

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE SIX-MONTH PERIODS ENDED
JUNE 30, 2015 AND 2014

Notice to readers:

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

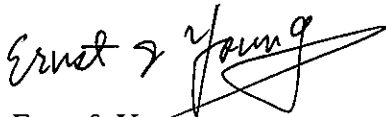
The Board of Directors and Stockholders of
ZENG HSING INDUSTRIAL CO., LTD.

We have reviewed the accompanying consolidated balance sheets of Zeng Hsing Industrial Co., Ltd. and subsidiaries (the "Group") as of June 30, 2015 and 2014, and the related consolidated statements of comprehensive income, for the three-month and six-month periods ended June 30, 2015 and 2014, and consolidated statements of changes in equity and consolidated statements of cash flows for the six-month periods ended June 30, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue the review report based on our reviews.

Except for as follows, we conducted our reviews in accordance with the Statements of Auditing Standards No. 36, "Review of Financial Statements" of the Republic of China (R.O.C.). A review is limited primarily to applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Certain investments were accounted for under the equity method based on the financial statements of the investees, which were not reviewed by the independent accountants. The assets of the investments amounted to NTD 154,608 thousand and NTD 163,617 thousand, which represented 2.77% and 3.04% of the total consolidated assets as of June 30, 2015, and 2014, respectively. The liabilities of the investments amounted to NTD 18,020 thousand and NTD 19,703 thousand, which represented 1.02% and 1.04% of the total consolidated liabilities as of June 30, 2015 and 2014, respectively. The related comprehensive income of the investments amounted to NTD 4,837 thousand, NTD 3,087 thousand, NTD 7,583 thousand and NTD 7,643 thousand, which represented 2.56%, 1.95%, 2.51% and 2.53% of the consolidated comprehensive income for the three-month and six-month periods ended June 30, 2015 and 2014, respectively. The information on Note (13) to consolidated financial statements is not reviewed by the independent accountants.

Based on our reviews, except for the above mentioned subsidiaries' financial statement which may probably be adjusted if reviewed by other independent accountants, we are not aware of any material modifications or adjustments that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, "Interim Financial Reporting" which is endorsed by Financial Supervisory Commission of the Republic of China.



Ernst & Young

Certified Public Accountants

Taichung, Taiwan

Republic of China

August 7, 2015

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

June 30, 2015, December 31, 2014 and June 30, 2014 (June 30, 2015 and 2014 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		
		June 30, 2015	December 31, 2014	June 30, 2014
Current Assets				
Cash and cash equivalents	4, 6(1)	\$1,527,415	\$1,587,267	\$1,609,786
Financial assets at fair value through profit or loss, current	4, 6(2)	-	67,992	206,198
Accounts receivable, net	4, 6(3)	1,625,286	1,423,242	1,202,013
Other receivables		50,820	58,465	31,449
Inventories, net	4, 6(4)	536,665	526,529	598,775
Prepayment		26,840	36,488	21,296
Other current assets		72,466	82,385	98,484
Total Current Assets		3,839,492	3,782,368	3,768,001
Non-current assets				
Bond investments with no active market, noncurrent	8	200	1,668	210
Property, plant and equipment	4, 6(5), 8	1,480,206	1,431,470	1,369,262
Intangible assets	4, 6(6)	33,829	29,976	21,633
Deferred tax assets	4	28,119	28,846	32,839
Deposits-out		5,241	5,266	3,265
Other long-term investments		4,485	4,485	2,628
Other non-current assets	4, 6(7)	196,147	198,778	188,487
Total non-current assets		1,748,227	1,700,489	1,618,324
Total assets		\$5,587,719	\$5,482,857	\$5,386,325

(The accompanying notes are an integral part of the consolidated financial statements)

(continued)

ZENG HING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

June 30, 2015, December 31, 2014 and June 30, 2014 (June 30, 2015 and 2014 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	As of	
		June 30, 2015	December 31, 2014
Current liabilities			
Financial liabilities at fair value through profit or loss, current			\$120
Notes payable		\$30	94,341
Accounts payable		79,625	684,670
Other payables	6(10)	616,980	768,453
Current tax liabilities	4	734,422	101,177
Other current liabilities		110,159	136,853
Total current liabilities		35,438	29,117
Non-current liabilities		1,576,654	1,192,582
Deferred tax liabilities	4	125,674	147,061
Accrued pension liabilities	4	62,081	65,404
Total non-current liabilities		187,755	212,465
Total liabilities		1,764,409	1,405,047
Equity attributable to the parent company	4, 6(10)		
Capital			
Common stock		605,526	605,526
Total capital		605,526	605,526
Additional paid-in capital			
Capital Surplus-Additional Paid-In Capital		1,308,533	1,308,533
Capital Surplus-Donated Assets Received		314	314
Capital Surplus-Other		78,498	78,498
Total Additional paid-in capital		1,387,345	1,387,345
Retained earnings			
Legal reserve		559,523	476,588
Special reserve		-	3,475
Retained earnings		1,233,751	1,548,942
Total Retained earnings		1,793,274	2,029,005
Other components of equity			
Exchange differences on translation of foreign operations		8,638	20,591
Non-controlling interests	6(11)	28,527	35,343
Total equity		3,823,310	4,077,810
Total liabilities and equity		\$5,587,719	\$5,386,325

(The accompanying notes are an integral part of the consolidated financial statements)

ZENG HING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-month and six-month periods ended June 30, 2015 and 2014

(Reviewed, Not Audited)

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
		2015	2014	2015	2014
Net Sales	6(12)	\$1,595,408	\$1,489,637	\$2,879,274	\$2,726,918
Cost of Sales	6(14)	(1,176,979)	(1,121,048)	(2,162,150)	(2,081,102)
Gross Profit		418,429	368,589	717,124	645,816
Operating Expenses	6(14)				
Selling and marketing		(41,648)	(31,678)	(73,839)	(66,760)
Management and administrative		(79,766)	(71,261)	(164,485)	(143,428)
Research and development		(28,418)	(28,118)	(54,068)	(55,432)
Total Operating Expenses		(149,832)	(131,057)	(292,392)	(265,620)
Operating Income		268,597	237,532	424,732	380,196
Non-operating income and expenses	6(15)				
Other revenue		11,167	10,238	24,440	20,189
Other gain and loss		(18,502)	(19,759)	(34,414)	15,073
Financial costs		-	-	-	(146)
Subtotal		(7,335)	(9,521)	(9,974)	35,116
Income from continuing operations before income tax		261,262	228,011	414,758	415,312
Income tax expense	6(17)	(65,253)	(58,581)	(100,758)	(95,547)
Income from Continuing Operations, Net of Tax		196,009	169,430	314,000	319,765
Other comprehensive income	6(16)				
Exchange differences on translation of foreign operations		(8,115)	(11,992)	(14,401)	(19,393)
Income tax related to components of other comprehensive income		1,379	995	2,448	2,253
Total other comprehensive income (Loss), net of tax		(6,736)	(10,997)	(11,953)	(17,140)
Total comprehensive income		\$189,273	\$158,433	\$302,047	\$302,625
Net income attributable to:					
Stockholders of the parent		\$193,352	\$167,159	\$309,243	\$315,758
Non-controlling interests		2,657	2,271	4,757	4,007
		\$196,009	\$169,430	\$314,000	\$319,765
Comprehensive income attributable to:					
Stockholder of the parent		\$186,616	\$156,162	\$297,290	\$298,618
Non-controlling interests		2,657	2,271	4,757	4,007
		\$189,273	\$158,433	\$302,047	\$302,625
Earnings per share (NTD)	6(18)				
Earnings per share-basic		\$3.20	\$2.76	\$5.11	\$5.21
Earnings per share-diluted		\$3.19	\$2.76	\$5.09	\$5.20

(The accompanying notes are an integral part of the consolidated financial statements)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month periods ended June 30, 2015 and 2014

(Reviewed, Not Audited)

(Expressed in Thousands of New Taiwan Dollars)

Notes	Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Total	Non- Controlling Interests	Total Equity
6(10)	\$605,526	\$1,387,345	\$405,775	\$73,367	\$1,246,398	\$(3,475)	\$3,714,936	\$37,155	\$3,752,091
Balance as of January 1, 2014			70,813		(70,813)		-		-
Appropriations of earnings, 2013:				(69,892)	69,892		-		-
Legal reserve									
Special reserve									
Cash dividends					(544,974)		(544,974)		(544,974)
Net income in the first half of 2014					315,758		315,758	4,007	319,765
Other comprehensive income, net of tax in the first half of 2014						(17,140)	(17,140)		(17,140)
Total comprehensive income					315,758	(17,140)	298,618	4,007	302,625
Cash dividends of subsidiary						(17,140)		(9,776)	(9,776)
Balance as of June 30, 2014	\$605,526	\$1,387,345	\$476,588	\$3,475	\$1,016,261	\$(20,615)	\$3,468,580	\$31,386	\$3,499,966
6(11)									
Balance as of January 1, 2015	\$605,526	\$1,387,345	\$476,588	\$3,475	\$1,548,942	\$20,591	\$4,042,467	\$35,343	\$4,077,810
Appropriations of earnings, 2014:									
Legal reserve			82,935		(82,935)		-		-
Special reserve				(3,475)	3,475		-		-
Cash Dividends					(544,974)		(544,974)		(544,974)
Net income in the first half of 2015					309,243		309,243	4,757	314,000
Other comprehensive income, net of tax in the first half of 2015						(11,953)	(11,953)		(11,953)
Total comprehensive income					309,243	(11,953)	297,290	4,757	302,047
Cash dividends of subsidiary								(8,554)	(8,554)
Decrease in Non-controlling interests								(3,019)	(3,019)
Balance as of June 30, 2015	\$605,526	\$1,387,345	\$559,523	\$-	\$1,233,751	\$8,638	\$3,794,783	\$28,527	\$3,823,310

(The accompanying notes are an integral part of the consolidated financial statements)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six-month periods ended June 30, 2015 and 2014
(Reviewed, Not Audited)
(Expressed in Thousand New Taiwan Dollars)

