ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED
31 DECEMBER 2020 AND 2019

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 consolidated balance sheets of ZENG HSING INDUSTRIAL CO., LTD and its subsidiaries (the "Group") as of 31 December 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2020 and 2019, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2020 and 2019, and their consolidated financial performance and cash flows for the years ended 31 December 2020 and 2019, in conformity 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.

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 Consolidated Financial Statements* section of our report. We are independent of the Group 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, 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 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of accounts receivable

As of 31 December 2020, the Group's accounts receivable and allowance for doubtful accounts amounted to NTD 1,221,231 thousand and NTD 6,062 thousand, respectively. Net accounts receivable represented 15% of the total consolidated assets that could have significant impacts on the Group. Since the collection of notes and accounts receivable is the key factor in the working capital management of the Group, and the adoption of provision policy requires significant management judgement whose the measurement results affect the net amount of accounts receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control over accounts receivable; 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; analyzing the receivable turnover to evaluate recoverability based on individual customers with significant sales amount; evaluating the reasonableness of the allowance for doubtful accounts based on individual customers with significant overdue accounts or longer aging, reviewing the collection in subsequent period.

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

Valuation for inventories

As of 31 December 2020, the net inventories amounted to NTD 1,311,313 thousand accounting for 16% of the total consolidated assets that could have significant impacts on the Group. The Group starts manufacturing after receiving orders from customers, so we mainly assessed the allowance for inventory valuation and slow-moving losses for raw materials, supply and parts. Due to diversity of products and uncertainty arising from rapid changes in products, allowance for obsolete and slow-moving inventory valuation requires significant management judgement, we therefore determined the issue as a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control system with respect to obsolete and slow-moving inventory; understanding the allowance for inventory loss and slow-moving inventory policies; sampling important storage locations to observe inventory counts; testing the correctness of the inventory aging intervals to make sure that the inventory aging schedule was appropriate. In addition, we sample tested inventories to check related certificates of purchases and sales and to re-calculate the unit cost of inventories to evaluate the reasonableness of the net realizable value of inventory.

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

Other Matter – Making Reference to the Audit of Component Auditor

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. 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 NTD 32,443 thousand and NTD 26,841 thousand, representing 0.41% and 0.42% of consolidated total assets as of 31 December 2020 and 2019, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NTD 5,602 thousand and NTD 22,281 thousand, representing 0.5% and 2.46% of the consolidated net income before tax for the years ended 31 December 2020 and 2019, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Group, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Group 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 Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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 consolidated 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 Group.

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 Group. 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 consolidated 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated 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 Group to express an opinion on the consolidated 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 2020 consolidated 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.

Others

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended 31 December 2020 and 2019.

Tu, Chin Yuan
Chen, Ming Hung
Ernst & Young, Taiwan
3 March 2021

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2020 and 2019
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As at 31 December 2020	As at 31 December 2019
Current Assets			
Cash and cash equivalents	4, 6(1), 12	$2,728,335	$2,427,869
Financial assets at fair value through profit or loss, current	12, 13(1)	114,282	-
Accounts receivable, net	4, 6(2), 6(12), 12	1,215,169	1,002,937
Other receivables	12	15,140	16,656
Inventories, net	4, 6(3)	1,311,313	574,123
Prepayment		62,462	93,368
Other current assets	8	200,559	96,055
Total current assets		5,647,260	4,211,008
Non-current assets			
Financial assets at fair value through other comprehensive income, non-current	4, 12	-	14,959
Investments accounted for under the equity method	4	58,052	81,623
Property, plant and equipment	4, 6(4), 8	1,860,734	1,696,637
Right of use assets	4, 6(13)	237,047	190,928
Investment property	4	-	67,362
Intangible assets	4	41,002	38,951
Deferred tax assets	4, 6(17)	110,743	84,031
Other non-current assets	4, 12	26,845	56,559
Total non-current assets		2,334,423	2,231,050
Total assets		$7,981,683	$6,442,058

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

(continued)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2020 and 2019
(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As at 31 December 2020	As at 31 December 2019
Current liabilities			
Short-term loans	4, 6(5), 12	$542,000	$290,000
Short-term notes and bills payable	4, 6(6), 12	35,000	-
Contract liabilities, current	6(11)	82,813	13,801
Notes payable	12	23,042	8,900
Accounts payable	12	1,047,430	549,491
Other payables	12	339,942	245,646
Current tax liabilities	4	147,359	122,074
Long-term borrowings (including current portion with maturity less than 1 year)	4, 6(7), 12	66,151	40,000
Other current liabilities	4, 6(13), 12	37,160	25,559
Total current liabilities		2,320,897	1,295,471
Non-current liabilities			
Long-term loans	4, 6(7), 12	304,000	80,000
Deferred tax liabilities	4, 6(17)	255,209	217,854
Accrued pension liabilities	4, 6(8)	35,522	40,455
Other non-current liabilities	4, 6(13), 12	11,577	4,299
Total non-current liabilities		606,308	342,608
Total liabilities		2,927,205	1,638,079
Equity attributable to the parent company	4, 6(9)		
Capital			
Common stock		605,356	605,356
Additional paid-in capital		1,393,097	1,385,352
Retained earnings			
Legal reserve		730,563	730,563
Special reserve		211,385	163,100
Retained earnings		2,337,924	2,088,848
Total Retained earnings		3,279,872	2,982,511
Other components of equity			
Exchange differences on translation of foreign operations		(295,491)	(216,223)
Unrealized gains and losses on equity instrument measured at fair value through other comprehensive income		-	4,838
Non-controlling interests	6(10)	71,644	42,145
Total equity		5,054,478	4,803,979
Total liabilities and equity		$7,981,683	$6,442,058

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the years ended 31 December	
	Notes	2020	2019
Net Sales	4, 6(11)	$6,965,819	$5,935,948
Cost of Sales	6(3), 6(14)	(5,005,807)	(4,446,673)
Gross Profit		1,960,012	1,489,275
Operating Expenses	6(13), 6(14)		
Selling and marketing		(210,907)	(151,012)
Management and administrative		(451,332)	(382,784)
Research and development		(108,111)	(105,013)
Expected credit gains	4, 6(12)	307	564
Total Operating Expenses		(770,043)	(638,245)
Operating Income		1,189,969	851,030
Non-operating income and expenses	6(15)		
Other income		52,098	68,852
Other gain and loss		(109,744)	(26,272)
Financial costs		(5,533)	(4,215)
Share of profit or loss of associates and joint ventures		3,907	15,136
Subtotal		(59,272)	53,501
Income before income tax		1,130,697	904,531
Income tax expense	4, 6(17)	(285,056)	(216,525)
Income, net of tax		845,641	688,006
Other comprehensive income	6(16), 6(17)		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(3,631)	(2,849)
Share of profit of associates accounted for using equity method		-	1,382
Income tax related to items that may not be reclassified subsequently		726	570
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(99,085)	(53,444)
Income tax related to items that may be reclassified subsequently		19,817	10,689
Total other comprehensive income (loss), net of tax		(82,173)	(43,652)
Total comprehensive income		$763,468	$644,354
Net income attributable to:			
Stockholders of the parent		$832,980	$675,801
Non-controlling interests		12,661	12,205
		$845,641	$688,006
Comprehensive income attributable to:			
Stockholder of the parent		$750,807	$632,149
Non-controlling interests		12,661	12,205
		$763,468	$644,354
Earnings per share (NTD)	6(18)		
Earnings per share-basic		$13.76	$11.16
Earnings per share-diluted		$13.72	$11.13

