JOHNSON HEALTH TECH. CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE YEARS ENDED
31 DECEMBER 2019 AND 2018

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

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REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of JOHNSON HEALTH TECH. CO., LTD. as of and for the year ended 31 December 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10 "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, JOHNSON HEALTH TECH. CO., LTD. and subsidiaries do not prepare a separate set of combined financial statements.

Hereby certified.

JOHNSON HEALTH TECH. CO., LTD.

Lo, Kun Chuan
Chairman

20 March 2020

EY 安永
Building a better working world

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AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To Johnson Health Tech. Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Johnson Health Tech. Co., Ltd. and subsidiaries (the "Group") as at 31 December 2019 and 2018, the related consolidated statements of comprehensive income, statements of changes in equity and cash flows for the years ended 31 December 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively referred to as "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and 2018, and their consolidated financial performance and cash flows for the years ended 31 December 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

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Impairment of accounts receivable

As at 31 December 2019, gross accounts receivable and allowance for bad debts by the Group amounted to NTD7,602,658 thousand and NTD191,657 thousand, respectively. Net accounts receivable represented 28% of consolidates total assets which was material to the Group. Since the amount of allowance for receivables is measured by the lifetime expected credit loss, the measurement process includes grouping the receivables and judging the use of the related assumptions in the analysis, including the appropriate accounting aging and the loss rate of each aging interval. As the measurement of expected credit losses involved judgment, analysis and estimation. we therefore determined this a key audit mater.

Our audit procedures included, but not limited to: assessing the effectiveness of internal controls around accounts receivable management, including performing simple tests by sampling and understanding management's assessment for expected credit losses of accounts receivable; dividing the expected loss rate of risk group and each group; selecting samples to perform the accounts receivable confirmation, analyzing trends of changes in account receivable of prior and subsequent periods and turnover rates; and reviewing the collection in subsequent period to assess their recoverability; performing assessment of the reasonableness of impairment for individual long term accounts receivable.

We also assessed the adequacy of the disclosures related to accounts receivable in Notes 5 and 6.

Inventory valuation

As at 31 December 2019, the net inventories amounted to NTD6,544,891 thousand, accounting for 24% of the total consolidated assets. As products are vulnerable to fluctuating market demands and fast technological changes which may cause obsolete and slow-moving inventory losses, the determination of the provisions for obsolete inventories involved a high level of management judgment. As such, we determined this to be a key audit matter.

Our audit procedures included, but were not limited to: assessing the effectiveness of inventory internal control established by management, including performing simple test by sampling and understanding management's assessment for inventory valuation; evaluating the adequacy of accounting policy around obsolete and slow-moving inventories; obtaining inventory aging intervals to test whether the aging reports were reasonable; selecting important storage locations to observe inventory counts; in addition, we obtained inventory movement report, sampled related certificates of purchases and sales to verify the unit cost and access the net realizable value of inventories valuation.

We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

Goodwill impairment

As at 31 December 2019, the goodwill was carried at NTD1,151,571 thousand which represented 4% of total assets. The Company performed impairment testing on the cash-generating units according to the International Financial Reporting Standards. The recoverable amount of the cash-generating units has been determined based on the value in use because their fair value cannot be reliably measured. We determined goodwill assessment to be a key audit matter because the carrying amounts of goodwill were material to the Group, the determination of value in use was complex, and high level of management judgment was involved when making assumptions about cash flow forecasts.

Our audit procedures included, but were not limited to: evaluating the management's assessment of value in use; involving internal expert to assist us in evaluating the reasonableness of key assumptions used by management such as growth rates, discount rates, and gross margin; involving internal expert to assist us in evaluating the reasonableness of key components of discount rates such as cost of capital, company-specific risk premium and market risk premium by comparing them to other companies of similar size with the cash-generating units; interviewing with management and assessing the reasonableness of assumptions used in their model such as gross margin, growth rates, and the expected future market and economic conditions; challenging management's budgeting process by comparing the actual financials to date versus previously forecasted financials and management's forecasting process by comparing the assumptions to historic performance of the Company.

We also assessed the adequacy of the disclosures related to goodwill assessment in Notes 5 and 6.

Emphasis of Matter – Application of New Accounting Standards

As described in Note 3 to the consolidated financial statements, the Group applied International Financial Reporting Standard 16, "Lease" starting 1 January 2019 and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

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

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

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

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

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

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

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

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

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

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

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

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as at and for the years ended 31 December 2019 and 2018.

Chen, Ming Hong

Lin, Hung Kuang

Ernst & Young, Taiwan

20 March 2020

<u>**Notice to Readers**</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
JOHNSON HEALTH TECH. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2019 and 31 December 2018
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	31 December 2019	31 December 2018
		Amount	Amount
Current Assets			
Cash and cash equivalents	4,6(1)	$3,280,481	$3,252,486
Financial assets at fair value through profit or loss, current	4,6(2)	5,216	5,132
Contract asset, current	4,6(18)&(19)	75,211	38,922
Notes receivable, net	4,6(19)	53,896	89,523
Trade receivables, net	4,6(3)&(19)	7,411,001	7,451,332
Other accounts receivable, net	4,8	403,635	426,701
Inventories, net	4,6(4)	6,544,891	5,511,113
Prepayments	4	521,680	504,803
Other current assets		65,392	132,987
Total Current Assets		18,361,403	17,412,999
Non-current assets			
Property, Plant and Equipment	4,6(5)&(8)	3,261,000	3,217,478
Right-of-use assets	4,6(20)	2,133,724	-
Intangible assets	4,6(6)&(7)	1,234,304	1,220,388
Deferred tax assets	4,6(24)	1,471,574	1,237,428
Other non-current assets	6(8)	473,306	654,905
Total non-current assets		8,573,908	6,330,199
Total Assets		$26,935,311	$23,743,198

(continued)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
JOHNSON HEALTH TECH. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
31 December 2019 and 31 December 2018
(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	31 December 2019 Amount	31 December 2018 Amount
Current Liabilities			
Short-term borrowings	4,6(9)	$5,207,681	$5,165,260
Commercial paper payable	4,6(11)	149,917	-
Financial liabilities at fair value through profit or loss, current	4,6(12)	17,129	15,570
Contract liabilities, current	4,6(18)	303,032	281,428
Notes payable		416,929	386,893
Accounts payable		3,335,362	3,480,474
Other payables	6(13)	2,393,089	2,466,559
Current tax liabilities	4,6(24)	358,841	359,793
Lease liabilities, current	4,6(20)	388,677	-
Current portion of long-term loans	4,6(14)	231,459	494,336
Other current liabilities		348,532	306,388
Total Current Liabilities		13,150,648	12,956,701
Non-current liabilities			
Bonds payable	4,6(10)	2,000,000	-
Long-term loans	4,6(14)	669,032	1,864,530
Provisions, non-current	4,6(13)	181,763	178,504
Deferred tax liabilities	4,6(24)	212,538	137,323
Lease liabilities, non-current	4,6(20)	1,324,614	-
Net defined benefit obligation, non-current	5,6(15)	86,662	77,086
Other non-current liabilities	4	172,828	98,453
Total non-current liabilities		4,647,437	2,355,896
Total Liabilities		17,798,085	15,312,597
Equity			
Capital			
Common stock	4,6(16)	3,036,166	3,040,166
Additional paid-in capital	4,6(16)	54,924	54,996
Retained earnings	4,6(16)		
Legal reserve		1,312,641	1,273,663
Special reserve		1,016,542	987,409
Unappropriated earnings		5,128,174	4,133,966
Subtotal		7,457,357	6,395,038
Other components of equity		(1,370,839)	(1,016,542)
Treasury stock	4,6(16)	(47,832)	(48,948)
Equity attributable to owners of the parent		9,129,776	8,424,710
Non-controlling interests	6(17)	7,450	5,891
Total equity		9,137,226	8,430,601
Total liabilities and equity		$26,935,311	$23,743,198

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
JOHNSON HEALTH TECH. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the years ended December 31 2019	2018
		Amount	Amount
Operating revenues	4,6(18)&7	$25,372,561	$21,757,064
Operating costs	4,6(4)&(21)	(12,825,694)	(11,719,868)
Gross Profit		12,546,867	10,037,196
Operating Expenses			
Selling and distribution	4,6(21)	(4,467,018)	(4,219,055)
General and administrative	4,6(21)	(5,721,016)	(5,291,203)
Research and development	4,6(21)	(650,646)	(476,643)
Expected credit (loss)gain	5,6(19)	(99,054)	1,350
Total Operating Expenses		(10,937,734)	(9,985,551)
Operating Income		1,609,133	51,645
Non-operating income and expenses			
Other income	4,6(22)	323,207	321,239
Other gains and losses	4,6(22)	(122,806)	53,640
Finance costs	4,6(22)	(192,332)	(133,669)
Total non-operating income and expenses		8,069	241,210
Income from continuing operations before income tax		1,617,202	292,855
Income tax expense	4,6(24)	(323,181)	97,467
Net income		1,294,021	390,322
Other comprehensive income			
Items that may not to be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans	4,6(23)	(10,606)	(10,303)
Income tax relating to items that may not be reclassified subsequently	4,6(23)	2,121	2,989
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	4,6(23)	(442,871)	(69,724)
Income tax relating to items that may be reclassified subsequently	4,6(23)	88,574	40,591
Total other comprehensive loss , net of tax		(362,782)	(36,447)
Total comprehensive income		$931,239	$353,875
Net income attributable to:			
Stockholders of the parent		$1,292,531	$389,787
Non-controlling interests		1,490	535
		$1,294,021	$390,322
Comprehensive income attributable to:			
Stockholder of the parent		$929,749	$353,340
Non-controlling interests		1,490	535
		$931,239	$353,875
Earnings per share (NTD)	4,6(25)		
Earnings per share-basic		$4.26	$1.29
Earnings per share-diluted		$4.26	$1.29

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

JOHNSON HEALTH TECH. CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Description	Common Stock	Additional Paid-in Capital	Retained Earnings: Legal Reserve	Retained Earnings: Special reserve	Retained Earnings: Unappropriated Earnings	Other components of equity	Treasury stock	Total	Non-Controlling Interests	Total Equity
Balance as at 1 January 2018	$3,040,166	$54,921	$1,260,646	$772,054	$4,070,800	$(987,409)	$(48,948)	$8,162,230	$5,211	$8,167,441
Distribution of 2017 retained earnings										
Legal reserve			13,017		(13,017)			-		-
Special reserve				215,355	(215,355)			-		-
Cash dividends					(90,935)			(90,935)		(90,935)
Other Additional Paid-in Capital Variance		75						75		75
Net income in 2018					389,787			389,787	535	390,322
Other comprehensive loss, net of tax in 2018					(7,314)	(29,133)		(36,447)		(36,447)
Total comprehensive income	-	-	-	-	382,473	(29,133)	-	353,340	535	353,875
Increase in non-controlling interests								-	145	145
Balance as at 31 December 2018	$3,040,166	$54,996	$1,273,663	$987,409	$4,133,966	$(1,016,542)	$(48,948)	$8,424,710	$5,891	$8,430,601
Balance as at 1 January 2019	$3,040,166	$54,996	$1,273,663	$987,409	$4,133,966	$(1,016,542)	$(48,948)	$8,424,710	$5,891	$8,430,601
Distribution of 2018 retained earnings										
Legal reserve			38,978		(38,978)			-		-
Special reserve				29,133	(29,133)			-		-
Cash dividends					(197,351)			(197,351)		(197,351)
Net income in 2019					1,292,531			1,292,531	1,490	1,294,021
Other comprehensive loss, net of tax in 2019					(8,485)	(354,297)		(362,782)		(362,782)
Total comprehensive income	-	-	-	-	1,284,046	(354,297)	-	929,749	1,490	931,239
Treasury stock buyback							(47,832)	(47,832)		47,832
Cancellation of treasury stock	(4,000)	(72)			(17,683)		21,755	-		-
Share-based payment awards		9,975						9,975		9,975
Exercise employee stock option to purchase treasury stock		(9,975)			(6,693)		27,193	10,525		10,525
Increase in non-controlling interests								-	69	69
Balance as at 31 December 2019	$3,036,166	$54,924	$1,312,641	$1,016,542	$5,128,174	$(1,370,839)	$(47,832)	$9,129,776	$7,450	$9,137,226

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
JOHNSON HEALTH TECH. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2019	2018
Cash flows from operating activities:		
Net income before income tax	$1,617,202	$292,855
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	856,661	375,301
Amortisation	19,873	20,645
Expected credit losses (gain)	99,054	(1,350)
Net loss(gain) of financial assets/liabilities at fair value through profit or loss	1,475	(17,374)
Finance costs	192,332	133,669
Interest revenue	(277,977)	(229,801)
Share-based payment awards	9,975	-
(Gain)Loss on disposal of property, plant and equipment	(30,470)	23,724
(Gain)Loss on disposal of intangible assets	(133)	5
Changes in operating assets and liabilities:		
(Increase) Decrease in contract asset	(36,289)	5,180
Decrease (Increase) in notes receivable	35,627	(12,133)
Increase in trade receivables	(59,082)	(314,777)
Decrease (Increase) in other receivables	23,066	(215,130)
Increase in inventories, net	(1,033,778)	(639,891)
(Increase) Decrease in prepayments	(23,440)	178,501
Decrease (Increase) in other current assets	67,595	(33,400)
Increase in other non-current assets	(128,117)	(82,751)
Increase in contract liabilities	21,604	70,082
Increase in notes payable	30,036	226,502
(Decrease) Increase in accounts payable	(145,112)	1,020,945
(Decrease) Increase in other payables	(74,575)	288,081
Increase in provision	3,259	39,135
Increase (Decrease) in other current liabilities	42,144	(25,391)
Decrease in accrued pension liabilities	(1,030)	(1,448)
Increase (Decrease) in other non-current liabilities	74,375	(7,907)
Cash generated from operations	1,284,275	1,093,272
Interest received	277,977	229,801
Interest paid	(185,210)	(135,088)
Income tax paid	(433,811)	(207,314)
Net cash generated from operating activities	943,231	980,671

	For the years ended December 31	
	2019	2018
Cash flows from investing activities:		
Acquisition of property, plant and equipment	$(647,502)	$(621,003)
Disposal of property, plant and equipment	196,985	31,009
Acquisition of intangible assets	(62,836)	(11,199)
Disposal of intangible assets	775	-
Net cash used in investing activities	(512,578)	(601,193)
Cash flows from financing activities:		
Increase in short-term loans	8,236,448	10,852,851
Decrease in short-term loans	(8,165,831)	(10,723,665)
Increase (Decrease) in commercial paper payable	148,580	(149,696)
Issued corporate bonds	2,000,000	-
Increase in long-term loans	232,071	269,976
Decrease in long-term loans	(1,659,918)	(509,521)
Cash dividends	(197,351)	(90,935)
Repayment of lease capital	(472,681)	-
Exercise of employee stock option	10,525	-
Increase in treasury stock	(47,832)	-
Net cash generated from (used in) financing activities	84,011	(350,990)
Effect of changes in exchange rate on cash and cash equivalents	(486,669)	(164,175)
Net increase (decrease) in cash and cash equivalents	27,995	(135,687)
Cash and cash equivalents at beginning of period	3,252,486	3,388,173
Cash and cash equivalents at end of period	$3,280,481	$3,252,486

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

JOHNSON HEALTH TECH. CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years Ended 31 December 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, unless Otherwise Stated)

1. History and organization

Johnson Health Tech. Co., Ltd. (the Company) was incorporated in 1975. The main activities of the Company are manufacturing and selling sports equipment, cardio equipment, weight training equipment, and related electronic components. The shares of the Company were listed on the Taiwan Stock Exchange on 9 January 2003.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as "the Group") for the years ended 31 December 2019 and 2018 were authorized for issue in accordance with a resolution of the board of directors' meeting on 20 March 2020.