	Notes	For the six-month periods ended June 30,	
		2015	2014
Cash flows from operating activities:			
Net income before tax		\$414,758	\$415,312
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation		98,197	73,107
Amortization		33,316	15,437
Loss on disposal of property, plant and equipment		1,571	1,872
Gain on disposal of investments		(2,870)	(2,331)
Net loss (gain) of financial assets at fair value through profit or loss		1,134	(5,849)
Loss from market value decline, obsolete and slow-moving of inventories		1,040	2,710
Loss provision for doubtful accounts		12,814	509
Interest revenue		(5,306)	(9,226)
Interest expense		-	146
Changes in operating assets and liabilities:			
Decrease (increase) in financial assets at fair value through profit or loss		65,418	(198,110)
Increase in accounts receivable		(214,858)	(10,722)
Increase in inventories, net		(11,176)	(54,986)
Decrease (increase) in other receivables		7,629	(8,331)
Decrease (increase) in prepayments		7,084	(3,920)
Decrease (increase) in other current assets		9,612	(53,574)
Increase in other assets-others		(38,623)	(27,885)
(Decrease) increase in notes payable		(12,973)	1,133
(Decrease) increase in accounts payable		(65,273)	86,469
Decrease in other payables		(60,787)	(484)
Increase in other current liabilities		6,368	12,095
(Decrease) increase in accrued pension liabilities		(3,323)	511
Cash generated from operations		243,752	233,883
Interest received		5,306	9,226
Income tax paid		(145,664)	(91,766)
Net cash provided by operating activities		103,394	151,343

(The accompanying notes are an integral part of the consolidated financial statements)

(continued)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six-month periods ended June 30, 2015 and 2014
(Reviewed, Not Audited)
(Expressed in Thousand New Taiwan Dollars)

	Notes	For the six-month periods ended June 30,	
		2015	2014
Cash flows from investing activities:			
Disposal of bond investments with no active market, noncurrent		1,468	1,535
Acquisition of property, plant and equipment		(138,295)	(311,590)
Proceeds from disposal of property, plant and equipment		1,436	13,847
Disposal of financial assets measured at cost		-	2,961
Decrease (increase) in deposits-out		25	(6)
Increase in intangible assets		(12,659)	(8,568)
Disposal of intangible assets		-	34
Net cash inflow from disposal of subsidiaries		2,480	-
Net cash used in investing activities		(145,545)	(301,787)
Cash flows from financing activities:			
Decrease in deposits-in		-	(1,947)
Decrease in short-term loans		-	(280,000)
Decrease in short-term notes		-	(100,000)
Interest paid		-	(146)
Cash dividends of subsidiary		(8,554)	(9,776)
Net cash used provided in financing activities		(8,554)	(391,869)
Effect of exchange rate changes on cash and cash equivalents		(9,147)	(12,207)
Net decrease in cash and cash equivalents		(59,852)	(554,520)
Cash and cash equivalents at beginning of period		1,587,267	2,164,306
Cash and cash equivalents at end of period	6(1)	\$1,527,415	\$1,609,786

(The accompanying notes are an integral part of the consolidated financial statements)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Six-Month Periods Ended June 30 2015 and 2014

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. ORGANIZATION AND OPERATIONS

Zeng Hsing Industrial Co., Ltd. (the Company) was incorporated in 1968 to manufacture and market household sewing machines, vacuum cleaners, and the spare parts used on these products. The Group applied to be listed on the GreTai Securities Market on April 2004, and was authorized for trading over the counter on December 28, 2007. On December 23, 2014, the Company was authorized to be listed on Taiwan Stock Exchange.

Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd is controlled by the Group, which was incorporated in 1998 to manufacture household sewing machines in Jiangsu Province, China.

Zeng Hsing Industrial Co., Ltd. (VN) is controlled by the Group, which was incorporated in 2004 to manufacture household sewing machines in BinhDuong Province, Vietnam.

Shinco Technologies Limited (VN) is controlled by the Group, which was incorporated in 2007 to die-cast metal alloy of aluminum, zinc and magnesium in BinhDuong Province, Vietnam.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and subsidiaries (hereinafter referred to as “the Group”) for the six-month periods ended June 30, 2015 and 2014 were authorized for issue in accordance with the resolution of the board of directors’ meeting held on August 7, 2015.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2015. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

IAS 19 *Employee Benefits*

The Group applied the revised IAS 19 *Employee Benefits* retrospectively in the current period in accordance with the transitional provisions set out in the revised standard except that the carrying amount of assets was not adjusted for changes in employee benefit cost that were included in the carrying amount before 1 January 2014. The figures of the earliest comparative period presented and the comparative period have been accordingly restated. Major changes to the accounting of the Group’s defined benefit plan are summarized as follows:

- (a) The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net-interest amount under the revised IAS 19, which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period.
- (b) In the previous version of IAS 19, past service cost is recognized as an expense immediately to the extent that the benefits are already vested, or on a straight-line basis over the average period until the benefits become vested. Under the revised IAS 19, all past service costs are recognized at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognized. Therefore unvested past service cost is no longer deferred over future vesting periods.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 *Disclosure of Interests in Other Entities* sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements, for example, summarized financial information about the associate or disclosure on subsidiaries with material non-controlling interests. Please refer to Note 6 for more details.

IFRS 13 Fair Value Measurements

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. The Group re-assessed its policies for measuring fair values. Application of IFRS 13 has not materially impacted the fair value measurements of the Group.

Additional disclosures where required under IFRS 13, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 12. According to the transitional provisions of IFRS 13, IFRS 13 is applied prospectively as of 1 January 2015; the disclosure requirements of IFRS 13 need not be applied in comparative information before 1 January 2015.

- (2) Standards or interpretations issued by IASB but not yet recognized by FSC at the date of issuance of the Group's financial statements are listed below.

(a) *IAS 36 "Impairment of Assets" (Amendment)*

This amendment relates to the amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The amendment is effective for annual periods beginning on or after 1 January 2014.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) *IFRIC 21 "Levies"*

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain). The interpretation is effective for annual periods beginning on or after 1 January 2014.

(c) *IAS 39 "Financial Instruments: Recognition and Measurement" (Amendment)*

Under the amendment, there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The interpretation is effective for annual periods beginning on or after 1 January 2014.

(d) *IAS 19 "Employee Benefits" (Defined benefit plans: employee contributions)*

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendment is effective for annual periods beginning on or after 1 July 2014.

(e) *Improvements to International Financial Reporting Standards (2010-2012 cycle):*

IFRS 2 "Share-based Payment"

The annual improvements amend the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition'). The amendment prospectively applies to share-based payment transactions for which the grant date is on or after 1 July 2014.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

IFRS 3 "Business Combinations"

The amendments include: (1) deleting the reference to "other applicable IFRSs" in the classification requirements; (2) deleting the reference to "IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or other IFRSs as appropriate", other contingent consideration that is not within the scope of IFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss; (3) amending the classification requirements of IFRS 9 *Financial Instruments* to clarify that contingent consideration that is a financial asset or financial liability can only be measured at fair value, with changes in fair value being presented in profit or loss depending on the requirements of IFRS 9. The amendments apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

IFRS 8 "Operating Segments"

The amendments require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. The amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after 1 July 2014.

IFRS 13 "Fair Value Measurement"

The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 *Financial Instruments* and paragraph AG79 of IAS 39 *Financial Instruments: Recognition and Measurement* as consequential amendments from IFRS 13 *Fair Value Measurement*, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

IAS 16 “Property, Plant and Equipment”

The amendment clarifies that when an item of property, plant and equipment is revalued, the accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 24 “Related Party Disclosures”

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 38 “Intangible Assets”

The amendment clarifies that when an intangible asset is revalued, the accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. The amendment is effective for annual periods beginning on or after 1 July 2014.

- (f) *Improvements to International Financial Reporting Standards (2011-2013 cycle):*

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

IFRS 3 "Business Combinations"

This amendment clarifies that paragraph 2(a) of IFRS 3 *Business Combinations* excludes the formation of all types of joint arrangements as defined in IFRS 11 *Joint Arrangements* from the scope of IFRS 3; and the scope exception only applies to the financial statements of the joint venture or the joint operation itself. The amendment is effective for annual periods beginning on or after 1 July 2014.

IFRS 13 "Fair Value Measurement"

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*. The amendment is effective for annual periods beginning on or after 1 July 2014.

IAS 40 "Investment Property"

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property; in determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 *Business Combinations* and investment property as defined in IAS 40 *Investment Property*, separate application of both standards independently of each other is required. The amendment is effective for annual periods beginning on or after 1 July 2014.

(g) *IFRS 14 "Regulatory Deferral Accounts"*

IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(h) *IFRS 11 “Joint Arrangements” (Accounting for Acquisitions of Interests in Joint Operations)*

The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments require the entity to apply all of the principles on business combinations accounting in IFRS 3 “Business Combinations”, and other IFRS (that do not conflict with the guidance in IFRS 11), to the extent of its share in a joint operation acquired. The amendment also requires certain disclosure. The amendment is effective for annual periods beginning on or after 1 January 2016.

(i) *IAS 16 “Property, Plant and Equipment and IAS 38 “Intangible Assets” — Clarification of Acceptable Methods of Depreciation and Amortization*

The amendment clarified that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, such as selling activities and change in sales volumes or prices. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendment is effective for annual periods beginning on or after 1 January 2016.

(j) *IFRS 15 “Revenue from Contracts with Customers”*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The Standard is effective for annual periods beginning on or after 1 January 2017.

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Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(k) *IAS 16 “Property, Plant and Equipment and IAS 41 “Agriculture” — Agriculture: Bearer Plants*

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, and the produce growing on bearer plants will remain within the scope of IAS 41. The amendment is effective for annual periods beginning on or after 1 January 2016.

(l) *IFRS 9 “Financial Instruments”*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that ‘own credit risk’ adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The new standard is effective for annual periods beginning on or after 1 January 2018.

(m) *IAS 27“Separate Financial Statements” — Equity Method in Separate Financial Statements*

The IASB restored the option to use the equity method under IAS 28 for an entity to account for investments in subsidiaries and associates in the entity’s separate financial statements. In 2003, the equity method was removed from the options. This amendment removes the only difference between the separate financial statements prepared in accordance with IFRS and those prepared in accordance with the local regulations in certain jurisdictions.

The amendment is effective for annual periods beginning on or after 1 January 2016.

(n) *IFRS 10“Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture. The amendment is effective for annual periods beginning on or after 1 January 2016.

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Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (o) *Improvements to International Financial Reporting Standards (2012-2014 cycle):*

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The amendment clarifies that a change of disposal method of assets (or disposal groups) from disposal through sale or through distribution to owners (or vice versa) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. The amendment also requires identical accounting treatment for an asset (or disposal group) that ceases to be classified as held for sale or as held for distribution to owners. The amendment is effective for annual periods beginning on or after 1 January 2016.

