ZENG HSING INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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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Independent Auditors' Report

To ZENG HSING INDUSTRIAL CO., LTD

Opinion

We have audited the accompanying parent company only balance sheets of Zeng Hsing Industrial Co., Ltd. (the "Company") as of 31 December 2019 and 2018, and the parent company only statements of comprehensive income, the parent company only changes in equity and the parent company only cash flows for the years ended 31 December 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditor(s) (please refer to the Other Matter – Making Reference to the Audit of Component Auditor section of our report), the accompanying parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of 31 December 2019 and 2018, and the parent company only financial performance and the parent company only cash flows for the years ended 31 December 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment of accounts receivable

As of 31 December 2019, the Company's accounts receivable and allowance for doubtful accounts amounted to NTD1,080,270 thousand and NTD5,942 thousand, respectively. Net accounts receivable represented 17% of the parent company only total assets and have significant impacts on the Company. The collection of accounts receivable is a key factor in the working capital management of ZENG HSING INDUSTRIAL CO., LTD and the provision for allowance for doubtful accounts would reflect the credit risk of the Company. As the adequacy of provision policy requires significant management judgement, we therefore determined the issue as a key audit mater.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control over assessment of client credit risk and accounts receivable collection management; assessing the reasonableness of loss allowance policy, including understanding related information to evaluate expected credit loss ratio according to historical experience, current market and future economic outlook; investigating accounts receivable details at end of the period, recalculating the reasonableness of loss allowance based on the expected credit loss ratio of each group; evaluating the reasonableness of the allowance for doubtful accounts based on individual customers with significant overdue accounts or longer aging; sampling customers to perform confirmation and reviewing the collection in subsequent period and analyzing the receivable turnover to evaluate recoverability.

In addition, we also considered the adequacy of the disclosures related to accounts receivable in Notes 5 and 6 to the parent company only financial statements.

Valuation for inventories (including investments accounted for under the equity method-inventory of subsidiaries)

As of 31 December 2019, inventories of the Company and the investees accounted for under the equity method that could have significant impacts on the financial statements. The Company starts manufacturing after receiving orders from customers, so we mainly assessed the allowance for inventory valuation losses for raw materials. Due to diversity of products and uncertainty arising from rapid changes in products, obsolete and slow-moving inventory valuation requires significant management judgement, we therefore determined the issue as a key audit mater.

Our audit procedures included, but not limited to, understanding and testing the operating effectiveness of internal controls around customer credit risk assessment and the management of collection of accounts receivable; sampling important storage locations to observe inventory counts; testing the correctness of the inventory aging schedule to make sure that the inventory aging schedule was appropriate. In addition, we also obtained the current year's reports on inventory movement and sample tested to check whether purchases and sales were supported by appropriate vouchers and to re-calculate the unit cost of inventories to evaluate the reasonableness of the net realizable value of inventory.

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In addition, we also considered the adequacy of the disclosures related to inventory in Notes 5 and 6 to the parent company only financial statements.

Other Matter – Making Reference to the Audit of Component Auditor

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NTD26,841 thousand, representing 0.42% of the total assets as of 31 December 2019, and the related shares of profits from the associates and joint ventures under equity method amounted to NTD22,281 thousand, representing 2.66% of the net income before tax for the year ended 31 December 2019.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Tu, Chin Yuan
Chen, Ming Hung
Ernst & Young, Taiwan
12 March 2020

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
31 December 2019 and 2018
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As of 31 December 2019	As of 31 December 2018
Current Assets			
Cash and cash equivalents	4, 6(1),12	$1,606,029	$2,047,261
Accounts receivable, net	4, 6(2),6(14),12	930,855	964,535
Accounts receivable-related parties, net	4, 6(2),6(14),7,12	143,473	177,233
Other receivables	12	11,112	6,165
Inventories, net	4, 6(3)	62,984	61,261
Prepayment		2,744	12,364
Other current assets		4,588	5,481
Total Current Assets		2,761,785	3,274,300
Non-current assets			
Financial assets measured at amortized cost, noncurrent	4, 8, 12	200	200
Investments accounted for under the equity method	4, 6(4)	2,817,547	2,903,346
Property, plant and equipment	4, 6(5), 8	622,386	334,544
Investment property	4, 6(6)	67,362	68,592
Intangible assets	4	27,624	32,930
Deferred tax assets	4, 6(19)	83,279	74,068
Other non-current assets	4,6(7),6(15),12	18,083	14,261
Total non-current assets		3,636,481	3,427,941
Total assets		$6,398,266	$6,702,241

(The accompanying notes are an integral part of the parent company only financial statements)

(continued)

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
31 December 2019 and 2018
(Expressed in Thousand New Taiwan Dollars)

		As of	
Liabilities and Equity	Notes	31 December 2019	31 December 2018
Current liabilities			
Short-term loans	4, 6(8), 12	$290,000	$220,000
Short-term notes and bills payable	4, 6(9), 12	-	100,000
Contract liabilities, current	6(13)	12,290	18,711
Notes payable	12	3,253	2,006
Accounts payable	12	111,947	127,815
Accounts payable-related parties	7, 12	586,956	658,356
Other payables	12	140,918	190,083
Current tax liabilities	4	89,164	139,500
Long-term borrowings(including current portion with maturity less than 1 year)	4, 6(10), 12	40,000	40,000
Other current liabilities	4, 6(15), 12	22,540	13,675
Total current liabilities		1,297,068	1,510,146
Non-current liabilities			
Long-term loans	4, 6(10), 12	80,000	120,000
Deferred tax liabilities	4, 6(19)	216,644	222,648
Accrued pension liabilities	4, 6(11)	40,455	46,598
Non-current liabilities-other	4, 6(15), 12	2,265	360
Total non-current liabilities		339,364	389,606
Total liabilities		1,636,432	1,899,752
Equity attributable to the parent company	4, 6(12)		
Capital			
Common stock		605,356	605,356
Additional paid-in capital		1,385,352	1,385,352
Retained earnings			
Legal reserve		730,563	730,563
Special reserve		163,100	176,886
Retained earnings		2,088,848	2,067,432
Total Retained earnings		2,982,511	2,974,881
Other components of equity			
Exchange differences on translation of foreign operations		(216,223)	(173,468)
Unrealized gains and losses on equity instrument measured at fair value through other comprehensive income, noncurrent		4,838	10,368
Total equity		4,761,834	4,802,489
Total liabilities and equity		$6,398,266	$6,702,241

(The accompanying notes are an integral part of the parent company only financial statements)

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended 31 December 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the Years Ended 31 December	
	Notes	2019	2018
Net Sales	4,6(13), 7	$5,415,138	$6,137,712
Cost of Sales	6(3), 6(16), 7	(4,352,831)	(4,899,723)
Gross Profit		1,062,307	1,237,989
Unrealized Intercompany Profit	7	(406)	(4,832)
Realized Intercompany Profit		3,775	1,585
Gross Profit		1,065,676	1,234,742
Operating Expenses	6(15),6(16), 7		
Selling and marketing		(98,713)	(110,804)
Management and administrative		(234,266)	(255,729)
Research and development		(105,013)	(114,215)
Expected credit gains (losses)	4, 6(14)	564	(2,757)
Total Operating Expenses		(437,428)	(483,505)
Operating Income		628,248	751,237
Non-operating income and expenses	6(17)		
Other income		42,010	62,456
Other gain and loss		(42,222)	102,523
Financial costs		(2,947)	(6,887)
Share of profit or loss of associates and joint ventures	4, 6(4)	212,612	287,123
Subtotal		209,453	445,215
Income from continuing operations before income tax		837,701	1,196,452
Income tax expense	4, 6(19)	(161,900)	(272,880)
Income from Continuing Operations, net of tax		675,801	923,572
Other comprehensive income	6(18),6(19)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(2,849)	(9,437)
Share of profit of associates accounted for using equity method		1,382	-
Income tax related to items not reclassified subsequently to profit or loss		570	1,896
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(53,444)	(6,034)
Income tax related to items that may be reclassified subsequently to profit or loss		10,689	9,452
Total other comprehensive loss , net of tax		(43,652)	(4,123)
Total comprehensive income		$632,149	$919,449
Earnings per share (NTD)	6(20)		
Earnings per share-basic		$11.16	$15.26
Earnings per share-diluted		$11.13	$15.20

(The accompanying notes are an integral part of the parent company only financial statements)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended 31 December 2019 and 2018