3. Newly issued or revised standards and interpretations

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

(1) *IFRS 16 "Leases"*

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

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

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

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

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

   (a) Leases previously classified as operating leases

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

(i) its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on 1 January 2019; or
(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

On 1 January 2019, the Group's right-of-use asset and lease liability increased by NTD2,031,620 thousand and NTD1,747,409 thousand, respectively.

Besides, on 1 January 2019, for leases that were previously classified as operating leases applying IAS 17 and those who have paid the rent in full, the Group reclassified the rental prepayment of NTD6,563 thousand and the long-term rental prepayment of NTD277,648 thousand to the right-of-use asset.

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

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

(b) Leases previously classified as finance leases

None.

(c) Please refer to Note 4, Note 5 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.

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

(i) The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on 1 January 2019 was 3.04%.

(ii) The explanation for the difference of NTD117,689 thousand between: 1) operating lease commitments disclosed applying IAS 17 as at 31 December 2018, discounted using the incremental borrowing rate on 1 January 2019; and 2) lease liabilities recognized in the balance sheet as at 1 January 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as at 31 December 2018	$1,921,969
Discounted using the incremental borrowing rate on 1 January 2019	$1,865,098
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(117,689)
The carrying value of lease liabilities recognized as at 1 January 2019	$1,747,409

D. The Group is a lessor and has not made any adjustments. Please refer to Note 4, Note 5 and Note 6 for the information relating to the lessor.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the 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	Definition of a Business (Amendments to IFRS 3)	1 January 2020
B	Definition of Material (Amendments to IAS 1 and 8)	1 January 2020
C	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020

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

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

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

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

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

C. Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

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

The amendments include:

(a) highly probable requirement

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

(b) prospective assessments

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

(c) IAS 39 retrospective assessment

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

(d) separately identifiable risk components

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

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

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

(3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC, but not yet adopted by the 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 2021
C	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2022

A. IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

B. IFRS 17 Insurance Contracts

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

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

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

Other than the General Model, the standard also provides a specific adaptation;

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

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 above-mentioned 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. The new or amended standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended 31 December 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee, which are endorsed by FSC (TIFRSs).

(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.

(a) The consolidated entities are as follows:

			As at	
Investor	Subsidiary	Business nature	31 Dec 2019	31 Dec 2018
The Company	Johnson International Holding Corp., Ltd.	Holding company	100.00%	100.00%
The Company	Johnson Health Tech. (Vietnam) Company Limited	Selling cardiovascular and weight training equipment	100.00%	100.00%
The Company	Johnson Health Technologies, S.A. de C.V.	Selling cardiovascular and weight training equipment	100.00%	100.00%
The Company	Johnson Health Tech. Canada Inc.	Holding company	100.00%	100.00%
The Company	Johnson Health Tech. UK Ltd.	Selling cardiovascular and weight training equipment	44.43%	44.43%
The Company	Johnson Health Tech. Retail Inc.	Selling cardiovascular and weight training equipment	100.00%	100.00%
The Company	Johnson Health Tech. Philippines, Inc.	Selling cardiovascular and weight training equipment	100.00%	100.00%
The Company	Johnson Health Care Co., Ltd.	Massage chair research and development manufacturing and trading	78.95%	78.95% (Note 1)
The Company	Johnson Health Industry (Viet Nam) Company Limited	Manufacturing and selling fitness equipment	100.00% (Note 3)	-%
The Company	Johnson Health Electronic (Viet Nam) Company Limited	Manufacturing and selling fitness equipment	100.00% (Note 4)	-%
The Company	Johnson Health Tech. Rus Limited Liability Company	Selling cardiovascular and weight training equipment	100.00% (Note 5)	-%
Johnson International Holding Corp., Ltd.	J&S Trading Co., Ltd.	Selling cardiovascular and weight training equipment	100.00%	100.00%

Investor	Subsidiary	Business nature	As at 31 Dec 2019	As at 31 Dec 2018
Johnson International Holding Corp., Ltd.	Johnson Health Technologies, S.A. de C.V.	Selling cardiovascular and weight training equipment	-%	-%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. UK Ltd.	Selling cardiovascular and weight training equipment	55.57%	55.57%
Johnson International Holding Corp., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	Manufacturing and selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. GmbH	Selling cardiovascular and weight training equipment	99.77%	99.77%
Johnson International Holding Corp., Ltd.	Johnson Health Technologies Ibérica, SL	Selling cardiovascular and weight training equipment	99.99%	99.99%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. France	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Japan Co., ltd.	Selling cardiovascular and weight training equipment	99.78%	99.78%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. (Thailand) Co., Ltd.	Selling cardiovascular and weight training equipment	95.00%	95.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Italia S.P.A.	Selling cardiovascular and weight training equipment	99.82%	99.82%
Johnson International Holding Corp., Ltd.	Johnson Fitness (Malaysia) Sdn.. Bhd.	Selling cardiovascular and weight training equipment	99.38%	99.38%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. (Schweiz) GmbH	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Netherland B.V.	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	Manufacturing and selling equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. HK Ltd.	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Care Co., Ltd.	Massage chair research and development manufacturing and trading	21.05%	21.05% (Note 1)
Johnson International Holding Corp., Ltd.	Johnson Industrial do Brasil Ltda.	Manufacturing and selling fitness equipment	99.99%	99.99%
Johnson International Holding Corp., Ltd.	World of Leasing GmbH	Leasing cardiovascular and weight training equipment	100.00%	100.00%

Investor	Subsidiary	Business nature	As at 31 Dec 2019	As at 31 Dec 2018
Johnson International Holding Corp., Ltd.	Johnson Health Tech. North America, Inc.	Manufacturing and selling cardiovascular, fitness equipment and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Australia Pty., Ltd	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Poland Sp.z o.o.	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Style Retail Vietnam Company Limited	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson F&B Management (Shanghai) Co., Ltd.	Selling food	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Joyful Trading (Shanghai) Co., Ltd.	Selling food	100.00%	100.00%
Johnson International Holding Corp., Ltd.	Johnson Health Tech. UAE LLC	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson Health Tech. Retail Inc.	2nd wind Exercise Equipment, Inc.	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson Health Tech. Retail Inc.	Leisure Fitness Equipment, LLC	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson Health Tech. Retail Inc.	The Gym Store, LLC (Busy Body)	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson Health Tech. Retail Inc.	Johnson Health Tech. Trading, Inc.	Selling cardiovascular and weight training equipment	100.00%	100.00% (Note 2)
Johnson Health Tech. Canada Inc.	Johnson Health Technologies Canada Commercial Inc.	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson Health Tech. North America Inc.	Johnson Health Tech. NA Manufacturing LLC	Manufacturing and selling fitness equipment	100.00%	100.00%
Johnson Health Tech. Australia Pty., Ltd	Johnson Health Tech. New Zealand	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson Health Tech. Netherlands B.V.	Johnson Health Tech. Denmark Aps	Selling cardiovascular and weight training equipment	100.00%	100.00%
Johnson Health Tech. Italia S.P.A.	Johnson Health Tech. Hellas SA	Selling cardiovascular and weight training equipment	99.73%	99.73%
Johnson Health Tech. Italia S.P.A.	Johnson Health Tech. Romania SA	Selling cardiovascular and weight training equipment	99.00%	99.00%

Note:

1. As at 24 December 2018, the Company directly invested JPY 75,000 thousand in a subsidiary: Johnson Health Care Co., Ltd. After the capital increase, the Company and Johnson International Holding Corp. held 78.95% and 21.05% shares of the company, respectively.

2. As at third quarter in 2018, the subsidiary, Johnson Health North America Inc., set up a fully-owned subsidiary, Johnson Health Tech. Trading, Inc. and transferred 100% equity to Johnson Health Tech. Retail Inc. on 1 July 2018.

3. On 20 March 2019, the Company set up a fully-owned subsidiary, Johnson Health Industry (Viet Nam) Company Limited in Viet Nam.

4. On 20 March 2019, the Company set up a fully-owned subsidiary, Johnson Health Electronic (Viet Nam) Company Limited in Viet Nam.

5. On 21 December 2019, the Company set up a fully-owned subsidiary, Johnson Health Tech. Rus Limited Liability Company in Russia.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the 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 entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of 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 financial statements in foreign currency

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 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. The following partial disposals are accounted for as disposals:

A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

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 partial disposal of an associate or joint arrangement 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; or
B. The Group holds the asset primarily for the purpose of trading; or
C. The Group expects to realize the asset within twelve months after the reporting period; or
D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as a current when:

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

All other liabilities are classified as non-current.

(7) Cash Equivalents

Cash and cash equivalents shall refer to cash, time deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, including time deposits with original maturities of three months or less.

(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 and
(b) the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

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

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

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

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

(a)purchased or originated credit-impaired financial assets. For those financial assets, the 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.

<u>Financial asset measured at fair value through other comprehensive income</u>

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

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

(b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

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

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

Besides, 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 balance sheet.

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 (before 1 January 2019: IAS 17), 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.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.

For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 *Financial Instruments.*

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

(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) 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. The changes in 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 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 by 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:

Raw materials – Weighted average of actual procurements
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

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

(12) Property, plant and equipment

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

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

Items	Useful Lives
Buildings	3～55 years
Machinery and equipment	3～12 years
Transportation equipment	5～7 years
Office equipment	2～12 years
Tooling equipment	2～5 years
Right of use Assets/Leased assets(note)	2～50 years
Leasehold improvements	Lower of leasehold years or useful lives
Miscellaneous equipment	2～12 years

Note: The Group adopted IFRS 16 on 1 January 2019 and elected restate leased as right of use assets in accordance with IFRS 16.

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

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

(13) Leases

The accounting policy from 1 January 2019 is as follows:

For contracts entered on or after 1 January 2019, 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.

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

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

Group as a lessee

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

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

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

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

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

A. the amount of the initial measurement of the lease liability;
B. any lease payments made at or before the commencement date, less any lease incentives received;
C. any initial direct costs incurred by the lessee; and
D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

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

Group as a lessor

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

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

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

The accounting policy before 1 January 2019 is as follows:

Group as a lessee

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

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

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

Group as a lessor

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

(14) Intangible Assets

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

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

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

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

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

	Trademarks	Patents	Software	Other intangible assets	Goodwill
Useful lives	10~17 years	2~7 years	1~10 years	3~5 years	indefinite
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	No amortization
Acquired from	Externally acquired	Externally acquired	Externally acquired	Externally acquired	Externally acquired

(15) 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.

(16) 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.

Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on past experience, management's judgment and other known factors.

(17) Revenue recognition

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

Sale of goods

The Group manufactures and sells fitness equipment. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers(the customer obtains the right and carrying value of the goods). The main products of the Group are cardiovascular equipment, weight training equipment, and related electronic components and revenue is recognized based on the consideration stated in the contract. For certain sales of goods transactions, they are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts.

The Group estimates the discounts using the expected value method based on historical experiences. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the expected volume discounts.

The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers. The warranty is accounted for in accordance with IAS 37.

The credit period of the Group's sale of goods is from 0 to 65 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. For some of the contracts, the Group has transferred the goods to customers but does not have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses. For some of the contracts, the Group collects the payments when contracts signed-off and has the obligations to transferred the goods or provide the services, these contracts should be presented as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component has arisen.

(18) 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.

(19) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(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.

(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) Treasury Stock

Reacquired issued shares of the Group are recorded as treasury stock at cost and shown as a deduction in equity.

(23) Income Tax

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

Current income tax

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

The 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 income tax

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

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

A. 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 any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and 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.

(24) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquire.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IFRS 9 Financial Instruments either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions at the end of the reporting period that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. 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 in future periods.

(1) 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. The Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation Techniques including 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.

B. Impairment of Non-financial Assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on 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 less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

C. Impairment of Goodwill

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on 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 less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the future period and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

D. Post-Employment 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 future salary increases.

E. Income Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entities' domicile.

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

F. 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 are expected to receive (by evaluating 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.

G. 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. Refer to Note 6 for details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As at	
	31 December 2019	31 December 2018
Cash on hand	$6,110	$10,107
Checking and savings accounts	2,630,271	2,794,979
Cash equivalents	644,100	447,400
Total	$3,280,481	$3,252,486

(2) Financial assets at fair value through profit or loss

	As at	
	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss:		
Derivatives not designated as hedging instruments		
Forward exchange contracts	$5,216	$5,132
Current	$5,216	$5,132
Non-current	-	-
Total	$5,216	$5,132

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

Please refer to Note 12 (8) for more details on forward exchange contracts.

(3) Trade receivables, net

	As at	
	31 December 2019	31 December 2018
Accounts receivable	$5,140,597	$5,091,992
Installment accounts receivable	2,247,596	2,371,107
Less: unrealized gain on installment sales revenue	(110,021)	(171,802)
Leased accounts receivable	346,002	388,609
Less: unrealized gain on leased accounts receivable	(21,516)	(59,839)
Less: loss allowance	(191,657)	(168,735)
Total	$7,411,001	$7,451,332

The expected recovery of the accounts receivables from installment sales is as follows:

	As at	
	31 December 2019	31 December 2018
2019.01~2019.12	$-	$1,183,518
2020.01~2020.12	1,283,978	574,957
2021.01~2021.12	515,564	390,172
2022.01~2022.12	266,419	183,971
2023.01~2023.12	120,730	38,489
2024.01~2024.12	60,905	-
Total	$2,247,596	$2,371,107

	As at			
	31 December 2019		31 December 2018	
	Current	Non-current	Current	Non-current
Leased accounts receivable	$346,002	$-	$388,609	$-
Less: Unrealized gain on leased accounts receivable	(21,516)	-	(59,839)	-
Leased accounts receivable, net	$324,770	$-	$328,770	$-

Accounts receivables were not pledged.

The total carrying amount are NTD7,602,658 thousand, NTD7,620,067 thousand as at 31 December 2019 and 2018. Please refer to Note 6(19) for more details on loss allowance of trade receivables for the years ended 31 December 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(4) Inventories, net

	As at	
	31 December 2019	31 December 2018
Raw materials	$586,144	$651,992
Work in progress	448,712	449,296
Merchandises	5,510,035	4,409,825
Total	$6,544,891	$5,511,113

The cost of inventories recognized in expenses amounted to NTD12,825,694 thousand for the year ended 31 December 2019, including the gain from price recovery of inventories in the amount of NTD(1,477) thousand. The cost of inventories recognized in expenses amounted to NTD11,719,868 thousand for the year ended 31 December 2018, including the write-down of inventories in the amount of NTD30,387 thousand.

No inventories were pledged.