IFRS 7 "Financial Instruments: Disclosures"

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and therefore the disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety under IFRS 7 *Financial Instruments: Disclosures* is required. The amendment also clarifies that whether the IFRS 7 disclosure related to the offsetting of financial assets and financial liabilities are required to be included in the condensed interim financial report would depend on the requirements under IAS 34 *Interim Financial Reporting*. The amendment is effective for annual periods beginning on or after 1 January 2016.

IAS 19 "Employee Benefits"

The amendment clarifies the requirement under IAS 19.83, that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The amendment is effective for annual periods beginning on or after 1 January 2016.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

IAS 34 "Interim Financial Reporting"

The amendment clarifies what is meant by "elsewhere in the interim financial report" under IAS 34; the amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is effective for annual periods beginning on or after 1 January 2016.

(p) *IAS 1 "Presentation of Financial Statements" (Amendment):*

The amendments contain (1) clarifying that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The amendments reemphasize that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted, (2) clarifying that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated, and how an entity shall present additional subtotals, (3) clarifying that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasize that understandability and comparability should be considered by an entity when deciding on that order, (4) removing the examples of the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be, and (5) clarifying that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2016.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(q) *IFRS 10* “Consolidated Financial Statements”, *IFRS 12* “Disclosure of Interests in Other Entities”, and *IAS 28* “Investments in Associates and Joint Ventures” — *Investment Entities: Applying the Consolidation Exception*

The amendments contain (1) clarifying that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity when the investment entity measures all of its subsidiary at fair value, (2) clarifying that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated when all other subsidiaries of an investment entity are measured at fair value, and (3) allowing the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendment is effective for annual periods beginning on or after 1 January 2016.

The abovementioned standards and interpretations issued by IASB have not yet been recognized by FSC at the date of issuance of the Group’s financial statements. The local effective dates are to be determined by FSC. The Group is currently evaluating (1) the potential impact of the newly announced or amended standards or interpretations. The aforementioned standards or interpretation’s impact to the Group cannot be reasonably assessed at this point. The other newly announced or amended standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The Group’s financial statements as of and for the six-month periods ended June, 30, 2015 and 2014 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 Interim Financial Reporting as recognized by the FSC.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“\$”) unless otherwise stated.

(3) General Description of Reporting Entities

Preparation principle of consolidated financial statement

- (a) Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
 - (b) exposure, or rights, to variable returns from its involvement with the investee, and
 - (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are as follows:

Investor	Subsidiary	Business nature	Percentage of ownership (%) as of		
			June 30, 2015	December 31, 2014	June 30, 2014
the Company	Shinco Worldwide Ltd. (BVI) [Shinco (BVI)]	Selling household sewing machines and spare parts	100.00%	100.00%	100.00%
the Company	Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Trading and holding Group	100.00%	100.00%	100.00%
the Company	Zeng Hsing Industrial Co., Ltd. (VN) [Zeng Hsing (VN)]	Manufacturing household sewing machines and sport equipment	100.00%	100.00%	100.00%
the Company	Shinco Technologies Limited (VN) [Shinco (VN)]	Material die-casting of metal of aluminum, zinc and magnesium alloy	100.00%	100.00%	100.00%

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investor	Subsidiary	Business nature	Percentage of ownership (%) as of		
			June 30, 2015	December 31, 2014	June 30, 2014
the Company	Mitsumichi Industrial Co. Ltd [Mitsumichi]	Manufacturing household sewing machines	53.00%	53.00%	53.00%
the Company	Asia Bright Hometec Co., Ltd. [Asia Bright]	Manufacturing electric appliances and machinery and equipment.	-%	43.08%	43.08%
Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. [Zhangjiagang]	Manufacturing household sewing machines	100.00%	100.00%	100.00%
Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	Selling household sewing machines and spare parts.	100.00%	100.00%	100.00%
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. [Zhangjiagang]	Zhangjiagang Zenghsing Trading Co., Ltd. [Zhangjiagang trading]	Selling household sewing machines and spare parts	100.00%	100.00%	100.00%

Certain investments were accounted for under the equity method base on the financial statements of investees, which were not reviewed by the independent accountants. The assets of the investments amounted to \$154,608 and \$163,617 of the total consolidated assets as of June 31, 2015, and 2014, respectively. The liabilities of the investments amounted to \$18,020 and \$19,703 of the total consolidated liabilities as of June 31, 2015 and 2014, respectively. The related comprehensive income of the investments amounted to \$4,837, \$3,078, \$7,583 and \$7,643 of the consolidated comprehensive income for the three-month and six-month periods ended June 30, 2015 and 2014, respectively.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Foreign Currency Transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- a. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- b. Foreign currency items within the scope of IAS 39 are accounted for based on the accounting policy for financial instruments.
- c. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Translation of Foreign Currency Financial Statements

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In the partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and Non-current Distinction

An asset is classified as current when:

- a. The Group expects to realized the asset, or intends to sell or consume it, in its normal operating cycle; or
- b. The Group holds the asset primarily for the purpose of trading; or
- c. The Group expects to realize the asset within twelve months after the reporting period; or

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- d. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as a current when:

- a. The Group expects to settle the liability in normal operating cycle; or
- b. The Group holds the liability primarily for the purpose of trading; or
- c. The liability is due to be settled within twelve months after the reporting period; or
- d. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Term of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (include fixed-term deposits that have maturities of 3 months from the date of acquisition) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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Notes to Consolidated Financial Statements (Continued)
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Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

The financial assets are classified as held for trading when:

- i. The primary purpose of acquiring is to be sold in a short time; or
- ii. They are part of recognizable portfolio of financial instruments when recognized initially and there were evidences to show the portfolio is profited in a short time; or
- iii. They are derivative instruments (except for contract of financial guarantee or hedging instruments).

The Group assigned the contracts that included one or more embedded derivative instruments as financial assets at fair value through profit or loss; or the financial assets are assigned as financial assets designated upon initial recognition at fair value through profit or loss when:

- i. The assignment can eliminate or strongly decrease the inconsistency in recognition and measurement; or

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Notes to Consolidated Financial Statements (Continued)

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- ii. The Group estimates the effects of the financial assets, liabilities or both, and provide the relevant information to key managements based on the fair value.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

b. Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

c. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

d. Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that an individual or a group of financial asset other than the financial assets at fair value through profit or loss is impaired. An individual or a group of financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- i. Significant financial difficulty of the issuer or obligor; or
- ii. A breach of contract, such as a default or delinquency in interest or principal payments; or
- iii. It becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

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Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For loans and receivables measured at amortized cost: if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

If, in a subsequent year, the account receivable amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

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Notes to Consolidated Financial Statements (Continued)
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e. Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired.
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

Financial liabilities and equity

a. Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument

b. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

c. Financial liabilities

Financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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d. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

The financial liabilities are classified as held for trading when:

- i. The primary purpose of acquiring is to be sold in a short time; or
- ii. They are part of recognizable portfolio of financial instruments when recognized initially and there were evidences to show the portfolio is profited in a short time; or
- iii. They are derivative instruments (except for contract of financial guarantee or hedging instruments).

The Group assigned the contracts that included one or more embedded derivative instruments as financial liabilities at fair value through profit or loss; or the financial liabilities are assigned as financial liabilities designated upon initial recognition at fair value through profit or loss when:

- i. The assignment can eliminate or strongly decrease the inconsistency in recognition and measurement; or
- ii. The Group estimates the effects of the financial assets, liabilities or both, and provides the relevant information to key managements based on the fair value.

Gains or losses on the subsequent measurement of liabilities held for trading including interest paid are recognized in profit or loss.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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e. Financial liabilities carried at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

f. Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

(9) Derivative financial instruments

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

(10) Inventories

Inventories are stated at the lower of cost and realizable value. Cost is presented by all the essential expenditures incurred to the ready status as being sold or finished products. Materials, work in process and finished goods are calculated on the following bases:

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- | | |
|------------------------------------|--|
| Materials | — Weighted average of actual procurements |
| Work in process and finished goods | — Direct materials, labor cost and overhead are all accounted for. Finished goods and work in process are accounted under the weighted average method. |

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(11) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method. An associate is an entity over which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's related interest in the associate.

When the change of the investment's equity was not due to the profit or loss or any items of other comprehensive income, and the change did not affect the ownership percentage of the Group, the Group recognized the corresponding change based on the ownership percentage. Therefore the capital surplus should be recognized in profit or loss base on the percentage of disposal

When the Group subscribes for additional associate or jointly controlled entity's new shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate or jointly controlled entity. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of associate or joint controlled entity's new shares, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate or jointly controlled entity shall be reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities.

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Notes to Consolidated Financial Statements (Continued)

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The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases. If the recoverable amount adopts the useful value of the investment, the Group evaluates the useful values based on the estimates as follows:

- a. The Group possessed the estimated future cash flows discounted value from the investment, included cash flows from operating activities and the final proceeds of the sale of the investment; or
- b. The Group obtained dividends from the investment and the estimated future cash flows discounted value from sale of the investment.

Because the Group didn't recognize separately the goodwill of the investment, the Group is not required to apply IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Items	Useful Lives
Buildings and facilities	20~40 years
Machinery and equipment	5~17 years
Tooling equipment	2~ 4 years
Transportation equipment	5~10 years
Furniture, fixtures and equipment	3~11 years
Miscellaneous equipment	3~15 years
Leasehold improvements	Lower of leasehold years or useful lives

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

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Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and are treated as changes in accounting estimates.

(13) Leases

The Group as a lessee

Lease assets recognize depreciation expenses base on its useful lives, if the Group can't confirm the ownerships of the lease assets at the closing date, the Group recognize depreciation expenses base on the lower of useful lives or tenancies.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(14) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets which fail to meet the recognition criteria are not capitalized and the expenditures are reflected in profit or loss in the period incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and is treated as changes in accounting estimates.

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Notes to Consolidated Financial Statements (Continued)

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Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in other operating income and expenses. Accounting policies of the Group's intangible assets is summarized as follows:

	<u>Software</u>	<u>Trademarks</u>	<u>Patents</u>	<u>Goodwill</u>	<u>Others</u>
Useful lives	1~5 years	1~5 years	1~5 years	indefinite	4 years
Method of amortization	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	There is no amortization	Amortized on a straight- line basis over the estimated useful life
Sources	Outside	Outside	Outside	Outside	Outside

(15) Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset in the scope of IAS 36 may be impaired. If any indication exists, the Group completes impairment testing for the cash-generating unit (CGU) where the individual assets belong to. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset. If circumstances indicate that previously recognized impairment losses may no longer exist or may have decreased at each reporting date, the Group re-assesses the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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Notes to Consolidated Financial Statements (Continued)

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The cash generating unit, or groups of CGU, to which goodwill has been allocated is tested for impairment annually at the same time every year, irrespective of whether there is any indication of impairment. Where the carrying amount of an asset or CGU (including the carrying amount of goodwill) exceeds its recoverable amount, the asset is considered impaired. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment loss of or reversal gain of impairment is recognized in other operating income and expenses.