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2020 and 2019

(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 on Financial Asset Measured at Fair Value through Other Comprehensive Income	Total	Non-Controlling Interests	Total Equity
Balance as of 1 January 2019	6(9)	$605,356	$1,385,352	$730,563	$176,886	$2,067,432	$(173,468)	$10,368	$4,802,489	$44,604	$4,847,093
Appropriations of earnings, 2018:											
Special reserve					(13,786)	13,786			-		-
Cash dividends						(665,892)			(665,892)		(665,892)
Net income for the year ended 31 December 2019						675,801			675,801	12,205	688,006
Other comprehensive income, net of tax for the year ended 31 December 2019						(2,279)	(42,755)	1,382	(43,652)		(43,652)
Total comprehensive income		-	-	-	-	673,522	(42,755)	1,382	632,149	12,205	644,354
Disposal of financial assets at fair value through other comprehensive income	6(10)							(6,912)	(6,912)		(6,912)
Cash dividends of subsidiary										(14,664)	(14,664)
Balance as of 31 December 2019	6(9)	$605,356	$1,385,352	$730,563	$163,100	$2,088,848	$(216,223)	$4,838	$4,761,834	$42,145	$4,803,979
Balance as of 1 January 2020	6(9)	$605,356	$1,385,352	$730,563	$163,100	$2,088,848	$(216,223)	$4,838	$4,761,834	$42,145	$4,803,979
Appropriations of earnings, 2019:											
Special reserve					48,285	(48,285)			-		-
Cash dividends						(532,714)			(532,714)		(532,714)
Net income for the year ended 31 December 2020						832,980			832,980	12,661	845,641
Other comprehensive income, net of tax for the year ended 31 December 2020						(2,905)	(79,268)		(82,173)		(82,173)
Total comprehensive income		-	-	-	-	830,075	(79,268)	-	750,807	12,661	763,468
Cash dividends of subsidiary	6(10)									(10,387)	(10,387)
From share of changes in equity of subsidiaries			7,745						7,745		7,745
Increase in non-controlling interests	6(10)									27,225	27,225
Disposal of financial assets at fair value through other comprehensive income								(4,838)	(4,838)		(4,838)
Balance as of 31 December 2020	6(9)	$605,356	$1,393,097	$730,563	$211,385	$2,337,924	$(295,491)	$ -	$4,982,834	$71,644	$5,054,478

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2020 and 2019

(Expressed in Thousand New Taiwan Dollars)

	For the years ended 31 December	
	2020	2019
Cash flows from operating activities:		
Net income before tax	$1,130,697	$904,531
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	259,540	232,284
Amortization	54,794	45,433
(Gain) loss on disposal of property, plant and equipment	(3,187)	10,395
Gain on disposal of investments	(8,269)	(9,903)
Net gain (loss) of financial assets at fair value through profit or loss	9,365	(804)
Gain from market value decline, obsolete and slow-moving of inventories	(2,133)	(7,985)
Share of profit or loss of associates and joint ventures	(3,907)	(15,136)
Expected credit profit	(307)	(564)
Gain on reversal of impairment loss	-	(4,560)
Other revenue	-	(29)
Interest income	(23,458)	(41,043)
Interest expense	5,534	4,215
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss	(120,343)	1,369
(Increase) decrease in accounts receivable	(184,867)	42,286
(Increase) decrease in inventories, net	(662,777)	47,858
Decrease in other receivables	5,319	6,444
Increase in prepayments	(2,178)	(5,888)
Increase in other current assets	(102,515)	(968)
Increase (decrease) in contract liabilities	67,269	(7,978)
Increase in notes payable	2,727	1,023
Increase (decrease) in accounts payable	482,139	(129,433)
Increase (decrease) in other payables	75,937	(67,715)
Increase in other current liabilities	690	448
Decrease in accrued pension liabilities	(8,564)	(8,992)
Cash generated from operations	971,506	995,288
Interest received	23,458	41,043
Income tax paid	(225,715)	(266,890)
Net cash provided by operating activities	769,249	769,441

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

(continued)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

(Expressed in Thousand New Taiwan Dollars)

	For the years ended 31 December	
	2020	2019
Cash flows from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	17,180	19,466
Acquisition of investments accounted for under the equity method	-	(8,462)
Acquisition of property, plant and equipment	(335,919)	(549,905)
Proceeds from disposal of property, plant and equipment	8,254	16,550
Decrease in deposits-out	2,805	1,794
Acquisition of intangible assets	(5,255)	(12,503)
Increase in other non-current assets	(43,660)	(47,286)
Net cash used in investing activities	(356,595)	(580,346)
Cash flows from financing activities:		
Increase in short-term loans	2,984,917	1,444,936
Decrease in short-term loans	(2,785,917)	(1,374,936)
Increase in short-term notes and bills payable	360,000	190,000
Decrease in short-term notes and bills payable	(325,000)	(290,000)
Increase in long-term loans	288,000	-
Decrease in long-term loans	(41,159)	(40,000)
Lease principal repayment	(10,775)	(4,506)
Cash dividends	(532,714)	(665,892)
Interest paid	(5,534)	(4,215)
Cash dividends of subsidiary	(10,387)	(14,664)
Acquisition of ownership interests in subsidiary	(23,100)	-
Net cash used in financing activities	(101,669)	(759,277)
Effect of initial consolidation of subsidiaries	28,284	-
Effect of exchange rate changes on cash and cash equivalents	(38,803)	(25,096)
Net increase (decrease) in cash and cash equivalents	300,466	(595,278)
Cash and cash equivalents at beginning of period	2,427,869	3,023,147
Cash and cash equivalents at end of period	$2,728,335	$2,427,869

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

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 on 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 consolidated financial statements of the Company and subsidiaries (hereinafter referred to as “the Group”) for the years ended 31 December 2020 and 2019 were authorized for issue in accordance with the resolution of the board of directors’ meeting held on 3 March 2021.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

(a) The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by the Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2020. The adoption of these new standards and amendments had no material impact on the Group.

(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 Group 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	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

(a) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

A. A company will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after 1 January 2021 have no material impact on the Group.

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

(3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC, and not yet adopted by the Group 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	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 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022
e	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
f	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023

(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.

(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 group 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 group 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).

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(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.

(d) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)
The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

C. Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 – 2020

Amendment to IFRS 1
The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 Financial Instruments
The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 Leases
The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

(e) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(f) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the years ended 31 December 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 Interim Financial Reporting as endorsed and became effective by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b) exposure, or rights, to variable returns from its involvement with the investee, and
(c) the ability to use its power over the investee to affect its returns

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

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

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

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

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

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

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

If the Group loses control of a subsidiary, it:

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

The consolidated entities are as follows:

			Percentage of ownership (%) as of	
Investor	Subsidiary	Business nature	31 December 2020	31 December 2019
the Company	Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Trading and holding company	100.00%	100.00%
the Company	Zeng Hsing Industrial Co., Ltd. (VN) [Zeng Hsing (VN)]	Manufacturing household sewing machines	100.00%	100.00%
the Company	Shinco Technologies Limited (VN) [Shinco (VN)]	Material die-casting of metal of aluminum, zinc and magnesium alloy	100.00%	100.00%
the Company	Mitsumichi Industrial Co., Ltd. [Mitsumichi]	Manufacturing household overlock machines	53.00%	53.00%
Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. [Zhangjiagang]	Manufacturing household sewing machines	100.00%	100.00%
Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Arcoris Pte Ltd.	Holding company	100.00%	100.00%
Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Jetsun Technology Co., Ltd (Seychelles)	Holding company	100.00%	100.00%

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

			Percentage of ownership (%) as of	
Investor	Subsidiary	Business nature	31 December 2020	31 December 2019
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. [Zhangjiagang]	Zhangjiagang Zenghsing Trading Co., Ltd. [Zhangjiagang trading]	Selling household sewing machines and spare parts	100.00%	100.00%
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. [Zhangjiagang]	Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	Selling household sewing machines and spare parts	100.00%	100.00%
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	Shanghai Debra Trading Company Limited	Selling household sewing machines and spare parts	100.00%	100.00%
Jetsun Technology Co., Ltd (Seychelles)	Jetsun Technology Company Limited	Research and design of filtration equipment	100.00%	100.00%
Arcoris Pte Ltd.	Zorca Worldwide Ltd.	Holding company	100.00%	100.00%
Zorca Worldwide Ltd.	Taiwan Cheer Champ Co., Ltd.	Selling household sewing machines	68.53% (Note1)	32.12%

Note 1: On 30 June 2020, Taiwan Cheer Champ Co., Ltd was included in the consolidated financial statements due to the fact that the Company has obtained a majority representation and has been able to make appointments of its key managerial personnel who were capable of leading relevant activities since then. As a result, it is deemed that the Company has a material influence and control over Taiwan Cheer Champ Co., Ltd. The Company acquired a 36.41% equity interest of Taiwan Cheer Champ Co., Ltd. on 8 September 2020 for USD 770 thousand. Since the aforementioned transaction did not change the company's control over the subsidiary, the company treated it as an equity transaction and adjusted the capital reserve based on changes in the shareholding ratio.