(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	Unrealized Gains or Losses from Financial Assets Measured at Fair Value through Other Comprehensive Income	Treasury stock	Total Equity
Balance as of 1 January 2018	6(12)	$605,526	$1,387,345	$730,563	$45,286	$1,797,553	$(176,886)	$ -	$(2,163)	$4,387,224
Impact of retroactive applications								10,368		10,368
Adjusted balance as 1 January 2018		605,526	1,387,345	730,563	45,286	1,797,553	(176,886)	10,368	(2,163)	4,397,592
Appropriations of earnings, 2017:										
Special reserve					131,600	(131,600)				-
Cash dividends						(514,552)				(514,552)
Net income for the year ended 31 December 2018						923,572				923,572
Other comprehensive income, net of tax for the year ended 31 December 2018						(7,541)	3,418			(4,123)
Total comprehensive income		-	-	-	-	916,031	3,418	-	-	919,449
Treasury stock acquired		(170)	(1,993)						2,163	-
Balance as of 31 December 2018	6(12)	$605,356	$1,385,352	$730,563	$176,886	$2,067,432	$(173,468)	$10,368	$ -	$4,802,489
Balance as of 1 January 2019	6(12)	$605,356	$1,385,352	$730,563	$176,886	$2,067,432	$(173,468)	$10,368	$ -	$4,802,489
Appropriations of earnings, 2018:										
Special reserve					(13,786)	13,786				-
Cash Dividends						(665,892)				(665,892)
Net income for the year ended 31 December 2019						675,801				675,801
Other comprehensive income, net of tax for the years ended 31 December 2019						(2,279)	(42,755)	1,382		(43,652)
Total comprehensive income		-	-	-	-	673,522	(42,755)	1,382	-	632,149
Disposal of financial assets measured at fair value through other comprehensive								(6,912)		(6,912)
Balance as of 31 December 2019	6(12)	$605,356	$1,385,352	$730,563	$163,100	$2,088,848	$(216,223)	$4,838	$ -	$4,761,834

(The accompanying notes are an integral part of the parent company only financial statements)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the Years Ended 31 December 2019 and 2018

(Expressed in Thousand New Taiwan Dollars)

	For the Years Ended 31 December	
	2019	2018
Cash flows from operating activities:		
Net income before tax	$837,701	$1,196,452
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	32,086	30,657
Amortization	15,266	18,871
Loss on disposal of property, plant and equipment	6,901	-
Net gain of financial assets at fair value through profit or loss	(804)	(19,173)
(Gain) loss from price recovery of inventories	(7,921)	5,162
Share of profit or loss of associates and joint ventures	(212,612)	(287,123)
Gain on reversal of impairment loss	(4,560)	-
Expected credit profit or loss	(564)	2,757
Unrealized Intercompany Profit	406	4,832
Realized Intercompany Profit	(3,775)	(1,585)
Others revenue	(29)	-
Interest income	(22,702)	(29,767)
Interest expense	2,947	6,887
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	1,369	14,112
Decrease in accounts receivable	34,244	278,346
Decrease (increase) in accounts receivable-related parties	33,760	(59,453)
Decrease (increase) in inventories, net	6,198	(8,288)
(Increase) decrease in other receivables	(4,947)	25,409
Decrease (increase) in prepayments	9,620	(833)
Decrease (increase) in other current assets	328	(968)
Increase in other non-current assets	(5,193)	(3,801)
(Decrease) increase in contract liabilities	(6,421)	3,093
Increase (Decrease) in notes payable	1,247	(4,148)
Decrease in accounts payable	(15,868)	(7,175)
Decrease in accounts payable-related parties	(71,400)	(389,383)
(Decrease) increase in other payables	(49,165)	28,385
Increase in other current liabilities	6,165	12,239
Decrease in accrued pension liabilities	(8,992)	(2,709)
Cash generated from operations	573,285	812,796
Interest received	22,702	29,767
Income tax paid	(216,193)	(141,893)
Net cash provided by operating activities	379,794	700,670

(The accompanying notes are an integral part of the parent company only financial statements)

(Continued)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the Years Ended 31 December 2019 and 2018

(Expressed in Thousand New Taiwan Dollars)

	For the Years Ended 31 December	
	2019	2018
(Continued)		
Cash flows from investing activities:		
Acquisition of investments accounted for under the equity method	-	(39,059)
Disposal of investments accounted for under the equity method	14,576	-
Acquisition of property, plant and equipment	(320,947)	(187,703)
Increase in refundable deposits	-	(1,660)
Decrease in refundable deposits	224	-
Acquisition of intangible assets	(5,269)	(3,511)
Dividends received	232,820	12,402
Net cash used in investing activities	(78,596)	(219,531)
Cash flows from financing activities:		
Increase in short-term loans	1,390,000	2,321,620
Decrease in short-term loans	(1,320,000)	(2,546,120)
Increase in short-term notes and bills payable	190,000	4,330,000
Decrease in short-term notes and bills payable	(290,000)	(4,460,000)
Decrease in long-term loans	(40,000)	-
Lease principal repayment	(3,591)	-
Interest paid	(2,947)	(6,887)
Cash dividends	(665,892)	(514,552)
Net cash used in financing activities	(742,430)	(875,939)
Net decrease in cash and cash equivalents	(441,232)	(394,800)
Cash and cash equivalents at beginning of period	2,047,261	2,442,061
Cash and cash equivalents at end of period	$1,606,029	$2,047,261

(The accompanying notes are an integral part of the parent company only financial statements)

ZENG HSING INDUSTRIAL CO., LTD.
Notes to Financial Statements
For the Years Ended 31 December 2019 and 2018
(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 Company applied to be listed on the GreTai Securities Market in April 2004, and was authorized for trading over the counter on 28 December 2007. On 23 December 2014, the Company was authorized to be listed on Taiwan Stock Exchange.

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

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

Shinco Technologies Limited (VN) is controlled by the Company, 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 financial statements of the Company for the years ended 31 December 2019 and 2018 were authorized for issue in accordance with the resolution of the board of directors' meeting held on 12 March 2020.

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 Company 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 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

(1) *IFRS 16"Leases"*

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Company followed the transition provision in IFRS 16 and the date of initial application was 1 January 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

A. Please refer to Note 4 for the accounting policies before or after 1 January 2019.

B. For the definition of a lease, the Company elected not to reassess whether a contract was, or contained, a lease on 1 January 2019. The Company was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after 1 January 2019, the Company needs to assess whether contacts are, or contain, leases applying IFRS 16. When compared with IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases and no significant impact arose.

C. The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019, and the Company chose, on a lease-by-lease basis, to measure the right-of-use asset at either:

i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on 1 January 2019; or

ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

On 1 January 2019, the Company's right-of-use asset increased by $8,195, lease liability increased by $8,195.

In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Rely on its assessment of whether leases are onerous immediately before 1 January 2019 as an alternative to performing an impairment review.
iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of 1 January 2019.
iv. Exclude initial direct costs from the measurement of the right-of-use asset on 1 January 2019.
v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Please refer to Note 4 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

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

(c) As at 1 January 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on 1 January 2019 was 2%~2.67%.

ii. The explanation for the difference of $1,823 between: operating lease commitments disclosed applying IAS 17 as at 31 December 2018, discounted using the incremental borrowing rate on 1 January 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as at 31 December 2018	$10,018
Discounted using the incremental borrowing rate on 1 January 2019	$10,341
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(4,980)
Add: adjustments to the options to extend or terminate the lease that is reasonably certain to exercise	2,835
The carrying value of lease liabilities recognized as at 1 January 2019	$8,196

D. The Company is a lessor and has not made any adjustments. Please refer to Note 4 and Note 6 for the information relating to the lessor.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business (Amendments to IFRS 3)	1 January 2020
b	Definition of Material (Amendments to IAS 1 and 8)	1 January 2020
c	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS39 and IFRS 7)	1 January 2020

(a) *Definition of a Business* (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(b) *Definition of a Material* (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

(c) *Interest Rate Benchmark Reform* (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

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

The amendments include:

(1) highly probable requirement
When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

(2) prospective assessments
When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

(3) IAS 39 retrospective assessment
An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80%–125%) for hedging relationships directly affected by the interest rate benchmark reform.

(4) separately identifiable risk components
For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2020. The standards and interpretations have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are not endorsed by FSC, but not yet adopted by the Company as of the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	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	To be determined by IASB
b	IFRS 17 Insurance Contracts	1 January 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2022

(a) *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 effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(b) *IFRS 17 Insurance Contracts*

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a Company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

(1) estimates of future cash flows;
(2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3) a risk adjustment for non-financial risk.

The carrying amount of a Company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides:
(1) a specific adaptation for contracts with direct participation features (the Variable Fee Approach);
(2) a simplified approach mainly for short-duration contracts (Premium Allocation Approach).

(c) *Classification of Liabilities as Current or Non-current – Amendments to IAS 1*

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet been endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations, it is not practicable to estimate their impact on the Company at this point in time.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The Company's financial statements for the years ended 31 December 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of Preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

(3) Foreign Currency Transactions

The Company's financial statements are presented in New Taiwan Dollars (NTD), which is also the parent company's functional currency. Each entity in the Company 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 Company'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 of 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 IFRS 9 *Financial Instruments* (Before 1 January 2019: IAS 39 *Financial Instruments: Recognition and Measurement*) 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.

(4) 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.

(5) Current and Non-current Distinction

An asset is classified as current when:

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

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within three months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* 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.

(1) Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. the Company’s business model for managing the financial assets
B. the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

A. purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition
B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

    (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
    (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
(b) the time value of money
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
D. For lease receivables arising from transactions within the scope of IFRS 16 (before 1 January 2019: IAS 17), the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

i. The rights to receive cash flows from the asset have expired
ii. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
iii. The Company 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.

(4) Financial liabilities and equity

Classification between liabilities or equity

The Company 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.

