Stock Code:9912

ASSOCIATED INDUSTRIES CHINA, INC.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Associated Industries China, Inc.:

Opinion

We have audited the financial statements of Associated Industries China, Inc. ("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Other Matter

We did not audit the financial statements of Taiwan Biophotonic Corporation (tBPC), which represented the investment in accounted for using equity method of the Company. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for tBPC, is based solely on the report of another auditor. The balance of investment in tBPC accounted for using equity method constituted 3.47% and 2.43% of total assets as of December 31, 2020 and 2019, respectively, and the related share of profit and loss of associates accounted for using equity method constituted 12.41% and 6.63% of total loss before tax for the year then ended.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key and it matters to be communicated in our report.

Inventory valuation

Please refer to Note 4(g) Inventories and Note 5 of the financial statements for inventory valuation and uncertainties of inventory valuation, respectively. Detailed information regarding the inventory is presented in Note 6(d) of the financial statements.

Description of key audit matters:

Inventories are measured at the lower of cost or net realizable value. The major business activities of the Company are the research, development and sale of LCD monitors, medical equipment and related components. The Inventories are exposed to the risk of valuate loss and obsolescence due to market vulnerability. Therefore, inventory valuation is one of the important assessment items to perform our audit.

Audit Procedures:

Our principal audit procedures include: examining whether the inventory valuation policy and accounting policy applied by the Company are reasonable and in compliance with the accounting standards; inspecting the inventory aging report; analyzing the changes of inventory aging for each period; and testing the relevant amount of calculation for the lower of cost or net realizable value.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 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 Company's internal control.

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 Company's ability to continue as a going concern. 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 the financial statements of the current period 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.

The engagement partners on the audit resulting in this independent auditors' report are Yiu-Kwan Au and Kuan-Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)
March 17, 2021

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the 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 financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)

ASSOCIATED INDUSTRIES CHINA, INC.

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 43,749	7	49,661	6
1170	Notes and accounts receivable, net (note 6(c))	1,780	-	2,449	-
1180	Accounts receivable due from related parties, net (notes 6(c) and 7)	-	-	14,773	2
1200	Other receivables	696	-	126	-
1300	Inventories, net (note 6(d))	142,169	20	215,545	27
1410	Prepayments	2,865	-	644	-
1470	Other current assets (note 8)	354	-	1,454	-
		191,613	27	284,652	35
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	6,441	1	10,000	1
1551	Investments accounted for using equity method (note 6(e))	235,993	33	237,102	29
1600	Property, plant and equipment (notes 6(f) and 8)	117,830	16	119,703	15
1760	Investment property, net (notes 6(g) and 8)	162,467	23	163,650	20
1780	Intangible assets, net (note 6(h))	1,619	-	3,040	-
1900	Other non-current assets (note 8)	581	-	255	-
		524,931	73	533,750	65
	Total assets	$ 716,544	100	818,402	100

		December 31, 2020		December 31, 2019	
	Liabilities	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(i))	$ 117,000	16	148,000	18
2130	Current contract liabilities (notes 6(q) and 7)	122,786	17	152,771	19
2170	Notes and accounts payable	38,674	6	58,915	7
2200	Other payables	14,415	2	9,122	1
2250	Current provisions (note 6(j))	2,900	-	2,014	-
2300	Other current liabilities	303	-	368	-
		296,078	41	371,190	45
	Non-current liabilities:				
2600	Other non-current liabilities	891	-	891	-
		891	-	891	-
	Total liabilities	296,969	41	372,081	45
	Equity (notes 6(n) and 6(o))				
3110	Common stock	538,066	75	543,506	67
3200	Capital surplus	29,322	4	25,330	3
	Retained earnings:				
3310	Legal reserve	52,704	7	52,704	6
3320	Special reserve	79,510	11	79,510	10
3350	Accumulated deficits	(151,042)	(21)	(112,809)	(14)
		(18,828)	(3)	19,405	2
3400	Other equity	(104,154)	(14)	(117,089)	(14)
3500	Treasury shares	(24,831)	(3)	(24,831)	(3)
	Total equity	419,575	59	446,321	55
	Total liabilities and equity	$ 716,544	100	818,402	100