(4) Foreign currency transactions

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

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

(5) Translation of foreign currency financial statements

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

a. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
b. The Group holds the asset primarily for the purpose of trading
c. The Group expects to realize the asset within twelve months after the reporting period
d. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as a current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise 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.

(8) Financial Instruments

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

Financial assets and financial liabilities within the scope of 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.

A. Financial instruments: Recognition and Measurement

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

The Group 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 Group’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 of 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 Group 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 Group 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:

a. Purchased or originated credit-impaired financial assets. For those financial assets, the Group 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 Group 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 Group 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.

B. Impairment of financial assets

The Group 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 Group 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 Group 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 Group 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, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group 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.

C. Derecognition of financial assets

A financial asset is derecognized when:

(A) The rights to receive cash flows from the asset have expired
(B) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(C) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

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 upon initial recognition as of fair value through profit or loss. A financial liability is classified as held for trading if:

(A) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(B) 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; or
(C) 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 of fair value through profit or loss when doing so results in more relevant information, because either:

(A) it eliminates or significantly reduces a measurement or recognition inconsistency; or
(B) a group of financial liabilities or financial assets and, financial liabilities 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 group 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.

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.

E. 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.

(9) Derivative instruments

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

Derivative 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 hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either a 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.

(10) 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 Group.

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 Group 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.

(11) 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	─ Purchase cost under weighted average cost method.
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 for in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for under the equity method

The Group'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 Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

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

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate or joint venture, the Group 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 or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group 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 Group disposes the associate or joint venture.

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

The Group 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 Group 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 Group estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, 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 or an investment in a joint venture 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 or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

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

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

Items	Useful Lives
Buildings and facilities	20～50 years
Machinery and equipment	5～17 years
Tooling equipment	2～ 4 years
Transportation equipment	5～10 years
Furniture, fixtures and equipment	3～11 years
Miscellaneous equipment	3～15 years
Leasehold improvements	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.

(14) Investment property

The Group'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 group 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
Right-of-use assets	1~50 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 Group transfers properties to or from investment properties according to the actual use of the properties.

The Group 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.

(15) Leases

The Group 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 Group 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.

For a contract that is, or contains, a lease, the Group 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 Group 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 Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

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

At the commencement date, the Group 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 Group 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 of 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 Group is reasonably certain to exercise that option; and
(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 Group 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 Group 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; and
(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 Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group 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 Group 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 Group accounted for as short-term leases or leases of low-value assets, the Group 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 Group 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.

Group as a lessor

At inception of a contract, the Group 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 Group 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 Group allocates the consideration in the contract applying IFRS 15.

The Group 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.

(16) 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, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is 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 asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial 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 are 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 Group's intangible assets is summarized as follows:

	Software	Trademarks	Patents	Others
Useful lives	1~10 years	1~10 years	1~25 years	40 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	Amortized on a straight- line basis over the estimated useful life
Sources	Outside	Outside	Outside	Outside

(17) Impairment of non-financial assets

The Group 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 Group 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 groups 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 Group 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 (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

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

(18) Provisions

Provisions are recognized when the Group 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 Group 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.

(19) Revenue recognition

The Group'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 Group 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 Group 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 Group's sale of goods is from 45 to 90 days. For most of the contracts, when the Group 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 Group 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 and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

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

(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 tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, 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 in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders’ meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

i. Where 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

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where 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 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:

i. 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

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, 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 deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated 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 Group’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－Group as the lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group 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 Group 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

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, and changes of the future salary etc.

(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 Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carry-forward 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 2020	31 December 2019
Cash on hand	$955	$675
Checking and savings accounts	1,346,539	1,323,052
Time deposits	430,976	1,012,919
Repurchase agreements	949,865	91,223
Total	$2,728,335	$2,427,869

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

(2) Accounts receivable, net

	As of	
	31 December 2020	31 December 2019
Accounts receivable – non-related parties	$1,221,231	$1,008,879
Less: loss allowance	(6,062)	(5,942)
Accounts receivable, net	$1,215,169	$1,002,937

Trade receivables are generally on 45-90 day terms. The total carrying amount as of 31 December 2020 and 2019 were $1,221,231 and $1,008,879, respectively. Please refer to Note 6 (12) for more details on loss allowance of trade receivables for the years ended 31 December 2020 and 2019. 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 2020	31 December 2019
Raw materials	$486,314	$320,868
Work in progress	6,375	2,464
Semi-manufactured goods	12,802	9,746
Finished goods	805,822	241,045
Total	$1,311,313	$574,123

b. The Group cost of inventories recognized in expenses amounts to $5,005,807 and $4,446,673 for the years ended 31 December 2020 and 2019, including the gain from inventory price recovery $2,133 and $7,985.

c. For the years ended 31 December 2020 and 2019, the gains from inventory price recovery were recognized 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.

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

(4) Property, plant and equipment

Owner occupied property, plant and equipment

	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvements	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:										
As of 1 January 2020	$21,075	$1,068,181	$914,786	$446,294	$30,568	$16,978	$-	$402,589	$14,801	$2,915,272
Additions	-	19,212	18,857	45,091	1,376	377	1,133	81,649	168,224	335,919
Obtained through acquisition of subsidiaries	17,268	21,638	-	-	-	16,675	36,370	4,850	-	96,801
Disposals	-	-	(26,705)	(42,054)	(805)	(1,355)	(2,427)	(2,719)	-	(76,065)
Transfers	41,124	32,613	84,501	27,523	97	6,854	-	26,078	(131,952)	86,838
Exchange differences	-	(21,017)	(40,207)	(15,163)	(995)	(766)	-	(11,033)	(929)	(90,110)
As of 31 December 2020	$79,467	$1,120,627	$951,232	$461,691	$30,241	$38,763	$35,076	$501,414	$50,144	$3,268,655
Depreciation and impairment:										
As of 1 January 2020	$-	$206,367	$524,304	$296,400	$18,265	$12,968	$-	$160,331	$-	$1,218,635
Depreciation	-	35,321	72,747	91,987	2,915	1,679	1,163	36,673	-	242,485
Obtained through acquisition of subsidiaries	-	5,539	-	-	-	14,526	31,694	2,320	-	54,079
Disposals	-	-	(24,373)	(39,585)	(783)	(1,311)	(2,427)	(2,519)	-	(70,998)
Transfers	-	4,794	-	-	-	(34)	-	-	-	4,760
Exchange differences	-	(4,294)	(21,191)	(9,673)	(590)	(604)	-	(4,688)	-	(41,040)
As of 31 December 2020	$-	$247,727	$551,487	$339,129	$19,807	$27,224	$30,430	$192,117	$-	$1,407,921

