,574	\$ 478,392	(\$ 4,344)	\$ 478,622	
Housing and structures	5,258	15,643	( 5,258)	15,643	
	<u>\$ 9,832</u>	<u>\$ 494,035</u>	<u>(\$ 9,602)</u>	<u>\$ 494,265</u>	

Advanced International Multitech Co., Ltd.

Statement of Accumulated Depreciation Changes of Right-of-Use Assets

January 1, 2020 to December 31, 2020

Statement 9

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Balance in the beginning of the period</u>	<u>Increase in the period</u>	<u>Decrease in the period</u>	<u>Ending balance</u>	<u>Note</u>
Land	\$ 456	\$ 7,232	(\$ 431)	\$ 7,257	
Housing and structures	2,868	5,638	( 5,019)	3,487	
	<u>\$ 3,324</u>	<u>\$ 12,870</u>	<u>(\$ 5,450)</u>	<u>\$ 10,744</u>	

Advanced International Multitech Co., Ltd.

Statement of Short-term Loans

December 31, 2020

Statement 10

Unit: In Thousands of New Taiwan Dollars

Total borrowings	Note	Ending balance	Contract period	Interest rate range	financing line	Pledge or guarantee	Note
Bank credit loan	Shanghai Commercial Bank Kaohsiung Branch	\$ 31,727	2020.7.24~2021.7.24	0.50%	NTD 150,000	Unsecured	-
Loans against letter of credit	Shanghai Commercial Bank Kaohsiung Branch	7,152	2020.7.24~2021.7.24	0%	USD 30,000	Unsecured	-
Loans against letter of credit	Taiwan Bank Kaohsiung Export Processing Zone Branch	38,608	2020.12.24~2021.12.24	0%	NTD 150,000	Land, buildings and structures	-
		<u>\$ 77,487</u>					

Advanced International Multitech Co., Ltd.

Statement of Accounts Payable

December 31, 2020

Statement 11

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
General suppliers:		
Supplier No. 103021	Account payable to customers	\$ 25,448
Supplier No. 100621	Account payable to customers	16,547
Supplier No. 100314	Account payable to customers	13,096
Supplier No. 102954	Account payable to customers	13,081
Other (the balance did not exceed 5% of this account)	Account payable to customers	<u>136,671</u>
		<u>\$ 204,843</u>

Advanced International Multitech Co., Ltd.

Statement of Operating Revenue

2020

Statement 12

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
GOLF	10,470 thousand	\$ 7,417,484	
Comprehensive product	46,082 thousand	<u>3,090,328</u>	
		10,507,812	
Less: Sales return and discount		<u>( 19,066)</u>	
		<u>\$ 10,488,746</u>	

Advanced International Multitech Co., Ltd.

Statement of Operating Costs

2020

Statement 13

Unit: In Thousands of New Taiwan Dollars

Item	Amount	
	Subtotal	Total
Goods at the beginning of the period	\$ -	
Add: Purchase of goods	22,236	
Goods at the end of the period	-	
Operating costs - goods		\$ 22,236
Raw materials at the beginning of the period	319,619	
Add: Purchase of raw materials	785,253	
Less: Loss from retirement of raw materials	( 1,258)	
Others	( 9,400)	
Raw materials at the end of the period	( 249,294)	
Consumption of raw materials in the period		844,920
Direct labour cost		288,957
Manufacturing overheads		483,803
Manufacturing costs		1,617,680
Work in process, beginning of period		15,229
Work-in-process at the end of the period		( 38,701)
Cost of finished goods		1,594,208
Finished goods, beginning of period		190,055
Add: Purchase during the period		7,616,520
Less: Loss from retirement of finished goods		( 508)
Others		( 5,938)
Finished goods, end of period		( 287,956)
Operating costs - finished goods		9,106,381
Loss from price decline		8,054
Loss on disposal of inventories		1,766
Other operating costs		1,581
Operating costs		\$ 9,140,018

Advanced International Multitech Co., Ltd.

Statement of Manufacturing Overheads

2020

Statement 14

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Salary		\$ 119,833	
Processing fee		100,985	
Depreciation expenses		73,161	
Utilities expense		45,210	
Other (the balance did not exceed 5% of this account)		144,614	
		<u>\$ 483,803</u>	

Advanced International Multitech Co., Ltd.  
Statement of Sales and Marketing Expenses

2020

Statement 15

Unit: In Thousands of New  
Taiwan Dollars

Item	Summary	Amount	Note
Salary		\$ 63,845	
Transportation fee		24,482	
Export fee		16,595	
Other (the balance did not exceed 5% of this account)		<u>26,809</u>	
		<u>\$ 131,731</u>	

Advanced International Multitech Co., Ltd.

