ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE SIX-MONTH PERIODS ENDED
30 June 2022 AND 2021

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

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To ZENG HSING INDUSTRIAL CO., LTD.

Introduction

We have reviewed the accompanying consolidated balance sheets of Zeng Hsing Industrial Co., Ltd. (the "Company") and its subsidiaries as of 30 June 2022 and 2021, the related consolidated statements of comprehensive income for the three-month and six-month periods ended 30 June 2022 and 2021, and consolidated statements of changes in equity and cash flows for the six-month periods ended 30 June 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements"). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain insignificant subsidiaries were not reviewed by independent accountants. Those statements reflected total assets of NTD 354,592 thousand and NTD 478,467 thousand, constituting 4.00% and 5.70% of the consolidated total assets, and total liabilities of NTD 69,285 thousand and NTD 174,374 thousand, constituting 1.75% and 6.13% of the consolidated total liabilities as of 30 June 2022 and 2021, respectively; and total comprehensive income of NTD (8,512) thousand, NTD (26,234) thousand, NTD (18,974) thousand and NTD (46,658) thousand, which represented (3.70)%, (15.33)%, (4.11)% and (9.33)% of the consolidated comprehensive income for the three-month and six-month periods ended 30 June 2022 and 2021, respectively. The financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent accountants. Those associates' and joint ventures' investments under equity method amounted to NTD 100,618 thousand and NTD 55,519 thousand as of 30 June 2022 and 2021, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NTD 1,566 thousand, NTD 290 thousand, NTD 4,054 thousand and NTD 2,467 thousand for the three-month and six-month periods ended 30 June 2022 and 2021, respectively. The information related to the above subsidiaries, and associates and joint ventures accounted for under the equity method disclosed in Note 13 was also not reviewed by independent accountants.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, associates and joint ventures accounted for using equity method been reviewed by independent accountants described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at 30 June 2022 and 2021, and their consolidated financial performance for the three-month and six-month periods ended 30 June 2022 and 2021, and cash flows for the six-month periods ended 30 June 2022 and 2021, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Chen, Ming Hung
Yen, Wen Pi
Ernst & Young, Taiwan
5 August 2022

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

30 June 2022, 31 December 2021 and 30 June 2021 (30 June 2022 and 2021 are unaudited)

(Expressed in Thousands of New Taiwan Dollars)

		As of		
Assets	Notes	30 June 2022	31 December 2021	30 June 2021
Current Assets				
Cash and cash equivalents	4, 6(1), 12	$1,414,697	$2,634,448	$2,149,273
Financial assets at fair value through profit or loss, current	4, 12	125,472	108,131	117,191
Financial assets measured at amortized cost, current	4, 12	86,036	10,201	132,541
Accounts receivable, net	4, 6(2), 6(12), 12	1,846,637	1,003,194	1,761,334
Other receivables	12	112,949	67,479	57,958
Inventories, net	4, 6(3)	978,008	1,587,574	1,521,515
Prepayments		17,216	18,760	33,579
Other current assets	8	125,398	115,065	171,980
Total Current Assets		4,706,413	5,544,852	5,945,371
Non-current assets				
Investments accounted for under the equity method	4	100,618	98,647	55,519
Property, plant and equipment	4, 6(4), 8	2,021,501	1,922,444	1,926,923
Right of use assets	4, 6(13)	227,575	217,305	227,270
Intangible assets	4	37,189	37,636	37,933
Deferred tax assets	4	17,931	27,264	38,517
Other non-current assets	4, 6(5),12	1,754,872	117,926	156,235
Total non-current assets		4,159,686	2,421,222	2,442,397
Total assets		$8,866,099	$7,966,074	$8,387,768

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

(continued)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
30 June 2022, 31 December 2021 and 30 June 2021 (30 June 2022 and 2021 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

		As of		
Liabilities and Equity	Notes	30 June 2022	31 December 2021	30 June 2021
Current liabilities				
Short-term loans	4, 6(6), 12	$1,510,929	$946,501	$448,290
Short-term notes and bills payable	4, 12	330,000	130,000	-
Contract liabilities, current	6(11)	55,400	73,715	62,673
Notes payable	12	9,196	19,918	19,067
Accounts payable	12	660,919	872,335	1,226,988
Other payables	12	751,141	320,397	308,548
Current tax liabilities	4	107,956	110,217	187,995
Long-term borrowings (including current portion with maturity less than 1 year)	4, 6(7), 12	24,000	64,000	64,982
Other current liabilities	4, 6(13), 12	36,815	31,453	38,363
Total current liabilities		3,486,356	2,568,536	2,356,906
Non-current liabilities				
Long-term loans	4, 6(7), 12	228,000	240,000	272,000
Deferred tax liabilities	4	208,515	151,294	173,380
Accrued pension liabilities	4	22,280	23,806	32,054
Other non-current liabilities	4, 6(13), 12	8,874	6,410	9,919
Total non-current liabilities		467,669	421,510	487,353
Total liabilities		3,954,025	2,990,046	2,844,259
Equity attributable to the parent company	4, 6(9)			
Capital				
Common stock		605,356	605,356	605,356
Additional paid-in capital		1,389,627	1,389,627	1,393,097
Retained earnings				
Legal reserve		730,563	730,563	730,563
Special reserve		326,214	295,491	211,385
Retained earnings		2,031,168	2,213,284	2,877,177
Total Retained earnings		3,087,945	3,239,338	3,819,125
Other components of equity				
Exchange differences on translation of foreign operations - the parent company		(229,344)	(326,214)	(333,277)
Equity attributable to owners of the parent		4,853,584	4,908,107	5,484,301
Non-controlling interests	6(10)	58,490	67,921	59,208
Total equity		4,912,074	4,976,028	5,543,509
Total liabilities and equity		$8,866,099	$7,966,074	$8,387,768

(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 three-month and six-month periods ended 30 June 2022 and 2021
(Reviewed, Not Audited)
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	Notes	2022	2021	2022	2021
Net Sales	4, 6(11)	$1,925,876	$2,256,167	$3,911,651	$4,801,388
Cost of Sales	6(3), 6(14)	(1,577,307)	(1,729,034)	(3,234,163)	(3,641,090)
Gross Profit		348,569	527,133	677,488	1,160,298
Operating Expenses	6(13), 6(14)				
Selling and marketing		(65,546)	(74,306)	(133,239)	(149,068)
Management and administrative		(114,732)	(115,448)	(238,153)	(243,917)
Research and development		(31,353)	(29,570)	(63,975)	(56,604)
Expected credit (losses) gains	6(12)	(765)	(132)	(995)	1,073
Total Operating Expenses		(212,396)	(219,456)	(436,362)	(448,516)
Operating Income		136,173	307,677	241,126	711,782
Non-operating income and expenses	6(15)				
Other income		11,006	14,258	19,062	22,671
Other gain and loss		123,870	(54,184)	217,624	(50,316)
Financial costs		(4,404)	(1,809)	(7,438)	(3,940)
Share of profit or loss of associates and joint ventures		1,566	290	4,054	2,467
Subtotal		132,038	(41,445)	233,302	(29,118)
Income before income tax		268,211	266,232	474,428	682,664
Income tax expense	4, 6(17)	(64,262)	(56,708)	(109,701)	(144,849)
Income, net of tax		203,949	209,524	364,727	537,815
Other comprehensive income	6(16)				
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		32,751	(47,933)	121,087	(47,233)
Income tax related to items that may be reclassified subsequently		(6,550)	9,587	(24,217)	9,447
Total other comprehensive income (loss), net of tax		26,201	(38,346)	96,870	(37,786)
Total comprehensive income		$230,150	$171,178	$461,597	$500,029
Net income attributable to:					
Stockholders of the parent		$204,049	$211,046	$363,160	$539,253
Non-controlling interests		(100)	(1,522)	1,567	(1,438)
		$203,949	$209,524	$364,727	$537,815
Comprehensive income attributable to:					
Stockholder of the parent		$230,250	$172,700	$460,030	$501,467
Non-controlling interests		(100)	(1,522)	1,567	(1,438)
		$230,150	$171,178	$461,597	$500,029
Earnings per share (NTD)	6(18)				
Earnings per share-basic		$3.37	$3.49	$6.00	$8.91
Earnings per share-diluted		$3.37	$3.48	$5.99	$8.90