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ASSOCIATED INDUSTRIES CHINA, INC.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		2020		2019	
		Amount	%	Amount	%
4000	**Operating revenues, net (notes 6(q) and 7):**				
4110	Sales revenue	$ 293,971	98	344,832	99
4310	Rental income (note 6(k))	5,099	2	3,213	1
		299,070	100	348,045	100
5000	**Cost of sales (notes 6(d) and (k))**	240,224	80	278,461	80
5950	**Gross profit**	58,846	20	69,584	20
	Operating expenses (notes 6(l), 6(r) and 12):				
6100	Selling expenses	23,256	8	21,960	6
6200	Administrative expenses	29,672	10	38,615	11
6300	Research and development expenses	12,635	4	13,285	4
		65,563	22	73,860	21
6900	**Net operating loss**	(6,717)	(2)	(4,276)	(1)
	Non-operating income and expenses:				
7100	Interest income	1,269	-	112	-
7190	Other income	154	-	53	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method, net	(10,219)	(3)	(28,456)	(8)
7235	Gains (loss) on financial assets at fair value through profit or loss (note 6(b))	(3,559)	(1)	-	-
7230	Foreign exchange gains (losses), net (note 6(s))	(3,584)	(1)	(1,669)	-
7510	Interest expense	(2,795)	(1)	(2,151)	(1)
7670	Impairment loss (note 6(e))	(12,782)	(4)	(76,422)	(22)
		(31,516)	(10)	(108,533)	(31)
7900	**Loss from continuing operations before tax**	(38,233)	(12)	(112,809)	(32)
7950	**Less: Income tax expenses (note 6(m))**	-	-	-	-
8200	**Loss**	(38,233)	(12)	(112,809)	(32)
8300	**Other comprehensive income:**				
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign financial statements	7,923	3	(9,677)	(3)
8300	**Other comprehensive income (loss), net**	7,923	3	(9,677)	(3)
8500	**Comprehensive income (loss)**	**$ (30,310)**	**(9)**	**(122,486)**	**(35)**
	Earnings per share (note 6(p))				
9750	**Basic earnings per share (NT dollars)**	**$ (0.77)**		**(2.20)**	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ASSOCIATED INDUSTRIES CHINA, INC.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			Other equity interest					
	Common stock	Capital surplus	Legal reserve	Special reserve	(Undristributed earnings) Accumulated deficits	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned employee benefit	Total other equity	Treasury shares	Total equity
Balance at January 1, 2019	$ 524,790	27,000	51,494	45,440	35,280	(65,016)	(33,710)	(14)	(98,740)	-	585,264
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	1,210	-	(1,210)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	34,070	(34,070)	-	-	-	-	-	-
Loss for the year ended December 31, 2019	-	-	-	-	(112,809)	-	-	-	-	-	(112,809)
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	(9,677)	-	-	(9,677)	-	(9,677)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(112,809)	(9,677)	-	-	(9,677)	-	(122,486)
Other changes in capital surplus:											
Share-based payments transactions	18,716	(2,247)	-	-	-	-	-	(8,672)	(8,672)	-	7,797
Donation from shareholders	-	577	-	-	-	-	-	-	-	-	577
Purchase of treasury share	-	-	-	-	-	-	-	-	-	(24,831)	(24,831)
Balance at December 31, 2019	**543,506**	**25,330**	**52,704**	**79,510**	**(112,809)**	**(74,693)**	**(33,710)**	**(8,686)**	**(117,089)**	**(24,831)**	**446,321**
Loss for the year ended December 31, 2020	-	-	-	-	(38,233)	-	-	-	-	-	(38,233)
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	7,923	-	-	7,923	-	7,923
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	(38,233)	7,923	-	-	7,923	-	(30,310)
Other changes in capital surplus:											
Share-based payments transactions	(5,440)	653	-	-	-	-	-	5,012	5,012	-	225
Donation from shareholders	-	170	-	-	-	-	-	-	-	-	170
Changes in associates and joint ventures accounted for using equity method	-	3,169	-	-	-	-	-	-	-	-	3,169
Balance at December 31, 2020	**$ 538,066**	**29,322**	**52,704**	**79,510**	**(151,042)**	**(66,770)**	**(33,710)**	**(3,674)**	**(104,154)**	**(24,831)**	**419,575**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ASSOCIATED INDUSTRIES CHINA, INC.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Loss before tax	$ (38,233)	(112,809)
Adjustments:		
Adjustments to reconcile loss:		
Depreciation expense	3,169	3,264
Amortization expense	1,421	1,316
Expected credit gain	(2)	(1)
Net loss on financial assets or liabilities at fair value through profit or loss	3,559	-
Interest expense	2,795	2,151
Interest income	(1,269)	(112)
Share-based payments transactions	225	7,797
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	10,219	28,456
Impairment loss	12,782	76,422
Total adjustments to reconcile profit (loss)	32,899	119,293
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	15,444	(12,299)
Decrease (increase) in other receivables	(937)	300
Decrease (increase) in inventories	73,289	(44,345)
Increase in prepayments	(2,221)	(366)
Decrease (increase) in other current assets	774	(296)
Increase in contract liabilities	(29,985)	15,161
Increase (decrease) in notes and accounts payable	(20,241)	33,362
Increase (decrease) in other payables	5,296	(2,671)
Increase in provisions	886	203
Increase (decrease) in other operating liabilities	(65)	33
Total changes in operating assets and liabilities	42,240	(10,918)
Total adjustments	75,139	108,375
Cash flows from (used in) generated from operations	36,906	(4,434)
Interest received	836	112
Interest paid	(2,798)	(2,148)
Income taxes paid	-	(7)
Net cash flows from (used in) operating activities	34,944	(6,477)
Cash flows used in investing activities:		
Acquisition of financial assets designated at fair value through profit or loss	(10,000)	(10,000)
Acquisition of property, plant and equipment	(26)	(132)
Decrease (increase) in refundable deposits	-	(197)
Acquisition of intangible assets	-	(886)
Net cash flows used in investing activities	(10,026)	(11,215)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(31,000)	39,000
Decrease (increase) in guarantee deposits received	-	(54)
Cost of increase in treasury shares	-	(24,831)
Other financing activities	170	577
Net cash flows from (used in) financing activities	(30,830)	14,692
Net decrease in cash and cash equivalents	(5,912)	(3,000)
Cash and cash equivalents at beginning of period	49,661	52,661
Cash and cash equivalents at end of period	**$ 43,749**	**49,661**