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

	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvements	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:										
As of 1 January 2019	$21,075	$645,651	$905,949	$360,329	$31,855	$19,416	$-	$328,021	$242,617	$2,554,913
Additions	-	3,372	72,010	71,817	2,276	1,420	-	6,964	392,046	549,905
Disposals	-	(11,634)	(78,621)	(4,467)	(3,004)	(3,535)	-	(25,097)	-	(126,358)
Transfers	-	444,807	35,140	27,318	48	-	-	98,576	(619,679)	(13,790)
Exchange differences	-	(14,015)	(19,692)	(8,703)	(607)	(323)	-	(5,875)	(183)	(49,398)
As of 31 December 2019	$21,075	$1,068,181	$914,786	$446,294	$30,568	$16,978	$-	$402,589	$14,801	$2,915,272
Depreciation and impairment:										
As of 1 January 2019	$-	$195,225	$515,130	$220,526	$18,708	$14,073	$-	$160,210	$-	$1,123,872
Depreciation	-	22,870	82,162	85,243	2,816	2,194	-	25,528	-	220,813
Disposals	-	(6,251)	(61,334)	(3,552)	(2,893)	(3,053)	-	(22,330)	-	(99,413)
Exchange differences	-	(5,477)	(11,654)	(5,817)	(366)	(246)	-	(3,077)	-	(26,637)
As of 31 December 2019	$-	$206,367	$524,304	$296,400	$18,265	$12,968	$-	$160,331	$-	$1,218,635
Net carrying amount as of:										
31 December 2020	$79,467	$872,900	$399,745	$122,562	$10,434	$11,539	$4,646	$309,297	$50,144	$1,860,734
31 December 2019	$21,075	$861,814	$390,482	$149,894	$12,303	$4,010	$-	$242,258	$14,801	$1,696,637

a. Please refer to Note 8 for property, plant and equipment pledged as collateral.
b. The capitalization amount of the borrowing costs of the Group in 2020 and 2019 and its interest rates are as follows:

Items	2020	2019
Construction in progress	$231	$1,449
Borrowing cost capitalization interest rate interval	1.02%	1.02%

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

(5) Short-term borrowings

		As of	
	Interest Rates (%)	31 December 2020	31 December 2019
Unsecured bank loans	0.68%-0.89%	$490,000	$290,000
Secured bank loans	1.55%	52,000	-
Total		$542,000	$290,000

The Group's unused short-term lines of credits amounted to $1,445,462 and $1,317,120 as of 31 December 2020 and 2019, respectively.

(6) Short-term notes and bills payable

		As of	
Accounting title	Guarantee	31 December 2020	31 December 2019
Commercial paper payable	Mega Bills	$35,000	$-
Less: discount on short-term notes and bills payable		-	-
Net short-term notes and bills payable		$35,000	$-

	As of	
	31 December 2020	31 December 2019
Interest rates	0.86%	-

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

(7) Long-term loans

(a) Details of long-term loans as of 31 December 2020 and 2019 are as follows:

Creditor	31 December 2020	Rate (%)	Repayment period and methods
Bank of Taiwan (Secured)	$80,000	0.89%	Interests are paid monthly from 7 December 2017 through 7 December 2022. Principals are paid in 48 installments starting from the second year.
Bank of Taiwan (Secured)	288,000	0.73%	Interests are paid monthly from 2 September 2020 through 7 December 2032. Principal is repaid monthly with 144 installments.
Chang Hwa Bank (Secured)	2,151	1.73%	Interests are paid monthly from 11 November 2016 through 11 November 2021. Principal is repaid monthly with 60 installments.
Subtotal	370,151		
Less: current portion	(66,151)		
Total	$304,000		

Creditor	31 December 2019	Rate (%)	Repayment period and methods
Bank of Taiwan (Secured)	$120,000	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.
Less: current portion	(40,000)		
Total	$80,000		

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

(8) Post-employment benefits

Defined contribution plan

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

Subsidiaries located in the People's Republic of China will contribute to the social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of foreign subsidiaries are provided in accordance with the local regulations.

Pension expenses under the defined contribution plan were $13,344 and $11,578 for the years ended 31 December 2020 and 2019, 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.

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

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 $11,373 to its defined benefit plan during the 12 months beginning after 31 December 2020.

As of 31 December 2020 and 2019, the weighted average duration of the Group's defined benefit plan is 15 years.

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

	For the years ended 31 December	
	2020	2019
Current period service costs	$775	$1,056
Interest income or expense	233	413
Pre-service cost	-	-
Settlements from the plan	-	-
Total	$1,008	$1,469

The Group recognized pension cost for high-ranking officers amounting to $1,800 and $1,800 for the years ended 31 December 2020 and 2019, respectively. As of 31 December 2020 and 2019, accrued pension liabilities non-current amounted to $13,007 and $11,207, respectively. In addition, the Group recognized pension expenses for early retirement in 2020 and 2019 amounting to $1,238 and $0, respectively.

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

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

	As of		
	31 December 2020	31 December 2019	1 January 2019
Defined benefit obligation	$93,386	$95,810	$97,492
Plan assets at fair value	(71,155)	(66,562)	(60,301)
Other non-current liabilities - accrued pension liabilities recognized on the consolidated balance sheets	$22,231	$29,248	$37,191

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 2019	$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
Current period service costs	775	-	775
Net interest expense (income)	767	(534)	233
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	97,352	(67,096)	30,256

(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	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	5,196	-	5,196
Experience adjustments	397	-	397
Remeasurements of benefit assets	-	(1,961)	(1,961)
Subtotal	5,593	(1,961)	3,632
Payments from the plan	(9,559)	9,559	-
Contributions by employer	-	(11,657)	(11,657)
Effect of changes in foreign exchange rates	-	-	-
As of 31 December 2020	$93,386	$(71,155)	$22,231

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

	As of	
	31 December 2020	31 December 2019
Discount rate	0.42%	0.80%
Expected rate of salary increases	3.00%	3.00%

A sensitivity analysis for significant assumption as of 31 December 2020 and 2019 is as shown below:

	Effect on the defined benefit obligation			
	2020		2019	
	Increase	Decrease	Increase	Decrease
Discount rate increase by 0.50%	$-	$6,765	$-	$6,753
Discount rate decrease by 0.50%	7,398	-	7,405	-
Future salary increase by 0.50%	7,168	-	7,203	-
Future salary decrease by 0.50%	-	6,634	-	6,646

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.

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

(9) Equities

a. Common stock

As of 1 January 2019, 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 $605,356, divided into 60,535,631 shares with par value of $10 (in dollar) each.

As of 31 December 2020, the issued share capital of the Company was $605,356, and the face value of each share was $10 (in dollar), divided into 60,535,631 shares. Each share has one right to vote and receive dividends.

b. Capital surplus

	As of	
	31 December 2020	31 December 2019
Premium from common stock issuance	$1,306,540	$1,306,540
Employee stock option	69,565	69,565
Increase through changes in ownership interests in subsidiaries	7,745	-
Other	9,247	9,247
Total	$1,393,097	$1,385,352

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. 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 complying with the Company Act and the Company's Articles of Association, the dividend distribution will be determined based on the Company's capital planning and operating results. However, the principle of dividend stability and balance is adopted in principle. Before the annual shareholders' meeting, the board of directors formulates the method of surplus distribution based on the financial situation, and at least 50% of the surplus is distributed as shareholders’ dividends. The cash dividend ratio is not less than 30% of the total dividend. However, the Company shall not distribute dividends if there is no surplus earning.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in 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 April 6, 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 2020 and 2019 earnings distribution and dividends per share as approved and resolved by the board of directors’ meeting and shareholders’ meeting on 3 March 2021 and 12 June 2020, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2020	2019	2020	2019
(Reversal)Special reserve	$84,106	$48,285		
Cash dividends-common stock	575,088	532,714	$9.5	$8.8

The Company estimated the amounts of the employees’ compensation and remuneration to directors and supervisors, please refer to Note 6 (14) for more details.

(10)Non-controlling interests

	For the years ended 31 December	
	2020	2019
Balance as of 1 January	$42,145	$44,604
Profit attributable to non-controlling interests	12,661	12,205
Cash dividends	(10,387)	(14,664)
Changes in ownership interests in subsidiaries	27,225	-
Balance as of 31 December	$71,644	$42,145

(11)Operating Revenue

	For the years ended 31 December	
Revenue from contracts with customers	2020	2019
Sale of goods	$6,963,406	$5,933,548
Commissions	2,413	2,400
Net sales	$6,965,819	$5,935,948

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

Analysis of revenue from contracts with customers during the years ended in 31 December 2020 and 2019 are as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2020

	Taiwan	China	Vietnam	Total
Sale of goods	$6,442,593	$351,407	$169,406	$6,963,406
Commissions	2,413	-	-	2,413
Total	$6,445,006	$351,407	$169,406	$6,965,819

For the year ended 31 December 2019

	Taiwan	China	Vietnam	Total
Sale of goods	$5,477,698	$255,175	$200,675	$5,933,548
Commissions	2,400	-	-	2,400
Total	$5,480,098	$255,175	$200,675	$5,935,948

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

(2) Contract balances

Contract liabilities - current

	As of	
	31 December 2020	31 December 2019
Sales of goods	$82,813	$13,801

During the year ended 31 December 2020, contract liabilities increased as performance obligations were not satisfied.