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the six-month periods ended 30 June 2022 and 2021
(Reviewed, Not Audited)
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Total	Non-Controlling Interests	Total Equity
Balance as of 1 January 2021	6(9)	$605,356	$1,393,097	$730,563	$211,385	$2,337,924	$(295,491)	$4,982,834	$71,644	$5,054,478
Net income in the first half of 2021						539,253		539,253	(1,438)	537,815
Other comprehensive income, net of tax in the first half of 2021							(37,786)	(37,786)		(37,786)
Total comprehensive income		-	-	-	-	539,253	(37,786)	501,467	(1,438)	500,029
Cash dividends of subsidiary									(10,998)	(10,998)
Balance as of 30 June 2021	6(9)	$605,356	$1,393,097	$730,563	$211,385	$2,877,177	$(333,277)	$5,484,301	$59,208	$5,543,509
Balance as of 1 January 2022	6(9)	$605,356	$1,389,627	$730,563	$295,491	$2,213,284	$(326,214)	$4,908,107	$67,921	$4,976,028
Appropriations of earnings, 2021:										
Special reserve					30,723	(30,723)		-		-
Cash dividends						(514,553)		(514,553)		(514,553)
Net income in the first half of 2022						363,160		363,160	1,567	364,727
Other comprehensive income, net of tax in the first half of 2022							96,870	96,870		96,870
Total comprehensive income		-	-	-	-	363,160	96,870	460,030	1,567	461,597
Cash dividends of subsidiary									(10,998)	(10,998)
Balance as of 30 June 2022	6(9)	$605,356	$1,389,627	$730,563	$326,214	$2,031,168	$(229,344)	$4,853,584	$58,490	$4,912,074

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six-month periods ended 30 June 2022 and 2021
(Reviewed, Not Audited)
(Expressed in Thousand New Taiwan Dollars)

		For the six-month periods ended 30 June	
	Notes	2022	2021
Cash flows from operating activities:			
Net income before tax		$474,428	$682,664
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation		150,770	133,730
Amortization		22,741	25,780
Gain on disposal of property, plant and equipment		(140)	(710)
Net gain of financial assets at fair value through profit or loss		(29,619)	(1,063)
Loss from market value decline, obsolete and slow-moving of inventories		8,023	1,275
Share of profit or loss of associates and joint ventures		(4,054)	(2,467)
Expected credit losses (gain)		995	(1,073)
Other loss		663	-
Interest income		(4,866)	(4,800)
Interest expense		7,438	3,940
Changes in operating assets and liabilities:			
Decrease (increase) in financial assets at fair value through profit or loss		10,733	(1,001)
Increase in accounts receivable		(844,438)	(545,092)
Decrease (increase) in inventories, net		601,543	(211,477)
Increase in other receivables		(45,470)	(42,818)
Decrease in prepayments		754	7,083
(Increase) decrease in other current assets		(11,416)	28,579
Decrease in contract liabilities		(18,315)	(20,140)
Decrease in notes payable		(10,722)	(3,975)
(Decrease) increase in accounts payable		(211,416)	179,558
Decrease in other payables		(83,809)	(30,349)
Increase in other current liabilities		6,418	1,448
Decrease in accrued pension liabilities		(1,526)	(3,468)
Cash generated from operations		18,715	195,624
Interest received		4,866	4,800
Income tax paid		(69,479)	(103,574)
Net cash (used in) provided by operating activities		(45,898)	96,850
Cash flows from investing activities:			
Acquisition of financial assets measured at amortized cost		(75,835)	(132,541)
Increase in prepayments for investments		(1,690,000)	(30,745)
Acquisition of property, plant and equipment		(108,574)	(275,315)
Proceeds from disposal of property, plant and equipment		757	764
Increase in refundable deposits		(342)	(276)
Acquisition of intangible assets		(2,767)	(4,608)
Dividends received		2,500	5,000
Increase in other non-current assets		(37,992)	(33,592)
Net cash used in investing activities		(1,912,253)	(471,313)
Cash flows from financing activities:			
Increase in short-term loans		2,836,844	1,040,314
Decrease in short-term loans		(2,291,648)	(1,132,135)
Increase in short-term notes and bills payable		790,000	-
Decrease in short-term notes and bills payable		(590,000)	(35,000)
Decrease in long-term loans		(52,000)	(33,169)
Lease principal repayment		(5,740)	(5,944)
Interest paid		(7,438)	(3,940)
Cash dividends of subsidiary		(10,998)	(10,998)
Net cash provided by (used in) financing activities		669,020	(180,872)
Effect of exchange rate changes on cash and cash equivalents		69,380	(23,727)
Net decrease in cash and cash equivalents		(1,219,751)	(579,062)
Cash and cash equivalents at beginning of period		2,634,448	2,728,335
Cash and cash equivalents at end of period	6(1)	$1,414,697	$2,149,273

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Six-month Periods Ended 30 June 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

1. ORGANIZATION AND OPERATIONS

Zeng Hsing Industrial Co., Ltd. (the Company) was incorporated in 1968 to manufacture and market household sewing machines, vacuum cleaners, and the spare parts used on these products. The Company applied to be listed on the GreTai Securities Market 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 six-month periods ended 30 June 2022 and 2021 were authorized for issue in accordance with the resolution of the board of directors’ meeting held on 5 August 2022.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by the Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2022. 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, 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	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

(a) 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.

(b) 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.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023, the remaining standards and interpretations have no material impact on the Group.

(3) Standards or interpretations issued, revised or amended, by 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

(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 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 a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. 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.

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 of the Group for the six-month periods ended 30 June 2022 and 2021 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 (“NTD”) 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.

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.