(5) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Tooling equipment	Leased assets	Leasehold improvement	Other equipment	Construction in progress	Total
Cost:											
As at 1 January 2019	$812,324	$2,124,365	$1,180,778	$356,658	$504,992	$1,021,587	$8,860	$301,559	$242,520	$84,909	$6,638,552
Additions	-	61,082	103,850	47,332	59,668	31,948	-	35,098	9,460	292,312	640,750
Additions through business combinations	-	-	-	5,316	1,218	-	-	218	-	-	6,752
Disposals	(47,986)	(143,382)	(19,575)	(53,166)	(27,970)	(3,584)	-	(17,280)	(6,715)	(20)	(319,678)
Transfers	1,216	9,074	20,944	(6,639)	(18,140)	3,970	(8,860)	(3,563)	24,101	(12,624)	9,479
Exchange differences	(4,529)	(69,668)	(40,289)	(9,625)	(8,248)	(35,346)	-	(5,328)	(9,335)	(41,349)	(223,717)
As at 31 December 2019	$761,025	$1,981,471	$1,245,708	$339,876	$511,520	$1,018,575	$-	$310,704	$260,031	$323,228	$6,752,138
Depreciation and impairment:											
As at 1 January 2019	$-	$706,338	$936,657	$195,629	$383,919	$948,917	$5,051	$146,730	$97,833	$-	$3,421,074
Depreciation	-	85,182	58,210	49,262	46,248	54,600	-	38,224	17,128	-	348,854
Disposals	-	(53,217)	(15,447)	(37,827)	(25,637)	(3,581)	-	(11,260)	(6,194)	-	(153,163)
Reclassification	-	(8,173)	(1,772)	(1,515)	(11,004)	40	(5,051)	(165)	5,051	-	(22,589)
Exchange effect	-	(20,832)	(30,597)	(4,361)	(7,130)	(33,798)	-	(2,482)	(3,838)	-	(103,038)
As at 31 December 2019	$-	$709,298	$947,051	$201,188	$386,396	$966,178	$-	$171,047	$109,980	$-	$3,491,138
Net carrying amount:											
As at 31 December 2019	$761,025	$1,272,173	$298,657	$138,688	$125,124	$52,397	$-	$139,657	$150,051	$323,228	$3,261,000
As at 1 January 2019	$812,324	$1,418,027	$244,121	$161,029	$121,073	$72,670	$3,809	$154,829	$144,687	$84,909	$3,217,478

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Tooling equipment	Leased assets	Leasehold improvement	Other equipment	Construction in progress	Total
Cost:											
As at 1 January 2018	$781,534	$1,823,993	$1,210,758	$337,070	$461,334	$976,943	$7,039	$229,865	$117,149	$146,996	$6,092,681
Additions	30,997	208,948	58,041	80,268	43,465	42,841	2,264	84,439	4,736	65,004	621,003
Disposals	-	(194)	(92,844)	(56,805)	(16,917)	(375)	-	(29,264)	(11,964)	-	(208,363)
Transfers	-	104,036	5,479	(2,525)	9,637	15,642	154	11,574	95,572	(127,671)	111,898
Exchange effect	(207)	(12,418)	(656)	(1,350)	7,473	(13,464)	(597)	4,945	37,027	580	21,333
As at 31 December 2018	$812,324	$2,124,365	$1,180,778	$356,658	$504,992	$1,021,587	$8,860	$301,559	$242,520	$84,909	$6,638,552
Depreciation and impairment:											
As at 1 January 2018	$-	$634,561	$950,719	$168,580	$344,928	$895,334	$3,316	$116,603	$95,337	$-	$3,209,378
Depreciation	-	75,754	68,304	59,888	44,210	67,692	7,518	43,047	8,888	-	375,301
Disposals	-	(24)	(83,058)	(32,770)	(13,384)	(375)	-	(13,350)	(10,669)	-	(153,630)
Reclassification	-	(1,031)	5,850	380	2,125	(248)	(6,040)	(1,452)	5,655	-	5,239
Exchange effect	-	(2,922)	(5,158)	(449)	6,040	(13,486)	257	1,882	(1,378)	-	(15,214)
As at 31 December 2018	$-	$706,338	$936,657	$195,629	$383,919	$948,917	$5,051	$146,730	$97,833	$-	$3,421,074
Net carrying amount:											
As at 31 December 2018	$812,324	$1,418,027	$244,121	$161,029	$121,073	$72,670	$3,809	$154,829	$144,687	$84,909	$3,217,478
As at 1 January 2018	$781,534	$1,189,432	$260,039	$168,490	$116,406	$81,609	$3,723	$113,262	$21,812	$146,996	$2,883,303

(a) Components of buildings that have different useful lives are the main building structure and electrical and plumbing facilities, which are depreciated over 55 years and 13 years, respectively.

(b) Please refer to Note 8 for property, plant and equipment pledged as collateral.

(c) No capitalization of interest as a result of purchasing property, plant and equipment for the years ended 31 December 2019 and 2018.

(6) Intangible assets

	Trademarks	Patents	Software	Others	Goodwill	Total
Cost:						
As at 1 January 2019	$10,657	$27,219	$251,712	$90,027	$1,173,665	$1,553,280
Addition-acquired separately	-	567	13,264	38,490	-	52,321
Additions through business combinations	10,515	-	-	-	-	10,515
Disposals	-	-	(831)	-	-	(831)
Exchange differences	(583)	(18)	(1,967)	(3,496)	(22,094)	(28,158)
As at 31 December 2019	$20,589	$27,768	$262,178	$125,021	$1,151,571	$1,587,127
Amortization and impairment:						
As at 1 January 2019	$5,364	$26,940	$227,328	$73,260	$-	$332,892
Amortization	731	61	12,036	7,045	-	19,873
Disposals	-	-	(189)	-	-	(189)
Exchange differences	(154)	(2)	3,035	(2,632)	-	247
As at 31 December 2019	$5,941	$26,999	$242,210	$77,673	$-	$352,823
Net carrying amount:						
As at 31 December 2019	$14,648	$769	$19,968	$47,348	$1,151,571	$1,234,304
As at 1 January 2019	$5,293	$279	$24,384	$16,767	$1,173,665	$1,220,388

	Trademarks	Patents	Software	Others	Goodwill	Total
Cost:						
As at 1 January 2018	$10,282	$27,197	$244,679	$86,551	$1,146,144	$1,514,853
Addition-acquired separately	-	-	10,832	367	-	11,199
Disposals	-	-	(2,286)	-	-	(2,286)
Exchange differences	375	22	(1,513)	3,109	27,521	29,514
As at 31 December 2018	$10,657	$27,219	$251,712	$90,027	$1,173,665	$1,553,280
Amortization and impairment:						
As at 1 January 2018	$4,526	$26,903	$217,902	$63,939	$-	$313,270
Amortization	659	32	13,158	6,796	-	20,645
Disposals	-	-	(2,281)	-	-	(2,281)
Exchange differences	179	5	(1,451)	2,525	-	1,258
As at 31 December 2018	$5,364	$26,940	$227,328	$73,260	$-	$332,892
Net carrying amount:						
As at 31 December 2018	$5,293	$279	$24,384	$16,767	$1,173,665	$1,220,388
As at 1 January 2018	$5,756	$294	$26,777	$22,612	$1,146,144	$1,201,583

Intangible asset amortization expenses are summarized as follows:

	For the years ended 31 December	
	2019	2018
Operating expenses	$19,873	$20,645

(7) Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to fitness equipment cash-generating units for the purpose of impairment test.

Carrying amount of goodwill allocated to fitness equipment cash-generating units:

	As at	
	31 December 2019	31 December 2018
Goodwill	$1,151,571	$1,173,665

<u>Fitness equipment manufacturing cash-generating unit</u>

The recoverable amount of the fitness equipment manufacturing cash-generating unit determined based on a value in use calculation using cash flow projections of financial budgets approved by management covering a five-year period amounted to NTD20,278,635 thousand as at 31 December 2019. The projected cash flows have been updated to reflect the change in demand for products and services. The pre-tax discount rate applied to cash flow projections was 13.50% and 14.20%; cash flows beyond the five-year period are extrapolated using a 10% growth rate (based on the current scale) for the years ended 31 December 2019 and 2018, respectively. Based on the result of this analysis, management assessed that it is not required to recognize impairment loss for goodwill with respect to the book value in the amount of NTD1,151,571 thousand as at 31 December 2019.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the cash-generating unit is most sensitive to the following assumptions:

A. Gross margin

B. Discount rates

C. Raw materials price inflation

D. Market share during the budget period

E. Growth rate used to extrapolate cash flows beyond the budget period

Gross margins - Gross margins are based on the average gross margin of the financial budget period.

Discount rates - Discount rates reflect the current market assessment of the risks specific to each cash generating unit (including the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted). The discount rate was estimated based on the weighted average cost of capital (WACC) for the Company, taking into account the particular situations of the Company and its operating segments. The WACC includes both the cost of liabilities and cost of equity. The cost of equity is derived from the expected returns of the Company's investors on capital, where the cost of liabilities is measured by the interest bearing loans that the Company has obligation to settle.

Raw materials price inflation - If prices of raw materials rise, product price will increase.

Market share assumptions - These assumptions are important because, as well as using industry data for estimating growth rates, management would assess how the change in the unit's position, relative to its competitors, might take place over the budget period. Management expects the Group's share of the fitness equipment manufacturing market to be stable over the budget period.

Growth rate estimates - Rates are based on historical revenue growth rate and the rate estimated to be achieved during the budget period.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the cash-generating unit, the Company believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(8) Other non-current assets

	As at	
	31 December 2019	31 December 2018
Long-term prepaid rent expenses	(Note)	$277,648
Deposits	$278,442	198,615
Prepayment for equipment	43,683	56,843
Other non-current assets	151,181	121,799
Total	$473,306	$654,905

As at 31 December 2018, all of long-term prepaid rents were land rights.

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

(9) Short-term loans

		As at	
	Interest Rates (%)	31 December 2019	31 December 2018
Unsecured bank loans	1.05%-3.85%	$5,087,457	$4,815,200
Syndicated bank loans	3.18%	120,224	350,000
		$5,207,681	$5,165,260
Unused short-term lines of credits amount		$2,198,053	$2,094,476

(10) Bonds payable

	As at 31 December	
	2019	2018
Domestic secured bonds	$2,000,000	$-
Less: current portion	-	-
Net	$2,000,000	$-

The Group issued five-year secured domestic bonds with a face value of NTD2,000,000 thousand for the first time on 29 August 2019, with the remaining amount to be fully settled by the maturity date.

The interest is paid every year at the annual interest rate of 0.83%.

(11) Commercial Paper Payable

		As at	
Accounting title	Guarantee	31 December 2019	31 December 2018
Commercial paper payable	International Bills Financial Corporation	$150,000	$-
Less: Discount on commercial paper payable		(83)	-
Net amount		$149,917	$-

	As at	
	31 December 2019	31 December 2018
Interest rates	0.912%	-
Maturity date	2020/1/22	-

(12) Financial liabilities at fair value through profit or loss

	As at	
	31 December 2019	31 December 2018
Held for trading :		
Derivatives not designated as hedging		
Forward exchange contracts	$17,129	$14,908
Interest rate swap	-	662
Total	$17,129	$15,570
Current	$17,129	$15,570
Non-current	-	-
Total	$17,129	$15,570

Please refer to Note 12(8) for the above financial instruments contracts.

(13) Other payables

	As at	
	31 December 2019	31 December 2018
Payroll	$534,124	$455,346
Warranty expense	371,703	320,948
Advertising expense	44,806	28,775
Bonus to employees & directors compensation expense	23,300	18,200
Interest expense	7,507	2,462
Other expense	1,411,649	1,640,828
Total	$2,393,089	$2,466,559

	Warranty
2019.01.01	$477,443
Warranty recognized	409,714
Amount utilized during the year	(341,263)
Exchange effect	11
2019.12.31	$545,905
Current－2019.12.31	$371,703
Non-current－2019.12.31	174,202
2019.12.31	$545,905
Current－2018.12.31	$320,948
Non-current－2018.12.31	156,495
2018.12.31	$477,443

(14) Long-term borrowings

Details of long-term loans as at 31 December 2019 and 31 December 2018 are as follows:

Lenders	As at 31 December 2019	Redemption
Taiwan Cooperative Bank syndicated bank loans	$675,000	Repayable semi-annually from 30 November 2016 to 30 November 2021. The first period starts on the first drawdown date until the expiration of 24 months with every 6 months accounts for one period thereafter. The interest is paid monthly.
First Commercial Bank unsecured bank loans	123,570	Repayable monthly from 6 September 2019 to 6 September 2026. The grace period starts on the first drawdown date until the expiration of 24 months thereafter. The interest is paid monthly.
Taiwan Bank unsecured bank loans	38,909	Repayable monthly from 17 November 2011 to 27 November 2022 and interest is paid monthly.
Yuan Ta Bank unsecured bank loans	32,827	Repayable monthly from 23 December 2014 to 23 June 2019 and interest is paid monthly.
Société Générale Bank unsecured bank loans	9,326	Repayable monthly from 18 October 2018 to 18 September 2023 and interest is paid monthly.
HSBC Bank mortgage loans	26,839	Repayable monthly from 5 April 2018 to 5 April 2025 and interest is paid monthly.
Subtotal	906,471	
Less: current portion	(231,459)	
Less: syndicated bank loans expense	(5,980)	
Total	$669,032	

Note: Long-term borrowings interest rate is between 0.55% to 5.51%, and interest is paid monthly.

Lenders	As at 31 December 2018	Redemption
Taiwan Cooperative Bank syndicated bank loans	$2,100,000	Repayable semi-annually from 30 November 2016 to 30 November 2021. The first period starts on the first drawdown date until the expiration of 24 months with every 6 months accounts for one period thereafter. The interest is paid monthly.
Taiwan Bank unsecured bank loans	170,490	Repayable monthly from 17 November 2011 to 27 November 2019 and interest is paid monthly.
Sparkasse Holstein Bank secured bank loans	16,487	Repayable monthly from 1 January 2008 to 30 March 2020 and interest is paid monthly.
Yuan Ta Bank unsecured bank loans	36,584	Repayable monthly from 23 December 2014 to 23 June 2019 and interest is paid monthly.
Société Générale Bank unsecured bank loans	9,895	Repayable monthly from 18 October 2018 to 18 September 2023 and interest is paid monthly.
HSBC bank mortgage loans	34,510	Repayable monthly from 5 April 2018 to 5 April 2025 and interest is paid monthly.
Subtotal	2,367,966	
Less: current portion	(494,336)	
Less: syndicated bank loans expense	(9,100)	
Total	$1,864,530	

Note: Long-term borrowings interest rate is between 1.12% to 5.56%, and interest is paid monthly.

Please refer to Note 8 for property, plant and equipment pledged as collateral for long-term loans.

A. In August 2016, the Company has entered into a syndicated loan agreement with Taiwan Cooperative Bank and nine lending institutions of syndicated credits. The agreement offered the Company a credit line of NTD7.8 billion, which contains the following restrictive covenants:

(a) The current ratio shall not be lower than 100%. (Note 1)
(b) The liability ratio shall not be higher than 250%. (Note 2)
(c) The interest coverage ratio shall not be lower than 3. (Note 3)
Note 1: Current ratio= current assets/ current liabilities
Note 2: Liability ratio = total liabilities / owners' equity
Note 3: Interest coverage ratio = (income before income tax + interest expense + amortization expense) / interest expense

B. The Company should review these ratios every half year based on the audited annual consolidated financial statements and the reviewed semi-annual financial statements. If the Company fails to meet any of the ratios specified in any of the above covenants, the Company should seek improvement by injecting cash capital or other means.

When the Company fails to meet any terms of the covenants for the first time, the lending banks may deem it as non-violation without filing claims with respect to the contract. However, if the Company violates the same financial ratio requirement for a second time, it is regarded as a breach. The leading bank may ask the Company to pay compensation (at 0.10% of the unpaid loan as at the second review date) in one lump sum to the agent bank, and the agent bank will pay the compensation to the other lending banks in proportion to their loans.