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 (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

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 as at fair value through profit or loss. A financial liability is classified as held for trading if:

i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
ii. a Company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities 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.

(5) 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.

(6) 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.

(8) Derivative financial instruments

The Company uses derivative 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, which is recognized in equity.

When the host contracts are either non-financial assets or liabilities, 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 designated at fair value though profit or loss.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Materials	–	Weighted average of actual procurements
Work in process and finished goods	–	Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Finished goods and work in process are accounted for 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.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Investments accounted for under the equity method

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments. The adjustments took into consideration how the subsidiaries should be accounted for in accordance with IFRS 10 and the different extent to each reporting entity IFRS applies. The adjustments are made by debiting or crediting "Investments accounted for under the equity method", "share of profit or loss of associates and joint ventures accounted for under equity method", and "share of other comprehensive income of associates and joint ventures accounted for using the equity method".

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company 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 Company'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 Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro-rata basis.

When the associate issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

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

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or

(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in 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.

(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 Company 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	6～50 years
Machinery and equipment	6～15 years
Tooling equipment	2～ 7 years
Transportation equipment	5～10 years
Furniture, fixtures and equipment	5～10 years
Miscellaneous equipment	3～20 years
Leasehold improvements	The shorter of lease terms or economic 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.

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) Investment property

<u>The accounting policy adopted on 1 January 2019 is as follows:</u>

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Company that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Buildings	25 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

The accounting policy adopted before 1 January 2019 is as follows:

The Company's investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the cost model in accordance with the requirements of IAS 16 for that model, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Company that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

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

Buildings	25 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers to or from investment properties when there is a change in use for these assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The accounting policy adopted on 1 January 2019 is as follows:

For contracts entered on or after 1 January 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on 1 January 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
(c) amounts expected to be payable by the lessee under residual value guarantees
(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability
(b) any lease payments made at or before the commencement date, less any lease incentives received
(c) any initial direct costs incurred by the lessee
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy adopted before 1 January 2019 is as follows:

Company as a lessee

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(15) 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 of 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.

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 measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized. Accounting policies of the Company's intangible assets is summarized as follows:

	Software	Trademarks	Patents
Useful lives	1~5 years	1~5 years	1~5 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
Sources	Outside	Outside	Outside

(16) Impairment of Non-financial Assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or companys of assets. 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.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit'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. However, 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.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. 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 (company of units), then to the other assets of the unit (company of units) pro rata on the basis of the carrying amount of each asset in the unit (company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(18) Treasury Stock

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(19) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follows:

Sale of goods

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company are sewing machines and vacuum cleaners and spare parts and revenue is recognized based on the consideration stated in the contract.

The credit period of the Company's sale of goods is from 45 to 90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

(20) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(21) Post-employment benefits

All regular employees of the Company is 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. Therefore fund assets are not included in the Company'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 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 and branches 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. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a) the date of the plan amendment or curtailment, and
(b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

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.

(22) Income Tax

Income tax expense (income) 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.

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:

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 Company 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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company’s financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(1) Judgement

In the process of applying the Company’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Operating lease commitment – Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

(2) Estimates and assumptions

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

(a) Accounts receivables–estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(b) Inventories evaluation

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

(c) 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 the income approach (for example the discounted cash flows model) or 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.

(d) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans 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. Please refer to Note 6 for more details.

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

(e) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company 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 Company company's domicile.

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 together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	As of	
	31 December 2019	31 December 2018
Cash on hand	$390	$259
Checking and savings accounts	971,832	1,586,007
Time deposits	542,584	460,995
Repurchase agreements	91,223	-
Total	$1,606,029	$2,047,261

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

(2) ACCOUNTS RECEIVABLE, NET

	As of	
	31 December 2019	31 December 2018
Accounts receivable - non related parties	$936,797	$972,032
Less: Allowance for doubtful accounts	(5,942)	(7,497)
Subtotal	930,855	964,535
Accounts receivable - related parties	143,473	177,233
Accounts receivable, net	$1,074,328	$1,141,768

Trade receivables are generally on 45-90 day terms. The total carrying amount as of 31 December 2019 and 2018 were $1,080,270 and $1,149,265, respectively. Please refer to Note 6 (14) for more details on loss allowance of trade receivables for the 31 December 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

No accounts receivables were pledged.

(3) INVENTORIES, NET

a. Details as follows

	As of	
	31 December 2019	31 December 2018
Raw materials	$37,317	$34,324
Work in progress	63	2,062
Semi-manufactured goods	4,700	5,289
Finished goods	20,904	19,586
Total	$62,984	$61,261

b. For the years ended 31 December 2019 and 2018, the Company recognized $4,352,831 and $4,899,723, respectively, in operating cost, of which $7,921 and $5,162 was related to gain and loss from inventory price recovery.

c. The gains from inventory price recovery were recognized in 2019 due to the fact that the inventory that has been established a valuation loss earlier has been scrapped and the sluggish inventory has been consumed.

d. No inventories were pledged.

(4) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

The following table lists the investments accounted for using the equity method of the Company:

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

	31 December 2019		31 December 2018	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Subsidiaries:				
Zeng Hsing Industrial Co., Ltd. (VN)	$1,655,165	100.00%	$1,561,244	100.00%
Zeng Hsing Industrial Co., Ltd. (BVI)	736,021	100.00%	945,334	100.00%
Shinco Technologies Limited (VN)	350,813	100.00%	330,713	100.00%
Shinco Worldwide Limited (BVI)	-	-%	14,576	100.00%
Mitsumichi Industrial Co., Ltd.	48,707	53.00%	51,479	53.00%
Subtotal	2,790,706		2,903,346	
Associates				
Taiwan Carbon Technology Co., Ltd.	$26,841	19.53%	$4,559	19.53%
Loss of impairment	-		(4,559)	
Subtotal	26,841		-	
Total	$2,817,547		$2,903,346	

a. Subsidiaries

The Company’s investment in its associate is accounted for using the equity method.

On 2 May 2019, the board of directors resolved to liquidate SHINCO WORLDWIDE LTD. (BVI), an overseas subsidiary of the company that has invested 100%. The liquidation of the subsidiary was completed in August 2019.

For the years ended 31 December 2019 and 2018, the Company recognized share of profit or loss of associates and joint ventures and exchange differences on translation of foreign operations with report of independent accountants, the details as follows:

	31 December 2019		31 December 2018	
Investee companies	Share of profit or loss of associates and joint ventures	Exchange differences on translation of foreign operations	Share of profit or loss of associates and joint ventures	Exchange differences on translation of foreign operations
Zeng Hsing Industrial Co., Ltd. (BVI)	$24,780	$(12,603)	$114,471	$(22,121)
Zeng Hsing Industrial Co., Ltd. (VN)	124,543	(33,697)	132,018	13,293
Shinco Technologies Limited (VN)	27,244	(7,144)	21,679	2,794
Shinco Worldwide Limited (BVI)	-	-	(540)	-
Mitsumichi Industrial Co., Ltd.	13,764	-	19,495	-
Taiwan Carbon Technology Co., Ltd.	22,281	-	-	-
Total	$212,612	$(53,444)	$287,123	$(6,034)

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

b. Investments in associates

The following table illustrates summarized financial information of the Company's investment in the associates:

	As of	
	31 December 2019	31 December 2018
Total assets (100%)	$141,575	$134,657
Total liabilities (100%)	4,141	10,481

	31 December 2019	31 December 2018
Total revenue (100%)	$56,086	$88,522
Total expense (100%)	13,257	28,972

No investments were pledged.

c. Other investments

For the years ended 31 December 2019 and 2018, the details of the Company invested to subsidiaries by cash as follows:

	For the years ended 31 December	
Subsidiaries	2019	2018
Zeng Hsing Industrial Co., Ltd. (BVI)	$-	$39,059

For the years ended 31 December 2019 and 2018, the details of the Company received dividends from subsidiaries by cash as follows:

	For the years ended 31 December	
Subsidiaries	2019	2018
Zeng Hsing Industrial Co., Ltd. (BVI)	$216,284	$-
Mitsumichi Industrial Co., Ltd.	16,536	12,402
Total	$232,820	$12,402

(5) PROPERTY, PLANT AND EQUIPMENT

(a) Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:									
As of 1 January 2019	$21,075	$44,195	$29,318	$74,736	$2,994	$2,555	$57,748	$229,942	$462,563
Additions	-	-	547	2,566	709	-	2,731	314,394	320,947
Disposals	-	(10,715)	-	(2,770)	-	(1,767)	(15,322)	-	(30,574)
Transfers	-	444,515	19	800	-	-	94,911	(539,227)	1,018
As of 31 December 2019	$21,075	$477,995	$29,884	$75,332	$3,703	$788	$140,068	$5,109	$753,954
Depreciation and impairment:									
As of 1 January 2019	$-	$16,379	$20,209	$41,281	$1,977	$2,093	$46,080	$-	$128,019
Depreciation	-	1,023	1,849	18,768	398	146	5,038	-	27,222
Disposals	-	(5,333)	-	(1,853)	-	(1,470)	(15,017)	-	(23,673)
As of 31 December 2019	$-	$12,069	$22,058	$58,196	$2,375	$769	$36,101	$-	$131,568
Net carrying amount as of:									
As of 31 December 2019	$21,075	$465,926	$7,826	$17,136	$1,328	$19	$103,967	$5,109	$622,386