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

The consolidated entities are as follows:

			Percentage of ownership (%)		
Investor	Subsidiary	Business nature	30 June 2022	31 December 2021	30 June 2021
the Company	Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Trading and holding company	100.00%	100.00%	100.00%
the Company	Zeng Hsing Industrial Co., Ltd. (VN) [Zeng Hsing (VN)]	Manufacturing household sewing machines	100.00%	100.00%	100.00%
the Company	Shinco Technologies Limited (VN) [Shinco (VN)]	Material die-casting of metal of aluminum, zinc and magnesium alloy	100.00%	100.00%	100.00%
the Company	Mitsumichi Industrial Co., Ltd. [Mitsumichi]	Manufacturing household overlock machines	53.00%	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%	100.00%
Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Arcoris Pte Ltd.	Holding company	100.00%	100.00%	100.00%
Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Jetsun Technology Co., Ltd (Seychelles)	Holding company	100.00%	100.00%	100.00%
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. [Zhangjiagang]	Zhangjiagang Zenghsing Trading Co., Ltd. [Zhangjiagang trading]	Selling household sewing machines and spare parts	100.00%	100.00%	100.00%
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%	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%	100.00%
Jetsun Technology Co., Ltd (Seychelles)	Jetsun Technology Company Limited	Research and design of filtration equipment	100.00%	100.00%	100.00%

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

			Percentage of ownership (%)		
Investor	Subsidiary	Business nature	30 June 2022	31 December 2021	30 June 2021
Arcoris Pte Ltd.	Zorca Worldwide Ltd.	Holding company	100.00%	100.00%	100.00%
Zorca Worldwide Ltd.	Taiwan Cheer Champ Co., Ltd.	Selling household sewing machines	85.68% (Note 1)	85.68% (Note 1)	68.53%

Note 1. On 1 November 2021, the Company participated in the cash capital increase of Taiwan Cheer Champ Co., Ltd., increasing the investment amount by $99,390. However the Company did not increase the capital according to the shareholding ratio, its shareholding ratio in the company increased from 68.53% to 85.68%, and the capital reserve was reduced by $3,470.

The financial statements of some of the consolidated subsidiaries listed above have not been reviewed by independent accountants. As at 30 June 2022 and 30 June 2021, the related assets of the subsidiaries which were unreviewed by auditors amounted to $354,592 and $478,467, respectively; and the related liabilities amounted to $69,285 and $174,374, respectively. The comprehensive income of these subsidiaries amounted to $(8,512), $(26,234), $(18,974) and $(46,658) for the three-month and six-month periods ended 30 June 2022 and 2021, respectively.

(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

<u>Classification between liabilities or equity</u>

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 at 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) 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.

<u>Group as a lessee</u>

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.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment and the practical expedient has been applied to such rent concessions.

<u>Group as a lessor</u>

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.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, 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

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(21) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(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:

A. 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
B. 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:

A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and 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.

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.

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.

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	30 June 2022	31 December 2021	30 June 2021
Cash on hand	$1,126	$1,138	$1,130
Checking and savings accounts	997,313	1,111,369	1,424,766
Time deposits	415,848	715,895	260,851
Repurchase agreements	-	805,309	461,432
Cash equivalents	410	737	1,094
Total	$1,414,697	$2,634,448	$2,149,273

(2) Accounts receivables, net

	As of		
	30 June 2022	31 December 2021	30 June 2021
Accounts receivable - non related parties	$1,852,762	$1,008,324	$1,766,323
Less: loss allowance	(6,125)	(5,130)	(4,989)
Accounts receivable, net	$1,846,637	$1,003,194	$1,761,334

Trade receivables are generally on 45-90 day terms. The total carrying amount as of 30 June 2022, 31 December 2021 and 30 June 2021 were $1,852,762, $1,008,324 and $1,766,323, respectively. Please refer to Note 6(12) for more details on loss allowance of trade receivables for the six-month periods ended 30 June 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

No accounts receivables were pledged.

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

(3) Inventories, net

A. Details as follows

	As of		
	30 June 2022	31 December 2021	30 June 2021
Raw materials	$621,204	$812,193	$707,613
Work in progress	7,326	10,704	58,156
Semi-manufactured goods	36,114	52,727	40,553
Finished goods	313,364	711,950	715,193
Total	$978,008	$1,587,574	$1,521,515

B. The Group cost of inventories recognized in cost of sales amounts to $1,577,307 for the three-month period ended 30 June 2022, including the loss from market value decline, obsolete and slow-moving of inventories $6,383. The Group cost of inventories recognized in cost of sales amounts to $3,234,163 for the six-month period ended 30 June 2022, including the loss from market value decline, obsolete and slow-moving of inventories $8,023.

C. The Group cost of inventories recognized in cost of sales amounts to $1,729,034 for the three-month period ended 30 June 2021, including the gain from inventory price recovery $759. The Group cost of inventories recognized in cost of sales amounts to $3,641,090 for the six-month period ended 30 June 2021, including the loss from market value decline, obsolete and slow-moving of inventories $1,275.

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 2022	$79,467	$1,126,247	$1,083,021	$491,873	$30,103	$30,806	$31,068	$597,802	$65,091	$3,535,478
Additions	-	3,071	11,761	28,441	-	492	1,143	11,426	52,240	108,574
Disposals	-	-	(4,564)	(22,468)	(61)	(855)	(1,010)	(5,020)	-	(33,978)
Transfers	-	20,027	55,402	28,313	-	102	-	10,805	(36,484)	78,165
Exchange differences	-	25,716	53,221	19,558	1,201	334	-	13,684	3,668	117,382
As of 30 June 2022	$79,467	$1,175,061	$1,198,841	$545,717	$31,243	$30,879	$31,201	$628,697	$84,515	$3,805,621
As of 1 January 2021	$79,467	$1,120,627	$951,232	$461,691	$30,241	$38,763	$35,076	$501,414	$50,144	$3,268,655
Additions	-	1,384	29,611	13,996	2,093	720	1,026	10,990	215,495	275,315
Disposals	-	-	(178)	(16,001)	(1,340)	-	(5,035)	(479)	-	(23,033)
Transfers	-	-	72,240	17,610	353	33	-	1,899	(156,539)	(64,404)
Exchange differences	-	(9,819)	(18,209)	(6,986)	(458)	(281)	-	(4,833)	(496)	(41,082)
As of 30 June 2021	$79,467	$1,112,192	$1,034,696	$470,310	$30,889	$39,235	$31,067	$ 508,991	$108,604	$3,415,451

(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
Depreciation and impairment:										
As of 1 January 2022	$-	$280,475	$618,265	$398,336	$20,849	$22,217	$27,300	$245,592	$-	$1,613,034
Depreciation	-	18,634	49,287	40,958	1,233	1,447	788	29,775	-	142,122
Disposals	-	-	(4,368)	(22,468)	(55)	(817)	(1,010)	(4,643)	-	(33,361)
Exchange differences	-	8,867	29,663	15,200	857	290	-	7,448	-	62,325
As of 30 June 2022	$-	$307,976	$692,847	$432,026	$22,884	$23,137	$27,078	$278,172	$-	$1,784,120
As of 1 January 2021	$-	$247,727	$551,487	$339,129	$19,807	$27,224	$30,430	$192,117	$-	$1,407,921
Depreciation	-	17,545	36,557	43,426	1,448	1,578	965	23,297	-	124,816
Disposals	-	-	(178)	(16,001)	(1,321)	-	(5,035)	(444)	-	(22,979)
Exchange differences	-	(3,275)	(10,061)	(4,933)	(301)	(233)	-	(2,427)	-	(21,230)
As of 30 June 2021	$-	$261,997	$577,805	$361,621	$19,633	$28,569	$26,360	$212,543	$-	$1,488,528
Net carrying amount as of:										
30 June 2022	$79,467	$867,085	$505,994	$113,691	$8,359	$7,742	$4,123	$350,525	$84,515	$2,021,501
31 December 2021	$79,467	$845,772	$464,756	$93,537	$9,254	$8,589	$3,768	$352,210	$65,091	$1,922,444
30 June 2021	$79,467	$850,195	$456,891	$108,689	$11,256	$10,666	$4,707	$296,448	$108,604	$1,926,923

a. Please refer to Note 8 for property, plant and equipment pledged as collateral.
b. There is no capitalization of interest due to purchase property, plant and equipment for the six-month periods ended of 30 June 2022 and 2021.