(16) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. When the effect of the time value of money is material, provisions is discounted by present tax-rate of reflectable specific risks. When provisions discount, the increasing amount of liabilities due to time elapsed is recognized as a borrowing cost.

(17) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

a. Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- i. the significant risks and rewards of ownership of the goods have passed to the buyer;
- ii. neither continuing managerial involvement nor effective control over the goods sold have been retained;
- iii. the amount of revenue can be measured reliably;
- iv. it is probable that the economic benefits associated with the transaction will flow to the entity; and
- v. the costs incurred in respect of the transaction can be measured reliably.

b. Interest income

For all financial assets measured at amortized cost including loans and receivables, interest income is recorded using the effective interest rate method and recognized in profit or loss.

c. Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(18) Borrowing cost

It is capitalized as part of the assets when the borrowing cost is directly attributable to the acquisition, construction or production of assets. The other borrowing cost should be recognized as current expense. The borrowing cost includes the interest and other cost that relate to borrowing of funds.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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(19) Post-employment benefits

The Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The Group recognizes all actuarial gains and losses in the period in which they occur in other comprehensive income. Actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(20) Income Tax

Income tax expense (profit) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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Current income tax

Current income tax assets and liabilities for the current period and prior periods are measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by stockholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in financial statement at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- a. When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- b. In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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Notes to Consolidated Financial Statements (Continued)

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- a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- b. In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is estimated using the tax rate that would be applicable to expected total annual earnings, that is, calculated by the pre-tax income of the interim period multiplied by the estimated average annual effective income tax rate.

(21) Seasonal change

The Group's operation was seasonal, because the demand in the second half year was higher than the first half year, which caused the Group's revenues in the second half to be higher than the first half.

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Notes to Consolidated Financial Statements (Continued)
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5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources for estimating uncertainty at the reporting date, that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(1) The Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(2) Post-Employment Benefits

The cost of post-employment benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. The assumptions used for measuring pension cost and the present value of the pension obligation are disclosed in Note 4.

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Notes to Consolidated Financial Statements (Continued)
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(3) Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the entities of the Group.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	As of		
	June 30, 2015	December 31, 2014	June 30, 2014
Cash on hand	\$282	\$363	\$440
Checking and savings accounts	1,424,686	1,476,775	1,386,186
Time deposits	102,447	110,129	223,160
Total	<u>\$1,527,415</u>	<u>\$1,587,267</u>	<u>\$1,609,786</u>

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(2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of		
	June 30, 2015	December 31, 2014	June 30, 2014
Held for trading:			
Derivatives not designated as hedging instruments			
Forward exchange contracts	\$-	\$7,991	\$5,899
Non-derivative financial assets			
Funds	-	60,001	200,299
Total	<u>\$-</u>	<u>\$67,992</u>	<u>\$206,198</u>

Financial assets at fair value through profit or loss were not pledged.

(3) ACCOUNTS RECEIVABLE, NET

	As of		
	June 30, 2015	December 31, 2014	June 30, 2014
Accounts receivable - non related parties	\$1,641,827	\$ 1,426,929	\$1,205,740
Less: Allowance for doubtful accounts	(16,541)	(3,727)	(3,727)
Accounts receivable, net	<u>\$1,625,286</u>	<u>\$1,423,242</u>	<u>\$1,202,013</u>

Accounts receivables are generally on 45-90 day terms. The movements in the provision for impairment of accounts receivables are as follows (please refer to Note 12 for credit risk disclosure):

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	Individually impaired	Collectively impaired	Total
As of January 1, 2015	\$-	\$3,727	\$3,727
Charge for the current period	-	12,814	12,814
Write off due to uncollection	-	-	-
As of June 30, 2015	\$-	\$16,541	\$16,541
As of January 1, 2014	\$-	\$3,218	\$3,218
Charge for the current period	-	509	509
Write off due to uncollection	-	-	-
As of June 30, 2014	\$-	\$3,727	\$3,727

Ageing analysis of trade receivables and trade receivables-related parties that are past due as of the end of the reporting period but not impaired is as follows:

	Neither past due nor impaired	Past due but not impaired			Total	
		1~30 days	31-90 days	91-360 days		Upon 361 day
June 30, 2015	\$1,271,209	\$210,757	\$140,422	\$2,840	\$58	\$1,625,286
December 31, 2014	1,334,855	86,502	1,827	-	58	1,423,242
June 30, 2014	1,184,979	9,570	5,604	1,860	-	1,202,013

No accounts receivables were pledged.

(4) Inventories, net

a. Details as follows

	As of		
	June 30, 2015	December 31, 2014	June 30, 2014
Raw materials	\$265,926	\$241,481	\$276,375
Work in progress	10,081	7,215	15,415
Semi-manufactured goods	20,538	22,900	23,615
Finished goods	240,120	254,933	283,370
Total	\$536,665	\$526,529	\$598,775

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- b. For the three-month periods ended June 30, 2015 and 2014, the Company recognized \$1,176,979 and \$1,121,048, respectively, in operating cost, of which \$1,515 was related to gains recognized and \$1,797 loss was as a result of the net realized value of inventory being lower than its cost. For the six-month periods ended June 30, 2015 and 2014, the Company recognized \$2,162,150 and \$2,081,102, respectively, in operating cost, of which \$1,040 and \$2,710 loss was as a result of the net realized value of inventory being lower than its cost, respectively.
- c. For the six-month periods ended June 30, 2015, because the factors that caused the net realizable value of inventory to be lower than its cost no longer existed, the Group recognized gains from price recovery of inventories.
- d. No inventories were pledged.

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(5) Property, plant and equipment

Cost:	Property, plant and equipment										Total
	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvements	Miscellaneous equipment	Construction in progress and equipment awaiting examination		
As of January 1, 2015	\$21,075	\$406,504	\$691,912	\$274,219	\$43,157	\$17,697	\$3,280	\$183,688	\$522,912	\$2,164,444	
Additions	-	2,177	70,128	15,609	984	1,212	-	22,606	25,579	138,295	
Disposals	-	-	(16,312)	(605)	(58)	(538)	-	(3,471)	-	(20,984)	
Transfers	-	310,600	23,580	11,025	3,664	2,812	-	127,425	(462,717)	16,389	
Exchange differences	-	(3,307)	(4,024)	(3,652)	(183)	(2)	-	(897)	-	(12,065)	
As of June 30, 2015	\$21,075	\$715,974	\$765,284	\$296,596	\$47,564	\$21,181	\$3,280	\$329,351	\$85,774	\$2,286,079	
As of January 1, 2014	\$21,075	\$400,953	\$621,349	\$261,316	\$22,670	\$19,300	\$3,149	\$131,791	\$339,121	\$1,820,724	
Additions	-	783	84,321	18,889	11,014	952	-	56,102	139,529	311,590	
Disposals	-	(1,177)	(14,930)	(19,888)	(1,343)	(949)	-	(8,481)	-	(46,768)	
Transfers	-	(109)	(1,203)	4,975	(48)	(873)	-	-	-	2,742	
Exchange differences	-	(4,088)	(5,763)	(4,200)	(226)	(3)	-	(1,050)	-	(15,330)	
As of June 30, 2014	\$21,075	\$396,362	\$683,774	\$261,092	\$32,067	\$18,427	\$3,149	\$178,362	\$478,650	\$2,072,958	

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Depreciation and impairment:	Furniture, fixtures and equipment										Construction in progress and equipment awaiting examination	Total
	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvements	Miscellaneous equipment				
As of January 1, 2015	\$-	\$155,057	\$290,741	\$181,544	\$13,950	\$8,937	\$1,563	\$81,182	\$-	\$732,974		
Depreciation	-	11,780	36,247	31,033	3,228	1,430	343	14,136	-	98,197		
Disposals	-	-	(14,213)	(218)	(52)	(498)	-	(2,996)	-	(17,977)		
Transfers	-	-	-	-	-	-	-	-	-	-		
Exchange differences	-	(1,576)	(2,327)	(2,620)	(140)	(2)	-	(656)	-	(7,321)		
As of June 30, 2015	\$-	\$165,261	\$310,448	\$209,739	\$16,986	\$9,867	\$1,906	\$91,666	\$-	\$805,873		
As of January 1, 2014	\$-	\$136,190	\$263,055	\$169,778	\$10,417	\$12,726	\$898	\$79,217	\$-	\$672,281		
Depreciation	-	8,400	35,106	17,690	2,048	819	322	8,722	-	73,107		
Disposals	-	(692)	(5,110)	(17,010)	(904)	(939)	-	(6,394)	-	(31,049)		
Transfers	-	(108)	(752)	-	(15)	(584)	-	-	-	(1,459)		
Exchange differences	-	(1,809)	(3,323)	(3,073)	(148)	(2)	-	(829)	-	(9,184)		
As of June 30, 2014	\$-	\$141,981	\$288,976	\$167,385	\$11,398	\$12,020	\$1,220	\$80,716	\$-	\$703,696		
Net carrying amount as of:												
June 30, 2015	\$21,075	\$550,713	\$454,836	\$86,857	\$30,578	\$11,314	\$1,374	\$237,685	\$85,774	\$1,480,206		
December 31, 2014	\$21,075	\$251,447	\$401,171	\$92,675	\$29,207	\$8,760	\$1,717	\$102,506	\$522,912	\$1,431,470		
June 30, 2014	\$21,075	\$254,381	\$394,798	\$93,707	\$20,669	\$6,407	\$1,929	\$97,646	\$478,650	\$1,369,262		

a. Please refer to Note 8 for property, plant and equipment pledged as collateral.

b. There is no occurrence of capitalization of interest due to purchase property, plant and equipment as of June 30, 2015, December 31, 2014 and June 30, 2014.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Intangible assets