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

The significant changes in the Group's balances of contract assets during the years ended 31 December 2020 and 2019 are as follows:

	For the years ended 31 December	
	2020	2019
The opening balance transferred to revenue	$(13,801)	$(21,779)
Business combinations	1,743	-
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	81,070	13,801

(3) Transaction price allocated to unsatisfied performance obligations

None.

(4) Assets recognized from costs to fulfil a contract

None.

(12)Expected credit losses / (gains)

	For the years ended 31 December	
	2020	2019
Operating expenses – Expected credit losses (gains)		
Trade receivables	$(307)	$(564)

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

The Group 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 Group's loss allowance as of 31 December 2020 and 2019 is as follows:

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

31 December 2020

	Not yet due (Note)	Overdue <=30 days	31-60 days	61-90 days	91-360 days	>=361 days	Total
Gross carrying amount	$1,149,362	$61,432	$3,653	$1,289	$795	$4,700	$1,221,231
Loss ratio	-%	-%	10%	20%	50%	100%	
Lifetime expected credit losses	-	-	(324)	(258)	(780)	(4,700)	(6,062)
Carrying amount	$1,149,362	$61,432	$3,329	$1,031	$15	$-	$1,215,169

31 December 2019

	Not yet due (Note)	Overdue <=30 days	31-60 days	61-90 days	91-360 days	>=361 days	Total
Gross carrying amount	$937,842	$62,364	$338	$2,971	$43	$5,321	$1,008,879
Loss ratio	-%	-%	10%	20%	50%	100%	
Lifetime expected credit losses	-	-	(34)	(570)	(17)	(5,321)	(5,942)
Carrying amount	$937,842	$62,364	$304	$2,401	$26	$-	$1,002,937

Note: The Group'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 2020 and 2019 is as follows:

	Note receivables	Trade receivables
Beginning balance at 1 January 2020	$-	$5,942
Reversal for the current period	-	(307)
Obtained through acquisition of subsidiaries	-	427
Ending balance at 31 December 2020	$-	$6,062
Beginning balance at 1 January 2019	$-	$7,555
Reversal for the current period	-	(564)
Write off due to unrecoverable	-	(991)
Exchange differences	-	(58)
Ending balance at 31 December 2019	$-	$5,942

(13)Lease

(1) Group as a lessee

The Group 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 50 years. There are no restrictions placed upon the Group by entering into these leases.

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

The Group'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 2020	31 December 2019
Land	$170,171	$183,249
Buildings	65,298	3,839
Transportation equipment	844	3,601
Other equipment	734	239
Total	$237,047	$190,928

During the years ended 31 December 2020 and 2019, the Group's additions to right-of-use assets amounting to $24,934 and $1,549, respectively.

b. Lease liabilities

	As of	
	31 December 2020	31 December 2019(Note)
Lease liabilities		
Current	$10,559	$3,917
Non-current	11,217	3,940
Total	$21,776	$7,857

Please refer to Note 6 (15)(c) for the interest on lease liabilities recognized during the years ended 31 December 2020 and 2019 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities.

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

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2020	2019
Land	$4,853	$5,558
Buildings	8,864	1,614
Transportation equipment	2,026	2,496
Other equipment	82	573
Total	$15,825	$10,241

C. Income and costs relating to leasing activities

	For the years ended 31 December	
	2020	2019
The expenses relating to short-term leases	$1,679	$10,359

D. Cash outflow relating to leasing activities

During the year ended 31 December 2020 and 2019, the Group’s total cash outflows for leases amounted to $10,775 and $4,506, respectively.

(14)Summary of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2020 and 2019:

Function / Nature	For the years ended 31 December					
	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$530,685	$377,492	$908,177	$435,150	$312,012	$747,162
Labor and health insurance	52,063	27,043	79,106	55,494	24,133	79,627
Pension	2,221	14,932	17,153	2,470	12,377	14,847
Others	41,701	18,667	60,368	34,578	10,271	44,849
Depreciation	188,470	71,070	259,540	195,295	36,989	232,284
Amortization	22,072	32,722	54,794	21,518	23,915	45,433

Note: The number of employees were 4,070 and 2,672 as of 31 December 2020 and 2019, respectively, the number of directors who were not concurrently employees was 7 people.

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

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 2020 and 2019 are as follows:

	For the years ended 31 December	
	2020	2019
Employees’ compensation	$28,000	$23,000
Remuneration to directors and supervisors	4,660	4,600

A resolution was passed at a board of directors meeting held on 3 March 2021 to distribute $28,000 and $4,660 in cash as the employees’ compensation and remuneration to directors and supervisors of 2020, 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 2020.

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 2019.

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

(15)Non-operating income and expenses

a. Other income

	For the years ended 31 December	
	2020	2019
Interest income	$23,458	$41,043
Rental revenue	1,266	2,297
Dividends income	-	3,750
Others	27,374	21,762
Total	$52,098	$68,852

b. Other gains and losses

	For the years ended 31 December	
	2020	2019
Foreign exchange losses, net	$(110,022)	$(27,905)
Net (losses) gains on financial assets at fair value through profit or loss	(9,365)	804
Gain on disposal of investments	8,269	9,903
Gains (losses) on disposal of property, plant and equipment	3,187	(10,395)
Gain on reversal of impairment loss	-	4,560
Others	(1,813)	(3,239)
Total	$(109,744)	$(26,272)

c. Financial costs

	For the years ended 31 December	
	2020	2019
Interest on loans from bank	$4,882	$3,750
Interest on lease liabilities	651	465
Total	$5,533	$4,215

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

(16)Components of other comprehensive income

a. For the year ended 31 December 2020

	Arising during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Remeasurements of defined benefit plans	$(3,631)	$(3,631)	$726	$(2,905)
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of a foreign operation	(99,085)	(99,085)	19,817	(79,268)
Total of other comprehensive income	$(102,716)	$(102,716)	$20,543	$(82,173)

b. For the year ended 31 December 2019

	Arising during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
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)

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

(17)Income tax

The major components of income tax expense are as follows:

a. Income tax recorded in profit or loss

	For the years ended 31 December	
	2020	2019
Current income tax expense:		
Current income tax charge	$250,251	$221,153
Deferred income tax (benefit) expense:		
Deferred income tax expense related to origination and reversal of temporary differences	34,805	(4,628)
Income tax expense recognized in profit or loss	$285,056	$216,525

b. Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2020	2019
Deferred income tax (benefit) expense:		
Exchange differences on translation of foreign operations	$(19,817)	$(10,689)
Remeasurements of defined benefit plans	(726)	(570)
Income tax relating to components of other comprehensive income	$(20,543)	$(11,259)

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

	For the years ended 31 December	
	2020	2019
Accounting profit before tax from continuing operations	$1,130,697	$904,531
The amount of tax at each statutory income tax rate	287,935	222,838
Tax effect of revenue exempt from taxation	(4,831)	-
Tax effect of expenses not deductible for tax purposes	2,259	(1,685)
Tax effect of deferred tax assets/liabilities	(307)	(4,628)
Total income tax expenses recorded in profit or loss	$285,056	$216,525