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

(5) Other non-current assets

	As of		
	30 June 2022	31 December 2021	30 June 2021
Prepayments for investments	$1,690,000	$-	$30,745
Advance payments in equipments	40,081	94,215	87,212
Deferred expenses	18,546	17,808	31,605
Refundable deposits	6,045	5,703	6,473
Other	200	200	200
Total	$1,754,872	$117,926	$156,235

(6) Short-term loans

		As of		
	Interest Rates (%)	30 June 2022	31 December 2021	30 June 2021
Unsecured bank loans	0.68%-3.78%	$1,510,929	$946,501	$370,656
Secured bank loans	1.55%	-	-	71,000
Other short-term loans	1.00%	-	-	6,634
Total		$1,510,929	$946,501	$448,290

The Group’s unused short-term lines of credits amounted to $384,641, $653,122 and $1,231,238 as of 30 June 2022, 31 December 2021 and 30 June 2021, respectively.

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

(7) Long-term loans

A. Details of long-term loans as of 30 June 2022, 31 December 2021 and 30 June 2021 are as follows:

Creditor	30 June 2022	Rate (%)	Repayment period and methods
Bank of Taiwan (Secured)	$252,000	1.03%	Interests are paid monthly from 2 September 2020 through 7 December 2032. Principal is repaid monthly with 144 installments.
Less: current portion	(24,000)		
Total	$228,000		

Creditor	31 December 2021	Rate (%)	Repayment period and methods
Bank of Taiwan (Secured)	$40,000	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)	264,000	0.73%	Interests are paid monthly from 2 September 2020 through 7 December 2032. Principal is repaid monthly with 144 installments.
Subtotal	304,000		
Less: current portion	(64,000)		
Total	$240,000		

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

Creditor	30 June 2021	Rate (%)	Repayment period and methods
Bank of Taiwan (Secured)	$60,000	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)	276,000	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)	982	1.73%	Interests are paid monthly from 11 November 2016 through 11 November 2021. Principal is repaid monthly with 60 installments.
Subtotal	336,982		
Less: current portion	(64,982)		
Total	$272,000		

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

(8) Post-employment benefits

Defined contribution plan

Pension expenses under the defined contribution plan were $4,336, $4,285, $8,787 and $8,584 for the three-month and six-month periods ended 30 June 2022 and 2021, respectively.

Defined benefits plan

Pension expenses under the defined benefits plan were $140, $214, $280 and $427 for the three-month and six-month periods ended 30 June 2022 and 2021, respectively.

The Group recognized pension cost for high-ranking officers amounting to $3,150, $1,880, $7,550 and $2,330 for the three-month and six-month periods ended 30 June 2022 and 2021, respectively.

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

(9) Equities

A. Common stock

The Company's authorized and issued capital was $850,000 and $605,356 as of 30 June 2022, 31 December 2021 and 30 June 2021, respectively, each at a par value of $10 (in dollar), divided into 85,000,000 shares and 60,535,631 shares. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	As of		
	30 June 2022	31 December 2021	30 June 2021
Premium from common stock issuance	$1,306,540	$1,306,540	$1,306,540
Employee stock option	69,565	69,565	69,565
Increase through changes in ownership interests in subsidiaries	4,275	4,275	7,745
Other	9,247	9,247	9,247
Total	$1,389,627	$1,389,627	$1,393,097

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.

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

According to existing regulations, when the Company 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, an amount equal to “other net deductions from shareholders’ equity for the current fiscal year, provided that if the company has already set aside special reserve in the first-time adoption of the IFRS, 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 from the special reserve.

On 31 March 2021, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, 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 special reserve.

The Company did not have any special reserve due from first-time adoption of the IFRS.

Details of the 2021 and 2020 earnings distribution and dividends per share as resolve by the shareholders’ meeting on 15 June 2022 and 20 July 2021, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2021	2020	2021	2020
Special reserve	$30,723	$84,106		
Cash dividends-common stock	514,553	575,088	$8.5	$9.5

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

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

(10) Non-controlling interests

	For the six-month periods ended 30 June	
	2022	2021
Balance as of 1 January	$67,921	$71,644
Profits (Loss) attributable to non-controlling interests	1,567	(1,438)
Cash dividends	(10,998)	(10,998)
Balance as of 30 June	$58,490	$59,208

(11) Operating Revenue

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
Revenue from contracts with customers	2022	2021	2022	2021
Sale of goods	$1,925,576	$2,256,124	$3,910,427	$4,801,047
Commissions	300	43	1,224	341
Net sales	$1,925,876	$2,256,167	$3,911,651	$4,801,388

Analysis of revenue from contracts with customers during the six-month periods ended 30 June 2022 and 2021 is as follows:

A. Disaggregation of revenue

For the three-month period ended 30 June 2022

	Taiwan	China	Vietnam	Total
Sale of goods	$1,822,962	$37,491	$65,123	$1,925,576
Commissions	300	-	-	300
Total	$1,823,262	$37,491	$65,123	$1,925,876

For the three-month period ended 30 June 2021

	Taiwan	China	Vietnam	Total
Sale of goods	$2,090,836	$101,956	$63,332	$2,256,124
Commissions	43	-	-	43
Total	$2,090,879	$101,956	$63,332	$2,256,167

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

For the six-month period ended 30 June 2022

	Taiwan	China	Vietnam	Total
Sale of goods	$3,638,580	$136,093	$135,754	$3,910,427
Commissions	1,224	-	-	1,224
Total	$3,639,804	$136,093	$135,754	$3,911,651

For the six-month period ended 30 June 2021

	Taiwan	China	Vietnam	Total
Sale of goods	$4,517,952	$168,439	$114,656	$4,801,047
Commissions	341	-	-	341
Total	$4,518,293	$168,439	$114,656	$4,801,388

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.

B. Contract balances

Contract liabilities – current

	As of			
	30 June 2022	31 December 2021	30 June 2021	1 January 2021
Sales of goods	$55,400	$73,715	$62,673	$82,813

During the six-month periods ended 30 June 2022 and 2021, contract liabilities decreased as performance obligations were satisfied.

The significant changes in the Group's balances of contract as liabilities during the six-month periods ended 30 June 2022 and 2021 are as follows:

	For the six-month periods ended 30 June	
	2022	2021
The opening balance transferred to revenue	$(73,715)	$(82,813)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	55,400	62,673

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

C. Transaction price allocated to unsatisfied performance obligations

None.

D. Assets recognized from costs to fulfil a contract

None.