When reviewing if the interest rates should be adjusted, upon one year maturity from the drawdown of the loan, the banks should review the Company's pre-tax margin every year based on the audited annual consolidated financial report provided by the Company. The banks shall adjust the interest rates according to the agreed principle on the next adjustment date for interest rates.

The Company did not violate the above covenants for the years ended 31 December 2019 and 2018.

(15) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

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

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended 31 December 2019 and 2018 were NTD30,994 thousand and NTD28,049 thousand respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NTD2,923 thousand to its defined benefit plan during the 12 months beginning after 31 December 2019.

The average duration of the defined benefits plan obligation as at 31 December 2019 and 2018, are 8.6 years and 9.2 years.

Pension costs recognized in profit or loss for the years ended 31 December 2019 and 2018:

	For the years ended 31 December	
	2019	2018
Current period service costs	$1,215	$1,184
Interest expense	679	666
Total	1,894	$1,850

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

	As at		
	31 December 2019	31 December 2018	1 January 2018
Defined benefit obligation	$170,682	$155,110	$143,953
Plan assets at fair value	(84,020)	(78,024)	(75,722)
Other non-current liabilities - defined benefit obligation	$86,662	$77,086	$68,231

Reconciliation of liability of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As at 1 January 2018	$143,953	$(75,722)	$68,231
Current period service costs	1,184	-	1,184
Net interest expense (income)	1,440	(774)	666
Subtotal	146,577	(76,496)	70,081
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	1,463	-	1,463
Experience adjustments	11,089	-	11,089
Remeasurements of the defined benefit assets	-	(2,250)	(2,250)
Subtotal	159,129	(78,746)	80,383

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Payments from the plan	(4,019)	4,019	-
Contributions by employer	-	(3,297)	(3,297)
As at 31 December 2018	$155,110	$(78,024)	$77,086
Current period service costs	1,215	-	1,215
Net interest expense (income)	1,396	(717)	679
Subtotal	157,721	(78,741)	78,980
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	3,007	-	3,007
Experience adjustments	10,425	-	10,425
Remeasurements of the defined benefit assets	-	(2,825)	(2,825)
Subtotal	171,153	(81,566)	89,587
Payments from the plan	(471)	471	-
Contributions by employer	-	(2,925)	(2,925)
As at 31 December 2019	$170,682	$(84,020)	$86,662

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

	As at	
	31 December 2019	31 December 2018
Discount rate	0.7%	0.9%
Expected rate of salary increases	2.0%	2.0%

A sensitivity analysis for significant assumption as at 31 December 2019 and 2018 is as shown below:

	Effect on the defined benefit obligation			
	2019		2018	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$7,359	$-	$7,105
Discount rate decrease by 0.5%	7,909	-	7,656	-
Future salary increase by 0.5%	6,955	-	6,789	-
Future salary decrease by 0.5%	-	6,559	-	6,387

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

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

(16) Equity

A. Share capital

As at 1 January 2018 the Company's authorized capital was NTD3,500,000 thousand, divided into 350,000,000 shares with par value of NTD10 each. The issued and outstanding capital stocks were NTD3,040,166 thousand.

The board meeting approved to cancel 400,000 shares of treasury stock in the amount of NTD21,755 thousand on 7 May 2019. The issued shares after the cancellation amounted to 303,616,617 shares and the paid-in capital amounted to NTD3,036,166 thousand. As at 31 December 2019, the capital remained unchanged.

B. Capital surplus

	As at	
	31 December 2019	31 December 2018
Additional paid-in capital	$54,807	$54,879
Gain on sale of assets	42	42
Other	75	75
Total	$54,924	$54,996

According to the Company Act, the capital reserve shall not be used except for making good 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. Legal reserve

According to the Company Act, the Company's after-tax earnings are required to first offset against any deficit, and 10% of the balance shall be set aside as legal reserve. 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 issued capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

D. Special reserve

When the Company distributed the earnings, 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.

Pursuant to FSC Letter No. Jin-Guan-Zheng-Fa-Zi 1010012865 dated 6 April 2012, and on a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, 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 according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company's special reserve of NTD64,037 thousand at first-time adoption of IFRS with the absolute value of other equity (deduction) – net as at 1 January 2018. As at the years ended 2019 and 2018, the Company did not reverse any special reserve as a result of using, disposing of or reclassifying related assets.

During 2019 and 2018, when distributing 2018 and 2017 distributable earnings, the Company set aside in special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, amounts equal to other net deductions from shareholders' equity were NTD29,133 thousand and NTD215,355 thousand for the years ended 2019 and 2018, respectively.

E. Treasury Stock

(a) The Company implements the treasury stock system, buyback the Company's shares from the securities centralized trading market, and its shares increase or decrease is shown as follows according to the reasons:

For the year ended 31 December 2019

(unit : shares)

Reason	Beginning balance	Increase	Decrease	Cancellation	Ending balance
Transfer to employees	900,000	600,000	(500,000)	(400,000)	600,000

For the year ended 31 December 2018

(unit : shares)

Reason	Beginning balance	Increase	Decrease	Cancellation	Ending balance
Transfer to employees	900,000	-	-	-	900,000

The board meeting held on 9 August 2019 approved to repurchase 600,000 shares, which would be transferred to employees to motivate them. The expected period to execute the decision would take place between 26 July 2019 and 25 September 2019; the repurchase price was between NTD70 to NTD100. The board meeting held on 18 March 2016 approved to repurchase 900,000 shares, which would be transferred to employees to motivate them. The expected period to execute the decision will take place between 21 March 2016 and 20 May 2016; the repurchase price will be between NTD45 to NTD75.

The board meeting held on 29 March 2019 approved to transfer 500,000 shares to employees and the same day as the benchmark date for employee shares. The transfer price of NTD21.05 was approved by the resolution of the shareholders' meeting on 28 June 2018, and the Company recognized compensation cost of NTD9,975 thousand on the grant date.

The Company's employees fully exercised the employee stock options of 500,000 shares on 10 April 2019. On the day to transfer, the difference between transfer price and buyback price was offset by retained earnings in the amount of NTD6,693 thousand.

The board meeting held on 7 May 2019 approved to cancel 400,000 shares of treasury stock which were not transferred to employees. The share capital was reduced by NTD4,000 thousand and additional paid-in capital was offset by NTD72 thousand proportionately. The remaining amount was offset by retained earnings in the amount of NTD17,683 thousand.

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

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

F. Distribution of retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

(a) Income tax obligation
(b) Offsetting accumulated deficits, if any
(c) Legal reserve at 10% of net income after tax
(d) Special reserve in compliance with the Company Act or Securities and Exchange Act
(e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting

The board of directors submits dividend distribution proposal to shareholders' meeting annually according to relevant regulations and the Company's policy of distribution depending on current and future investment environment, funding needs, domestic and foreign competition, capital budget, taking into consideration of the interests of shareholders, balancing dividends payouts and long-term financial planning. The distribution of shareholders dividend shall be allocated as follows: cash dividends to be distributed may not be less than 10% of total dividends to be distributed, and the stock dividends may be distributed from 50% to 100%.

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.

Details of the 2018 earnings distribution and dividends per share as approved by the resolution of the shareholders' meeting held on 28 June 2019 are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2019	2018	2019	2018
Legal reserve	Note	$38,978		
Special reserve	Note	29,133		
Cash dividends-common stock	Note	197,351	Note	$0.65

Note: The resolution to distribute the Company's 2019 earnings have not been finalized.

Please refer to Note 6 (21) for further details on employees' compensation and remuneration to directors and supervisors.

(17) Non-controlling interests

	As at	
	31 December 2019	31 December 2018
Beginning balance	$5,891	$5,211
Profit attributable to non-controlling interests	1,490	535
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	69	145
Ending balance	$5,891	$5,891

(18) Operating revenue

	For the years ended 31 December	
	2019	2018
Revenue from contracts with customers		
Sale of goods	$24,830,500	$21,242,633
Other operating revenues	542,061	514,431
Total	$25,372,561	$21,757,064

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

A. Disaggregation of revenue

For the year ended 31 December 2019

	Americas department	European department	Asian department	Other department	Total
Sale of goods	$12,297,704	$6,512,950	$4,958,250	$1,061,596	$24,830,500
Other operating revenues	471,609	736	53,701	16,015	542,061
Total	$12,769,313	$6,513,686	$5,011,951	$1,077,611	$25,372,561

For the year ended 31 December 2018

	Americas department	European department	Asian department	Other department	Total
Sale of goods	$9,716,225	$6,158,783	$4,330,567	$1,037,058	$21,242,633
Other operating revenues	438,914	2,032	54,331	19,154	514,431
Total	$10,155,139	$6,160,815	$4,384,898	$1,056,212	$21,757,064

B. Contract balance

(a) Contract asset – current

	As at		
	31 December 2019	31 December 2018	1 January 2018
Sales of goods	$75,211	$38,922	$44,102

The significant changes in the Group's balances of contract assets for the years ended 31 December 2019 and 2018 are as follows:

	For the years ended 31 December	
	2019	2018
The opening balance transferred to trade receivables	$(38,922)	$(44,102)
Increase of contract assets	75,211	38,922

Please refer to Note 6(19) for more details on the loss allowance.

(a) Contract liabilities – current

	As at		
	31 December 2019	31 December 2018	1 January 2018
Sales of goods	$303,032	$281,428	$318,193

During the period, contract liabilities significantly decreased as performance obligations were partially satisfied and NTD281,428 thousand included in the contract liability balance at the beginning of the period was recognized as revenue during the period.

(b) Transaction price allocated to unsatisfied performance obligations

None.

(c) Assets recognized from costs to fulfil a contract

None.

(19) Expected credit losses(gains)

	For the years ended 31 December	
	2019	2018
Operating expenses – Expected credit gains		
Trade receivables	$(99,054)	$1,350

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

The Group measures the loss allowance of its contract assets and 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 at 31 December 2019 is as follows:

A. the gross carrying amount of contract asset is NTD75,211 thousand.

B. the Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

Note receivables and trade receivables as at 31 December 2019

	Not yet due	Overdue				
	(note)	<=60 days	60-90 days	91-180 days	>=181 days	Total
Gross carrying amount	$4,002,004	$805,234	$97,764	$98,122	$191,369	$5,194,493
Loss rate	-%	0-10%	0-10%	0-10%	60-70%	
Life time expected credit losses	-	(2,800)	(1,581)	(2,281)	(131,632)	(138,294)
Per book	$4,002,004	$802,434	$96,183	$95,841	$59,737	$5,056,199

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

Installment accounts receivable and leased accounts receivable as at 31 December 2019

	Not yet due (note)	Overdue				Total
		<=60 days	60-90 days	91-180 days	>=181 days	
Gross carrying amount	$2,363,755	$38,124	$7,464	$24,764	$27,954	$2,462,061
Loss rate	-%	40-50%	60-70%	40-50%	80-90%	
Life time expected credit losses	-	(15,367)	(4,672)	(10,281)	(23,043)	(53,363)
Per book	$2,363,755	$22,757	$2,792	$14,483	$4,911	$2,408,698

Note receivables and trade receivables as at 31 December 2018

	Not yet due (note)	Overdue				Total
		<=60 days	60-90 days	91-180 days	>=181 days	
Gross carrying amount	$3,751,394	$850,422	$149,209	$226,144	$204,346	$5,181,515
Loss rate	0-10%	0-10%	0-10%	0-10%	40-50%	
Life time expected credit losses	(1,669)	(1,378)	(3,411)	(7,320)	(91,706)	(105,484)
Per book	$3,749,725	$849,044	$145,798	$218,824	$112,640	$5,076,031

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

Installment accounts receivable and leased accounts receivable as at 31 December 2018

	Not yet due (note)	Overdue				Total
		<=60 days	60-90 days	91-180 days	>=181 days	
Gross carrying amount	$2,424,975	$36,589	$7,546	$21,378	$37,587	$2,528,075
Loss rate	-%	30-40%	80-90%	80-90%	70-80%	
Life time expected credit losses	-	(13,332)	(4,840)	(18,400)	(26,679)	(63,251)
Per book	$2,424,975	$23,257	$2,706	$2,978	$10,908	$2,464,824

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

	Note receivables	Trade receivables
2019.01.01	$-	$168,735
Additionfor the current period	-	99,054
Write off	-	(76,491)
Exchange differences	-	359
2019.12.31	$-	$191,657
2018.01.01 (in accordance with IAS 39)	$-	$200,038
Transition adjustment to retained earnings	-	-
2018.01.01 (in accordance with IFRS 9)	$-	$200,038
Write off	-	(26,887)
Reversal for the current period	-	(1,350)
Exchange differences	-	(3,066)
2018.12.31	$-	$168,735

(20) Leases

A. The Group is a lessee (Adoption of the related disclosure in IFRS 16)

The Group leases various properties, including real estate such as land and buildings, machinery and equipment, transportation equipment, office equipment and other equipment. The lease terms range from 2 to 50 years.

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

(a) Amounts recognized in the balance sheet

(i) Right-of-use asset

The carrying amount of right-of-use assets

	As at 31 December	
	2019	2018 (Note)
Land	$441,499	
Buildings	1,553,275	
Machinery and equipment	28,257	
Transportation equipment	90,022	
Office equipment	20,671	
Total	$2,133,724	

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

During the year ended 31 December 2019, the Group's additions to right-of-use assets amounting to NTD565,012 thousand.

(ii) Lease liabilities

	As at 31 December	
	2019	2018 (Note)
Current	$388,677	
Non-Current	1,324,614	
Total	$1,713,291	

Please refer to Note 6(22)(c) for the interest on lease liabilities recognized during the year ended 31 December 2019 and refer to Note 12 (5) Liquidity risk management for the maturity analysis for lease liabilities as at 31 December 2019.

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

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2019	2018(Note)
Land	$44,939	
Buildings	362,259	
Machinery and equipment	7,938	
Transportation equipment	88,353	
Office equipment	4,318	
Total	$507,807	

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

C. Income and costs relating to leasing activities

	For the years ended	
	2019	2018(Note)
The expenses relating to short-term leases	$109,854	

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

D. Cash outflow related to lessee and lease activity

During the year ended 31 December 2019, the Group's total cash outflows for leases amounting to NTD582,535 thousand.

(21) Summary statement of employee benefits, depreciation and amortization expenses by function for the years ended 31 December 2019 and 2018:

Function / Nature	For the years ended 31 December					
	2019			2018		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$936,201	$3,745,154	$4,681,355	$787,312	$3,560,447	$4,347,759
Labor and health insurance	116,257	363,953	480,210	115,491	344,585	460,076
Pension	10,462	82,646	93,108	8,531	69,105	77,636
Other employee benefits expense	67,178	707,135	774,313	55,768	443,086	498,854
Depreciation	117,451	739,210	856,661	136,824	238,477	375,301
Amortization	-	19,873	19,873	-	20,645	20,645

According to the Articles of Incorporation, at least 1% of profit of the current year is distributable as employees' compensation and no higher than 5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year ended 31 December 2019, the Company estimated the amount of the employees' compensation and remuneration to directors for the year ended 31 December 2019 to be NTD16,100 thousand and NTD7,200 thousand, respectively, recognized as employee salary expense.

A resolution was passed at the board meeting held on 20 March 2020 to distribute NTD16,200 thousand and NTD7,200 thousand in cash as the employee compensation and remuneration to directors of 2019, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended 31 December 2019 amounted to NTD100 thousand and recognized in profit or loss of the subsequent year in 2020.