	Software	Patents	Trademarks	Goodwill	Others	Total
Cost:						
As of January 1, 2015	\$57,469	\$10,007	\$2,106	\$1,181	\$6,872	\$77,635
Addition-acquired separately	12,322	323	14	-	-	12,659
Disposals	-	(2,231)	(178)	-	-	(2,409)
Exchange differences	(34)	-	-	-	-	(34)
As of June 30, 2015	\$69,757	\$8,099	\$1,942	\$1,181	\$6,872	\$87,851
As of January 1, 2014	\$34,674	\$9,932	\$2,140	\$1,181	\$6,872	\$54,799
Addition-acquired separately	8,531	37	-	-	-	8,568
Disposals	-	-	(34)	-	-	(34)
Exchange differences	(42)	-	-	-	-	(42)
As of June 30, 2014	\$43,163	\$9,969	\$2,106	\$1,181	\$6,872	\$63,291

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Software	Patents	Trademarks	Goodwill	Others	Total
Amortization and impairment:						
As of January 1, 2015	\$35,399	\$5,216	\$1,780	\$-	\$5,264	\$47,659
Amortization	4,968	463	75	-	878	6,384
Exchange differences	(24)	3	-	-	-	(21)
As of June 30, 2015	\$40,343	\$5,682	\$1,855	\$-	\$6,142	\$54,022
As of January 1, 2014						
As of January 1, 2014	\$26,207	\$3,978	\$1,561	\$-	\$3,510	\$35,256
Amortization	4,837	598	117	-	876	6,428
Exchange differences	(26)	-	-	-	-	(26)
As of June 30, 2014	\$31,018	\$4,576	\$1,678	\$-	\$4,386	\$41,658
Net carrying amount as of:						
June 30, 2015	\$29,414	\$2,417	\$87	\$1,181	\$730	\$33,829
December 31, 2014	\$11,429	\$5,157	\$370	\$1,181	\$2,047	\$29,976
June 30, 2014	\$12,145	\$5,393	\$428	\$1,181	\$2,486	\$21,633

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Intangible asset amortization expenses are summarized as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Operating cost	\$1,765	\$1,884	\$3,412	\$3,629
Selling and marketing	4	14	12	29
Management and administrative	1,267	635	2,395	1,037
Research and development	238	897	565	1,733
Total	\$3,274	\$3,430	\$6,384	\$6,428

(7) Other non-current assets

	As of		
	June 30, 2015	December 31, 2014	June 30, 2014
Long-term prepaid rent expenses	\$134,763	\$136,771	\$138,795
Prepayment for equipment	26,328	18,968	26,325
Others	35,056	43,039	23,367
Total	\$196,147	\$198,778	\$188,487

Long-term prepaid rent expenses were payments for land use rights as of June 30, 2015, December 30, 2014, and June 30, 2014.

(8) Short-term borrowings

The Group's unused short-term lines of credits amounted to \$777,490, \$782,026 and \$767,330 as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively.

(9) Post-employment benefits

Defined contribution plan

Pension expenses under the defined contribution plan were \$2,204, \$2,017, \$4,347 and \$4,035 for the three-month and six-month periods ended June 30, 2015 and 2014, respectively.

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Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Defined benefits plan

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2015	2014	2015	2014
Operating cost	\$345	\$233	\$862	\$836
Promotion	85	89	213	387
Management and administrative	244	189	191	745
Research and development	164	214	411	857
Total	<u>\$838</u>	<u>\$725</u>	<u>\$1,677</u>	<u>\$2,825</u>

The Group and its subsidiaries increased pension cost for high-ranking officers amounting to \$300, \$1,750, \$600 and \$2,100 for the three-month and six-month periods ended June 30, 2015 and 2014, respectively.

(10) Equities

a. Share capital

As of June 30, 2015, the Company's authorized capital was \$850,000, divided into 85,000,000 shares with par value of \$10 (in dollar) each. The issued and outstanding capital stocks were \$605,526, divided into 60,552,631 shares with par value of \$10 (in dollar) each.

b. Capital surplus

According to the Company Act, the capital reserve shall not be used except when offsetting the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them. The detail of the capital surplus is as follows:

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	As of		
	June 30, 2015	December 31, 2014	June 30, 2014
Additional paid-in capital	\$1,308,533	\$1,308,533	\$1,308,533
Donated assets	314	314	314
Employee stock options	78,498	78,498	78,498
Total	\$1,387,345	\$1,387,345	\$1,387,345

c. Retained earnings and dividend policy

As provided by the Company's Articles of Incorporation, annual net income, after offsetting prior years' accumulated deficits, if any, may be distributed in the following order:

- i. at 3% to 6% as employee bonuses;
- ii. at 0.5% to 4% as the directors and supervisors' remunerations;
- iii. the remaining amount as dividends.

The Company operates in a traditional industry and is currently at its mature stage of business life cycle, with a relatively well established financial structure and fairly consistent earnings year-over-year. In addition to adhering to the Company Act and the Company's bylaws, the actual distribution of earnings would depend on the Company's projected capital expenditure and operational results which will be reviewed by the board of directors before voting in the annual stockholder' meetings. Cash dividend would be no less than 30% of the total dividend to be distributed.

When the Company distributed the earnings from 2012, in accordance with the applicable laws, it should appropriate the other net deductions from shareholders' equity which occurred in current period to special reserve. When the other net deductions from shareholders' equity were reversed, the amount reversed may be distributed.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a Company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, the special reserve equivalent to the net debit balance of the other components of shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company's was not required to reserve the special reserve resulted from first-time adoption of IFRSs of the related assets for the six-month periods ended June 30, 2015.

The profit sharing to employees and remuneration to directors were \$10,080 and \$1,960 for the six months ended June 30, 2014. They are based on the six months profit after tax. The profit sharing to employees and directors is charged against the earnings as the periodic cost. If the board subsequently modifies the estimates significantly will recognize the change as an adjustment in the profit or loss in the same period. The difference between the estimation and the resolution of the stockholders' meeting will be recognized in profit or loss in the subsequent year. Upon stockholders' approval, the number of shares distributed as share dividends is calculated based on the total approved bonus amount divided by the closing price one day prior to the approved date with the consideration of the impacts of ex-right/ex-dividend.

The profit sharing to employees and remuneration to directors were \$12,000 and \$1,990 for the six months ended June 30, 2015. They are based on the six months earnings. The profit sharing to employees and directors is charged against the earnings as the periodic cost. If the board subsequently modifies the estimates significantly will recognize the change as an adjustment in the profit or loss in the same period.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to Article 235-1 of Company Act amended on May 20, 2015, a portion of profit of the current year shall be distributed as employee compensation. However, the company's accumulated losses shall be covered. A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors and report such resolution to the shareholder's meeting, distribute the aforementioned profit as employees' compensation in the form of shares or cash. Qualification requirements of employees entitled to receive shares or cash, including the employees of subsidiaries of the company meeting certain specific requirements, may be specified in the Articles of Incorporation. Nevertheless the said employees' compensation and directors' remuneration for the first six months of 2015 were estimated according to the Articles of Incorporation before amendment after considering the Company's operation procedure and that the Articles of Incorporation could not be amended per Company Act prior to announcing the financial statements, as the financial statements were soon to be disclosed.

Details of the 2014 and 2013 earnings distribution and dividends per share as approved by the resolution of the shareholders' meeting held in June 18, 2015 and June 11, 2014, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2014	2013	2014	2013
Legal reserve	\$82,935	\$70,813		
Special reserve	(3,475)	(69,892)		
Cash dividends-common stock	544,974	544,974	\$9.0	\$9.0
Directors' and supervisors' remuneration	3,050	2,850		
Employees' bonuses-cash	25,150	22,000		
Total	<u>\$652,634</u>	<u>\$570,745</u>		

Up to six months ended June 30, 2015 and 2014, the cash dividends-ordinary shares, directors' and supervisors' remuneration and employee's bonuses-cash are not paid by the amount of \$573,174 and \$569,824 which should be accounted under Other Payable.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at December 31, 2013, the Company recognized the bonus to employees of \$22,000 and the remuneration to directors and supervisors of \$3,750 with a charge to earnings. The difference of \$1,410 between the estimate and the actual appropriate amount of \$24,340 has been recognized in profit or loss in 2014.

Information about appropriation of retained earnings and bonuses paid to employees, remuneration to directors and supervisors for 2014 can be obtained from the “Market Observation Post System” on the website of Taiwan Stock Exchange Corporation.

(11) Non-controlling interests

	Six-month periods ended June 30	
	2015	2014
Balance as of January 1	\$ 35,343	\$37,155
Attributable to non-controlling interests Income	4,757	4,007
Cash dividends	(8,554)	(9,776)
Decrease in Non-controlling interests	(3,019)	-
Balance as of June 30	\$28,527	\$31,386

(12) Sales

	Three-month periods ended		Six-month periods ended	
	June 30		June 30	
	2015	2014	2015	2014
Sale of goods	\$1,599,320	\$1,491,200	\$2,884,924	\$2,732,390
Less: Sales returns and discounts	(3,912)	(1,563)	(5,650)	(5,472)
Net sales	\$1,595,408	\$1,489,637	\$2,879,274	\$2,726,918

(13) Operating lease

The Group as lessee

The contract terms were three to five years. The Group is not entitled to renew the contract. There were no any restrictions to the Group in the contracts.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to the uncancellable contracts of operating lease, the minimum lease payments in the future as of June 30, 2015, December 31, 2014 and June 30, 2014 were as follows:

	As of		
	June 30, 2015	December 31,2014	June 30, 2014
Lower than 1 year	\$900	\$900	\$900
Between 1 to 5 years	900	1,350	1,800
Total	\$1,800	\$2,250	\$2,700

The expenses of operating lease were as follows:

	Three-month periods ended		Six-month periods ended	
	June 30		June 30	
	2015	2014	2015	2014
Minimum lease payments	\$225	\$225	\$450	\$450

(14) The Group's personnel, depreciation and amortization expenses are summarized as follows:

Nature \ Function	Three-month periods ended June 30					
	2015			2014		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$91,566	\$55,801	\$147,367	\$51,106	\$ 55,734	\$106,840
Labor and health insurance	11,220	6,105	17,325	10,185	4,144	14,329
Pension	880	2,462	3,342	1,212	3,280	4,492
Others	7,870	2,036	9,906	6,899	2,290	9,189
Depreciation	43,101	8,466	51,567	32,321	4,968	37,289
Amortization	9,129	7,805	16,934	4,605	3,771	8,376

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Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Nature \ Function	Six-month periods ended June 30					
	2015			2014		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$190,961	\$110,676	\$301,637	\$131,269	\$107,700	\$238,969
Labor and health insurance	23,521	10,139	33,660	19,796	8,857	28,653
Pension	1,946	4,678	6,624	2,347	6,613	8,960
Others	15,363	4,232	19,595	11,802	4,383	16,185
Depreciation	81,767	16,430	98,197	63,481	9,626	73,107
Amortization	17,805	15,511	33,316	8,715	6,722	15,437