(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 2020

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Obtained through acquisition of subsidiaries	Exchange differences	Balance as of 31 December
Temporary difference							
Impairment of accounts receivable	$(308)	$323	$-	$-	$25	$-	$40
Unrealized intercompany transactions	101	(319)	-	-	-	-	(218)
Unrealized foreign currency exchange gain or loss	1,841	3,361	-	-	19	(6)	5,215
Provision for allowance to reduce inventories to market value	1,649	(1,700)	-	-	2,454	-	2,403
Defined benefit Liability	10,402	(2,073)	726	-	-	-	9,055
Reserve for land appreciation tax	(87)	-	-	-	-	-	(87)
Investment income under equity method	(213,500)	(36,800)	-	-	-	-	(250,300)
Exchange differences on translation of foreign operations	66,869	-	19,817	-	-	-	86,686
Depreciation	296	186	-	-	-	(20)	462
Accrued expenses	124	206	-	-	-	(3)	327
Other deferred tax assets	-	2,011	-	-	-	(60)	1,951
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(1,210)	-	-	1,210	-	-	-
Deferred tax income/(expense)		$(34,805)	$20,543	$1,210	$2,498	$(89)	
Net deferred tax assets/ (liabilities)	$(133,823)						$(144,466)
Reflected in balance sheet as follows:							
Deferred income tax assets	$84,031						$110,743
Deferred income tax liabilities	$(217,854)						$(255,209)

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

ii. 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				
Evaluation on Allowance for Doubtful Accounts	$-	$(308)	$-	$(308)
Unrealized intercompany transactions	944	(843)	-	101
Unrealized foreign currency exchange gain or loss	1,314	527	-	1,841
Provision for allowance to reduce inventories to market value	3,233	(1,584)	-	1,649
Defined benefit Liability	11,990	(2,158)	570	10,402
Impairment loss	912	(912)	-	-
Reserve for land appreciation tax	(87)	-	-	(87)
Investment income under equity method	(221,809)	8,309	-	(213,500)
Exchange differences on translation of foreign operations	56,180	-	10,689	66,869
Depreciation	134	162	-	296
Accrued expenses	71	53	-	124
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(2,592)	1,382	-	(1,210)
Deferred tax income /(expense)		$4,628	$11,259	
Net deferred tax assets/ (liabilities)	$(149,710)			$(133,823)
Reflected in balance sheet as follows:				
Deferred income tax assets	$75,530			$84,031
Deferred income tax liabilities	$(225,240)			$(217,854)

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

iii. As of 31 December 2020 and 2019, 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 2020 and 2019, the taxable temporary differences of unrecognized deferred tax liabilities associated with investment in subsidiaries as follows:

None.

e. The assessment of income tax returns

As of 31 December 2020, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2018
Mitsumichi Industrial Co., Ltd.	Assessed and approved up to 2018
Taiwan Cheer Champ Co., Ltd.	Assessed and approved up to 2018

As of 31 December 2020, the foreign subsidiaries of the Company have been subject to foreign taxation jurisdiction and have been declared in 2019.

(18)Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity 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.

	For the years ended 31 December	
	2020	2019
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	$832,980	$675,801
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	60,536	60,536
Basic earnings per share (NTD)	$13.76	$11.16

	For the years ended 31 December	
	2020	2019
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	$832,980	$675,801
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	60,536	60,536
Effect of dilution:		
Employee compensation – stock (in thousands)	199	173
Weighted average number of ordinary shares outstanding after dilution (in thousands)	60,735	60,709
Diluted earnings per share (NTD)	$13.72	$11.13

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
Lin Zhi Cheng and other 24 people	Directors and Deputy General Manager of the Company

(2) Key management personnel compensation

	For the years ended 31 December	
	2020	2019
Short-term employee benefits	$57,517	$55,006
Post-employment Benefits	648	679
	$58,165	$55,685

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

8. ASSETS PLEDGED AS COLLATERAL

The following table lists assets of the Group pledged as security:

	Carrying amount		
	31 December 2020	31 December 2019	Secured liabilities
Property, Plant and Equipment-land	$36,585	$21,075	Bank loan
Property, Plant and Equipment-building	486,181	-	Bank loan
Financial assets measured at amortized cost, non-current	200	200	Customs import customs clearance deposit
Other current assets	10,200	-	Product agency and launch
Total	$533,166	$21,275	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The important contracts of construction in progress

a. As of 31 December 2020

Contracting parties	Subject matter	Total contract amount	Contract amount paid as of 31 December 2020
Company A	Building	$37,938	$10,463
Company B	Building	23,505	12,945
Company C	Dormitory	16,482	2,514

b. As of 31 December 2019

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

(2) The Group entered into the financial guarantees to related parties: refer to Note 13(1)(b).

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10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

	As of	
	31 December 2020	31 December 2019
Financial Assets		
Financial assets at fair value through profit or loss:		
Designated at fair value through profit or loss at initial recognition	$114,282	$-
Financial assets at fair value through other comprehensive income	-	14,959
Financial assets measured at amortized cost		
Cash and cash equivalents (excluding cash on hand)	2,727,380	2,427,194
Notes and accounts receivable	1,215,169	1,002,937
Other receivables	15,140	16,656
Financial assets measured at amortized cost, non-current	200	200
Total	$4,072,171	$3,461,946
Financial Liabilities		
Financial liabilities at amortized cost:		
Short-term loans	$542,000	$290,000
Short-term notes and bills payable	35,000	-
Notes and accounts payables	1,070,472	558,391
Other payables	339,942	245,646
Long-term loans (Long-term loans due within one year)	370,151	120,000
Lease liability	21,776	7,857
Subtotal	2,379,341	1,221,894
Financial liabilities at fair value through profit or loss:		
Designated at fair value through profit or loss at initial recognition	4,081	777
Total	$2,383,422	$1,222,671

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

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

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

a. When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2020 and 2019 is decreased by $22,909 and $19,127, respectively; and no impact on the equity.

b. When NTD strengthens/weakens against RMB by 1%, the profit for the years ended 31 December 2020 and 2019 is decreased/increased by $631 and $225, respectively; and no impact on the equity.

c. When NTD strengthens/weakens against VND by 1%, the profit for the years ended 31 December 2020 and 2019 is increased by $1,136 and $1,383, respectively; and no impact on the equity.

<u>Interest rate risk</u>

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

The interest rate sensitivity analysis is performed on the borrowings with variable interest rates as of the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate in a reporting period will result in a increase/decrease of $370 and $120 for the years ended 31 December 2020 and 2019, respectively.

Equity price risk

The fair value of the Group’s listed and unlisted equity securities and conversion rights of the Euro-convertible bonds issued are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group’s listed and unlisted equity securities are classified under held for trading financial assets or available-for-sale financial assets, while conversion rights of the Euro-convertible bonds issued are classified as financial liabilities at fair value through profit or loss as it does not satisfy the definition of an equity component. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group’s senior management on a regular basis. The Group’s Board of Directors reviews and approves all equity investment decisions.

Please refer to Note 12.(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

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

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

As of 31 December 2020 and 2019, amounts receivables from top ten customers represented 87.49% and 90.05% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group'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 liabilities	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of 31 December 2020					
Short-term loans	$542,000	$-	$-	$-	$542,000
Short-term notes and bills payable	35,000	-	-	-	35,000
Payables	1,070,472	-	-	-	1,070,472
Long-term loans	68,755	91,735	50,836	172,371	383,697
Lease liability	10,946	9,021	2,407	-	22,374
As of 31 December 2019					
Short-term loans	$290,000	$-	$-	$-	$290,000
Payables	558,391	-	-	-	558,391
Long-term loans	41,224	80,816	-	-	122,040
Lease liability	4,272	4,132	-	-	8,404

Derivative financial liabilities	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of 31 December 2020					
Inflow	$-	$-	$-	$-	$-
Outflow	(4,081)	-	-	-	(4,081)
Net	$(4,081)	$-	$-	$-	(4,081)
As of 31 December 2019					
Inflow	$-	$-	$-	$-	$-
Outflow	(777)	-	-	-	(777)
Net	$(777)	$-	$-	$-	$(777)

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2020:

	Short-term loans	Short-term notes and bills payable	Long-term loans	Lease liability	Total liabilities from financing activities
As of 1 January 2020	$290,000	$-	$120,000	$7,857	$417,857
Cash flow	199,000	35,000	246,841	(10,775)	470,066
Non-cash change	-	-	-	24,694	24,694
Obtained through acquisition of subsidiaries	53,000	-	3,310	-	56,310
As of 31 December 2020	$542,000	$35,000	$370,151	$21,776	$968,927

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	$10,814	$490,814
Cash flow	70,000	(100,000)	(40,000)	(4,506)	(74,506)
Non-cash change	-	-	-	1,549	1,549
As of 31 December 2019	$290,000	$-	$120,000	$7,857	$417,857

(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 Group 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).

b. Fair value of financial instruments measured at amortized cost

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

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

c. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

The Group's derivative financial instruments include a foreign exchange swap and a cross currency swap. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2020 and 2019 is as follows:

Foreign Exchange Swap and Cross Currency Swap

The Group 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 2020		
Foreign Exchange Swap	Sell USD 8,000 thousand	2020/07/30-2021/05/04
Forward exchange agreement	Sell EUR 2,700 thousand	2020/08/06-2021/03/31
As of 31 December 2019		
Foreign Exchange Swap	Sell USD 3,000 thousand	2019/10/30-2020/02/07

The Group entered into derivative transactions to manage exposures related to exchange rate fluctuations. Because the Group 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:

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

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 Group 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 Group’s assets and liabilities

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

As of 31 December 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	$114,282	$-	$-	$114,282
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap	-	3,409	-	3,409
Forward exchange agreement	-	672	-	672

As of 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	$-	$-	$14,959	$14,959
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap	-	777	-	777

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

Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

	Assets	
	At fair value through other comprehensive income	
	Stocks	
	For the years ended 31 December	
	2020	2019
Beginning balances	$14,959	$32,056
Acquisition (Disposal)	(14,959)	(17,097)
Ending balances	$-	$14,959

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of 31 December 2020:

None.

As of 31 December 2019

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	10%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in (decrease) increase in the Group’s profit or loss by $1,496

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

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(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 2020

None.

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	$-	$-	$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

	As of					
	31 December 2020			31 December 2019		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
Financial assets						
Monetary item:						
USD	$112,587	28.5080	$3,209,630	$79,814	30.106	$2,402,880
CNY	66,602	4.3592	290,331	23,280	4.3217	100,609
VND	81,540,149	0.001235	100,702	107,667,892	0.001299	139,861
Financial liabilities						
Monetary item:						
USD	$12,135	28.5080	$345,945	$397	30.106	$11,952
CNY	48,499	4.3592	211,417	29,798	4.3217	128,778
VND	196,547,101	0.001235	242,736	240,729,494	0.001299	312,708

Due to the large number of functional currencies used in the Group, it’s impossible to disclose foreign exchange gains and losses on the basis of each monetary item which has significant impact. The Group recognized $(110,022) and $(27,905) for foreign exchange loss for the years ended 31 December 2020 and 2019, respectively.

(11) Capital management

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

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13. ADDITIONAL DISCLOSURES

1. Information on significant transactions

(1) Financing provided: none.

(2) Endorsement/guarantee provided:

No. (Note 1)	Endorser/ Guarantor	Endorsee		Limit of guarantee/ endorsement amount to a single entity (Note 3)	Maximum guarantee balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement backed by property	Ratio of Accumulated Amount of Guarantee to Net Equity of the most recent Financial Statements	Maximum guarantee limit (Note 4)	Parent company to subsidiary	Subsidiary to parent company	To Mainland China
		Company name	Relationship (Note 2)										
0	Zeng Hsing Industrial CO., LTD.	Zeng Hsing Industrial CO., Ltd. (VN)	(2)	$1,494,850	$755,462 (USD26,500,000)	$755,462 (USD26,500,000)	$-	$-	15.16%	$1,993,134	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: The relationship between the endorser and endorsee is listed as follows:
(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 invests jointly 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 to a single overseas affiliate shall not exceed 30% of ZENG HSING INDUSTRIAL CO., LTD's net worth.
Note 4: The total guarantee/endorsement amount shall not exceed 40% of ZENG HSING INDUSTRIAL CO., LTD's net worth of the current period.

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(3) Securities held at the end of the period (excluding investment subsidiaries, affiliates and joint-venture controlling interests):

Company held	Securities type	Securities name	Relationship with the Securities issuer (Note1)	Financial Statement Account	31 December 2020			
					Shares/Units	Carrying Value	Ownership Percentage	Market Value or Net Asset Value
Zeng Hsing Industrial CO., LTD.	Fund	Capital Global Financial Bond Fund A	-	Financial assets at fair value through other comprehensive income, current	186,755.31	$57,190	-%	$57,190
Zeng Hsing Industrial CO., LTD.	Fund	Fuh Hwa 5-10 Year Investment Grade Bond Index Fund USD	-	Financial assets at fair value through other comprehensive income, current	188,752.30	57,092	-%	57,092
				Total		$114,282		$114,282

Note1: If the securities issuer is not a related party, the field is not required to be filled.

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

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

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

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

(7) Related party transactions for purchases and sales amounts exceeding the lower of $100 million or 20% of capital stock:

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]	Zeng Hsing Industrial CO., Ltd.	2	Sales	$340,083	4.88%	There is no difference with other clients	Regular	Regular	Account receivable $78,017	6.42%	
Zeng Hsing Industrial CO., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	1	Purchases	$340,083	4.88%	There is no difference with other clients	Regular	Regular	Account payable $(78,017)	(6.42%)	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Sales	$4,399,560	63.16%	There is no difference with other clients	Regular	Regular	Account receivable $425,378	35.01%	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Purchases	$4,399,560	63.16%	There is no difference with other clients	Regular	Regular	Account payable $(425,378)	(35.01%)	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Sales (Note 2)	$733,166	10.53%	There is no difference with other clients	Regular	Regular	Account receivable $215,258	17.71%	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Purchases	$733,166	10.53%	There is no difference with other clients	Regular	Regular	Account payable $(215,258)	(17.71%)	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	3	Sales	$213,935	3.07%	There is no difference with other clients	Regular	Regular	Account receivable and other receivables $36,348	2.99%	

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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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 Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	3	Purchases	$213,935	3.07%	There is no difference with other clients	Regular	Regular	Account payable $(36,348)	(2.99%)	
Zhangjiagang Zenghsing Trading Co., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	3	Sales	$248,842	3.57%	There is no difference with other clients	Regular	Regular	Account receivable $51,159	4.21%	
Zeng Hsing Industrial CO., Ltd. (VN)	Zhangjiagang Zenghsing Trading Co., Ltd.	3	Purchases	$248,842	3.57%	There is no difference with other clients	Regular	Regular	Account payable $(51,159)	(4.21%)	

Note 1: “1” represents the transactions from the parent company to a subsidiary.
“2” represents the transactions from a subsidiary to the parent company.
“3” represents the transaction between subsidiaries.

Note2: The Company reported the net sales of triangle trade and recognized commission of $22,594 for the year ended 31 December 2020.

Note3: Related party transactions were eliminated when preparing the consolidated financial statements.

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

(8) Receivables from related parties amounting to over $100 million or 20% of the paid-in capital:

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue receivables		Amounts Received in Subsequent Period	Loss allowance	Note
					Amounts	Action Taken			
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	Subsidiary	$215,258	4.39	$-	-	$52,381	$-	accounts receivable-customers
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	Subsidiary	$425,378	9.52	$-	-	$425,378	$-	accounts receivable-customers

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

(10) Inter-company relationships and significant intercompany transactions: refer to Note 13 (1) (7).