A resolution was passed at the board meeting held on 29 March 2019 to distribute NTD11,000 thousand and NTD7,200 thousand in cash as 2018 employee compensation and remuneration to directors, respectively. No material differences existed between the estimated amount and the actual distribution of the employee compensation and remuneration to directors for the year ended 31 December 2018.

(22) Non-operating income and expenses

A. Other income

	For the years ended 31 December	
	2019	2018
Interest income		
Financial assets measured at amortized cost	$277,977	$229,801
Rental income	945	6,308
Others	44,285	85,130
Total	$323,207	$321,239

B. Other gains and losses

	For the years ended 31 December	
	2019	2018
Foreign exchange (losses)gains , net	$(73,867)	$107,063
(Losses)Gains on disposal of investments	(2,999)	2,195
Gains(Losses) on disposal of property, plant and equipment	30,470	(23,724)
Gains on financial assets at fair value through profit or loss (Note 1)	84	5,132
(Losses)Gains on financial liabilities at fair value through profit or loss (Note 2)	(1,559)	12,242
Others	(74,935)	(49,268)
Total	$(122,806)	$53,640

Note:

1. Balances were arising from financial assets mandatorily measured at fair value through profit or loss.
2. Balances were arising from held for trading financial liabilities.

C. Finance costs

	For the years ended 31 December	
	2019	2018
Interest on loans from bank	$149,328	$133,669
Interest on lease liabilities	43,004	Note
Total	$192,332	$133,669

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

(23) Components of other comprehensive income

A. For the year ended 31 December 2019

	Arising during the period	Reclassification adjustments during the period	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	$(10,606)	$(10,606)	$2,121	$(8,485)
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of a foreign operation	(442,871)	(442,871)	88,574	(354,297)
Total of other comprehensive income	$(453,477)	$(453,477)	$90,695	$(362,782)

B. For the year ended 31 December 2018

	Arising during the period	Reclassification Adjustments during the period	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	$(10,303)	$(10,303)	$2,989	$(7,314)
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of a foreign operation	(69,724)	(69,724)	40,591	(29,133)
Total of other comprehensive income	$(80,027)	$(80,027)	$43,580	$(36,447)

(24) Income tax

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

The major components of income tax expense(income) are as follows:

A. Income tax expense (income) recognized in profit or loss

	For the years ended 31 December	
	2019	2018
Current income tax expense:		
Current income tax charge	$476,090	$284,282
Adjustments in respect of current income tax of prior periods	10,367	5,531
Deferred tax expense(income):		
Deferred tax (income) expense relating to origination and reversal of temporary differences	(46,629)	(114,847)
Deferred tax expense(income) relating to origination and reversal of tax loss and tax credit	25,800	(136,799)
Tax income recognized in the period for previously unrecognized tax loss, tax credit or temporary difference of prior periods	(68,811)	(54,480)
Deferred tax expense relating to changes in tax rate or the imposition of new taxes	-	(9,899)
Other components of deferred tax income	(73,636)	(71,255)
Total income tax expense(income)	$323,181	$(97,467)

B. Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2019	2018
Deferred income tax expense:		
Exchange differences resulting from translating the financial statements of a foreign operation	$(88,574)	$(40,591)
Remeasurements of defined benefit plans	(2,121)	(2,989)
Income tax relating to components of other comprehensive income	$(90,695)	$(43,580)

C. Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 December	
	2019	2018
Accounting profit before tax from continuing operations	$1,617,202	$292,855
Tax at the domestic rates applicable to profits in the country concerned	$372,762	$(3,478)
Tax effect of revenues exempt from taxation	(89,719)	(14,957)
Tax effect of expenses not deductible for tax purposes	52,624	98,843
Tax effect of deferred tax assets/liabilities	42,850	(141,791)
5 % surtax on undistributed retained earnings	2,372	-
Adjustments in respect of current income tax of prior periods	10,367	5,531
Other adjustments according to tax law	(68,075)	(41,615)
Total income tax expense(income) recognized in profit or loss	$323,181	$(97,467)

D. Deferred tax assets (liabilities) relate to the following:

(a) For the year ended 31 December 2019

	Balance as at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Balance as at 31 December
Temporary difference					
Provision for allowance to reduce inventories to market value	$60,868	$50,915	$-	$(2,954)	$108,829
Unrealized sales gross profit	121,805	(50,880)	-	1,290	72,215
Unrealized other income	-	6,738	-	(206)	6,532
Accrued expense	49,402	47,810	-	(2,226)	94,986
Prepaid Expenses	(7,222)	7,212	-	(19)	(29)
Realized financial assets measured at fair value through profit or loss	2,154	233	-	(4)	2,383
Exchange differences on translation of foreign operations	191,588	-	88,574	-	280,162
Unrealized Pension	7,164	415	-	(17)	7,562
Actuarial gain (loss) on defined benefit plans	8,253	-	2,121	-	10,374
Unrealized exchange gain or loss	886	20,393	-	(1)	21,278
Allowance for bad debts exceeded	-	378		3	381
Bad debt loss	2,194	(2,207)	-	13	-
Deferred expense	(1,536)	(1,390)	-	(339)	(3,265)
Depreciation	(7,537)	3,736	-	71	(3,730)
Unused tax losses	661,696	37,966	-	(16,892)	682,770
Provision-warranties	70,787	6,853	-	(1,588)	76,052
Land appreciation tax	(47,428)	-	-	-	(47,428)
Other deferred income tax assets	52,065	(2,057)	-	(1,215)	48,793
Other deferred income tax liabilities	(65,034)	(36,475)	-	2,680	(98,829)
Deferred income tax expense/(income)		$89,640	$90,695	$(21,404)	
Net deferred income tax assets/(liabilities)	$1,100,105				$1,259,036
Reflected in balance sheet as follows:					
Deferred tax assets	$1,237,428				$1,471,574
Deferred tax liabilities	$(137,323)				$(212,538)

(b) For the year ended 31 December 2018

	Balance as at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Balance as at 31 December
Temporary difference					
Provision for allowance to reduce inventories to market value	$38,602	$22,266	$-	$1,666	$60,868
Unrealized sales gross profit	141,049	(19,244)	-	-	121,805
Accrued expense	42,299	7,103	-	(1,315)	49,402
Prepaid Expenses	(9,364)	2,142	-	(203)	(7,222)
Realized financial assets measured at fair value through profit or loss	4,550	(2,396)	-	1	2,154
Exchange differences on translation of foreign operations	150,997	-	40,591	-	191,588
Unrealized Pension	6,335	829	-	-	7,164
Actuarial gain (loss) on defined benefit plans	5,264	-	2,989	-	8,253
Unrealized exchange gain or loss	4,033	(3,147)	-	-	886
Bad debt loss	2,059	135	-	76	2,194
Deferred expense	9,245	(10,781)	-	598	(1,536)
Depreciation	(6,807)	(730)	-	(242)	(7,537)
Unused tax losses	470,417	191,279	-	(4,927)	661,696
Provision-warranties	52,658	18,129	-	1,475	70,787
Land appreciation tax	(47,428)	-	-	-	(47,428)
Other deferred income tax assets	67,089	(15,024)	-	1,746	52,065
Other deferred income tax liabilities	(220,138)	155,104	-	30,765	(65,034)
Deferred income tax expense/(income)		$345,665	$43,580	$29,640	
Net deferred income tax assets/(liabilities)	$710,860				$1,100,105
Reflected in balance sheet as follows:					
Deferred tax assets	$995,865				$1,237,428
Deferred tax liabilities	$(285,005)				$(137,323)

(c) The following table contains information of the unused tax:

		Unused tax losses as at		
Year	Tax losses for the period	31 December 2019	31 December 2018	Expiration Year(Note)
2007	$535,526	$76,450	$76,450	2027
2008	546,762	402,270	402,270	2028
2009	222,640	207,557	211,104	2029
2012	45,514	12,170	12,170	2032
2013	177,126	63,572	63,572	2022~2033
2014	159,637	56,910	56,910	2023~2034
2015	203,811	90,190	90,190	2024~2035
2016	153,332	114,475	114,475	2025~2036
2017	374,426	365,568	365,568	2026~2037
2018	526,425	503,919	526,425	2027~2038
2019	521,504	521,504	-	2028~2039
Total	$3,466,703	$2,414,585	$1,919,134	

Note: The loss deduction of Johnson Industry Brazil Ltda, Johnson Health Tech. North America Inc. and Johnson Health Tech. Retail Inc. has no expiration year.

(d) Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As at 31 December 2019 and 2018, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to NTD5,658,683 thousand and NTD5,038,112 thousand respectively.

(e) The assessment of income tax returns

As at 31 December 2019 the tax authorities have assessed income tax returns of the Company through 2017.

(25) Earnings per share

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

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

	For the years ended 31 December	
	2019	2018
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousands of NTD)	$1,292,531	$389,787
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	303,231	303,117
Basic earnings per share (NTD)	$4.26	$1.29

Calculation of diluted earnings per share is equal to basic earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

7. Related party transactions

Significant transactions with related parties

(1) Key management personnel compensation:

	For the years ended 31 December	
	2019	2018
Short-term employee benefits	$127,566	$122,908

8. Assets pledged as security

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

	As at		
	31 December 2019	31 December 2018	Contents of secured debt
Property, plant and equipment - land	$666,171	$715,001	Syndicated loan / Secured loan
Property, plant and equipment - buildings(carrying value)	47,610	161,728	Syndicated loan / Secured loan
Other receivable - deposit	241,750	215,308	Engineering/Credit Card of Enterprise/LC loan / Notes payable
Inventory	131,575	-	Secured loan
Trade receivables	10,313	-	Secured loan
Property, plant and equipment - vehicles equipment	7,628	-	Secured loan
Total	$1,105,047	$1,092,037	

9. Commitments and contingencies

(1) The important contracts of construction in progress or service

The contracts of the Group as at 31 December 2019 and 2018 are as follows:

A. As at 31 December 2019:

Counterparty	Contract target	Total contract amount	Accumulated payment as at 31 December 2019
Company A	Auto storage equipment	NTD57,500 thousand	NTD17,250 thousand
Company B	Auto storage plant engineering	NTD90,640 thousand	NTD45,320 thousand
Company C	Auto storage plant engineering	NTD7,968 thousand	NTD2,390 thousand
Company D	Auto storage plant engineering	NTD12,460 thousand	NTD3,738 thousand

B. As at 31 December 2018:

Counterparty	Contract target	Total contract amount	Accumulated payment as at 31 December 2018
Company A	Auto storage equipment	NTD57,500 thousand	NTD17,250 thousand
Company B	Auto storage plant engineering	NTD90,640 thousand	NTD27,192 thousand

(2) The Company issued guaranty notes as security for borrowings in the sum of NTD776,776 thousand as at 31 December 2019.

(3) The Company entered into financial guarantees to related parties as at 31 December 2019. Refer to Note 13(1)(b).

10. Losses due to major disasters

None.

11. Significant subsequent events

Considering the horizontal integration of the industry, the use of resources, the future global layout and the improvement of operational performance, the Company held a board meeting on 20 December 2019 and resolved to acquire 60% shares of Fuji Medical Instruments MFG. Co., Ltd, a subsidiary of Asahi Life & Health Corporation in Japan. An equity purchase and sale contract was entered into after the board meeting. Subsequently on 25 February 2020, upon obtaining consent from the Investment Commission, Ministry of Economic Affairs and completion of the settlement terms agreed upon in the purchase and sale contract, the Company acquired 180,000 shares of Fuji Medical Instruments MFG. Co., Ltd, which accounted for 60% of its common shares on 13 March 2020. The total amount of this investment transaction was JPY6.241 billion, at approximately JPY34,672 per share. Fuji Medical Instruments MFG. Co., Ltd.'s total outstanding common shares are not restricted shares.

12. Others

(1) Categories of financial instruments

	As at	
Financial Assets	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	$5,216	$5,132
Amortised cost of a financial asset:		
Cash and cash equivalents (excluding cash on hand)	3,274,371	3,242,379
Notes and trade receivables	7,464,897	7,540,855
Other receivables	403,635	426,701
Subtotal	11,142,903	11,209,935
Total	$11,148,119	$11,215,067

	As at	
Financial Liabilities	31 December 2019	31 December 2018
Financial liabilities at amortized cost:		
Short-term borrowings	$5,207,681	$5,165,260
Commercial paper payable	149,917	-
Notes and accounts payable	3,752,291	3,867,367
Bonds payable (including current portion)	2,000,000	-
Long-term loans (including current portion)	900,491	2,358,866
Lease liability	1,713,291	(Note)
Subtotal	13,723,671	11,391,493
Financial liabilities at fair value through profit or loss:		
Held for trading	17,129	15,570
Total	13,740,800	11,407,063

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

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is 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 expenses are 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 at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD, EUR and CNY. The information of the sensitivity analysis is as follows:

(a) When NTD strengthens/weakens against USD by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended 31 December 2019	$-	$3,277
For the year ended 31 December 2018	$-	$4,010

(b) When NTD strengthens/weakens against EUR by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended 31 December 2019	$-	$20,036
For the year ended 31 December 2018	$-	$19,661

(b) When NTD strengthens/weakens against CNY by 1%:

	Increase (decrease) in equity	Decrease (increase) in profit or loss
For the year ended 31 December 2019	$-	$(1,413)
For the year ended 31 December 2018	$-	$(3,443)

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 the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 31 December, 2019 and 2018 to increase/decrease by NTD8,258 thousand and NTD7,524 thousand, respectively.

(4) Credit risk management

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

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

As at 31 December 2019 and 2018, the credit concentration risk of other accounts receivables is insignificant.

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

(5) Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	2 to 3 years	4 to 5 years	>= 5 years	Total
As at 31 December 2019					
Short-term borrowings	$5,403,301	$-	$-	$-	$5,403,301
Commercial paper payable	150,000	-	-	-	150,000
Notes and accounts payable	3,752,125	-	-	-	3,752,125
Bonds payable	16,600	33,200	2,029,050	-	2,078,850
Long-term loans	244,557	680,603	-	-	925,160
Lease liabilities	499,174	702,973	348,257	308,738	1,859,142
As at 31 December 2018					
Short-term borrowings	$5,285,492	$-	$-	$-	$5,285,492
Notes and accounts payable	3,867,367	-	-	-	3,867,367
Long-term loans	531,898	1,890,184	-	-	2,422,082

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2019:

	Short-term borrowings	Commercial paper Payable	Long-term loans	Lease liabilities	Total liabilities from financing activities
As at 1 January 2019	$5,165,260	$-	$2,358,866	$-	$7,524,126
Cash flows	70,617	148,580	(1,427,847)	(472,681)	(1,681,331)
Non-cash changes	-	1,337	4,680	2,312,421	2,318,438
Foreign exchange movement	(28,196)	-	(35,208)	(126,449)	(189,853)
As at 31 December 2019	$5,207,681	$149,917	$900,491	$1,713,291	$7,971,380

Reconciliation of liabilities for the year ended 31 December 2018:

	Short-term borrowings	Commercial paper payable	Long-term loans	Total
As at 1 January 2018	$5,051,682	$149,696	$2,600,356	$7,801,734
Cash flows	129,186	(149,696)	(239,545)	(260,055)
Foreign exchange movement	(15,608)	-	(1,945)	(17,553)
As at 31 December 2018	$5,165,260	$-	$2,358,866	$7,524,126

(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) 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) is 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 instruments except cash and cash equivalents, trade receivables, accounts payable and other current liabilities, financial assets and liabilities measured at amortized cost approximate their fair value.