(12) Expected credit losses / (gains)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2022	2021	2022	2021
Operating expenses – Expected credit losses (gains)				
Trade receivables	$765	$132	$995	$(1,073)

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 30 June 2022, 31 December 2021 and 30 June 2021 is as follows:

30 June 2022

	Not yet due	Overdue					
	(Note)	<=30 days	31-60 days	61-90 days	91-360 days	>=361 days	Total
Gross carrying amount	$1,585,937	$243,033	$7,654	$10,389	$102	$5,647	$1,852,762
Loss ratio	-%	-%	10%	20%	50%	100%	
Lifetime expected credit losses	-	-	(149)	(227)	(102)	(5,647)	(6,125)
Carrying amount	$1,585,937	$243,033	$7,505	$10,162	$-	$-	$1,846,637

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

31 December 2021

	Not yet due	Overdue					
	(Note)	<=30 days	31-60 days	61-90 days	91-360 days	>=361 days	Total
Gross carrying amount	$925,632	$76,621	$513	$250	$1,075	$4,233	$1,008,324
Loss ratio	-%	-%	10%	20%	50%	100%	
Lifetime expected credit losses	-	-	(7)	(50)	(840)	(4,233)	(5,130)
Carrying amount	$925,632	$76,621	$506	$200	$235	$-	$1,003,194

30 June 2021

	Not yet due	Overdue					
	(Note)	<=30 days	31-60 days	61-90 days	91-360 days	>=361 days	Total
Gross carrying amount	$1,573,497	$185,734	$2,306	$110	$401	$4,275	$1,766,323
Loss ratio	-%	-%	10%	20%	50%	100%	
Lifetime expected credit losses	-	-	(231)	(82)	(401)	(4,275)	(4,989)
Carrying amount	$1,573,497	$185,734	$2,075	$28	$-	$-	$1,761,334

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

The movement in the provision for impairment of note receivables and trade receivables during the six-month periods ended 30 June 2022 and 2021 is as follows:

	Note receivables	Trade receivables
Beginning balance at 1 January 2022	$-	$5,130
Addition for the current period	-	995
Ending balance at 30 June 2022	$-	$6,125
Beginning balance at 1 January 2021	$-	$6,062
Reversal for the current period	-	(1,073)
Ending balance at 30 June 2021	$-	$4,989

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

(13) Leases

A. Group as a lessee

The Group leases various properties, including real estate such as land and buildings, transportation 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.

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		
	30 June 2022	31 December 2021	30 June 2021
Land	$168,460	$162,771	$164,647
Buildings	56,639	53,748	61,377
Transportation equipment	1,987	215	594
Other equipment	489	571	652
Total	$227,575	$217,305	$227,270

During the six-month periods ended 30 June 2022 and 2021, the Group's additions to right-of-use assets amounting to $8,693 and $3,196, respectively.

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

b.Lease liabilities

	As of		
	30 June 2022	31 December 2021	30 June 2021
Lease liabilities			
Current	$7,928	$7,440	$9,469
Non-current	8,515	6,050	9,559
Total	$16,443	$13,490	$19,028

Please refer to Note 6(15) (c) for the interest on lease liabilities recognized during the six-month periods ended 30 June 2022 and 2021 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

(B) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2022	2021	2022	2021
Land	$1,221	$1,162	$2,400	$2,342
Buildings	2,792	2,822	5,554	5,509
Transportation equipment	274	491	612	982
Other equipment	41	40	82	81
Total	$4,328	$4,515	$8,648	$8,914

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

(C) Income and costs relating to leasing activities

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2022	2021	2022	2021
The expenses relating to short-term leases	$1,365	$1,138	$2,738	$2,426

During the six-month periods ended 30 June 2022 and 2021, the rent concessions arising as a direct consequence of the Covid-19 pandemic amounting to $29 and $87, respectively, which are recognized in other income to reflect the variable lease payment that arising from the application of the practical expedient.

(D) Cash outflow relating to leasing activities

During the six-month periods ended 30 June 2022 and 2021, the Group's total cash outflows for leases amounting to $8,478 and $8,370, respectively.

(14) Summary statement of employee benefits, depreciation and amortization expenses:

Function / Nature	For the three-month periods ended 30 June					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$122,825	$101,306	$224,131	$165,821	$102,291	$268,112
Labor and health insurance	15,064	8,670	23,734	16,865	8,191	25,056
Pension	603	7,023	7,626	686	5,693	6,379
Others	10,536	4,533	15,069	13,550	4,771	18,321
Depreciation	55,555	22,100	77,655	45,643	20,814	66,457
Amortization	2,475	8,622	11,097	6,002	7,226	13,228

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

Function / Nature	For the six-month periods ended 30 June					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$250,488	$208,407	$458,895	$331,912	$211,635	$543,547
Labor and health insurance	29,654	18,943	48,597	32,486	18,056	50,542
Pension	1,278	15,339	16,617	1,355	9,986	11,341
Others	20,907	9,577	30,484	26,295	10,256	36,551
Depreciation	104,134	46,636	150,770	92,173	41,557	133,730
Amortization	7,165	15,576	22,741	12,089	13,691	25,780

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. 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 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 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 for the three-month and six-month periods 30 June ended 2022 and 2021 are as follows:

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

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2022	2021	2022	2021
Employees' compensation	$5,333	$7,000	$12,333	$14,000
Remuneration to directors	1,000	1,180	2,000	2,360

A resolution was passed at a board of directors meeting held on 10 March 2022 to distribute $23,000 and $4,400 in cash as the employees' compensation and remuneration to directors of 2021, 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 for the year ended 31 December 2021.

No material differences existed between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors for the year ended 31 December 2020.

(15) Non-operating income and expenses

A. Other income

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2022	2021	2022	2021
Interest income	$2,673	$2,074	$4,866	$4,800
Rental revenue	22	28	50	57
Others	8,311	12,156	14,146	17,814
Total	$11,006	$14,258	$19,062	$22,671

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

B. Other gains and losses

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2022	2021	2022	2021
Foreign exchange gains (losses), net	$106,360	$(55,056)	$188,380	$(51,865)
Net gains on financial assets at fair value through profit	17,523	651	29,619	1,063
Net gains on disposal of property, plant and equipment	73	302	140	710
Others	(86)	(81)	(515)	(224)
Total	$123,870	$(54,184)	$217,624	$(50,316)

C. Finance costs

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2022	2021	2022	2021
Interest on loans from bank	$4,330	$1,692	$7,282	$3,690
Interest on lease liabilities	74	117	156	250
Total	$4,404	$1,809	$7,438	$3,940

(16) Components of other comprehensive income

A. For the three-month period ended 30 June 2022

	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	$-	$-	$-	$-
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of a foreign operation	32,751	32,751	(6,550)	26,201
Total of other comprehensive income	$32,751	$32,751	$(6,550)	$26,201

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

B. For the three-month period ended 30 June 2021

	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	$-	$-	$-	$-
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of a foreign operation	(47,933)	(47,933)	9,587	(38,346)
Total of other comprehensive income	$(47,933)	$(47,933)	$9,587	$(38,346)

C. For the six-month period ended 30 June 2022

	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	$-	$-	$-	$-
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of a foreign operation	121,087	121,087	(24,217)	96,870
Total of other comprehensive income	$121,087	$121,087	$(24,217)	$96,870

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

D. For the six-month period ended 30 June 2021

	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	$-	$-	$-	$-
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of a foreign operation	(47,233)	(47,233)	9,447	(37,786)
Total of other comprehensive income	$(47,233)	$(47,233)	$9,447	$(37,786)

(17) Income tax

The major components of income tax expense are as follows:

A. Income tax recorded in profit or loss

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2022	2021	2022	2021
Current income tax expense:				
Current income tax charge	$35,624	$60,795	$67,217	$145,049
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	28,638	(4,087)	42,484	(200)
Income tax expense recognized in profit or loss	$64,262	$56,708	$109,701	$144,849

B. Income tax relating to components of other comprehensive income

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2022	2021	2022	2021
Deferred tax expense (income):				
Exchange differences on translation of foreign operations	$6,550	$(9,587)	$24,217	$(9,447)
Income tax relating to components of other comprehensive income	$6,550	$(9,587)	$24,217	$(9,447)

C. The assessment of income tax returns

As of 30 June 2022, 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 2020
Mitsumichi Industrial Co., Ltd.	Assessed and approved up to 2020
Taiwan Cheer Champ Co., Ltd.	Assessed and approved up to 2019

As of 30 June 2022, the foreign subsidiaries of the Company have been subject to foreign taxation jurisdiction and have been declared in 2021.