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

2. Information on investees

(1) Names, locations, and related information of investees on which the company exercises significant influence:

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as at 31 Decmber 2020			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2020	31 December 2019	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	$650,060 (USD 20,000,000)	$586,375 (USD 17,873,452)	17,873	100%	$806,400	$23,083	$22,764	Note 1
Zeng Hsing Industrial Co., Ltd. (BVI)	Arcoris Pte Ltd.	8 Cross Street #24-03/04 Pwc Building Singapore (048424)	Holding company	218,237 (USD 7,000,000)	129,291 (USD 4,030,000)	4,030,000	100%	201,830	871	871	
Arcoris Pte Ltd.	Zorca Worldwide Ltd.	Marcy Building, 2nd Floor, Purcell Estate P.O. Box 2416 Road Town British Virgin Islands	Holding company	92,508 (USD 2,900,000)	77,534 (USD 2,400,000)	2,400,000	100%	62,467	(1,058)	(1,058)	
Zorca Worldwide Ltd.	Taiwan Cheer Champ Co., Ltd.	New Taipei City, Taiwan	Selling household sewing machines	86,062 (USD 2,790,000)	62,962 (USD 2,020,000)	9,594,568	68.53%	59,455	(4,735)	(777)	
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 (USD 1,100,000)	33,239 (USD 1,100,000)	1,200,000	100%	29,232	(1,327)	(1,327)	
Jetsun Technology Co., Ltd (Seychelles)	Jetsun Technology Company Limited	Bing Doung, Vietnam	Research and design of filtration equipment	39,494 (USD 1,204,000)	39,494 (USD 1,204,000)	-	100%	29,232	VND (1,042,062,146)	(1,327)	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	Bing Doung, Vietnam	Manufacturing household sewing machines	1,049,554 (USD 35,000,000)	1,049,554 (USD 35,000,000)	-	100%	1,792,727	VND 176,269,305,645	224,391	
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 (USD 11,173,331)	347,158 (USD 11,173,331)	-	100%	295,553	VND 12,859,919,116	16,371	
Zeng Hsing Industrial CO., Ltd.	Taiwan Carbon Technology CO., Ltd.	Taichung, Taiwan	Manufacturing carbon fiber, fire resistant fiber and related products.	20,566	24,105	2,500,000	19.53%	32,443	28,686	5,602	
Zeng Hsing Industrial CO., Ltd.	Mitsumichi industrial CO. Ltd	Taichung, Taiwan	Manufacturing household sewing machines	31,330	31,330	1,378,000	53.00%	51,183	26,772	14,189	

Note 1: 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)

3. Information on investment in Mainland China

(a) 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:

Investee Company	Main Businesses and Products	Total Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2020	Percentage of Ownership	Equity in Earnings (Losses) (Note 1)	Carrying Value as of 31 December 2020	Accumulated Inward Remittance of Earnings as of 31 December 2020
					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 (USD 9,103,039)	$-	$-	$304,199 (USD9,103,039)	100%	$27,997	$560,960	$518,695 (USD12,603,654) (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 (USD 500,000)	-	-	14,931 (USD 500,000)	100%	RMB 2,786,448	RMB 10,217,520	RMB 26,251,891

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

Investee Company	Main Businesses and Products	Total Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2020	Percentage of Ownership	Equity in Earnings (Losses) (Note 1)	Carrying Value as of 31 December 2020	Accumulated Inward Remittance of Earnings as of 31 December 2020
					Outflow	Inflow					
Zhangjiagang Zenghsing Trading Co., Ltd.	Selling household sewing machines and spare parts	RMB 1,000,000	Indirect investments through Zeng Hsing (BVI)	-	-	-	-	100%	RMB 511,900	RMB 11,618,801	RMB 9,197,561
Shanghai Debra Trading Company Limited	Selling household sewing machines and spare parts	RMB 5,000,000	Indirect investments through Zeng Hsing (BVI)	-	-	-	-	100%	RMB (1,411,244)	RMB 1,643,455	-

Accumulated investment in Mainland China as of 31 December 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$319,130 (USD9,603,039)	$459,409(Note2) (USD13,848,355)	$2,989,700

Note 1: The financial statement was reviewed by independent accountants.
Note 2: The investment amount authorized by the Investment Commission, MOEA was $459,409 (USD 13,848,355). The capitalization of retained earnings in China in the amount of USD 4,245,316 was exempted to be included in the upper limit on investment.

(b) As of 31 December 2020, for information on significant transactions and prices, payments, etc. between the parent company and subsidiaries, please refer to Note 13(1)(7).

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

4. Information of major shareholders

The company has no shareholders with a shareholding ratio of more than 5% on 30 September 2020.

14. OPERATING SEGMENT INFORMATION

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

Taiwan segment produces computerized and electronic sewing machines.

China segment produces computerized, electronic and mechanical sewing machines.

Vietnam segment produces mechanical sewing machines.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However income taxes are managed on a group basis and are not allocated to operating segments.

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

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

(1) For the year ended 31 December 2020

	Taiwan	China	Vietnam	Adjustments and eliminations (Note 1)	Consolidated
Revenue					
External customers	$6,445,006	$351,407	$169,406	$-	$6,965,819
Inter-segment	71,912	847,390	4,475,101	(5,394,403)	-
Total revenue	$6,516,918	$1,198,797	$4,644,507	$(5,394,403)	$6,965,819

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

	Taiwan	China	Vietnam	Adjustments and eliminations (Note 1)	Consolidated
Interest expense	5,388	-	145	-	5,533
Depreciation and amortization	83,889	18,073	212,372	-	314,334
Investment income	308,048	8,085	-	(312,226)	3,907
Segment profit	$1,095,315	$46,879	$300,729	$(312,226)	$1,130,697
Assets					
Investment using the equity method	3,972,933	102,353	-	(4,017,234)	58,052
Capital expenditures of non-current assets	147,496	10,500	177,923	-	335,919

(2) For the year ended 31 December 2019

	Taiwan	China	Vietnam	Adjustments and eliminations (Note 1)	Consolidated
Revenue					
External customers	$5,480,098	$255,175	$200,675	$-	$5,935,948
Inter-segment	71,159	826,375	3,761,108	(4,658,642)	-
Total revenue	$5,551,257	$1,081,550	$3,961,783	$(4,658,642)	$5,935,948
Interest expense	3,284	-	931	-	4,215
Depreciation and amortization	50,850	24,328	202,539	-	277,717
Investment income	240,438	967	-	(226,269)	15,136
Segment profit	$892,032	$54,980	$181,854	$(224,335)	$904,531
Assets					
Investment using the equity method	3,631,899	88,995	-	(3,639,271)	81,623
Capital expenditures of non-current assets	324,146	4,476	221,283	-	549,905

Note1: Inter-segment transactions are eliminated on consolidation and recorded under the "adjustment and elimination" column.

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

The information regarding segment assets and liabilities of the Group for the years ended 31 December 2020 and 2019 is listed as follows:

Operating segment Assets

	Taiwan	China	Vietnam	Adjustments and eliminations	Consolidated
31 December 2020	$8,737,694	$1,004,931	$3,160,842	$(4,921,784)	$7,981,683
31 December 2019	$7,458,920	$905,830	$2,604,539	$(4,527,231)	$6,442,058

Operating segment liabilities

	Taiwan	China	Vietnam	Adjustments and eliminations	Consolidated
31 December 2020	$2,447,751	$341,618	$1,044,436	$(906,600)	$2,927,205
31 December 2019	$1,661,279	$266,194	$566,132	$(855,526)	$1,638,079

2. Geographic information

a. Revenue from external customers:

	For the years ended 31 December	
Country	2020	2019
USA	$1,801,739	$1,094,318
Germany	515,372	926,510
Italy	495,390	258,102
Switzerland	356,250	315,192
Japan	264,197	134,056
Other countries	3,532,871	3,207,770
Total	$6,965,819	$5,935,948

Incomes are classified based on the customer's country.

b. Non-current assets:

	As of 31 December	
Country	2020	2019
Taiwan	$1,084,020	$951,982
China	86,738	86,674
Vietnam	1,163,665	1,192,394
Total	$2,334,423	$2,231,050

3. Important customer information

	For the years ended 31 December	
Country	2020	2019
Customer A from the Taiwan operating segment	$4,194,503	$3,920,800