C. Fair value measurement hierarchy

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 forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as at 31 December 2019 and 2018 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Company	Contract	Contract amount (in thousands)	Maturity
As at 31 December 2019			
Johnson Health Tech. Co., Ltd.	Forward currency contract	Buy USD 2,000	From 2020/01/23 to 2020/04/24
Johnson Health Tech. Co., Ltd.	Forward currency contract	Buy USD 9,000	2020/04/23
Johnson Health Tech. Co., Ltd.	Forward currency contract	Sell EUR 5,000	From 2020/02/27 to 2020/06/12
Johnson Health Tech. Co., Ltd.	Forward currency contract	Sell EUR 24,000	From 2020/01/31 to 2020/08/06
As at 31 December 2018			
Johnson Health Tech. Co., Ltd.	Forward currency contract	Sell EUR 2,000	2019/01/03
	Forward currency contract	Sell EUR 15,000	From 2019/03/29 to 2019/06/28
Johnson Health Tech. GmbH	Interest rate swap	EUR 3,600	2020/03/30

(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.

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 at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$-	$5,216	$-	$5,216
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$-	$17,129	$-	$17,129

As at 31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$-	$5,132	$-	$5,132
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$-	$ 14,908	$-	$ 14,908
Interest rate swap	-	662	-	662

Transfers between Level 1 and Level 2 during the period

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

(10) Significant assets and liabilities denominated in foreign currencies

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

	As at					
	31 December 2019			31 December 2018		
	Foreign Currency (thousands)	Exchange rate	NTD (thousands)	Foreign Currency (thousands)	Exchange rate	NTD (thousands)
Financial assets						
Monetary item:						
EUR	$108,907	33.6300	$3,662,532	$113,456	35.2300	$3,997,063
USD	63,669	29.9800	1,908,793	66,611	30.7400	2,047,635
CNY	307,115	4.2940	1,318,750	281,960	4.4740	1,261,489
BRL	78,193	7.4446	582,117	51,058	7.5131	383,602
Financial liabilities						
Monetary item:						
CNY	$348,250	4.2940	$1,495,385	$378,163	4.4740	$1,691,902
USD	50,004	29.9800	1,499,112	50,306	30.7400	1,546,399
EUR	34,434	33.6300	1,158,023	43,695	35.2300	1,539,392

The Group is unable to disclose foreign exchange gains or losses on significant assets and liabilities denominated in foreign currencies because the Group entities use a large number of different functional currencies. The exchange gain (loss) for the years ended 31 December 2019 and 2018 were NTD(73,867) thousand and NTD108,063 thousand, respectively.

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

(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.

13. <u>Other disclosures</u>

(1) Information at significant transactions

A. Financing provided: transactions disclosured as below are belong to consolidated entities and eliminated.

No	Lender	Counter- party	Financial statement account	Related Party or Not	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 1)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note 2)	Limit of total financing amount (Note 3)
													Item	Value		
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. (Vietnam) Company Limited	Other receivable-related parties	Yes	$1,421	$1,421	$1,421	3%	1	$8,252	For business operation	$-	-	-	$1,825,955	$3,651,911
0	Johnson Health Tech. Co., Ltd.	Johnson Health Technologies, S.A. de C.V.	Other receivable-related parties	Yes	42,714	42,714	42,714	3%	1	141,637	For business operation	-	-	-	1,825,955	3,651,911
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Canada Inc.	Other receivable-related parties	Yes	7,155	7,155	7,155	3%	1	285,460	For business operation	-	-	-	1,825,955	3,651,911

No	Lender	Counter- party	Financial statement account	Related Party or Not	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 1)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note 2)	Limit of total financing amount (Note 3)
													Item	Value		
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. (H.K.) Ltd	Other receivable-related parties	Yes	8,579	-	-	3%	1	89,803	For business operation	-	-	-	1,825,955	3,651,911
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Philippines,Inc.	Other receivable-related parties	Yes	30,175	30,175	30,175	3%	1	44,685	For business operation	-	-	-	1,825,955	3,651,911
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. UAE LLC	Other receivable-related parties	Yes	118,879	118,879	118,879	3%	1	310,697	For business operation	-	-	-	1,825,955	3,651,911
0	Johnson Health Tech. Co., Ltd.	Johnson Industrial do Brasil Ltda.	Other receivable-related parties	Yes	204,033	204,033	204,033	3%	1	541,630	For business operation	-	-	-	1,825,955	3,651,911
0	Johnson Health Tech. Co., Ltd.	Style Retail Vietnam Company Limited	Other receivable-related parties	Yes	91	6	6	3%	1	44	For business operation	-	-	-	1,825,955	3,651,911
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. TRADING Ltd	Other receivable-related parties	Yes	498,752	498,752	498,752	3%	1	1,669,637	For business operation	-	-	-	1,825,955	3,651,911
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Romania SA	Other receivable-related parties	Yes	385	-	-	3%	1	14,862	For business operation	-	-	-	1,825,955	3,651,911

No	Lender	Counter- party	Financial statement account	Related Party or Not	Maximum balance for the period	Ending balance	Amount drawn	Interest rate	Nature of financing (Note 1)	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note 2)	Limit of total financing amount (Note 3)
													Item	Value		
0	Johnson Health Tech. Co., Ltd.	Johnson Industrial do Brasil Ltda.	Other receivable-related parties	Yes	55,566	54,630	-	-%	2	-	For business operation	-	-	-	1,825,955	3,651,911
2	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Health Technology Co., Ltd.	Other receivable-related parties	Yes	608,600	608,600	282,360	1%	2	-	For business operation	-	-	-	882,905	882,905
3	Johnson Health Tech. (Viet Nam)Co., ltd.	Style Retail Vietnam Company Limited	Other receivable-related parties	Yes	30,880	30,880	19,761	3%	2	-	For business operation	-	-	-	31,328	31,328

Note 1: Code "1" represents business relationship between the two companies.

Code "2" represents an entity that requires short-term financing.

Note 2: Johnson Health Tech. Co., Ltd.'s financing limit for a counterparty was set at 20% of its net worth indicated in the most recent financial report. Johnson Health Technology (Shanghai) Co., Ltd.'s financing limit for a counterparty was set at 30% of its net worth indicated in the most recent financial report. Johnson Health Tech. (Vietnam) Company Limited 's financing limit for a counterparty was set at 100% of its net worth stated in the most recent financial report.

Note 3: Johnson Health Technology (Shanghai) Co.'s financing limit was set at 30% of its net worth stated in the most recent financial report. Johnson Health Tech. (Vietnam) Company Limited's financing limit was set at 100% of its net worth stated in the most recent financial report. The total financing of the remaining entities was limited to 40% of the Company's net equity.

Note 4: According to the FSC Letter Jin-Guan-Cheng-Liu-Zi-No. 0980000271, the amount of financing between foreign subsidiaries in which the Company holds, directly and indirectly, 100% of voting shares, is not restricted.

B. Endorsement/Guarantee provided:

No	Endorser/ Guarantor	Counterparty		Guarantee limited amount for each counterparty (Note 2)	Maximum balance for the period	Ending balance of guarantee amount	Amount drawn	Value of collaterals properties	Ratio of accumulated amount of guarantee provided to net equity of the latest financial statements	Limited of guarantee amount (Note 3)	Guarantee from the parent to subsidiary	Guarantee from the subsidiary to parent	Guarantee to mainland China
		Company Name	Relationship (Note 1)										
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. France	3	$9,129,776	$415,050	$300,300	$-	$-	3.29	$22,824,440	Y	N	N
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. GmbH	3	9,129,776	766,548	585,770	189,448	-	6.42	22,824,440	Y	N	N
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. UK Ltd.	3	9,129,776	775,990	759,944	9,494	-	8.32	22,824,440	Y	N	N
0	Johnson Health Tech. Co., Ltd.	World of Leasing GmbH	3	9,129,776	609,430	465,410	72,162	-	5.10	22,824,440	Y	N	N
0	Johnson Health Technology Co., Ltd.	Johnson Health Technologies Ibérica, SL	3	9,129,776	524,000	503,280	62,675	-	5.51	22,824,440	Y	N	N
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Japan Co., ltd.	3	9,129,776	58,100	55,620	-	-	0.61	22,824,440	Y	N	N
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. (Thailand) Co., Ltd.	3	9,129,776	186,600	180,180	57,057	-	1.97	22,824,440	Y	N	N
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. (Schweiz) GmbH	3	9,129,776	164,300	157,750	68,337	-	1.73	22,824,440	Y	N	N
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Canada Commercial Inc.	3	9,129,776	299,910	288,690	132,075	-	3.16	22,824,440	Y	N	N

No	Endorser/ Guarantor	Counterparty		Guarantee limited amount for each counterparty (Note 2)	Maximum balance for the period	Ending balance of guarantee amount	Amount drawn	Value of collaterals properties	Ratio of accumulated amount of guarantee provided to net equity of the latest financial statements	Limited of guarantee amount (Note 3)	Guarantee from the parent to subsidiary	Guarantee from the subsidiary to parent	Guarantee to mainland China
		Company Name	Relationship (Note 1)										
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Retail Inc.	3	9,129,776	311,000	300,300	-	-	3.29	22,824,440	Y	N	N
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Italia SPA	3	9,129,776	155,500	150,150	67,660	-	1.64	22,824,440	Y	N	N
0	Johnson Health Tech. Co., Ltd.	Johnson Industrial do Brasil Ltda.	3	9,129,776	23,325	-	-	-	0.00	22,824,440	Y	N	N
1	Johnson Health Tech. North America, Inc.	Lease Servicing Center, Inc.	1	9,129,776	23,850	20,155	20,155	-	0.22	22,824,440	N	N	N
1	Johnson Health Tech. North America, Inc.	United Leasing, Inc	1	9,129,776	40,010	34,338	34,338	-	0.38	22,824,440	N	N	N
1	Johnson Health Tech. North America, Inc.	Macrolease Corporation	1	9,129,776	171,050	165,165	41,569	-	1.81	22,824,440	N	N	N
1	Johnson Health Tech. North America, Inc.	Johnson Health Tech. Retail Inc.	1	9,129,776	229,125	225,225	30,461	-	2.47	22,824,440	N	N	N
2	Johnson Health Tech. Australia Pty., Ltd	CE Finance(TL Rentals)	1	9,129,776	448	423	423	-	0.00	22,824,440	N	N	N
2	Johnson Health Tech. Australia Pty., Ltd	Eclipx Commercial	1	9,129,776	5,763	1,459	1,459	-	0.02	22,824,440	N	N	N

No	Endorser/ Guarantor	Counterparty		Guarantee limited amount for each counterparty (Note 2)	Maximum balance for the period	Ending balance of guarantee amount	Amount drawn	Value of collaterals properties	Ratio of accumulated amount of guarantee provided to net equity of the latest financial statements	Limited of guarantee amount (Note 3)	Guarantee from the parent to subsidiary	Guarantee from the subsidiary to parent	Guarantee to mainland China
		Company Name	Relationship (Note 1)										
2	Johnson Health Tech. Australia Pty., Ltd	Flexi Commercial	1	9,129,776	520	-	-	-	0.00	22,824,440	N	N	N
3	Johnson Health Tech. France	IKB Leasing	1	9,129,776	17,673	14,698	14,698	-	0.16	22,824,440	N	N	N
4	Johnson Health Tech. Canada Commercial Inc.	Meridian OneCap Credit Corp	1	9,129,776	20,945	13,331	13,331	-	0.15	22,824,440	N	N	N
5	JOHNSON HEALTH TECH. IBERICA. S.L.	SG Equipment Finance Iberia, E.F.C., S.A.	1	9,129,776	62,675	62,675	62,675	-	0.69	22,824,440	N	N	N
6	Johnson Health Tech. GmbH	PEAC Finance	1	9,129,776	15,889	2,714	2,714	-	0.03	22,824,440	N	N	N
5	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Health Tech. Co., Ltd.	1	9,129,776	1,373,561	1,373,561	-	-	15.04	22,824,440	N	Y	N

Note 1: Code "1" represents there are business relationship between the two companies.

Code "2" represents a subsidiary in which the parent holds directly over 50% of equity interest.

Code "3" represents an investee in which the parent and its subsidiaries hold over 50% of equity interest.

Note 2: Guarantee provided to each counterparty was limited to 100% of net equity of latest financial statement of the guarantor.

Note 3: The total amount may not exceed 250% of net equity of latest financial statement of the guarantor.

C. Securities held as at end of the period(excluding subsidiaries, associates and joint venture): None

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock for the period: None

E. Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock for the period: None

F. Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock for the period: None

G. Related party transactions for purchases and sales amounts exceeding the lower of NTD100 million or 20% of the capital stock for the period:

Please refer to Note 13(1)(j) for detail.

H. Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of capital stock as at end of the period:

(Amounts in thousands; Currency denomination in NTDor in foreign currencies)

Company name	Related party	Relationship	Ending balance	Turnover rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for bad debts
					Amount	collection status		
Johnson Health Tech. Co., Ltd.	Johnson Health Tech. North America, Inc.	Investee company	Accounts Receivable USD73,548 (NTD2,201,967) Other Receivable USD 13 (NTD389)	1.78	$-	$-	$814,115	$-
Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Netherland B.V.	Investee company	Accounts Receivable EUR 9,018 (NTD302, 625) Other Receivable EUR 33 (NTD1,111)	2.08	-	-	-	-
Johnson Health Tech. Co., Ltd.	Johnson Industrial do Brasil Ltda.	Investee company	Accounts Receivable USD 12,987 (NTD338, 625) Other Receivable USD 7,303 (NTD218,636)	0.94	-	-	-	-
Johnson Health Tech. Co., Ltd.	Johnson Health Tech. UAE LLC	Investee company	Accounts Receivable USD 6,064 (NTD181,220) Other Receivable USD 4,312 (NTD129,346)	1.01	-	-	20,966	-

Company name	Related party	Relationship	Ending balance	Turnover rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for bad debts
					Amount	collection status		
Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Canada Inc.	Investee company	Accounts Receivable USD 5,299 (NTD158,376) Other Receivable USD 361 (NTD11,004)	1.20	-	-	-	-
Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Trading, Inc.	Investee company	Accounts Receivable USD 36,295 (NTD 1,073,681) Other Receivable USD 16,423 (NTD503,490)	1.11	-	-	56,805	-
Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Tech. Co., Ltd.	Indirect investment under equity method	Accounts Receivable USD 55,016 (NTD1,652,146) EUR 14,344 (NTD485,260) JPY 962,094 (NTD267,558)	1.81	-	-	750,768	-
Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	Indirect investment under equity method	Accounts Receivable USD 3,001 (NTD89,970 CNY 1,724 (NTD7,403) Other Receivable USD 1,666 (NTD7,154)	1.41	-	-	149	-
Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Tech. Co., Ltd.	Indirect investment under equity method	Accounts Receivable USD 6,176 (NTD185,456) JPY 26,986 (NTD7,505) EUR 240 (NTD8,110) Other Receivable CNY 60,000 (NTD259,140)	2.39	-	-	193,690	-
Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	Indirect investment under equity method	Accounts Receivable USD 3,580 (NTD25,169)	4.65	-	-	110,606	-

I. Transaction of derivative financial instruments:

Please refer to Note 12(8).