(15) Non-operating income and expenses

a. Other income

	Three-month periods ended June 30		Six-month periods ended June 30	
	2015	2014	2015	2014
Interest income	\$3,451	\$5,002	\$5,307	\$9,226
Others	7,716	5,236	19,133	10,963
Total	\$11,167	\$10,238	\$24,440	\$20,189

b. Other gains and losses

	Three-month periods ended June 30		Six-month periods ended June 30	
	2015	2014	2015	2014
Foreign exchange (losses) gains, net	\$(16,342)	\$(20,503)	\$(29,516)	\$10,889
(Losses) gains on financial assets at fair value through profit or loss	(3,399)	3,637	(5,781)	5,849
Gains on disposal of investment	2,870	-	2,870	2,331
Losses on disposal of property, plant and equipment	(1,319)	(841)	(1,571)	(1,872)
Others	(312)	(2,052)	(416)	(2,124)
Total	\$(18,502)	\$(19,759)	\$(34,414)	\$15,073

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

c. Finance costs

	Three-month periods ended		Six-month periods ended	
	June 30		June 30	
	2015	2014	2015	2014
Interest expenses on bank loans	\$-	\$-	\$-	\$(146)

(16) Components of other comprehensive income

a. Three-month periods ended June 30, 2015

	Arising during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:				
Exchange differences resulting from translating the financial statements of a foreign operation	\$(8,115)	\$(8,115)	\$1,379	\$(6,736)
Total of other comprehensive income	\$(8,115)	\$(8,115)	\$1,379	\$(6,736)

b. Three-month periods ended June 30, 2014

	Arising during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:				
Exchange differences resulting from translating the financial statements of a foreign operation	\$(11,992)	\$(11,992)	\$995	\$(10,997)
Total of other comprehensive income	\$(11,992)	\$(11,992)	\$995	\$(10,997)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

c. Six-month periods ended June 30, 2015

	Arising during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:				
Exchange differences resulting from translating the financial statements of a foreign operation	\$(14,401)	\$(14,401)	\$2,448	\$(11,953)
Total of other comprehensive income	<u>\$(14,401)</u>	<u>\$(14,401)</u>	<u>\$2,448</u>	<u>\$(11,953)</u>

d. Six-month periods ended June 30, 2014

	Arising during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Items that may be reclassified subsequently to profit or loss:				
Exchange differences resulting from translating the financial statements of a foreign operation	\$(19,393)	\$(19,393)	\$2,253	\$(17,140)
Total of other comprehensive income	<u>\$(19,393)</u>	<u>\$(19,393)</u>	<u>\$2,253</u>	<u>\$(17,140)</u>

(17) Income tax

The major components of income tax expense are as follows:

Income tax recorded in profit or loss

	Three-month periods ended June 30		Six-month periods ended June 30	
	2015	2014	2015	2014
Current income tax expense:				
Current income tax charge	\$54,684	\$57,817	\$120,970	\$91,208
Adjustments in respect of current income tax of prior periods	(2,000)	(4,000)	(2,000)	(3,000)
Deferred income tax expense (benefit):				
Deferred income tax expense (benefit) related to origination and reversal of temporary differences	12,569	4,764	(18,212)	7,339
Income tax expense recognized in profit or loss	<u>\$65,253</u>	<u>\$58,581</u>	<u>\$100,758</u>	<u>\$95,547</u>

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Notes to Consolidated Financial Statements (Continued)
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Income tax relating to components of other comprehensive income

	Three-month periods ended June 30		Six-month periods ended June 30	
	2015	2014	2015	2014
Deferred income tax expense (benefit):				
Exchange differences on translation of foreign operations	\$(1,379)	\$(995)	\$(2,448)	\$(2,253)
Income tax relating to components of other comprehensive income	<u>\$(1,379)</u>	<u>\$(995)</u>	<u>\$(2,448)</u>	<u>\$(2,253)</u>

Integrated income tax information

	As of		
	June 30, 2015	December 31, 2014	June 30, 2014
Balance of the imputation credit account	\$304,069	\$202,059	\$258,094

The actual creditable ratio for 2014 and 2013 were 19.63% and 20.71%, respectively.

According to Article 66-6 of Company Act amended on June 4, 2014, the creditable ratio of the individual shareholders residing in Taiwan will be reduced by 50%, and will apply on January 1, 2015 to earnings distribution.

The Company's earnings generated in the year ended December 31, 1997 and prior years have been fully appropriated.

The assessment of income tax returns

As of June 30, 2015, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

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Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2013
Mitsumichi Industrial Co., Ltd.	Assessed and approved up to 2013
Zhangjiagang Zengshing Machinery & Electronics Co., Ltd.	Assessed and approved up to 2013
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	Assessed and approved up to 2013
Zhangjiagang Trading Co., Ltd.	Assessed and approved up to 2013
Zeng Hsing Industrial Co., Ltd (VN)	Assessed and approved up to 2013
Shinco Technoligies Limited (VN)	Assessed and approved up to 2013

(18) Earnings per share

a. Earnings per share-basic

	<u>Three-month periods</u> <u>ended June 30</u>		<u>Six-month periods</u> <u>ended June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net profit attributable to the parent Group	<u>\$193,352</u>	<u>\$167,159</u>	<u>\$309,243</u>	<u>\$315,758</u>
Weighted-average number of ordinary shares for basic earnings per share(thousand shares)	<u>60,553</u>	<u>60,553</u>	<u>60,553</u>	<u>60,553</u>
Earnings per share-basic (NTD)	<u>\$3.20</u>	<u>\$2.76</u>	<u>\$5.11</u>	<u>\$5.21</u>

b. Earnings per share-diluted

	<u>Three-month periods</u> <u>ended June 30</u>		<u>Six-month periods</u> <u>ended June 30</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net profit attributable to the parent Group	<u>\$193,352</u>	<u>\$167,159</u>	<u>\$309,243</u>	<u>\$315,758</u>
Weighted-average number of ordinary shares for basic earnings per share(thousand shares)	60,553	60,553	60,553	60,553
Effect of dilution:				
Employee bonus- stock(thousand shares)	<u>45</u>	<u>60</u>	<u>153</u>	<u>124</u>
Weighted average number of common stocks after dilution (thousand shares)	<u>60,598</u>	<u>60,613</u>	<u>60,706</u>	<u>60,677</u>
Diluted earnings per share (NTD)	<u>\$3.19</u>	<u>\$2.76</u>	<u>\$5.09</u>	<u>\$5.20</u>

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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(19) Punishment subsidiary

The Company and its subsidiaries Asia Bright sell subsidiaries, the sale date of total assets and liabilities are as follows:

Assets	<u>Amount</u>
Cash on hand & demand deposits	\$2,650
Property, plant and equipment	40
Intangible assets	2,409
Others	307
<u>Liabilities</u>	
Account payable and other payable - non related parties	(56)
Other current liabilities	<u>(47)</u>
The net asset disposition	<u><u>\$5,303</u></u>

Gain on disposal of subsidiaries

	<u>Amount</u>
The price charged by cash and cash equivalents	\$5,154
The net asset value of the sale	5,303
Percentage of ownership (%)	43.08%
Attributable to The group	<u>2,284</u>
Gain on disposal of subsidiaries	<u><u>\$2,870</u></u>

7. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	<u>Three-month periods</u>		<u>Six-month periods</u>	
	ended June 30		ended June 30	
	2015	2014	2015	2014
Short-term employee benefits	\$4,754	\$3,579	\$9,575	\$7,027
Post-Employment Benefits	370	352	739	754
	<u>\$5,124</u>	<u>\$3,931</u>	<u>\$10,314</u>	<u>\$7,781</u>

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

8. ASSETS PLEDGED AS COLLATERAL

The following assets were pledged:

	As of		
	June 30, 2015	December 31, 2014	June 30, 2014
Property, Plant and Equipment, net	\$23,547	\$23,864	\$24,182
Land	20,660	20,660	20,660
Bond investments in inactive market	200	1,668	210
Total	<u>\$44,407</u>	<u>\$46,192</u>	<u>\$45,052</u>

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The important contracts of construction in progress

a. As the end of June 30, 2015

Contract parties	Subject matter	Total contract amount	Contract amount paid as of June 30, 2015
Company A	Buildings	\$118,017	\$108,790

b. As the end of June 30, 2014

Contract parties	Subject matter	Total contract amount	Contract amount paid as of June 30, 2013
Company A	Buildings	\$118,017	\$84,368

(2) As of June 30, 2015 and 2014, the Group provided guarantee notes in the amount both of \$100,000, as guarantees for loans, forward exchange agreements and a subsidy research project of Industrial Development Bureau Ministry of Economic Affairs.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) The Group entered into the financial guarantees to related parties: refer to Table 2 on pages 85 to 86.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

	As of		
	June 30, 2015	December 31, 2014	June 30, 2014
<u>Financial Assets</u>			
Loans and receivables:			
Cash and cash equivalents (excludes cash on hand)	\$1,527,133	\$1,586,904	\$1,609,346
Notes and accounts receivable	1,625,286	1,423,242	1,202,013
Other receivables	50,820	58,465	31,449
Bond investments in inactive market	200	1,668	210
Subtotal	3,203,439	3,070,279	2,843,018
Financial assets at fair value through profit or loss:			
Held for trading	-	67,992	206,198
Total	<u>\$3,203,439</u>	<u>\$3,138,271</u>	<u>\$3,049,216</u>
<u>Financial Liabilities</u>			
Financial liabilities carried at amortized cost:			
Notes and accounts payables	\$696,605	\$774,907	\$779,011
Other payables	734,422	250,235	768,453
Subtotal	1,431,027	1,025,142	1,547,464
Financial liabilities at fair value through profit or loss			
Held for trading	30	1,470	120
Total	<u>\$1,431,057</u>	<u>\$1,026,612</u>	<u>\$1,547,584</u>

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Financial risk management objectives and policies

The Group's risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward exchange contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD, RMB and VND. The information of the sensitivity analysis is as follows:

- a. When NTD strengthens/weakens against USD by 1%, the profit for the six-month periods ended June 30, 2015 and 2014 is decreased /increased by \$19,913 and \$15,453, respectively.
- b. When NTD strengthens/weakens against RMB by 1%, the profit for the six-month periods ended June 30, 2015 and 2014 is increased/decreased by \$36 and \$2,027, respectively.
- c. When NTD strengthens/weakens against VND by 1%, the profit for the six-month periods ended June 30, 2015 and 2014 is increased/decreased by \$491 and \$1,740, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to Group's bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on the borrowings with variable interest rates as of the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate in a reporting period makes no impact on profit for the six-month periods ended June 30, 2015 and 2014, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for trade receivables) and from its financing activities, including bank deposits and other financial instruments.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of June 30, 2015, December 31, 2014 and June 30, 2014, amounts receivables from top ten customers represented 93.71%, 92.19% and 90.78% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial instruments	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of June 30, 2015					
Payables	\$696,605	\$-	\$-	\$-	\$696,605
As of December 31, 2014					
Payables	\$774,907	\$-	\$-	\$-	\$774,907
As of June 30, 2014					
Payables	\$779,011	\$-	\$-	\$-	\$779,011
Derivative financial instruments					
	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of June 30, 2015					
Outflow	\$30	\$-	\$-	\$-	\$30
As of December 31, 2014					
Outflow	\$1,470	\$-	\$-	\$-	\$1,470
As of June 30, 2014					
Outflow	\$120	\$-	\$-	\$-	\$120

(6) Fair value of financial instruments

- a. The methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- i. The carrying amount of cash and cash equivalents, trade receivables (including related parties), other receivables, short-term borrowings, trade payables (including related parties), other payables approximate their fair value due to their short maturities.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.
 - iii. The fair value of the equity instruments of transactions with no active market (including the publicly traded stocks with no active market and the non-publicly traded stocks) was estimated by the market approach. The fair value was measured based on parameters such as recent financing activities, valuation of similar companies, individual company's development, market conditions and other economic indicators.
 - iv. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.
 - v. The fair value of other financial assets and liabilities is determined using discounted cash flow analysis, the interest rate and discount rate are selected with reference to those of similar financial instruments.
- b. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

- c. Fair value measurements recognized in the consolidated statement of financial position: refer to Note 12. (8).

(7) Investment financial instruments

The Group's derivative financial instruments held for trading are forward exchange contracts. The Group entered into forward exchange contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward exchange contracts:

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Contract	Contract amount	Maturity
As of June 30, 2015		
Zeng Hsing Industrial CO., Ltd. (VN)		
Forward exchange contracts	Sell USD 2,000,000	2014.08.12-2015.08.12
As of December 31, 2014		
Zeng Hsing Industrial CO., LTD.		
Forward exchange contracts	Sell USD 1,000,000	2014.09.29-2015.02.26
Zeng Hsing Industrial CO., Ltd. (VN)		
Forward exchange contracts	Sell USD 8,000,000	2014.03.12-2015.08.12
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.		
Forward exchange contracts	Sell USD 5,000,000	2014.03.17-2015.05.21
As of June 30, 2014		
Zeng Hsing Industrial CO., LTD.		
Forward exchange contracts	Sell USD 9,000,000	2014.02.18-2014.10.22
Zeng Hsing Industrial CO., Ltd. (VN)		
Forward exchange contracts	Sell USD 8,000,000	2014.03.12-2015.03.12
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.		
Forward exchange contracts	Sell USD 11,500,000	2014.02.27-2015.05.21

(8) Fair value of financial instruments

The following table contains the fair value of financial instruments after initial recognition and the details of the three levels of fair value hierarchy:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of June 30, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Forward exchange agreement	\$-	\$-	\$-	\$-
Financial liabilities:				
Financial assets at fair value through profit or loss				
Forward exchange agreement	-	30	-	30

As of December 31, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$60,001	\$-	\$-	\$60,001
Forward exchange agreement	-	7,991	-	7,991
Financial liabilities:				
Financial assets at fair value through profit or loss				
Forward exchange agreement	-	1,470	-	1,470

As of June 30, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	\$200,299	\$-	\$-	\$200,299
Forward exchange agreement	-	5,899	-	5,899
Financial liabilities:				
Financial assets at fair value through profit or loss				
Forward exchange agreement	-	120	-	120

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	Unit: Thousands								
	June 30, 2015			December 31, 2014			June 30, 2014		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
<u>Financial assets</u>									
<u>Monetary item:</u>									
USD	\$83,399	31.0700	\$2,591,213	\$78,038	31.7180	\$2,475,195	\$ 63,140	29.9150	\$ 1,888,823
CNY	43,193	5.0105	216,419	53,907	5.1125	275,599	38,180	4.8211	184,068
VND	166,764,742	0.001424	237,473	154,617,726	0.001424	220,176	76,914,879	0.001424	109,527
<u>Financial liabilities</u>									
<u>Monetary item:</u>									
USD	\$6,183	31.0700	\$192,102	\$174	31.7180	\$5,528	\$ 903	29.9150	\$27,011
CNY	44,064	5.0105	220,785	63,015	5.1125	322,165	88,836	4.8211	428,287
VND	125,192,020	0.001424	178,273	127,328,937	0.001424	181,316	224,126,282	0.001424	319,156

Due to the diversity of functional currency in the Group, it's unable to disclose foreign exchange gains and losses on the basis of each monetary item which has significant impact. The Group recognized \$(29,516) and \$10,889 for foreign exchange (losses) gains for the six-month periods ended June 30, 2015 and 2014, respectively.

The information above are disclosed based on the foreign currency carrying amount (already converted into functional currency).

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

The following information is required additional disclosures for the Company and its investees:

- (1) Financing provided: Table 1 on page 84.
- (2) Endorsement/guarantee provided: Table 2 on page 85 to 86.
- (3) Marketable securities held: none.
- (4) Marketable securities acquired or disposed of that cost or amounted to at least \$300 million or 20% of the paid-in capital: none.
- (5) Acquisition of individual real estate that cost at least \$300 million or 20% of the paid-in capital: none.
- (6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: none.
- (7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: refer to Table 3 on page 87 to 88.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (8) Receivable from related parties amounting to at least \$100 million or 20% of the paid-in capital: refer to Table 4 on page 89.
- (9) Information about derivatives of investees over which the Group has a controlling interest: refer to Note 12. (7).
- (10) Inter-company relationships and significant intercompany transactions: none.
- (11) Names, locations, and related information of investees on which the Group exercises significant influence: refer to Table 5 on pages 90 to 91.
- (12) Information about transactions of financial derivatives: refer to Table 6 on page 92.
- (13) Information on investment in Mainland China

The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: refer to Table 7 on page 92 to 93.

14. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on operating strategies and has three reportable segments as follows:

Taiwan segment produces computerized and electronic sewing machines.

China segment produces computerized, electronic and mechanical sewing machines.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Vietnam segment produces mechanical sewing machines.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

(1) The reportable segments' profit and loss, information are listed as follows :

a. For the three-month periods ended June 30, 2015

	Taiwan	China	Vietnam	Adjustments and eliminations	Consolidated
Revenue					
External customers	\$1,502,034	\$51,677	\$41,697	\$-	\$1,595,408
Inter-segment	18,947	440,986	812,839	(1,272,772)	-
Total revenue	<u>\$1,520,981</u>	<u>\$492,663</u>	<u>\$854,536</u>	<u>\$(1,272,772)</u>	<u>\$1,595,408</u>
Segment profit	<u>\$283,647</u>	<u>\$26,806</u>	<u>\$33,561</u>	<u>\$(82,752)</u>	<u>\$261,262</u>

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b. For the six-month periods ended June 30, 2015

	Taiwan	China	Vietnam	Adjustments and eliminations	Consolidated
Revenue					
External customers	\$ 2,671,882	\$136,285	\$ 71,107	\$-	\$2,879,274
Inter-segment	40,848	954,080	1,330,292	(2,325,220)	-
Total revenue	<u>\$ 2,712,730</u>	<u>\$1,090,365</u>	<u>\$ 1,401,399</u>	<u>\$(2,325,220)</u>	<u>\$2,879,274</u>
Segment profit	<u>\$454,594</u>	<u>\$67,722</u>	<u>\$34,903</u>	<u>\$(142,461)</u>	<u>\$414,758</u>

c. For the three-month periods ended June 30, 2014

	Taiwan	China	Vietnam	Adjustments and eliminations	Consolidated
Revenue					
External customers	\$1,396,132	\$50,874	\$42,631	\$-	\$1,489,637
Inter-segment	16,686	567,630	677,204	(1,261,520)	-
Total revenue	<u>\$1,412,818</u>	<u>\$618,504</u>	<u>\$719,835</u>	<u>\$(1,261,520)</u>	<u>\$1,489,637</u>
Segment profit	<u>\$250,146</u>	<u>\$48,640</u>	<u>\$9,105</u>	<u>\$(79,880)</u>	<u>\$228,011</u>

d. For the six-month periods ended June 30, 2014

	Taiwan	China	Vietnam	Adjustments and eliminations	Consolidated
Revenue					
External customers	\$2,562,156	\$99,412	\$65,350	\$-	\$2,726,918
Inter-segment	29,997	1,084,048	1,193,165	(2,307,210)	-
Total revenue	<u>\$2,592,153</u>	<u>\$1,183,460</u>	<u>\$1,258,515</u>	<u>\$(2,307,210)</u>	<u>\$2,726,918</u>
Segment profit	<u>\$456,476</u>	<u>\$71,188</u>	<u>\$16,107</u>	<u>\$(128,459)</u>	<u>\$415,312</u>

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The related information of operating segment asset as of June 30, 2015, December 31, 2014 and June 30, 2014 are listed as follows:

Segment Assets:

	Taiwan	China	Vietnam	Adjustments and eliminations	Consolidated
June 30, 2015	\$6,438,462	\$1,201,798	\$2,298,107	\$(4,350,648)	\$5,587,719
December 31, 2014	\$6,327,286	\$1,504,539	\$2,036,921	\$(4,385,889)	\$5,482,857
June 30, 2014	\$6,154,847	\$1,359,612	\$2,047,227	\$(4,175,361)	\$5,386,325

Segment Liabilities:

	Taiwan	China	Vietnam	Adjustments and eliminations	Consolidated
June 30, 2015	\$1,684,127	\$378,751	\$676,764	\$(975,233)	\$1,764,409
December 31, 2014	\$1,215,038	\$570,343	\$448,306	\$(828,640)	\$1,405,047
June 30, 2014	\$1,736,585	\$539,315	\$485,691	\$(875,232)	\$1,886,359

(2) The reportable segments' revenue, profit or loss, assets, liabilities and others material adjustments, information are listed as follows :

The Company's was not segments' revenue, profit or loss, assets, liabilities and others material adjustments for the six-month periods ended June 30, 2015.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2015

TABLE 1

No. (Note 1)	Lender	Counter-party	Financial statement account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note 2)	Limit of total financing amount (Note 3)
													Item	Value		
0	Zeng Hsing Industrial CO., LTD.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Other receivable	Yes	\$310,700 (USD10,000,000)	\$310,700 (USD 10,000,000)	\$217,490 (USD7,000,000)	1.5%	Note 4	-	For operation needs	-	-	\$758,957	\$1,517,913	

Note 1: The Company is coded "0".