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

(b) Property, plant and equipment leased under operating leases (applicable under IFRS 16 requirements)

	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
As of 1 January 2018	$21,075	$44,195	$29,318	$54,520	$2,994	$2,555	$52,827	$58,298	$265,782
Additions	-	-	-	11,330	-	-	4,729	171,644	187,703
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	8,886	-	-	192	-	9,078
As of 31 December 2018	$21,075	$44,195	$29,318	$74,736	$2,994	$2,555	$57,748	$229,942	$462,563
As of 1 January 2018	$-	$15,172	$17,030	$22,892	$1,567	$1,912	$40,019	$-	$98,592
Depreciation	-	1,207	3,179	18,389	410	181	6,061	-	29,427
Disposals	-	-	-	-	-	-	-	-	-
31 December 2018	$-	$16,379	$20,209	$41,281	$1,977	$2,093	$46,080	A$-	$128,019
Net carrying amount as of:									
31 December 2018	$21,075	$27,816	$9,109	$33,455	$1,017	$462	$11,668	$229,942	$334,544

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

b. The capitalization amount of the borrowing costs of the Company in 2019 and 2018 were interest rates are as follows:

Items	2019	2018
Construction in progress	$1,449	$1,188
Borrowing cost capitalization interest rate interval	1.02%	1.02%

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

(6) Investment property

	Land	Buildings	Total
Cost:			
As of 1 January 2019	$41,124	$30,747	$71,871
Additions	-	-	-
As of 31 December 2019	$41,124	$30,747	$71,871
As of 1 January 2018	$41,124	$30,747	$71,871
Additions	-	-	-
As of 31 December 2018	$41,124	$30,747	$71,871
Depreciation and impairment:			
As of 1 January 2019	$-	$3,279	$3,279
Depreciation		1,230	1,230
As of 31 December 2019	$-	$4,509	$4,509
As of 1 January 2018	$-	$2,049	$2,049
Depreciation	-	1,230	1,230
As of 31 December 2018	$-	$3,279	$3,279
Net carrying amount:			
As of 31 December 2019	$41,124	$26,238	$67,362
As of 31 December 2018	$41,124	$27,468	$68,592

	For the years ended 31 December	
	2019	2018
Rental income from investment property	$2,297	$2,297
Less:Direct operating expenses from investment property generating rental income	-	-
Total	$2,297	$2,297

No investment property was pledged.

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

Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of the Company's investment properties was $77,894 determined based on valuations performed by an independent valuer appointed on 31 December 2018. The fair value has been supported by prices in the active market. The valuation methods used are comparison approach and direct capitalization method, and the inputs of direct method used were net profit in the amount of $3,449 and capitalization rate of 1.80%.

The Company's management has assessed the fair value of Investment property, and there were no significant changes on 31 December 2019 and 2018.

(7) OTHER NON-CURRENT ASSETS

	As of	
	31 December 2019	31 December 2018
Refundable deposits	$4,062	$4,286
Prepayment for equipment	9,292	8,938
Others	168	1,037
Right-of-use assets (Note)	4,561	-
Total	$18,083	$14,261

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(8) SHORT-TERM BORROWINGS

	As of	
	31 December 2019	31 December 2018
Unsecured bank loans	$290,000	$220,000

	For the years ended 31 December	
	2019	2018
Interest rates	0.85%~0.89%	0.85%~0.98%

The Company's unused short-term lines of credits amounted to $715,000 and $755,000 as of 31 December 2019 and 2018, respectively.

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

(9) SHORT-TERM NOTES AND BILLS PAYABLE

		As of	
Accounting title	Guarantee	31 December 2019	31 December 2018
Commercial paper payable	Mega Bills	$-	$100,000
Less: discount on short-term notes and bills payable		-	-
Net short-term notes and bills payable		$-	$100,000

	As of	
	31 December 2019	31 December 2018
Interest rates	-	0.94%

(10) LONG-TERM LOANS

(a) Details of long-term loans in 31 December 2019 and 2018 are as follows:

Creditor	31 December 2019	31 December 2018	Rate (%)	Repayment period and methods
Bank of Taiwan (Secured)	$120,000	$160,000	1.02%	Interests are paid monthly from 7 December 2017 through 7 December 2022. Principals are paid in 48 installments starting from the second year.
Subtotal	120,000	160,000		
Less: current portion	(40,000)	(40,000)		
Total	$80,000	$120,000		

(b) Certain land and buildings are pledged as first priority security for secured bank loans with Bank of Taiwan, please refer to Note 8 for more details.

(11) POST-EMPLOYMENT BENEFITS

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. According to the Act, the rate of contributions shall be no lower than 6% of each individual employee’s monthly salaries. The Company has made monthly contributions of 6% of each individual employee’s salaries or wages to employees’ pension accounts.

Pension expenses under the defined contribution plan were $9,775 and $9,838 for the years ended 31 December 2019 and 2018, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure to risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute $12,261 to its defined benefit plan during the 12 months as of 31 December 2019.

The expected weighted average duration of the Company's defined benefits plan obligation as of 31 December 2019 and 2018 were both 15 years.

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

The summary of defined benefits plan reflected in profit or loss is as follows:

	For the years ended 31 December	
	2019	2018
Current period service costs	$1,056	$1,281
Interest income or expense	413	396
Pre-service costs	-	16,004
Total	$1,469	$17,681

The Company recognized pension cost for high-ranking officers amounting to $1,800 and $1,200 respectively for the years ended 31 December 2019 and 2018. As of 31 December 2019 and 2018, accrued pension liabilities non-current amounted to $11,207 and $9,407 respectively. In addition, the Company recognized pension expenses for early retirement in 2019 and 2018 amounting to $0 and $3,358, respectively.

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	31 December 2019	31 December 2018	1 January 2018
Defined benefit obligation	$95,810	$97,492	$132,186
Plan assets at fair value	(66,562)	(60,301)	(100,523)
Other non-current liabilities - accrued pension liabilities recognized on the balance sheets	$29,248	$37,191	$31,663

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of 1 January 2018	$132,186	$(100,523)	$31,663
Current period service costs	1,281	-	1,281
Net interest expense (income)	1,652	(1,256)	396
Past service cost and gains and losses arising from settlements	16,004	-	16,004
Subtotal	151,123	(101,779)	49,344

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

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(2,056)	-	(2,056)
Actuarial gains and losses arising from changes in financial assumptions	15,182	-	15,182
Experience adjustments	(1,105)	-	(1,105)
Remeasurements of benefit assets	-	(2,585)	(2,585)
Subtotal	12,021	(2,585)	9,436
Payments from the plan	(65,652)	65,652	-
Contributions by employer	-	(21,589)	(21,589)
Effect of changes in foreign exchange rates	-	-	-
As of 31 December 2018	$97,492	$(60,301)	$37,191
Current period service costs	1,056	-	1,056
Net interest expense (income)	1,082	(669)	413
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	99,630	(60,970)	38,660
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	756	-	756
Actuarial gains and losses arising from changes in financial assumptions	4,225	-	4,225
Experience adjustments	561	-	561
Remeasurements of benefit assets	-	(2,693)	(2,693)
Subtotal	5,542	(2,693)	2,849
Payments from the plan	(9,362)	9,362	-
Contributions by employer	-	(12,261)	(12,261)
Effect of changes in foreign exchange rates	-	-	-
As of 31 December 2019	$95,810	$(66,562)	$29,248

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of	
	31 December 2019	31 December 2018
Discount rate	0.80%	1.11%
Expected rate of salary increases	3.00%	3.00%

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

A sensitivity analysis for significant assumption as of 31 December 2019 and 2018 are as shown below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase	Decrease	Increase	Decrease
Discount rate increase by 0.50%	$-	$6,753	$-	$6,914
Discount rate decrease by 0.50%	7,405	-	7,590	-
Future salary increase by 0.50 %	7,203	-	7,406	-
Future salary decrease by 0.50%	-	6,646	-	6,824

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(12) EQUITIES

a. Share capital

As of 1 January 2018, 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.

On 8 November 2018, the Company resolved to cancel 17,000 shares of treasury shares that were not transferred to employees over the period, with a total amount of $2,163. The base date for capital reduction was 8 November 2018. After the capital reduction, the paid-in capital was $605,356, and the registration of the change was completed on 4 December 2018.

As of 31 December 2019, the issued share capital of the Company was $605,356, and the face value of each share was $10, divided into 60,535,631 shares. Each share has a right to vote and receive dividends.

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.

c. Treasury Stock

(a) The board meeting held on 28 August 2015 approved to repurchase 1,200,000 shares, which would be transferred to employees to motivate them. The expected period to execute the decision will take place between 29 August 2015 and 27 October 2015; the repurchase price will be between $100 to $150. On 8 November 2018, the Company resolved to cancel 17,000 shares of treasury shares that were not transferred to employees over the period, with a total amount of $2,163. The base date for capital reduction was 8 November 2018. The registration of the change was completed on 4 December 2018.