J. Significant intercompany transactions between consolidated entities are as follows:
(amounts exceeding the lower of NTD100 million or 20% of the capital stock)

No (Note 1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial statements item	Amount	Terms	Percentage of consolidated total gross sales or total assets (%) (Note 3)
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. North America, Inc.	1	Sales	4,388,453	The same commercial terms as with a general customer	17.30%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. North America, Inc.	1	Receivables from related parties	2,201,967	The same commercial terms as with a general customer	8.17%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. UK Ltd.	1	Sales	421,952	The same commercial terms as with a general customer	1.66%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. UK Ltd.	1	Receivables from related parties	92,184	The same commercial terms as with a general customer	0.34%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. GmbH	1	Sales	658,451	The same commercial terms as with a general customer	2.60%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. GmbH	1	Receivables from related parties	86,089	The same commercial terms as with a general customer	0.32%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Netherland B.V.	1	Sales	866,826	The same commercial terms as with a general customer	3.42%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Netherland B.V.	1	Receivables from related parties	284,747	The same commercial terms as with a general customer	1.06%

No (Note 1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial statements item	Amount	Terms	Percentage of consolidated total gross sales or total assets (%) (Note 3)
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. France SAS	1	Sales	351,233	The same commercial terms as with a general customer	1.38%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. France SAS	1	Receivables from related parties	20,899	The same commercial terms as with a general customer	0.08%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Australia Pty., Ltd.	1	Sales	352,073	The same commercial terms as with a general customer	1.39%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Australia Pty., Ltd.	1	Receivables from related parties	46,853	The same commercial terms as with a general customer	0.17%
0	Johnson Health Tech. Co., Ltd.	Johnson Industrial do Brasil Ltda	1	Sales	300,830	The same commercial terms as with a general customer	1.19%
0	Johnson Health Tech. Co., Ltd.	Johnson Industrial do Brasil Ltda	1	Receivables from related parties	388,625	The same commercial terms as with a general customer	1.44%
0	Johnson Health Tech. Co., Ltd.	Johnson Industrial do Brasil Ltda	1	Other accounts receivable	218,636	The same commercial terms as with a general customer	0.81%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Japan Co., ltd.	1	Sales	631,163	The same commercial terms as with a general customer	2.49%

No (Note 1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial statements item	Amount	Terms	Percentage of consolidated total gross sales or total assets (%) (Note 3)
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Japan Co., ltd.	1	Receivables from related parties	6,301	The same commercial terms as with a general customer	0.02%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Canada Inc.	1	Sales	170,784	The same commercial terms as with a general customer	0.67%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Canada Inc.	1	Receivables from related parties	158,376	The same commercial terms as with a general customer	0.59%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Iberica. S.L.	1	Sales	294,766	The same commercial terms as with a general customer	1.16%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Iberica. S.L.	1	Receivables from related parties	39,595	The same commercial terms as with a general customer	0.15%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Italia SPA	1	Sales	186,171	The same commercial terms as with a general customer	0.73%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Italia SPA	1	Receivables from related parties	79,860	The same commercial terms as with a general customer	0.30%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. UAE L.L.C	1	Sales	164,926	The same commercial terms as with a general customer	0.65%

No (Note 1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial statements item	Amount	Terms	Percentage of consolidated total gross sales or total assets (%) (Note 3)
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. UAE L.L.C	1	Receivables from related parties	181,220	The same commercial terms as with a general customer	0.67%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. UAE L.L.C	1	Other accounts receivable	129,346	The same commercial terms as with a general customer	0.48%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Trading, Inc	1	Sales	1,177,058	The same commercial terms as with a general customer	4.64%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Trading, Inc	1	Receivables from related parties	1,073,681	The same commercial terms as with a general customer	3.98%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Trading, Inc	1	Other accounts receivable	501,869	The same commercial terms as with a general customer	1.86%
0	Johnson Health Tech. Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	1	Purchases	4,857,614	The same commercial terms as with a general customer	19.15%
0	Johnson Health Tech. Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	1	Payables to related parties	2,404,964	The same commercial terms as with a general customer	8.93%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	1	Purchases	514,976	The same commercial terms as with a general customer	2.03%

No (Note 1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial statements item	Amount	Terms	Percentage of consolidated total gross sales or total assets (%) (Note 3)
0	Johnson Health Tech. Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	1	Payables to related parties	201,071	The same commercial terms as with a general customer	0.75%
0	Johnson Health Tech. Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	1	Other payables to related parties	259,296	The same commercial terms as with a general customer	0.96%
1	Johnson Health Tech. North America, Inc.	Johnson Health Tech. Co., Ltd.	2	Purchases	4,388,453	The same commercial terms as with a general customer	17.30%
1	Johnson Health Tech. North America, Inc.	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	2,201,967	The same commercial terms as with a general customer	8.17%
2	Johnson Health Tech. UK. Ltd.	Johnson Health Tech. Co., Ltd.	2	Purchases	421,952	The same commercial terms as with a general customer	1.66%
2	Johnson Health Tech. UK. Ltd.	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	92,184	The same commercial terms as with a general customer	0.34%
3	Johnson Health Tech. Gmbh	Johnson Health Tech. Co., Ltd.	2	Purchases	658,451	The same commercial terms as with a general customer	2.60%
3	Johnson Health Tech. Gmbh	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	86,089	The same commercial terms as with a general customer	0.32%

No (Note 1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial statements item	Amount	Terms	Percentage of consolidated total gross sales or total assets (%) (Note 3)
4	Johnson Health Tech. Netherlands B.V.	Johnson Health Tech. Co., Ltd.	2	Purchases	866,826	The same commercial terms as with a general customer	3.42%
4	Johnson Health Tech. Netherlands B.V.	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	284,747	The same commercial terms as with a general customer	1.06%
5	Johnson Health Tech. France	Johnson Health Tech. Co., Ltd.	2	Purchases	351,233	The same commercial terms as with a general customer	1.38%
5	Johnson Health Tech. France	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	20,899	The same commercial terms as with a general customer	0.08%
6	Johnson Health Tech. Australia Pty., Ltd.	Johnson Health Tech. Co., Ltd.	2	Purchases	352,073	The same commercial terms as with a general customer	1.39%
6	Johnson Health Tech. Australia Pty., Ltd.	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	46,853	The same commercial terms as with a general customer	0.17%
7	Johnson Industrial do Brasil Ltda	Johnson Health Tech. Co., Ltd.	2	Purchases	300,830	The same commercial terms as with a general customer	1.19%
7	Johnson Industrial do Brasil Ltda	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	388,625	The same commercial terms as with a general customer	1.44%

No (Note 1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial statements item	Amount	Terms	Percentage of consolidated total gross sales or total assets (%) (Note 3)
7	Johnson Industrial do Brasil Ltda	Johnson Health Tech. Co., Ltd.	2	Other payables to related parties	218,636	The same commercial terms as with a general customer	0.81%
8	Johnson Health Tech. Japan Co., ltd.	Johnson Health Tech. Co., Ltd.	2	Purchases	631,163	The same commercial terms as with a general customer	2.49%
8	Johnson Health Tech. Japan Co., ltd.	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	6,301	The same commercial terms as with a general customer	0.02%
9	Johnson Health Tech. Canada Inc.	Johnson Health Tech. Co., Ltd.	2	Purchases	170,784	The same commercial terms as with a general customer	0.67%
9	Johnson Health Tech. Canada Inc.	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	158,376	The same commercial terms as with a general customer	0.59%
10	Johnson Health Tech. Iberica. S.L.	Johnson Health Tech. Co., Ltd.	2	Purchases	294,766	The same commercial terms as with a general customer	1.16%
10	Johnson Health Tech. Iberica. S.L.	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	39,595	The same commercial terms as with a general customer	0.15%
12	Johnson Health Tech. Italia SPA	Johnson Health Tech. Co., Ltd.	2	Purchases	186,171	The same commercial terms as with a general customer	0.73%

No (Note 1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial statements item	Amount	Terms	Percentage of consolidated total gross sales or total assets (%) (Note 3)
12	Johnson Health Tech. Italia SPA	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	79,860	The same commercial terms as with a general customer	0.30%
13	Johnson Health Tech. UAE L.L.C	Johnson Health Tech. Co., Ltd.	2	Purchases	164,926	The same commercial terms as with a general customer	0.65%
13	Johnson Health Tech. UAE L.L.C	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	181,220	The same commercial terms as with a general customer	0.67%
13	Johnson Health Tech. UAE L.L.C	Johnson Health Tech. Co., Ltd.	2	Other payables to related parties	129,346	The same commercial terms as with a general customer	0.48%
14	Johnson Health Tech. Trading, Inc	Johnson Health Tech. Co., Ltd.	2	Purchases	1,177,058	The same commercial terms as with a general customer	4.64%
14	Johnson Health Tech. Trading, Inc	Johnson Health Tech. Co., Ltd.	2	Payables to related parties	1,073,681	The same commercial terms as with a general customer	3.98%
14	Johnson Health Tech. Trading, Inc	Johnson Health Tech. Co., Ltd.	2	Other payables to related parties	501,869	The same commercial terms as with a general customer	1.86%
15	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Health Tech. Co., Ltd.	2	Sales	514,976	The same commercial terms as with a general customer	2.03%

No (Note 1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial statements item	Amount	Terms	Percentage of consolidated total gross sales or total assets (%) (Note 3)
15	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Health Tech. Co., Ltd.	2	Receivables from related parties	201,071	The same commercial terms as with a general customer	0.75%
15	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Health Tech. Co., Ltd.	2	Other accounts receivable	259,296	The same commercial terms as with a general customer	0.96%
15	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	3	Purchases	185,550	The same commercial terms as with a general customer	0.73%
15	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	3	Payables to related parties	95,901	The same commercial terms as with a general customer	0.36%
15	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	3	Sales	1,262,793	The same commercial terms as with a general customer	4.98%
15	Johnson Health Technology (Shanghai) Co., Ltd.	Johnson Industries (Shanghai) Co., Ltd.	3	Receivables from related parties	108,078	The same commercial terms as with a general customer	0.40%
16	Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Tech. Co., Ltd.	2	Sales	4,857,614	The same commercial terms as with a general customer	19.15%
16	Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Tech. Co., Ltd.	2	Receivables from related parties	2,404,964	The same commercial terms as with a general customer	8.93%

No (Note 1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial statements item	Amount	Terms	Percentage of consolidated total gross sales or total assets (%) (Note 3)
16	Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	3	Sales	185,550	The same commercial terms as with a general customer	0.73%
16	Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	3	Receivables from related parties	95,901	The same commercial terms as with a general customer	0.36%
16	Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	3	Purchases	1,262,793	The same commercial terms as with a general customer	4.98%
16	Johnson Industries (Shanghai) Co., Ltd.	Johnson Health Technology (Shanghai) Co., Ltd.	3	Payables to related parties	108,078	The same commercial terms as with a general customer	0.40%

Note 1: Code "0" represents the parent company, each numerical codes starting from 1 represent each subsidiary.

Note 2: Code "1" represents transactions between the parent company and a subsidiary.

Code "2" represents transactions between a subsidiary and the parent company.

Code "3" represents transactions between subsidiaries.

Note 3: The ratio of transaction amount to the consolidated income or assets is recognized as follows: for assets or liability, the ratio is accounted as the ending balance to consolidated total assets; however, for income or loss accounts, the ratio is based on mid-term accumulated amount to consolidated income.

(2) Information on investees

Investee company names, locations, main businesses and products, original investment amount, investment as at end of the period, net income(loss) of the investee company and investment income(loss) recognized for the period:

Investor company	Investee company	Address	Main businesses and products	Initial investment amount		Investment as at end of the period			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousands)	Percentage of ownership (%)	Book value			
Johnson Health Tech. Co., Ltd.	Johnson International Holding Corp., Ltd.	P.O. BOX3340, Road Town, Tortola, British Virgin Islands.	Holding company	$7,102,174	$7,226,845	-	100.00%	$10,888,918	$423,424	$506,528	Note1 Note2
Johnson Health Tech. Co., Ltd.	Johnson Health Tech. (Vietnam) Company Limited	Unit 2302, Lim Tower9-11 Ton Duc Thang Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	Selling cardiovascular and weight training equipment	92,706 (USD 2,900)	63,465 (USD 1,950)	-	100.00%	31,328	(17,055)	(17,055)	
Johnson Health Tech. Co., Ltd.	Johnson Health Technologies, S.A. de C.V.	Carretera Maxico-Toluca 5631-230 Col.Cuajimalpa,Del Cuajimalpa CP 05000,Mexico DF	Selling cardiovascular and weight training equipment	97,924 (USD 3,125)	97,924 (USD 3,125)	-	100.00%	74,647	5,731	5,731	
Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Canada Inc.	10401,boul.Ray Lawson,Anjou,Quebec .H1J 1M3	Holding company	147,811 (USD 4,554)	147,811 (USD 4,554)	-	100.00%	13,464	(57,442)	(57,442)	Note1
Johnson Health Tech. Co., Ltd.	Johnson Health Tech. UK Ltd.	East Court, Riverside Park, Campbell Road, Stoke on Trent, Staffordshire, ST4 4DA, England , UK	Selling cardiovascular and weight training equipment	321,100 (USD 10,000)	321,100 (USD 10,000)	-	44.43%	206,710	9,614	4,272	
Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Retail Inc.	150 EAST GILMAN STREET, MADISON, WI 53703	Selling cardiovascular and weight training equipment	1,552,050 (USD 48,661)	1,552,050 (USD 37,150)	-	100.00%	784,709	(302,861)	(302,861)	Note 1

Investor company	Investee company	Address	Main businesses and products	Initial investment amount		Investment as at end of the period			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousands)	Percentage of ownership (%)	Book value			
Johnson Health Tech. Co., Ltd.	Johnson Health Care Co., Ltd.	2-2-7 Minamikaneden, Suita, Osaka, 564-0044, Japan	Massage chair research, development, manufacturing and trading	20,813 (JPY 75,000)	20,813 (JPY 75,000)	4,859	78.95%	11,430	(11,577)	(9,140)	
Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Philippines, Inc.	Unit1401-1402, The Orient Square Building F. Ortigas Jr. Road, Ortigas Center, Pasig City, Metro Manila,1605 Philippines	Selling cardiovascular and weight training equipment	50,440 (USD 1,597)	50,440 (USD 1,597)	-	100.00%	(11,811)	1,195	1,195	
Johnson Health Tech. Co., Ltd.	Johnson Health Industry (Viet Nam) Company Limited	LO CN-24, KCN Thuan Thanh II, Xa An Binh, Huyen Thuan Thanh, Tinh BAC Ninh, VietnamM	Manufacturing and selling cardiovascular and weight training equipment	391,611 (USD 12,607)	-	-	100%	374,174	(6,703)	(6,703)	
Johnson Health Tech. Co., Ltd.	Johnson Health Electronic (Viet Nam) Company Limited	LO CN-23, KCN Thuan Thanh II, Xa An Binh, Huyen Thuan Thanh, Tinh BAC Ninh, VietnamM	Manufacturing and selling cardiovascular and weight training equipment	110,736 (USD 3,568)	-	-	100%	107,552	(264)	(264)	
Johnson Health Tech. Co., Ltd.	Johnson Health Tech. Rus Limited Liability Company	Moscow, Novodanilovskaya nab. 6, building 1, floor 2, Premises XXVIII, Room 4,	Selling cardiovascular and weight training equipment	16,949 (USD 556)	-	-	100%	14,908	(1,954)	(1,954)	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. UK Ltd.	East Court, Riverside Park, Campbell Road, Stoke on Trent, Staffordshire, ST4 4DA, England , UK	Selling cardiovascular and weight training equipment	444,921 (USD 13,952)	444,921 (USD 13,952)	-	55.57%	276,517	9,614	Not applicable	
Johnson International Holding Corp., Ltd.	J&S Trading Co., Ltd.	P.O. BOX3340, Road Town, Tortola, British Virgin Islands.	Selling cardiovascular and weight training equipment	179,714 (USD 6,050)	179,714 (USD 6,050)	6,050,000	100.00%	266,605	17,215	Not applicable	