The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Financing to individual counter-party was limited to 20% of the Company's net equity.

Note 3: Total financing was limited to 40% of the Company's net equity.

Note 4: For short-term financing.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ENDORSEMENT/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2015

TABLE 2

No. (Note 1)	Endorser/ Guarantor	Company name	Relationship (Note 2)	Limit of guarantee/ endorsement amount for receiving party (Note 3)	Maximum balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Ratio of Accumulated Amount of Guarantee Provided to Net Equity of the Latest Financial Statements	Guaranty Limited Amount (Note 4)	Parent company to subsidiary	Subsidiar y to parent company	To Mainland China
0	Zeng Hsing Industrial CO., LTD.	Shinco Technologie s Limited (VN)	(2)	\$1,138,435	\$31,070 (USD1,000,000)	\$31,070 (USD1,000,000)	\$-	\$-	0.82%	\$1,517,913	Yes	No	No
0	Zeng Hsing Industrial CO., LTD.	Zeng Hsing Industrial CO., Ltd. (VN)	(2)	\$1,138,435	\$155,350 (USD5,000,000)	\$155,350 (USD5,000,000)	\$746 (USD24,000)	\$-	4.09%	\$1,517,913	Yes	No	No
0	Zeng Hsing Industrial CO., LTD.	Zhangjiagan g Zenghsing Machinery & Electronics CO., Ltd.	(4)	\$1,138,435	\$15,535 (USD500,000)	\$15,535 (USD500,000)	\$-	\$-	0.41%	\$1,517,913	Yes	No	Yes

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note 2: According to the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" issued by the R.O.C. Securities and Futures Bureau, receiving parties should be disclosed as one of the following:

- (1) A company that has a business relationship with ZENG HSING INDUSTRIAL CO., LTD.
- (2) A subsidiary in which ZENG HSING INDUSTRIAL CO., LTD holds directly over 50% of equity interest.
- (3) An investee in which ZENG HSING INDUSTRIAL CO., LTD and its subsidiaries hold over 50% of equity interest.
- (4) An investee in which ZENG HSING INDUSTRIAL CO., LTD holds directly and indirectly over 50% of equity interest.
- (5) A company that has provided guarantees to ZENG HSING INDUSTRIAL CO., LTD, and vice versa, due to contractual requirements.
- (6) An investee in which ZENG HSING INDUSTRIAL CO., LTD conjunctly invests with other shareholders, and for which ZENG HSING INDUSTRIAL CO., LTD has provided endorsement/guarantee in proportion to its shareholding percentage.

Note 3: The amount of guarantees/endorsements shall not exceed 30% of ZENG HSING INDUSTRIAL CO., LTD's net assets value as of June 30, 2015.

Note 4: Limit of total guarantee/endorsement amount shall not exceed 40% of ZENG HSING INDUSTRIAL CO., LTD's net assets value as of June 30, 2015.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

RELATED PARTY TRANSACTIONS FOR PURCHASES AND SALES AMOUNTS EXCEEDING THE LOWER OF \$100 MILLION OR 20 PERCENT OF CAPITAL STOCK FOR THE SIX MONTHS ENDED JUNE 30, 2015

TABLE 3

Company Name	Counter Party	Nature of Relationship (Note 1)	Transactions			Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note	
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance		% to Total
Zeng Hsing Industrial CO., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	1	Purchases	\$723,259	25.12%	There is no difference with other clients	Regular	Regular	Account payable \$(289,790)	(5.19%)	-
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Zeng Hsing Industrial CO., Ltd.	2	Sales	\$723,259	25.12%	There is no difference with other clients	Regular	Regular	Account receivable \$289,790 (RMB57,021,427)	5.19%	-
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Zeng Hsing Industrial CO., Ltd.	2	Purchases	\$101,148	3.51%	There is no difference with other clients	Regular	Regular	Account payable \$(48,365) (RMB9,648,126)	(0.87%)	-
Zeng Hsing Industrial CO., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	1	Sales (Note 2)	\$101,148	3.51%	There is no difference with other clients	Regular	Regular	Account receivable \$48,365	0.87%	-
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Purchases	\$1,281,431	44.51%	There is no difference with other clients	Regular	Regular	Account payable \$(280,032)	(5.01%)	-

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Company Name	Counter Party	Nature of Relationship (Note 1)	Transactions			Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note	
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance		% to Total
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Sales	\$1,281,431	44.51%	There is no difference with other clients	Regular	Regular	Account receivable \$280,032 (VND 196,652,640,209)	5.01%	-
Zeng Hsing Industrial CO., Ltd. (VN)	Zhangjiagan g Zenghsing Trading Co., Ltd.	3	Purchases	\$123,880	4.30%	There is no difference with other clients	Regular	Regular	Account payable \$(48,244) (VND 34,222,293,302)	(0.86%)	
Zhangjiagan g Zenghsing Trading Co., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	3	Sales	\$123,880	4.30%	There is no difference with other clients	Regular	Regular	Account receivable \$48,244 (RMB 9,628,608)	0.86%	

Note 1: "1" represents the transactions from the parent company to a subsidiary.

"2" represents the transactions from a subsidiary to the parent company.

"3" represents the transaction between subsidiaries.

Note2: The Company reported the net sales of iriangle trade and recognized commission as \$7,656 for the six-month periods ended June 30, 2015.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO OVER NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2015

TABLE 4

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts	Note
					Amounts	Action Taken			
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	Subsidiary	Accounts Receivable \$280,032 (VND 196,652,640,209)	11.37	\$-	\$-	\$280,032 (VND 196,652,640,209)	\$-	accounts receivable-customer
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Zeng Hsing Industrial CO., Ltd.	Subsidiary	Accounts Receivable \$289,790 (RMB 57,021,427)	4.36	\$-	\$-	\$113,568 (RMB 22,665,964)	\$-	accounts receivable-customer

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2015

TABLE 5

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		December 31, 2014	Balance as of June 30, 2015			Equity in the Earnings (Losses)	Note
				June 30, 2015	December 31, 2014		Shares	Percentage of Ownership	Carrying Value		
Zeng Hsing Industrial CO., Ltd.	Shineco Worldwide Limited (BVI)	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Selling household sewing machines and spare parts	\$3,086 (USD100,000)	\$3,086 (USD100,000)		10,000	100%	\$84,453	\$(3,262)	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (BVI)	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Trading and holding company	453,423 (USD13,673,452)	428,654 (USD12,873,452)		13,673	100%	814,756	50,530	Note 1
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	Bing Doung, Vietnam	Manufacturing household sewing machines and sport equipment	1,049,554 (USD35,000,000)	1,049,554 (USD29,320,000)		-	100%	1,239,105	VND19,432,549,652	27,672

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2015			Equity in the Earnings (Losses)	Note
				June 30, 2015	December 31, 2014	Shares	Percentage of Ownership	Carrying Value		
Zeng Hsing Industrial CO., Ltd.	Shineo Technologies Bing Dong, Vietnam Limited (VN)	Bing Dong, Vietnam	Material die-casting of metal of aluminum, zinc and magnesium alloy.	347,158 (USD 11,173,331)	347,158 (USD 11,173,331)	-	100%	382,003	VND 3,551,166,562 5,057	
Zeng Hsing Industrial CO., Ltd.	Taiwan Carbon Technology CO., Ltd.	Taichung, Taiwan	Manufacturing carbon fiber, fire resistant fiber and related products.	24,105	24,105	2,500,000	19.53%	-	-	
Zeng Hsing Industrial CO., Ltd.	Mitsumichi Industrial CO. Ltd	Taichung, Taiwan	Manufacturing household sewing machines	31,330	31,330	1,378,000	53.00%	34,081	10,845 5,748	

Note 1: The long-term investment losses under equity method incurred by Zeng Hsing Industrial CO., Ltd (BVI) included the gains from investees.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

**INFORMATION ABOUT TRANSACTIONS OF FINANCIAL DERIVATIVES
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015**

TABLE 6

Name	Transaction	Item	Notional Amount (Thousand Dollars)	Settlement date	The fair value
Zeng Hsing Industrial CO., Ltd. (VN)	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 1,000	2015/07	\$(54)
Zeng Hsing Industrial CO., Ltd. (VN)	sell	Financial liabilities measured at fair value through profit or loss through - forwards	USD 1,000	2015/08	24

**INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2015**

TABLE 7

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2015	Percentage of Ownership	Equity in Earnings (Losses) Note 1	Carrying Value as of June 30, 2015	Accumulated Inward Remittance of Earnings as of June 30, 2015
					Outflow	Inflow					
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Manufacturing and selling household sewing machines, vacuum cleaners and spare parts	USD 13,000,000	Indirect investments through Zeng Hsing (BVI)	\$304,199 (USD9,103,039)	-	\$304,199 (USD9,103,039)	100%	\$37,275	\$703,366	\$177,691 (USD5,525,351)	

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2015	Percentage of Ownership	Equity in Earnings (Losses) Note 1	Carrying Value as of June 30, 2015	Accumulated Inward Remittance of Earnings as of June 30, 2015
					Outflow	Inflow					
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	Selling household sewing machines and spare parts.	USD500,000	Indirect investments through Zeng Hsing (BVI)	\$14,931 (USD500,000)	-	-	\$14,931 (USD500,000)	100%	\$13,461	\$76,361	\$-
Zhangjiagang Zenghsing Trading Co., Ltd.	Selling household sewing machines and spare parts	RMB1,000,000	Indirect investments through Zeng Hsing (BVI)	\$-	-	-	\$-	100%	RMB1,449,129	RMB8,645,752	\$-

Accumulated investment in Mainland China as of June 30, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$319,130 (USD9,603,039)	\$459,409(Note2) (USD13,848,355)	\$2,276,870

Note 1: The financial statement was reviewed by independent accountants.

Note 2: Investment amounts authorized by Investment Commission, MOEA were \$459,409 (USD 13,848,355). The capitalization of retained earnings in China in the amount of USD 4,245,316 were exempted to be included in the upper limit on investment.