(b) According to the Securities and Exchange Act of R.O.C., the total shares of treasury stock shall not exceed 10% of issued stock, and the total purchase amount shall not exceed the sum of retained earnings, additional paid-in capital in excess of par and realized additional paid-in capital.

(c) In compliance with Securities and Exchange Act of R.O.C., treasury stocks shall not be pledged, nor should they be entitled to voting rights or receiving dividends.

(d) According to the Securities and Exchange Act of R.O.C., the shares purchased for the transfer of shares to employees shall be transferred within three years following the date of purchase. If the shares are not transferred within the period, it shall be regarded as the unissued shares of the company and shall be subject to cancellation registration. In order to maintain the company's credit and shareholders' rights, the shares bought back shall be subject to change registration within six months from the date of purchase.

d. Retained earnings and dividend policy

Pursuant to the Company’s Articles of Incorporation, current year’s earnings, if any, shall be distributed in the following order: payment of all taxes and dues; offset prior years’ operation losses; set aside 10% of the remaining amount; set aside or reverse special reserve in accordance with relevant rules and regulations. However, when accumulated legal reserve reach to the capital stock, it is not required to set aside or reverse special reserve in accordance with relevant rules and regulations. The distribution of the remaining portion, if any, will be proposed by the board of directors to the shareholders’ meeting for approval.

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 also 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. At least 50% of the dividends shall be distributed to shareholders, of which the cash dividend ratio shall not be less than 30% of the total dividends. However, when the Company has no profit, no dividend will be distributed.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Following the adoption of IFRS, the FSC on 6 April 2012 issued Order No Jin-Guan-Cheng-Fa-Zi-1010012865, 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 the Company’s adoption of the IFRS 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.

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

The Company's special reserve resulted from first-time adoption of IFRS on 1 January 2012 (adoption date) was $0.

Details of the 2019 and 2018 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on 12 March 2020 and 14 June 2019, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2019	2018	2019	2018
(Reversal)Special reserve	$48,285	$(13,786)		
Cash dividends-common stock	532,714	665,892	$8.8	$11

The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors, please refer to Note 6 (16) for more details.

(13) SALES

	For the years ended 31 December	
Revenue from contracts with customers	2019	2018
Sale of goods	$5,371,654	$6,064,609
Repair income	3,708	36,728
Commission income	33,069	27,876
Premium income	6,707	8,499
Net sales	$5,415,138	$6,137,712

Analysis of revenue from contracts with customers during the years ended 31 December 2019 and 2018 are as follows:

(a) Disaggregation of revenue

	For the years ended 31 December	
	2019	2018
	Taiwan	Taiwan
Sale of goods	$5,371,654	$6,064,609
Repair income	3,708	36,728
Commissions	33,069	27,876
Premium income	6,707	8,499
Net sales	$5,415,138	$6,137,712

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

The Company recognizes revenues when control of the products is transferred to the customers, therefore the performance obligation is satisfied at a point in time.

(b) Contract balances

Contract liabilities – current

	As of	
	31 December 2019	31 December 2018
Sales of goods	$12,290	$18,711

During the year ended 31 December 2019, contract liabilities decreased as performance obligations were satisfied.

(c) Transaction price allocated to unsatisfied performance obligations

None.

(d) Assets recognized from costs to fulfil a contract

None.

(14) Expected credit losses / (gains)

	For the years ended 31 December	
	2019	2018
Operating expenses – Expected credit (gains) losses		
Trade receivables	$(564)	$ 2,757

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company’s loss allowance as at 31 December 2019 and 2018 are as follows:

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

31 December 2019

	Not yet due	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-360 days	>=361 days	
Gross carrying amount	$1,011,766	$59,959	$337	$2,852	$35	$5,321	$1,080,270
Loss ratio	-	-	10%	20%	50%	100%	
Lifetime expected credit losses	-	-	(34)	(570)	(17)	(5,321)	(5,942)
Carrying amount	$1,011,766	$59,959	$303	$2,282	$18	$-	$1,074,328

31 December 2018

	Not yet due	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-360 days	>=361 days	
Gross carrying amount	$1,119,044	$11,089	$6,418	$-	$11,717	$997	$1,149,265
Loss ratio	-	-	10%	20%	50%	100%	
Lifetime expected credit losses	-	-	(642)	-	(5,858)	(997)	(7,497)
Carrying amount	$1,119,044	$11,089	$5,776	$-	$5,859	$-	$1,141,768

Note: The Company’s note receivables are not overdue.

The movement in the provision for impairment of note receivables and trade receivables for the years ended 31 December 2019 and 2018 are as follows:

	Note receivables	Trade receivables
Beginning balance at 2019.1.1	$-	$7,497
Reversal for the current period	-	(564)
Written off due to unrecoverable	-	(991)
Ending balance at 2019.12.31	$-	$5,942
Beginning balance (in accordance with IAS 39)	$-	$4,740
Transition adjustment to retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	-	4,740
Addition for the current period	-	2,757
Ending balance at 2018.12.31	$-	$7,497

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

(15) Lease

(1) Company as a lessee (applicable to the disclosure requirement under IFRS 16)

The Company leases various properties, including real estate such as land and buildings, machinery and equipment, transportation equipment, office equipment and other equipment. The lease terms range from 1 to 3 years. There are no restrictions placed upon the Company by entering into these leases.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	As of	
	31 December 2019	30 December 2018(Note)
Buildings	$1,969	$-
Transportation equipment	2,353	-
Other equipment	239	-
Total	$4,561	$-

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

During the year ended 31 December 2019, the Company did not have any additional right-of-use assets.

b. Lease liabilities

	As of	
	31 December 2019	31 December 2018(Note)
Lease liabilities		
Current	$2,700	$-
Non-current	1,905	-
Total	$4,605	$-

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

Please refer to Note 6 (17)(c) for the interest on lease liabilities recognized during the ended 31 December 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2019.

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2019	2018(Note)
Buildings	$866	$-
Transportation equipment	2,195	-
Other equipment	573	-
Total	$3,634	$-

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Income and costs relating to leasing activities

	For the years ended 31 December	
	2019	2018(Note)
The expenses relating to short-term leases	$8,411	$-

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

D. Cash outflow relating to leasing activities

During the year ended 31 December 2019, the Company's total cash outflows for leases amounted to $3,591.

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

(2) Company as lessee – operating lease (applicable to the disclosure requirement in IAS 17)

The Company has entered into commercial leases on certain buildings. These leases have an average life of three to five years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of 31 December 2019 and 2018 are as follows:

	As of	
	31 December 2019(Note)	31 December 2018
Lower than 1 year	$-	$10,018
Between 1 to 5 years	-	-
Total	$-	$10,018

The expenses of operating lease were as follows:

	For the years ended 31 December	
	2019	2018
Minimum lease payments	$-	$6,180

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(16) SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018:

Function / Nature	For the years ended 31 December					
	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$38,090	$248,499	$286,589	$47,232	$272,111	$319,343
Labor and health insurance	3,110	19,591	22,701	4,224	18,637	22,861
Pension	1,710	11,334	13,044	2,401	29,676	32,077
Director's remuneration	-	4,944	4,944	-	5,259	5,259
Others	1,964	5,905	7,869	2,223	7,512	9,735
Depreciation	21,651	10,435	32,086	23,121	7,536	30,657
Amortization	411	14,855	15,266	1,014	17,857	18,871

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

Note: (1) The number of employees were 334 and 356 as of 31 December 2019 and 2018, respectively. The number of directors who do not concurrently serve as employees is 7 people.

(2) Average labor cost for the years ended 31 December 2019 and 2018 were $1,010 and $1,100, respectively; average salary and bonus for the years ended 31 December 2019 and 2018 were $876 and $915, respectively; the average salary and bonus decreased by 4.26% year over year.

According to the Articles of Incorporation, 2% to 6% of profit of the current year is distributable as employees' compensation and no more than 4% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The 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, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company recognized the employees' compensation and remuneration to directors and supervisors as employee benefits expense based on profit of current year. If the board of directors resolved to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day prior to the date of resolution. The difference between the estimates and the figures resolved at shareholders' meeting will be recognized in profit or loss of the subsequent year. The details of employees' compensation and remuneration to directors and supervisors for the years ended 31 December 2019 and 2018 are as follows:

	For the years ended 31 December	
	2019	2018
Employees' compensation	$23,000	$32,000
Remuneration to directors and supervisors	4,600	4,700

A resolution was passed at a board of directors meeting held on 12 March 2020 to distribute $23,000 and $4,600 in cash as the employee's compensation and remuneration to directors and supervisors of 2019, respectively. No material differences existed between the estimated amount and the amount determined at the board meeting for the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2019.

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

No material differences existed between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2018.