Investor company	Investee company	Address	Main businesses and products	Initial investment amount		Investment as at end of the period			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousands)	Percentage of ownership (%)	Book value			
Johnson International Holding Corp., Ltd.	Johnson Health Tech. France	45, Avenue Georges Politzer 78190 Trappes – France.	Selling cardiovascular and weight training equipment	925,413 (USD 28,436)	925,413 (USD 28,436)	-	100.00%	881,955	(62,716)	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. GmbH	Europaallee 51, 50226 Frechen, Germany	Selling cardiovascular and weight training equipment	513,423 (USD 15,908)	513,423 (USD 15,908)	-	99.77%	407,720	30,165	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Technologies Ibérica, SL	Avenida del Sol, 8 28850 - Torrejón de Ardoz (Madrid) España	Selling cardiovascular and weight training equipment	770,787 (USD 23,992)	977,877 (USD 30,723)	446,175	99.99%	605,155	49,545	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Japan Co., ltd.	Yasuda Bldg. 2F, 3-3-8 Kaigan Minato-ku Tokyo 108-8435 Japan	Selling cardiovascular and weight training equipment	235,752 (USD 7,262)	235,752 (USD 7,262)	13,489	99.78%	444,853	121,388	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. (Thailand) Co., Ltd.	9th Floor, Unit 9B, Bangna Tower A2/3, Bangna-Trad Road K.M.6.5 Bangkaew, Bangplee Samutprakan 10540 Thailand	Selling cardiovascular and weight training equipment	39,363 (USD 1,217)	39,363 (USD 1,217)	475,000	95.00%	85,173	21,647	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Fitness (Malaysia) Sdn. Bhd.	Lot 557D, Jalan Subang 3, Subang Jaya Industrial Estate, 47610 Subang Jaya, Selangor, Malaysia.	Selling cardiovascular and weight training equipment	130,489 (USD 4,144)	130,489 (USD 4,144)	16,052,000	99.38%	18,135	149	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Italia S.P.A.	Zona Industriale Campolungo11, Ascoli Piceno, AP, Italy	Selling cardiovascular and weight training equipment	505,995 (USD 15,683)	505,995 (USD 15,683)	1,098,000	99.82%	474,863	34,856	Not applicable	

Investor company	Investee company	Address	Main businesses and products	Initial investment amount		Investment as at end of the period			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousands)	Percentage of ownership (%)	Book value			
Johnson International Holding Corp., Ltd.	Johnson Health Tech. (Schweiz) GmbH	Riedthofstrasse 214, 8105 Regensdorf, Switzerland	Selling cardiovascular and weight training equipment	64,780 (USD 2,006)	37,072 (USD 1,108)	1,100	100.00%	33,541	1,729	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Netherland B.V.	Vleugelboot 14 Houten Utrecht 3991 CL Netherlands	Selling cardiovascular and weight training equipment	539,077 (USD 17,177)	539,077 (USD 17,177)	18,100	100.00%	434,021	56,324	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. HK Ltd.	Room 1501-1502, Golden Milan Centre, 61 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Selling cardiovascular and weight training equipment	13,763 (USD 429)	13,763 (USD 429)	3,340,000	100.00%	(11,149)	940	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Care Co., Ltd.	2-2-7 Minamikaneden, Suita, Osaka, 564-0044, Japan	Massage chair research, development, manufacturing and trading	5,493 (USD 166)	5,493 (USD 166)	400	21.05%	3,048	(11,577)	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Industrial do Brasil Ltda.	Estrada Municipal José Costa de Mesquita, 200 - Chácara Alvorada - Gleba 3 - Módulos 14 e 15 do CLIN - Indaiatuba - São Paulo - 13337-200 - Brasil	Selling cardiovascular and weight training equipment	826,035 (USD 26,363)	826,035 (USD 26,363)	-	99.99%	216,317	35,252	Not applicable	
Johnson International Holding Corp., Ltd.	World of Leasing GmbH	Gänseberg 5 22926 Ahrensburg	Selling cardiovascular and weight training equipment	46,442 (USD 1,503)	46,442 (USD 1,503)	-	100.00%	140,744	23,274	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. North America, Inc.	1600 Landmark Dr. Cottage Grove WI 53527 USA	Selling cardiovascular and weight training equipment	3,019,549 (USD 91,472)	2,964,838 (USD 89,722)	-	100.00%	1,605,139	96,251	Not applicable	

Investor company	Investee company	Address	Main businesses and products	Initial investment amount		Investment as at end of the period			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousands)	Percentage of ownership (%)	Book value			
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Australia Pty., Ltd	78 Logis Boulevard, Dandenong South VIC 3175	Selling cardiovascular and weight training equipment	573,150 (USD 18,505)	573,150 (USD 18,505)	20,715,330	100.00%	280,771	11,434	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. Poland Sp. z o.o.	ul. Działkowa, No. 62, WARSAW, 02-234 code, post office WARSAW, POLAND country	Selling cardiovascular and weight training equipment	121,209 (EUR 3,299)	121,209 (EUR 3,299)	33,840	100.00%	98,129	5,648	Not applicable	
Johnson International Holding Corp., Ltd.	Style Retail Vietnam Company Limited	Suite 23.02B,Lim Tower,No.9-11 Ton Duc Thang Street,Ben Nghe Ward,District 1,Ho Chi Minh City,Vietnam	Selling cardiovascular and weight training equipment	12,512 (USD 395)	12,512 (USD 395)	-	100.00%	(6,122)	7,460	Not applicable	
Johnson International Holding Corp., Ltd.	Johnson Health Tech. UAE LLC	No. 602, 6th Floor, ICON Tower, Barsha Heights, Dubai, UAE	Selling cardiovascular and weight training equipment	32,830 (USD 1,000)	32,830 (USD 1,000)	-	100.00%	(32,986)	(24,942)	Not applicable	
Johnson Health Tech. Retail Inc.	2nd wind Exercise Equipment, Inc.	7585 Equitable Dr Eden Prairie, Minnesota 55344	Selling cardiovascular and weight training equipment	657,600 (USD 19,900)	657,600 (USD 19,900)	-	100.00%	691,990	(106,100)	Not applicable	
Johnson Health Tech. Retail Inc.	Leisure Fitness Equipment,LLC	231 Executive Drive, Suite 15 Newark, DE 19702	Selling cardiovascular and weight training equipment	258,317 (USD7,993)	258,317 (USD7,993)	-	100.00%	362,645	(87,285)	Not applicable	
Johnson Health Tech. Retail Inc.	The Gym Store, LLC (Busy Body)	11900 Community Road, Powar, CA 92064	Selling cardiovascular and weight training equipment	150,278 (USD4,650)	150,278 (USD4,650)	-	100.00%	99,594	(24,295)	Not applicable	

Investor company	Investee company	Address	Main businesses and products	Initial investment amount		Investment as at end of the period			Net income (loss) of investee company	Investment income (loss) recognized	Note
				Ending balance	Beginning balance	Number of shares (thousands)	Percentage of ownership (%)	Book value			
Johnson Health Tech. Retail Inc.	Johnson Health Tech. Trading, Inc.	150 East Gilman Street, Madison,WI 53703.	Selling cardiovascular and weight training equipment	351,886 (USD 11,511)	351,886 (USD 11,511)	10,000	100.00%	67,784	(116,318)	Not applicable	
Johnson Health Tech. Canada Inc.	Johnson Health Tech.nologies Canada Commercial Inc.	10401,boul.Ray Lawson,Anjou,Quebec ,H1J 1M3	Selling cardiovascular and weight training equipment	147,811 (USD 4,554)	147,811 (USD 4,554)	6,000,001	100.00%	13,464	(57,442)	Not applicable	
Johnson Health Tech. North America, Inc.	Johnson Health Tech. NA Manufacturing LLC	1600 Landmark Dr. Cottage Grove WI53527 USA	Selling and Manufacturing weight training equipment	394,287 (USD 12,698)	306,814 (USD 10,036)	-	100.00%	198,211	(32,508)	Not applicable	
Johnson Health Tech. Australia Pty., Ltd	Johnson Health Tech. New Zealand	WHK AUCKLAND, Whk, Level 6, 51-53 Shortland St, Auckland, 1010, NZ	Selling cardiovascular and weight training equipment	2 (NZD -)	2 (NZD -)	100	100.00%	857	1,597	Not applicable	
Johnson Health Tech. Netherland B.V.	Johnson Health Tech. Denmark Aps	Hestehaven 21 M. 5260 Odense S. .	Selling cardiovascular and weight training equipment	239 (DK 50)	239 (DK 50)	50,000	100.00%	73,607	(9,859)	Not applicable	
Johnson Health Tech. Italia S.P.A.	Johnson Health Tech. Hellas SA	Alimou Avenue nr. 36-40, 17455 Alimos	Selling cardiovascular and weight training equipment	52,988 (EUR 1,496)	52,988 (EUR 1,496)	14,960	99.73%	41,587	(4,537)	Not applicable	
Johnson Health Tech. Italia S.P.A.	Johnson Health Tech. Romania SA	15 Aleea Dealul Mitropoliei Street, Room 9, Apartment 2, District 4, Bucharest	Selling cardiovascular and weight training equipment	4,242 (EUR 120)	4,242 (EUR 120)	-	99.00%	28,056	6,765	Not applicable	

Note 1: Current investment income from investees recognized by the Company included investment gain / loss recognized by these investees from their reinvestment.

Note 2: Current investment income from investees recognized by the Company included investment gain/loss recognized by these investees from concurrent/upstream transactions.

(3) Information on investments in mainland China

The Company ultimately invests subsidiaries in mainland China through its subsidiary, Johnson International Holding Corp., Ltd., as below:

(Amounts in thousands; Currency denomination in NTD or in foreign currencies)

Investee company	Main businesses and products	Total amount of paid-in capital	Method of investment (Note 1)	Beginning accumulated outflow of investment from Taiwan	Investment flows for the period		Ending accumulated outflow of investment from Taiwan	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note 2)	Carrying value as at end of the period	Accumulated inward remittance of earnings as at end of the period
					Outflow	Inflow						
Johnson Health Technology (Shanghai) Co., Ltd.	Manufacturing and selling fitness equipment	$1,010,296 (RMB 244,757)	Indirect investments through JIH (BVI)	$748,894 (USD 22,500)	$ -	$ -	$748,894 (USD22,500)	$(33,041)	100%	$(33,041)	$2,943,018	$-
Johnson Industries (Shanghai) Co., Ltd.	Manufacturing and selling fitness equipment	$1,288,274 (RMB 292,683)	Indirect investments through JIH (BVI)	$62,955 (USD 2,000)	$ -	$ -	$62,955 (USD2,000)	32,937	100%	32,937	2,311,086	$-
Johnson F&B Management (Shanghai) Co., Ltd.	Selling food	$72,566 (USD 2,350)	Indirect investments through JIH (BVI)	$72,566 (USD 2,350)	$ -	$ -	$72,566 (USD2,350)	(1,305)	100%	(1,305)	35,926	$-
Joyful Trading (Shanghai) Co., Ltd.	Selling food	$29,905 (USD 950)	Indirect investments through JIH (BVI)	$29,905 (USD 950)	$ -	$ -	$29,905 (USD950)	(2,083)	100%	(2,083)	6,766	$-

Note 1: Indirect investment in Mainland China was made through Johnson International Holding Corp. Ltd.

Note 2: The financial statements were certificated by the public accountants of the parent company in Taiwan.

Note 3: The figures in this table are presented in New Taiwan Dollars and the foreign currency is converted at the exchange rate on the balance sheet date.

Accumulated investment in Mainland China as at 31 December 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment The lender's net accounts value × 60%
NTD914,320 (USD 27,800)	NTD2,501,053 (USD 76,450)	NTD5,477,866

Please refer to Notes 13(1) and (2) for details on information such as the price, payment of transactions between the Company and its investment in mainland China through its investees.

14. Operating segment information

(1) For the purpose of operation, the Company operates in a single industry segment by different strategic segments, and they are classified into four segments as follows:

A. American segment: In charge of selling cardiovascular equipment and research and development of training equipment in America.

B. European segment: In charge of selling cardiovascular equipment in Europe.

C. Asian segment: In charge of manufacturing and selling cardiovascular equipment and weight training equipment in Asia, and franchising the import and export of the above-mentioned products.

D. Others: In charge of selling cardiovascular machinery in other areas.

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

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

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

Information of the reportable segments' profit and loss are listed as follows:

(a) For the year ended 31 December 2019

	America	Europe	Asia	Other	Adjustment and eliminations	Consolidated
Revenue:						
External customers	$12,769,313	$6,513,686	$5,011,950	$1,077,612	$-	$25,372,561
Inter-segment	200,281	184,284	17,944,422	38,690	(18,367,677)	-
Total revenue	$12,969,594	$6,697,970	$22,956,372	$1,116,302	$(18,367,677)	$25,372,561
Segment profit	$(337,718)	$254,556	$1,584,414	$(32,174)	$148,124	$1,617,202

(b) For the year ended 31 December 2018

	America	Europe	Asia	Other	Adjustment and eliminations	Consolidated
Revenue:						
External customers	$10,155,140	$6,183,665	$4,384,898	$1,056,212	$-	$21,779,915
Inter-segment	422,077	341,106	13,909,253	$31,233	(14,703,669)	-
Total revenue	$10,577,217	$6,524,771	$18,294,151	$1,087,445	$(14,703,669)	$21,779,915
Segment profit	$(548,560)	$160,611	$504,315	$260,645	$(84,156)	$292,855

The related information of operating segment asset as at 31 December 2019 and 2018 are listed as follows:

Segment Assets:	America	Europe	Asia	Other	Adjustments and eliminations	Consolidated
31 December 2019	$10,460,287	$7,263,070	$32,013,292	$12,699,856	$(35,501,194)	$26,935,311
31 December 2018	$8,260,976	$7,734,215	$30,727,395	$12,649,682	$(35,629,070)	$23,743,198

Segment Liabilities:	America	Europe	Asia	Other	Adjustments and eliminations	Consolidated
31 December 2019	$7,907,108	$3,720,526	$16,535,010	$648,768	$(11,013,327)	$17,798,085
31 December 2018	$5,483,453	$4,020,503	$16,360,868	$493,081	$(11,045,308)	$15,312,597

(c) Reconciliations of the reported segment revenues, profit and loss, assets, liabilities and other major projects: None.

(d) Geographical information

(i) As at 31 December 2019 and 2018, the Company's external sales are listed as follow:

	For the years ended 31 December	
Area	2019	2018
United States	$11,304,557	$9,052,882
Europe	6,804,996	1,042,104
China	916,576	939,950
Other	6,346,432	10,722,128
Total	$25,372,561	$21,757,064

Sales are classified based on the countries where the customers are located at.

(ii) Non-current asset :

Area	As at 31 December 2019	31 December 2018
America	$3,478,798	$2,342,213
Europe	1,328,425	886,919
Asia	3,611,963	2,988,712
Other	154,722	112,355
Total	$8,573,908	$6,330,199

(e) Information about major customers

There is no sales to single customer exceed 10% of consolidated sales of the Group for the years ended 2019 and 2018.