Statement of Management Expenses

2020

Statement 16

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Salary		\$ 111,688	
Depreciation expenses		18,525	
Insurance fee		11,773	
Other (the balance did not exceed 5% of this account)		82,693	
		<u>\$ 224,679</u>	

Advanced International Multitech Co., Ltd.  
Statement of Research and Development Expenses

2020

Statement 17

Unit: In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Salary		\$ 241,470	
Testing raw materials		34,048	
Depreciation		32,839	
Other (the balance did not exceed 5% of this account)		114,336	
		<u>\$ 422,693</u>	

Advanced International Multitech Co., Ltd.

Summary Statement of Employee Benefits, Depreciation and Amortization Expenses Incurred During the Current Period

2020

Statement 18

Unit: In Thousands of New Taiwan Dollars

	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses (Note 1 and 2)						
Salary and wages	\$ 312,251	\$ 417,003	\$ 729,254	\$ 298,739	\$ 394,369	\$ 693,108
Labor and health insurance premiums	26,264	31,332	57,596	26,490	31,468	57,958
Pension expense	12,200	16,885	29,085	12,576	16,466	29,042
Remuneration to Directors	-	7,340	7,340	-	7,380	7,380
Other employee benefits and expenses	19,140	17,107	36,247	17,534	16,787	34,321
Total	<u>\$ 369,855</u>	<u>\$ 489,667</u>	<u>\$ 859,522</u>	<u>\$ 355,339</u>	<u>\$ 466,470</u>	<u>\$ 821,809</u>
Depreciation expenses	<u>\$ 73,161</u>	<u>\$ 51,522</u>	<u>\$ 124,683</u>	<u>\$ 43,942</u>	<u>\$ 37,551</u>	<u>\$ 81,493</u>
Amortization expenses	<u>\$ 4,903</u>	<u>\$ 8,136</u>	<u>\$ 13,039</u>	<u>\$ 5,721</u>	<u>\$ 9,437</u>	<u>\$ 15,158</u>

Note 1. In 2020 and 2019, the number of employees was 952 and 950 respectively, of which the number of directors who were not concurrently employees was 4 and 4, respectively.

Note 2. For companies whose shares are listed on the TWSE/TPEX, the following information should also be disclosed:

- (1) In 2020, average employee benefits amounted to \$899. In 2019, average employee benefits amounted to \$861.
- (2) In 2020, average employee salary amounted to \$769. In 2019, average employee salary amounted to \$733.
- (3) Average adjustment of employee salary was 5%.
- (4) In 2020 and 2019, supervisors' remuneration amounted to \$2,140 and \$3,180, respectively.

- (5) Remuneration policy of the Company (including directors, supervisors, managers and employees) is as follows:
1. Directors' and supervisors' remuneration distribution policy:

In addition to the distribution of no more than 5% of the Company's earnings as required by the Company's Articles of Association, the remuneration paid to the directors and supervisors of the Company shall be based on the Company's overall actual operating results, future business risks and development, and industry standards. The distribution of remuneration is subject to the review by the Remuneration Committee, resolution by the Board of Directors, and report at the shareholders' meeting.
  2. Managers' remuneration policy:
    - (1) Remuneration policies, standards, and packages

The remuneration paid by the Company to the managers includes salaries, bonuses, and employee remuneration, which are approved in accordance with the relevant regulations of the Company, and is subject to review by the Remuneration Committee and resolution by the Board of Directors. Employee remuneration is payable after it is reported at the shareholders' meeting. The remuneration policy may differ depending on the Company's overall operating results and contribution to the Company's performance.
    - (2) Procedures for determining remuneration:

The remuneration received by the managers is based on their education, experience, working experience, job nature, as well as the actual operating performance and contribution of the Company each year, which shall be implemented in accordance with the Company's "Remuneration Management Procedures," "Year-End Bonus Distribution Procedures," "Performance Evaluation Procedures," as well as "Employee, Directors, and Supervisors Remuneration Distribution Regulation." The distribution of the remuneration of the Company's managers is subject to review by the Remuneration Committee and approval by the Board of Directors.
    - (3) Relevance to business performance and future risks

The remuneration of the Company's managers is determined with reference to the operation of the Company as a whole, future business risks and development, as well as general standards of the industry or market and its operational management responsibilities, contribution and performance. The management of the Company and the Remuneration Committee will review regularly and make appropriate adjustments, which should be sufficient to reflect their responsibilities and risks.
  3. Employee remuneration policy:

The employee remuneration approval standards are based on employees' education and experience, job responsibilities, skills, job difficulties and environmental hazards, which shall be implemented in accordance with the Company's "Remuneration Management Procedures," "Year-End Bonus Distribution Procedures," "Performance Evaluation Procedures," as well as "Employee, Directors, and Supervisors Remuneration Distribution Regulation."