(17) NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the years ended 31 December	
	2019	2018
Interest income	$22,702	$29,767
Rental revenue	2,297	2,297
Others	17,011	30,392
Total	$42,010	$62,456

b. Other gains and losses

	For the years ended 31 December	
	2019	2018
Foreign exchange (losses) gains, net	$(39,283)	$83,722
Net gains on financial assets at fair value through profit or loss	804	19,173
Losses on disposal of property, plant and equipment	(6,901)	-
Gains on disposal of investment	88	
Gain on reversal of impairment loss	4,560	
Others	(1,490)	(372)
Total	$(42,222)	$102,523

c. Financial costs

	For the years ended 31 December	
	2019	2018
Interest on loans from bank	$2,820	$6,887
Interest on lease liabilities	127	(Note)
Total	$2,947	$6,887

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

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

(18) COMPONENTS OF OTHER COMPREHENSIVE INCOME

a. For the year ended 31 December 2019

	Arising during the period	Current reclassification adjustment	Other comprehensive income, net of tax	Income tax effect	After-tax amount
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(2,849)	$-	$(2,849)	$570	$(2,279)
Financial assets unrealized profit or loss measured at fair value through other comprehensive income	1,382	-	1,382	-	1,382
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(53,444)	-	(53,444)	10,689	(42,755)
Total of other comprehensive income	$(54,911)	$-	$(54,911)	$11,259	$(43,652)

b. For the year ended 31 December 2018

	Arising during the period	Current reclassification adjustment	Other comprehensive income, net of tax	Income tax effect	After-tax amount
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(9,437)	$-	$(9,437)	$1,896	$(7,541)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(6,034)	-	(6,034)	9,452	3,418
Total of other comprehensive income	$(15,471)	$-	$(15,471)	$11,348	$(4,123)

(19) INCOME TAX

Based on the amendments to the Income Tax Act announced on 7 February 2018, the Company’s applicable corporate income tax rate for the year ended 31 December 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

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

The major components of income tax expense are as follows:

a. Income tax recorded in profit or loss

	For the years ended 31 December	
	2019	2018
Current income tax expense:		
Current income tax charge	$165,856	$189,604
Adjustments in respect of current income tax of prior periods	-	6,308
Deferred income tax expense:		
Deferred income tax expense related to origination and reversal of temporary differences	(3,956)	62,343
Deferred tax expense relating to changes in tax rate or the imposition of new taxes	-	14,625
Income tax expense recognized in profit or loss	$161,900	$272,880

b. Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2019	2018
Deferred income tax (benefit) expense:		
Remeasurements of defined benefit plans	$(570)	$(1,896)
Exchange differences on translation of foreign operations	(10,689)	(9,452)
Income tax relating to components of other comprehensive income	$(11,259)	$(11,348)

c. A reconciliation between tax expense and the product of accounting profit multiplied by the Company's applicable tax rate is as follows:

	For the years ended 31 December	
	2019	2018
Accounting profit before tax from continuing operations	$837,701	$1,196,452
The amount of tax at each statutory income tax rate	$167,540	$239,290
Tax effect of non-deductible expenses	(1,684)	(49,686)
Tax effect of deferred tax assets and liabilities	(3,956)	76,968
Adjustments in respect of current income tax of prior periods	-	6,308
Total income tax expenses recorded in profit or loss	$161,900	$272,880

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

d. Significant components of deferred income tax assets and liabilities are as follows:

i. For the year ended 31 December 2019

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Unrealized foreign currency exchange gain or loss	$1,111	$610	$-	$1,721
Provision for allowance to reduce inventories to market value	3,122	(1,585)	-	1,537
Allowance for losses	-	(307)	-	(307)
Impairment of long-term investment under equity method	912	(912)	-	-
Defined benefit Liability	11,990	(2,158)	570	10,402
Reserve for land appreciation tax	(87)	-	-	(87)
Investment income under equity method	(221,808)	8,308	-	(213,500)
Exchange differences on translation of foreign operations	56,180	-	10,689	66,869
Deferred income tax expense (benefit)		$3,956	$11,259	
Deferred income tax assets (liabilities)	$(148,580)			$(133,365)
The information presented in balance statement				
Deferred income tax assets	$74,068			$83,279
Deferred income tax liabilities	$(222,648)			$(216,644)

ii. For the year ended 31 December 2018

Items	Balance as of 1January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Unrealized foreign currency exchange gain or loss	$1,623	$(512)	$-	$1,111
Provision for allowance to reduce inventories to market value	1,776	1,346	-	3,122
Impairment of long-term investment under equity method	775	137	-	912
Defined benefit Liability	9,403	691	1,896	11,990
Reserve for land appreciation tax	(87)	-	-	(87)
Investment income under equity method	(143,178)	(78,630)	-	(221,808)
Exchange differences on translation of foreign operations	46,728	-	9,452	56,180
Deferred income tax expense (benefit)		$(76,968)	$11,348	
Deferred income tax assets (liabilities)	$(82,960)			$(148,580)
The information presented in balance statement				
Deferred income tax assets	$60,945			$74,068
Deferred income tax liabilities	$(143,843)			$(222,648)

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

iii. As of 31 December 2019 and 2018, deferred tax assets that have not been recognized as they may not be used to offset taxable profits as follows:

None.

iv. As of 31 December 2019 and 2018, the taxable temporary differences of unrecognized deferred tax liabilities associated with investment in subsidiaries as follows:

None.

e. The assessment of income tax returns

The tax authorities have assessed income tax returns of the Company through 2017.

(20) EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

a. Earnings per share-basic

	For the years ended 31 December	
	2019	2018
Net profit attributable to ordinary equity holders of the company	$675,801	$923,572
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	60,536	60,536
Earnings per share-basic (NTD)	$11.16	$15.26

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

b. Earnings per share-diluted

	For the years ended 31 December	
	2019	2018
Net profit attributable to ordinary equity holders of company	$675,801	$923,572
Weighted average number of ordinary shares outstanding for basic earnings per share (thousand shares)	60,536	60,536
Effect of dilution:		
Employees' compensation stock (thousand shares)	173	237
Weighted average number of ordinary shares outstanding after dilution (thousand shares)	60,709	60,773
Diluted earnings per share (NTD)	$11.13	$15.20

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. RELATED PARTY TRANSACTIONS

(1) Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Zeng Hsing Industrial Co., Ltd. (VN)	Subsidiary
Shinco Technologies Limited (VN)	Subsidiary
Mitsumichi Industrial Co., Ltd.	Subsidiary
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	Subsidiary
Zhangjiagang Free Trade Zone Qiao Xing Electrical Co., Ltd.	Subsidiary
Zhangjiagang Zenghsing Trading Co., Ltd.	Subsidiary
Lin Zhi Cheng And Other 16 People	Directors and Deputy General Manager of the Company

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

(2) The Company's significant transactions with related parties

a. Sales

(a) Commission income

Transactions of materials and supplies sold to related parties for the years ended 31 December 2019 and 2018 are summarized as follows:

i. For the year ended 31 December 2019

Name of Related Parties	Price	Cost	Commission income
Zeng Hsing Industrial Co., Ltd. (VN)	$478,225	$449,683	$28,542
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	52,100	49,042	3,058
Mitsumichi Industrial Co., Ltd.	2,115	3,046	(931)
	$532,440	$501,771	$30,669

ii. For the year ended 31 December 2018

Name of Related Parties	Price	Cost	Commission income
Zeng Hsing Industrial Co., Ltd. (VN)	$509,045	$488,670	$20,375
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	140,991	133,982	7,009
Mitsumichi Industrial Co., Ltd.	1,889	2,958	(1,069)
	$651,925	$625,610	$26,315

Unrealized intercompany profit resulted from the abovementioned transactions amounted to $406 and $4,832 during 2019 and 2018, respectively. Sales prices and the terms between related parties are not significantly different from any third parties.

For the years ended 31 December 2019 and 2018, the trade credit terms for related parties were the same as general customers. For domestic customers, the credit terms were 30 to 60 days. For foreign customers, they were 60 to 120 days. The outstanding amounts at the end of the year were unsecured, interest-free and must be settled in cash. Accounts receivable from related parties did not have any guarantees.

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

b. Purchase

Name of Related Parties	For the years ended 31 December 2019	2018
Zeng Hsing Industrial Co., Ltd. (VN)	$3,695,714	$3,600,300
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	443,073	998,810
Zhangjiagang Zenghsing Trading Co., Ltd.	20,847	30,251
Mitsumichi Industrial Co., Ltd.	27,664	38,311
Shinco Technologies Limited (VN)	691	1,648
Total	$4,187,989	$4,669,320

For the years ended 31 December 2019 and 2018, the payment terms for related parties were same as general supplies, from one to three months.

c. Accounts receivable

Name of Related Parties	As of 31 December 2019	31 December 2018
Zeng Hsing Industrial Co., Ltd. (VN)	$119,068	$152,071
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	15,617	21,566
Zhangjiagang Free Trade Zone Qiao Xing Electrical Co., Ltd.	8,300	3,215
Mitsumichi Industrial Co., Ltd.	488	381
Total	$143,473	$177,233

d. Accounts payable

Name of Related Parties	As of 31 December 2019	31 December 2018
Zeng Hsing Industrial Co., Ltd. (VN)	$498,556	$499,679
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	76,334	147,790
Zhangjiagang Zenghsing Trading Co., Ltd.	2,984	4,582
Mitsumichi Industrial Co., Ltd.	8,898	6,192
Shinco Technologies Limited (VN)	184	113
Total	$586,956	$658,356