(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.

A. Basic earnings per share

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2022	2021	2022	2021
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	$204,049	$211,046	$363,160	$539,253
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	60,536	60,536	60,536	60,536
Basic earnings per share (NTD)	$3.37	$3.49	$6.00	$8.91

B. Diluted earnings per share

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2022	2021	2022	2021
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	$204,049	$211,046	$363,160	$539,253
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	60,536	60,536	60,536	60,536
Effect of dilution:				
Employees' compensation – stock (in thousands)	39	42	89	84
Weighted average number of ordinary shares outstanding after dilution (in thousands)	60,575	60,578	60,625	60,620
Diluted earnings per share (NTD)	$3.37	$3.48	$5.99	$8.90

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

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

(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 22 people	Directors and Deputy General Manager of the Company

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

(2)Key management personnel compensation

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2022	2021	2022	2021
Short-term employee benefits	$11,625	$13,544	$23,911	$28,531
Post-employment benefits	190	205	374	403
	$11,815	$13,749	$24,285	$28,934

8. ASSETS PLEDGED AS COLLATERAL

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

	As of			
	30 June 2022	31 December 2021	30 June 2021	Secured liabilities
Property, Plant and Equipment- building	$463,298	$470,493	$479,745	Bank loan
Property, Plant and Equipment-land	21,075	21,075	36,585	Bank loan
Financial assets measured at amortized cost, current	10,201	10,201	10,200	Customs import customs clearance deposit
Financial assets measured at amortized cost, non-current	200	200	200	Product agency and launch
Total	$494,774	$501,969	$526,730	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1)The important contracts of construction in progress

A. As of 30 June 2022

Contracting parties	Subject matter	Total contract amount	Contract amount paid as of 31 June 2022
Company A	Building	$85,608	$63,965

B. As of 30 June 2021

None

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

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

The Company announced a public takeover of 13,000,000 common shares of Turvo International CO., Ltd. at $130 per share on 7 June 2022, and completed the equity settlement on 12 July 2022, acquiring 21.56% of Turvo International CO., Ltd.'s equity.

12. OTHERS

(1) Categories of financial instruments

	As of		
	30 June 2022	31 December 2021	30 June 2021
Financial Assets			
Financial assets at fair value through profit or loss:			
Designated at fair value through profit or loss at initial recognition	$125,472	$108,131	$117,191
Financial assets measured at amortized cost			
Cash and cash equivalents (excluding cash on hand)	1,413,571	2,633,310	2,148,143
Notes and accounts receivable	1,846,637	1,003,194	1,761,334
Other receivables	112,949	67,479	57,958
Financial assets measured at amortized cost, current	86,036	10,201	132,541
Financial assets measured at amortized cost, non-current	200	200	200
Total	$3,584,865	$3,822,515	$4,217,367
Financial Liabilities			
Financial liabilities at amortized cost:			
Short-term loans	$1,510,929	$946,501	$448,290
Short-term notes and bills payable	330,000	130,000	-
Notes and accounts payables	670,115	892,253	1,246,055
Long-term loans (Long-term loans due within one year)	252,000	304,000	336,982
Other payables	751,141	320,397	308,548
Lease liability	16,443	13,490	19,028
Subtotal	3,530,628	2,606,641	2,358,903
Financial liabilities at fair value through profit or loss:			

	As of		
	30 June 2022	31 December 2021	30 June 2021
Designated at fair value through profit or loss at initial recognition	-	1,545	4,926
Total	$3,530,628	$2,608,186	$2,363,829

(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 six-month periods ended 30 June 2022 and 2021 is decreased by $21,214 and $27,738, respectively; and no impact on the equity.

B. When NTD strengthens/weakens against RMB by 1%, the profit for the six-month periods ended 30 June 2022 and 2021 is increased by $347 and $367, respectively; and no impact on the equity.

C. When NTD strengthens/weakens against VND by 1%, the profit for the six-month periods ended 30 June 2022 and 2021 is increased by $1,068 and $1,387, respectively; and no impact on the equity.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The 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 decrease /increase of $1,046 and $393 for the six-month periods ended 30 June 2022 and 2021, 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 financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, 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 and notes 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 30 June 2022, 31 December 2021 and 30 June 2021, trade receivables from top ten customers represent 93.09%, 82.49% and 90.00% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

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. 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, bank borrowings and finance leases. 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 30 June 2022					
Short-term loans	$1,516,427	$-	$-	$-	$1,516,427
Short-term notes and bills payable	330,000	-	-	-	330,000
Payables	670,115	-	-	-	670,115
Long-term loans	26,484	52,226	51,236	135,798	265,744
Lease liability	8,134	8,567	50	-	16,751
As of 31 December 2021					
Short-term loans	$948,852	$-	$-	$-	$948,852
Short-term notes and bills payable	130,000	-	-	-	130,000
Payables	892,253	-	-	-	892,253
Long-term loans	66,052	51,656	51,091	148,005	316,804
Lease liability	7,598	5,703	436	-	13,737
As of 30 June 2021					
Short-term loans	$449,557	$-	$-	$-	$449,557
Payables	1,246,055	-	-	-	1,246,055
Long-term loans	67,504	71,865	51,021	160,285	350,675
Lease liability	10,429	7,745	1,279	-	19,453

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

Derivative financial assets (liabilities)

	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of 30 June 2022					
Inflow	$22,649	$-	$-	$-	$22,649
Outflow	-	-	-	-	-
Net	$22,649	$-	$-	$-	$22,649
As of 31 December 2021					
Inflow	$-	$-	$-	$-	$-
Outflow	(1,545)	-	-	-	(1,545)
Net	$(1,545)	$-	$-	$-	$(1,545)
As of 30 June 2021					
Inflow	$2,355	$-	$-	$-	$2,355
Outflow	-	-	-	-	-
Net	$2,355	$-	$-	$-	$2,355

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the six-month period ended 30 June 2022:

	Short-term loans	Short-term notes and bills payable	Long-term loans	Lease liability	Total liabilities from financing activities
As of 1 January 2022	$946,501	$130,000	$304,000	$13,490	$1,393,991
Cash flow	545,196	200,000	(52,000)	(5,740)	687,456
Non-cash changes	-	-	-	8,693	8,693
Foreign exchange movement	19,232	-	-	-	19,232
As of 30 June 2022	$1,510,929	$330,000	$252,000	$16,443	$2,109,372

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

Reconciliation of liabilities for the six-month period ended 30 June 2021:

	Short-term loans	Short-term notes and bills payable	Long-term loans	Lease liability	Total liabilities from financing activities
As of 1 January 2021	$542,000	$35,000	$370,151	$21,776	$968,927
Cash flow	(91,821)	(35,000)	(33,169)	(5,944)	(165,934)
Non-cash changes	-	-	-	3,196	3,196
Foreign exchange movement	(1,889)	-	-	-	(1,889)
As of 30 June 2021	$448,290	$-	$336,982	$19,028	$804,300

(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:

(A) 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.