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

e. Premium income

	For the years ended 31 December	
Name of Related Parties	2019	31 December 2018
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	$6,707	$8,499

f. Premium expenses (established as other selling expense)

	For the years ended 31 December	
	2019	2018
Mitsumichi Industrial Co., Ltd.	$5,442	$17,727

g. Key management personnel compensation

	For the years ended 31 December	
	2019	2018
Short-term employee benefits	$34,479	$35,314
Post-employment Benefits	577	1,751
Total	$35,056	$37,065

8. ASSETS PLEDGED AS COLLATERAL

The following assets were pledged:

	As of		
	31 December 2019	31 December 2018	Secured liabilities
Property, Plant and Equipment-land	$21,075	$21,075	Bank loan
Financial assets measured at amortized cost-noncurrent	200	200	Customs import customs clearance deposit
Total	$21,275	$21,275	

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

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The important contracts of construction in progress

a. As of 31 December 2019

Contracting parties	Subject matter	Total contract amount	Contract amount paid as of 31 December 2019
Company A	Property	$69,411	$-
Company B	Property	18,698	-
Company C	Property	9,330	-
Company D	Property	17,029	5,109
Company E	Property	12,575	-

b. As of 31 December 2018

Contracting parties	Subject matter	Total contract amount	Contract amount paid as of 31 December 2018
Company A	Property	$450,612	$196,085
Company B	Property	41,975	15,540
Company C	Property	57,029	11,976
Company D	Property	17,029	5,109

(2) The Company entered into the financial guarantees to related parties: refer to Table 1 on Page 90.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

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

12. OTHERS

(1) Categories of financial instruments

	As of	
	31 December 2019	31 December 2018
Financial Assets		
Financial assets at fair value through profit or loss:		
Designated at fair value through profit or loss at initial recognition	$-	$565
Financial assets measured at amortized cost		
Cash and cash equivalents (excluding cash on hand)	1,605,639	2,047,002
Notes and accounts receivable (includes related party)	1,074,328	1,141,768
Other receivables	11,112	6,165
Financial assets measured at amortized cost, noncurrent	200	200
Total	$2,691,279	$3,195,700

Financial Liabilities		
Financial liabilities carried at amortized cost:		
Short-term loans	$290,000	$220,000
Short-term notes and bills payable	-	100,000
Notes and accounts payables (includes related party)	702,156	788,177
Other payables	140,918	190,083
Long-term loans (including long-term loans due within one year)	120,000	160,000
Lease liability	4,605	(Note)
Subtotal	1,257,679	1,458,260
Financial liabilities at fair value through profit or loss: Held for trading	777	-
Total	$1,258,456	$1,458,260

Note: The Company adopted IFRS 16 on 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2) Financial risk management objectives and policies

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

The Company 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 Company complies with its financial risk management policies at all times.

(3) Market risk

The market risk of the Company is the risk that the financial instruments will be subject to fluctuations in fair value or cash flows due to changes in market prices. Market risks mainly include exchange rate risk, interest rate risk and other price risks (such as equity instruments).

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

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company 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 Company.

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

a. When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2019 and 2018 is increased /decreased by $11,364 and $15,560 respectively; and no impact on the equity.

b. When NTD strengthens/weakens against VND by 1%, the profit for the years ended 31 December 2019 and 2018 is increased/decreased by $16,050 and $15,163, respectively; and no impact on the equity.

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 Company's exposure to the risk of changes in market interest rates relates primarily to Company'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 will result in a decrease of $120 and $160 for the years ended 31 December 2019 and 2018, 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 Company is exposed to credit risk from operating activities (primarily for trade receivables) and from its financing activities, including bank deposits and other financial instruments.

Each business unit of the Company manages credit risk by following the policies, procedures and controls of credit risk. The credit risk assessment of all counterparties is based on factors such as the financial status of the counterparty, the rating of the credit rating agency, past historical trading experience, the current economic environment and the Company's internal rating criteria. The Company also uses certain credit enhancement tools (such as advance receipts and insurance) at appropriate times to reduce the credit risk of specific counterparties.

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

As of 31 December 2019 and 2018, amounts receivables from top ten customers represented 85.06% and 79.51% of the total trade receivables of the Company, 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 Company's treasury in accordance with the Company's policy. The Company 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 Company'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.

Non-derivative financial instruments

	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of 31 December 2019					
Short-term loans	$290,000	$-	$-	$-	$290,000
Payables	702,156	-	-	-	702,156
Long-term loans	41,224	80,816	-	-	122,040
Lease liability	2,766	1,922	-	-	4,688
As of 31 December 2018					
Short-term loans	$220,000	$-	$-	$-	$220,000
Short-term notes and bills payable	100,000	-	-	-	100,000
Payables	788,177	-	-	-	788,177
Long-term loans	41,632	81,224	40,480	-	163,336

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

Derivative financial instruments

	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of 31 December 2019					
Inflow	$-	$-	$-	$-	$-
Outflow	(777)	-	-	-	(777)
Net	$(777)	$-	$-	$-	$(777)
As of 31 December 2018					
Inflow	$565	$-	$-	$-	$565
Outflow	-	-	-	-	-
Net	$565	$-	$-	$-	$565

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2019:

	Short-term loans	Short-term notes and bills payable	Long-term loans	Lease liability	Total liabilities from financing activities
As of 1 January 2019	$220,000	$100,000	$160,000	$8,196	$488,196
Cash flow	70,000	(100,000)	(40,000)	(3,591)	(73,591)
As of 31 December 2019	$290,000	$-	$120,000	$4,605	$414,605

Reconciliation of liabilities for the year ended 31 December 2018:

	Short-term loans	Short-term notes and bills payable	Long-term loans	Total liabilities from financing activities
As of 1 January 2018	$440,500	$230,000	$160,000	$834,500
Cash flow	(224,500)	(130,000)	-	(354,500)
As of 31 December 2018	$220,000	$100,000	$160,000	$480,000

(7) Fair value of financial instruments

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

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, beneficiary certificates, bonds and futures, etc.) at the reporting date.

iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

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

b. Fair value of financial instruments measured at amortized cost

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

c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(9) for fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative financial instruments

The Company's derivative financial instruments include a foreign exchange swap and a cross currency swap. The related information for derivative instruments not qualified for hedge accounting and not yet settled as of 31 December 2019 and 2018 is as follows:

Foreign Exchange Swap and Cross Currency Swap

The Company entered into a foreign exchange swap and a cross currency swap to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to these contracts:

Contract	Contract amount	Maturity
As of 31 December 2019		
Foreign Exchange Swap	Sell USD 3,000 thousand	2019/10/30-2020/02/07
As of 31 December 2018		
Foreign Exchange Swap	Sell USD 3,000 thousand	2018/10/02-2019/02/20

The Company entered into derivative transactions to manage exposures related to exchange rate fluctuations. Because the Company held sufficient working capital, there were not significant impacts on cash flow when the derivative transactions were completed.

(9) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As of 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap	$-	$777	$-	$777

As of 31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Foreign exchange swap	$-	$565	$-	$565

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

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

(c) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed.

As of 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6. (6))	$-	$-	$77,894	$77,894

As of 31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6. (6))	$-	$-	$77,894	$77,894

(10) Significant assets and liabilities denominated in foreign currencies

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

Unit: Thousands

	31 December 2019			31 December 2018		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
Financial assets						
Monetary item:						
USD	$68,098	30.106	$2,050,158	$85,008	30.733	$2,612,549
Investment using the equity method						
VND	1,544,500,593	0.001299	2,006,306	1,430,460,289	0.001325	1,895,360
Financial liabilities						
Monetary item:						
USD	20,914	30.106	629,637	21,723	30.733	667,602

Due to the large number of functional currencies used in the Company, it's impossible to disclose foreign exchange gains and losses on the basis of each monetary item which has significant impact. The Company recognized $(39,283) and $83,722 for foreign exchange gains and losses for the years ended 31 December 2019 and 2018, respectively.

(11) Capital management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(12) In order to facilitate the analysis and comparison, some of the accounts of the financial statements as of 31 December 2018 have been properly reclassified.

13. ADDITIONAL DISCLOSURES

(1) Information at significant transactions

(a) Financing provided: none

(b) Endorsement/guarantee provided: Table 1 on page 90.

(c) Marketable securities held: none.

(d) Marketable securities acquired or disposed of that cost or amounted to at least $300 million or 20% of the paid-in capital: none.

(e) Acquisition of individual real estate that cost at least $300 million or 20% of the paid-in capital: Table 2 on page 91.

(f) Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: none.

(g) 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 pages 92 and 93.

(h) Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: refer to Table 4 on page 94.

(i) Information about derivatives of investees over which the Company has a controlling interest: refer to 12(8).

(j) Inter-company relationships and significant intercompany transactions: refer to Table 3 on pages 92 and 93.

(2) Information on investees

(a) Names, locations, and related information of investees on which the Company exercises significant influence: refer to Table 5 on pages 94 to 96.

(b) Financing provided: none.

(c) Endorsement/guarantee provided: none.

(d) Marketable securities held: refer to Table 6 on page 97.

(e) Marketable securities acquired or disposed of that cost or amounted to at least $300 million or 20% of the paid-in capital: none.

(f) Acquisition of individual real estate that cost at least $300 million or 20% of the paid-in capital: none.

(g) Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: none.

(h) 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 pages 92 to 93.

(i) Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: refer to Table 7 on page 97.

(j) Information about derivatives of investees over which the Company has a controlling interest: none.

(3) 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 8 on page 98.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED 31 DECEMBER 2019

TABLE 1

Note1	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	Subsidiary to parent company	To Mainland China
0	Zeng Hsing Industrial CO., LTD.	Zeng Hsing Industrial CO., Ltd. (VN)	(2)	$1,428,550	$602,120 (USD20,000,000)	$406,431 (USD13,500,000)	$-	$-	8.54%	$1,904,734	Yes	No	No

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.

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 31 December 2019.

Note 4: Limit of total guarantee/endorsement amount shall not exceed 40% of ZENG HSING INDUSTRIAL CO., LTD's net assets value as of 31 December 2019.

ACQUISITION OF INDIVIDUAL REAL ESTATE THAT COST AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED 31 DECEMBER 2019

TABLE 2

Company name	Name of properties	Transaction date	Transaction amount	Payment status	Counterparty	Relationship	Where counter-party is a related party, details of prior transactions				Price reference	Date of acquisition and status of utilization	Other commitments
							Former property owner	Relationship between former owner and acquirer of property	Date of transaction	Transaction amount			
Zeng Hsing Industrial CO., LTD.	Buildings and Facilities	2017.08.30 (Note)	$510,291	$440,880	Te Chang Construction Co., Ltd., Ruisheng Engineering Co., Ltd.	non-relationship	Not applicable				Not applicable	Operating demand	None

Note: The new construction of the operation headquarters was completed in December 2019.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to 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 YEAR ENDED 31 DECEMBER 2019

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	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Zeng Hsing Industrial CO., Ltd.	2	Sales	$443,073	8.18%	There is no difference with other clients	Regular	Regular	Account receivable $76,334 (RMB17,688,042)	7.07%	-
Zeng Hsing Industrial CO., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	1	Purchases	$443,073	8.18%	There is no difference with other clients	Regular	Regular	Account payable $(76,334)	(7.07%)	-
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Sales	$3,695,714	68.25%	There is no difference with other clients	Regular	Regular	Account receivable $498,556 (VND 382,691,633,393)	46.15%	-
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Purchases	$3,695,714	68.25%	There is no difference with other clients	Regular	Regular	Account payable $(498,556)	(46.15%)	-
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Sales (Note 2)	$478,225	7.93%	There is no difference with other clients	Regular	Regular	Account receivable $119,068	11.02%	-
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Purchases	$478,225	7.93%	There is no difference with other clients	Regular	Regular	Account payable $(119,068) (VND 91,992,538,235)	(11.02%)	-

(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	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	3	Sales	$175,321	3.24%	There is no difference with other clients	Regular	Regular	Account Receivable and other account receivable $48,542 (RMB 11,232,200)	4.49%	-
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	3	Purchases	$175,321	3.24%	There is no difference with other clients	Regular	Regular	Account payable $(48,542) (RMB 11,232,200)	(4.49%)	-
Zhangjiagang Zenghsing Trading Co., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	3	Sales	$170,568	3.15%	There is no difference with other clients	Regular	Regular	Account receivable $38,027 （RMB 8,799,136）	3.52%	-
Zeng Hsing Industrial CO., Ltd. (VN)	Zhangjiagang Zenghsing Trading Co., Ltd.	3	Purchases	$170,568	3.15%	There is no difference with other clients	Regular	Regular	Account payable $(38,027) （VND 29,338,065,849）	(3.52%)	-

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.
Note 2: The Company reported the net sales of triangle trade and recognized commission of $28,542 for the year ended 31 DECEMBER 2019.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to 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 NINE MONTHS ENDED 31 DECEMBER 2019

TABLE 4

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Loss allowance	Note
					Amounts	Action Taken			
Zeng Hsing Industrial CO., Ltd	Zeng Hsing Industrial CO., Ltd. (VN)	Subsidiary	$119,068	3.56	$-	-	$94,133	$-	accounts receivable-customers

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

FOR THE YEAR ENDED 31 DECEMBER 2019

TABLE 5

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as at 31 December 2019			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				31 December 2019	31 December 2018	Shares	Percentage of Ownership	Carrying Value			
Zeng Hsing Industrial CO., Ltd.	Shinco 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)	-	-	$-	$-	$-	Note1

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as at 31 December 2019			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				31 December 2019	31 December 2018	Shares	Percentage of Ownership	Carrying Value			
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	586,375 (USD17,873,452)	586,375 (USD17,873,452)	17,873	100%	736,021	24,780	24,780	Note 2
Zeng Hsing Industrial Co., Ltd. (BVI)	Arcoris Pte Ltd.	8 Cross Street #24-03/04 Pwc Building Singapore (048424)	Holding company	129,291 (USD4,030,000)	129,291 (USD4,030,000)	4,030,000	100%	110,316	5,459	5,459	
Zeng Hsing Industrial Co., Ltd. (BVI)	Jetsun Technology Co.,Ltd (Seychelles)	Global Gateway 8, Rue de la Perle Providence Mahe Seychelles	Holding company	33,239 (USD1,100,000)	33,239 (USD1,100,000)	1,200,000	100%	32,101	(1,886)	(1,886)	
Jetsun Technology Co., Ltd (Seychelles)	Jetsun Technology Company Limited	Bing Doung, Vietnam	Research and design of filtration equipment	39,494 (USD1,204,000)	39,494 (USD1,204,000)	-	100%	32,101	VND (1,417,330,388)	(1,886)	

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as at 31 December 2019			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				31 December 2019	31 December 2018	Shares	Percentage of Ownership	Carrying Value			
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	Bing Doung, Vietnam	Manufacturing household sewing machines	1,049,554 (USD35,000,000)	1,049,554 (USD35,000,000)	-	100%	1,655,165	VND 93,571,330,957	124,543	
Zeng Hsing Industrial CO., Ltd.	Shinco Technologies Limited (VN)	Bing Doung, Vietnam	Material die-casting of metal of aluminum, zinc and magnesium alloy.	347,158 (USD11,173,331)	347,158 (USD11,173,331)	-	100%	350,813	VND 20,468,973,800	27,244	
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%	26,841	13,257	22,281	
Zeng Hsing Industrial CO., Ltd.	Mitsumichi industrial CO. Ltd	Taichung, Taiwan	Manufacturing household sewing machines	31,330	31,330	1,378,000	53.00%	48,707	25,969	13,764	

Note 1: The liquidation of SHINCO WORLDWIDE LTD. (BVI) was completed on 28 August 2019.

Note 2: The long-term investment losses under equity method incurred by Zeng Hsing Industrial CO., Ltd (BVI) included the gains from investees.

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

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED 31 DECEMBER 2019

TABLE 6

Securities Held By	Type	Name of securities	Relationship with the Company	Financial Statement Account	December 31, 2019			
					Shares/Units	Carrying Value	Ownership Percentage	Market Value or Net Asset Value
ARCORIS PTE LTD	Stocks	HEYDAY INTERNATIONAL LIMITED	non-relationship	Financial assets at fair value throught other comprehensive income	282,240 shares	$14,959	7%	$14,959

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO OVER NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED 31 DECEMBER 2019

TABLE 7

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	$498,556 (VND 382,691,633,393)	7.40	$-	-	$498,556 （VND 382,691,633,393）	$-	accounts receivable-customers
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Zeng Hsing Industrial CO., Ltd.	Subsidiary	$76,334 (RMB 17,688,042)	3.95	$-	-	$63,542 (RMB 14,702,965)	$-	accounts receivable-customers

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED 31 DECEMBER 2019

TABLE 8

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as at January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as at December 31, 2019	Percentage of Ownership	Equity in Earnings (Losses) Note 1	Carrying Value as at December 31, 2019	Accumulated Inward Remittance of Earnings as at December 31, 2019
					Outflow	Inflow					
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Manufacturing and selling household sewing machines, vacuum cleaners and spare parts	USD13,000,000	Indirect investments through Zeng Hsing (BVI)	$304,199 (USD9,103,039)	-	-	$304,199 (USD9,103,039)	100%	$26,171	$550,641	$498,363 (USD 11,888,961) (RMB 27,000,000)
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%	RMB 1,700,924	RMB 7,431,072	RMB26,251,891
Zhangjiagang Zenghsing Trading Co., Ltd.	Selling household sewing machines and spare parts	RMB1,000,000	Indirect investments through Zeng Hsing (BVI)	-	-	-	-	100%	RMB 3,253,620	RMB 11,106,901	RMB 9,197,561
Shanghai Debra Trading Company Limited	Selling household sewing machines and spare parts	RMB4,000,000	Indirect investments through Zeng Hsing (BVI)	-	-	-	-	100%	RMB (1,944,124)	RMB 2,054,698	-

Accumulated investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$319,130 (USD9,603,039)	$459,409(Note2) (USD13,848,355)	$2,857,100

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

Note 2: Investment amounts authorized by the 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 was over of the upper limit of investment.