(B) 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.

(C) 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).

(D) 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.)

(E) 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.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) 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 30 June 2022, 31 December 2021 and 30 June 2021 is as follows:

<u>Foreign Exchange Swap and Cross Currency Swap</u>

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.

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

Contract	Contract amount	Maturity
As of 30 June 2022		
Zeng Hsing Industrial CO., LTD.		
Foreign Exchange Swap	Sell USD 32,000 thousand	2022/01/05-2022/08/26
As of 31 December 2021		
Zeng Hsing Industrial CO., LTD.		
Foreign Exchange Swap	Sell USD 8,000 thousand	2021/08/09-2022/06/29
As of 30 June 2021		
Zeng Hsing Industrial CO., LTD.		
Foreign Exchange Swap	Sell USD 8,000 thousand	2021/02/05-2021/12/29
Forward Exchange Agreement	Sell USD 6,000 thousand	2021/07/27-2021/09/27

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:

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.

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

(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 30 June 2022

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	$102,823	$-	$-	$102,823
Foreign exchange swap	-	22,649	-	22,649

As of 31 December 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	$108,131	$-	$-	$108,131
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap	-	1,545	-	1,545

As of 30 June 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	$109,910	$-	$-	109,910
Forward exchange agreement	-	3,951	-	3,951
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap	-	1,596	-	1,596

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

Transfers between Level 1 and Level 2 during the period

During the six-month periods ended 30 June 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

(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								
	30 June 2022			31 December 2021			30 June 2021		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
Financial assets									
Monetary item:									
USD	$94,615	29.7260	$2,812,525	$111,128	27.6900	$3,077,127	$119,349	27.8700	$3,326,257
CNY	29,223	4.4405	129,765	42,666	4.3406	185,198	59,586	4.3134	257,018
VND	127,235,494	0.001277	162,480	69,879,117	0.001214	84,833	126,439,268	0.001211	153,118
Financial liabilities									
Monetary item:									
USD	$23,249	29.7260	$691,100	$19,436	27.6900	$538,181	$19,824	27.8700	$552,495
CNY	37,042	4.4405	164,485	82,594	4.3406	358,507	68,089	4.3134	293,695
VND	210,834,526	0.001277	269,236	209,207,438	0.001214	253,978	240,951,873	0.001211	291,793

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 $188,380 and $51,865 for foreign exchange gain and foreign exchange loss for the six-month periods ended 30 June 2022 and 2021, 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.

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

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Loans to others:

No. (Note 1)	Lender	Borrower	Related Parties	Financial Statement Account	Maximum Balance for the Period	Ending Balance (By resolution of the Board of Directors) (Note 2)	Amount Actually Drawn	Interest Rate (%)	Nature of loan	Transaction amount	Reasons for short-term financing	Allowance for doubtful account	Collateral		Financing limits for a single borrowing company (Note 3)	Limits on total loans granted (Note 3)
													Item	Value		
1	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Zhangjiagang Zenghsing Trading Co., Ltd.	Yes	Other receivable	$22,203 (CNY 5,000,000)	$22,203 (CNY 5,000,000)	$3,552	3%	Short-term loan	Not applicable	Operating purposes	$-	-	$-	$121,178	$242,355

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 inter-segment transactions have been eliminated on consolidation.

Note 3: The amount of loan that Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. provides to Zeng Hsing Industrial Co., Ltd.’s directly or indirectly wholly- owned subsidiaries is capped at a limited amount. The amount of loans to a single subsidiary mentioned above shall not exceed 20% of Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.'s net worth; and the total amount of loans shall not exceed 40% of Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.'s net worth.

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B. 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)	$1,456,075	$1,025,547 (USD 34,500,000)	$787,739 (USD 26,500,000)	$484,390	$-	16.23%	$1,941,434	Yes	No	No
0	Zeng Hsing Industrial CO., LTD.	Taiwan Cheer Champ Co., Ltd.	(2)	$970,717	$165,931 (USD 5,582,029)	$50,000 (USD 1,682,029)	$-	$-	1.03%	$1,941,434	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 the provider.
(2) A subsidiary in which the provider holds directly over 50% of equity interest.
(3) An investee in which the provider and its subsidiaries hold over 50% of equity interest.
(4) An investee in which the provider holds directly and indirectly over 90% of equity interest.
(5) A company that has provided guarantees to the provider, and vice versa, due to contractual requirements.
(6) An investee in which the provider conjunctly invests with other shareholders, and for which the provider has provided endorsement/guarantee in proportion to its shareholding percentage.
(7) Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The amount of guarantees/endorsements to a single corporation shall not exceed 20%, and 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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C. Marketable securities held:

Company held	Securities type	Securities name	Relationship with the Securities issuer (Note1)	Financial Statement Account	30 June 2022			
					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	$52,606	-%	$52,606
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	50,217	-%	50,217
				Total		$102,823		$102,823

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

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

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

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

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

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

Company Name	Counter-party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	Zeng Hsing Industrial CO., Ltd.	2	Sales	$410,157	10.49%	There is no difference with other clients	Regular	Regular	Account receivable $109,676	5.94%	
Zeng Hsing Industrial CO., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	1	Purchases	$410,157	10.49%	There is no difference with other clients	Regular	Regular	Account payable $(109,676)	5.94%	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Sales	$2,501,812	63.96%	There is no difference with other clients	Regular	Regular	Account receivable $883,216	47.83%	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Purchases	$2,501,812	63.96%	There is no difference with other clients	Regular	Regular	Account payable $(883,216)	47.83%	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Sales (Note 2)	$203,263	5.13%	There is no difference with other clients	Regular	Regular	Account receivable $202,039	10.94%	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Purchases	$203,263	5.13%	There is no difference with other clients	Regular	Regular	Account payable and other payables $(202,039)	10.94%	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	3	Sales	$102,373	2.62%	There is no difference with other clients	Regular	Regular	Account receivable and other receivables $11,402	0.62%	

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	$102,373	2.62%	There is no difference with other clients	Regular	Regular	Account payable and other payables $(11,402)	0.62%	

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

Note 2: The Company reported the net sales of triangle trade and recognized commission of $4,457 for the six-month period ended 30 June 2022.

Note 3: Related party transactions were eliminated when preparing the consolidated financial statements.

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H. Receivable from related parties amounting to at least $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
					Amount	Action Taken			
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	Subsidiary	$883,216	9.11	$-	-	$584,734	$-	accounts receivable-customers
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	Zeng Hsing Industrial CO., Ltd.	Subsidiary	$109,676	4.50	$-	-	$26,327	$-	accounts receivable-customers
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	Subsidiary	$202,039	2.12	$-	-	$-	$-	accounts receivable-customers

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

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

(2) Information on investees

A. 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 30 June 2022			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				30 June 2022	31 December 2021	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)	$650,060 (USD 20,000,000)	20,000	100%	$807,910	$16,306	$16,508	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)	$218,237 (USD 7,000,000)	7,000,000	100%	$158,427	$(13,997)	$(13,997)	
Arcoris Pte Ltd.	Zorca Worldwide Ltd.	Marcy Building, 2nd Floor, Purcell Estate P.O. Box 2416 Road Town British Virgin Islands	Holding company	$191,933 (USD 6,470,000)	$191,933 (USD 6,470,000)	64,700	100%	$121,994	$(14,865)	$(14,865)	
Zorca Worldwide Ltd.	Taiwan Cheer Champ Co., Ltd.	New Taipei City, Taiwan	Selling household sewing machines	$185,452 (USD 6,365,194)	$185,452 (USD 6,365,194)	15,421,630	85.68%	$119,229	$(17,377)	$(14,889)	

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

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as at 30 June 2022			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				30 June 2022	31 December 2021	Shares	Percentage of Ownership	Carrying Value			
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%	$28,356	$(585)	$(585)	
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%	$28,356	VND (466,314,263)	$(585)	
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%	$1,825,094	VND 26,979,380,552	$33,832	
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%	$348,851	VND 17,907,476,577	$22,456	
Zeng Hsing Industrial CO., Ltd.	Taiwan Carbon Technology CO., Ltd.	Taichung, Taiwan	Manufacturing carbon fiber, fire resistant fiber and related products	$20,566	$20,566	2,500,000	19.53%	$30,463	$13,435	$2,624	
Zeng Hsing Industrial CO., Ltd.	Mitsumichi industrial CO. Ltd	Taichung, Taiwan	Manufacturing household sewing machines	$31,330	$31,330	1,378,000	53%	$44,666	$8,628	$4,573	
Zeng Hsing Industrial CO., Ltd.	FOREMOST GULF INTERNATIONAL CO., LTD. (BVI)	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	Holding company	$43,217 (USD 1,550,000)	$43,217 (USD 1,550,000)	15,000	30%	$44,873	$2,869	$814	
FOREMOST GULF INTERNATIONAL CO., LTD. (BVI)	FOREMOST GULF INTERNATIONAL CO., LTD. (Vietnam)	No.21 Vsip II,Street No.6, Vietnam-Singapore II Industrial Park, Hoa Phu Ward, Thu Dau Mot City, Binh Duong Province	Manufacturing electronic components	$55,614 (USD 2,000,000)	$55,614 (USD 2,000,000)	-	100%	$108,734	VND (193,516,386)	$(243)	

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

(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:

(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 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 30 June 2022	Percentage of Ownership	Equity in Earnings (Losses) (Note 1)	Carrying Value as of 30 June 2022	Accumulated Inward Remittance of Earnings as of 30 June 2022
					Outflow	Inflow					
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Manufacturing and selling household sewing machines, vacuum cleaners and spare parts	USD 13,000,000	Indirect investments through Zeng Hsing (BVI)	$304,199 (USD 9,103,039)	$-	$-	$304,199 (USD 9,103,039)	100%	$29,930	$605,888	$518,695 (USD 12,603,654) (RMB 27,000,000)
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	Selling household sewing machines and spare parts	USD 500,000	Indirect investments through Zeng Hsing (BVI)	$14,931 (USD 500,000)	-	-	$14,931 (USD 500,000)	100%	RMB 1,702,258	RMB 17,158,187	RMB 26,251,891
Zhangjiagang Zenghsing Trading Co., Ltd.	Selling household sewing machines and spare parts	RMB 1,000,000	Indirect investments through Zeng Hsing (BVI)	-	-	-	-	100%	RMB 2,341,381	RMB 2,175,635	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 (166,433)	RMB 1,057,704	-

Accumulated investment in Mainland China as of 30 June 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
$319,130 (USD 9,603,039)	$459,409(Note2) (USD 13,848,355)	$2,912,150

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

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

B. As of 30 June 2022, for information on significant transactions and prices, payments, etc. between the parent company and subsidiaries, please refer to Note 13(1) G.

(4) Information of major shareholders

The company has no shareholders with a shareholding ratio of more than 5% on 30 June 2022.

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.

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

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

A. For the three-month period ended 30 June 2022

	Taiwan	China	Vietnam	Adjustments and eliminations (Note)	Consolidated
Revenue					
External customers	$1,823,262	$37,491	$65,123	$-	$1,925,876
Inter-segment	16,396	210,856	1,460,960	(1,688,212)	-
Total revenue	$1,839,658	$248,347	$1,526,083	$(1,688,212)	$1,925,876
Segment profit	$263,598	$47,837	$72,915	$(116,139)	$268,211

B. For the three-month period ended 30 June 2021

	Taiwan	China	Vietnam	Adjustments and eliminations (Note)	Consolidated
Revenue					
External customers	$2,090,879	$101,956	$63,332	$-	$2,256,167
Inter-segment	24,945	338,190	1,444,190	(1,807,325)	-
Total revenue	$2,115,824	$440,146	$1,507,522	$(1,807,325)	$2,256,167
Segment profit	$212,466	$(19)	$29,689	$24,096	$266,232

C. For the six-month period ended 30 June 2022

	Taiwan	China	Vietnam	Adjustments and eliminations (Note)	Consolidated
Revenue					
External customers	$3,639,804	$136,093	$135,754	$-	$3,911,651
Inter-segment	32,046	599,497	2,590,472	(3,222,015)	-
Total revenue	$3,671,850	$735,590	$2,726,226	$(3,222,015)	$3,911,651
Segment profit	$433,167	$54,046	$67,336	$(80,121)	$474,428

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

D. For the six-month period ended 30 June 2021

	Taiwan	China	Vietnam	Adjustments and eliminations (Note)	Consolidated
Revenue					
External customers	$4,518,293	$168,439	$114,656	$-	$4,801,388
Inter-segment	49,754	681,746	2,988,279	(3,719,779)	-
Total revenue	$4,568,047	$850,185	$3,102,935	$(3,719,779)	$4,801,388
Segment profit	$598,925	$4,510	$30,658	$48,571	$682,664

(2) The related information of operating segment asset as of 30 June 2022, 31 December 2021 and 30 June 2021 are listed as follows:

Operating segment assets

	Taiwan	China	Vietnam	Adjustments and eliminations (Note)	Consolidated
30 June 2022	$9,991,468	$914,183	$3,466,489	$(5,506,041)	$8,866,099
31 December 2021	$8,563,393	$1,126,882	$3,087,141	$(4,811,342)	$7,966,074
30 June 2021	$8,831,834	$1,047,040	$3,413,169	$(4,904,275)	$8,387,768

Operating segment liabilities

	Taiwan	China	Vietnam	Adjustments and eliminations (Note)	Consolidated
30 June 2022	$3,774,706	$217,746	$1,261,341	$(1,299,768)	$3,954,025
31 December 2021	$2,263,195	$492,236	$1,044,709	$(810,094)	$2,990,046
30 June 2021	$2,144,785	$390,661	$1,314,378	$(1,005,565)	$2,844,259

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