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ASSOCIATED INDUSTRIES CHINA, INC.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

Associated Industries China, Inc. (the "Company") was incorporated in May 18, 1978 as a company limited by shares, and registered under the Ministry of Economic Affairs, in the Republic of China. The major business activities of the Company are the research, development and sale of LCD monitors, and related components, sale of medical equipment, and real estate rental business.

(2) Approval date and procedures of the financial statements:

These financial statements were authorized for issuance by the Board of Directors on March 17, 2021.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

(b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform－Phase 2"

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipmentt－Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts－Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the presented periods in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for financial instruments at fair value through profit or loss are measured at fair value, the financial statements have been prepared on the historical cost basis.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment. The financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non- current.

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

An entity shall classify a liability as current when:

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms 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.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company' s historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

(Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being more than 180 days past due;

· the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

· it is probable that the borrower will enter bankruptcy or other financial reorganization; or

· the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital suplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company’s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate’s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company’s interests in the associate.

When the Company’s share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the net income, other comprehensive income and equity attributable to shareholders of the Company in the parent-company-only financial statement, are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

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ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1)	Buildings	50 years
2)	Improvement to buildings	10 years
3)	Machinery and research equipment	6 years
4)	Molding equipment	2 years
5)	Other equipment	3~5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owneroccupied to investment use.

(l) Lease

(i) Identifying a lease

At inception of a contract, the Company assesses whether a 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, the Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- the relevant decisions about how and for what purpose the asset is used are predetermined and:

  — the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

  — the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a leasor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(m) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1)	Computer software	1~5 years
2)	Product development expenses	1 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Impairment – non-derivative financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

(o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(p) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company’s main types of revenue are explained below.

1) Sale of goods

The Company recognizes revenue when control of the products has been transferred, when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

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ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

(s) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(t) Earnings (loss) per share

The Company discloses the basic and diluted earnings (loss) per share attributable to ordinary equity holders of the Company. Basic earnings (loss) per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings (loss) per share is based on the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive ordinary shares, such as employee compensation and new restricted stocks for employees.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

(u) Operating segments

The Company discloses the operating segments information in the consolidated financial statements. Therefore, the Company does not disclose the operating segments information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

The accounting policies involved significant judgments and the information that have significant effect on the amounts recognized in the consolidated financial statements are as follows:

Judgment of whether the Company has substantive control over its investees.

The Company holds 34.72% voting shares of Taiwan Biophotonic Corporation (tBPC), but only has 3 of 7 director seats of tBPC. The industry category of the Company is different from tBPC. The operating and financial activities of tBPC are led by its operating and technology teams. The Company only participates in the Board of Directors to supervise tBPC, and there is no one assigned to lead the financial, personnel, operating and other relative activities of tBPC. Hence, The Company only has significant influence on tBPC.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the net realizable value of the inventory is mainly determined based on assumptions as to future sales price. Due to the industry and market transformation, there may be changes in the net realizable value of inventories. Please refer to note 6(d) for further description of the valuation of inventories.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Petty cash, checking accounts and demand deposits	$ 40,849	46,290
Time deposits	2,900	3,371
	$ 43,749	**49,661**

Please refer to note 6(s) for the exchange rate risk, the interest rate risk and the fair value sensitivity analysis of the financial assets of the Company.

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ASSOCIATED INDUSTRIES CHINA, INC.

Notes to the Financial Statements

(b) Financial assets at fair value through profit or loss-non-current

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss		
Convertible bond-tBPC	$ 6,441	10,000

The Company acquired 100 units of secured and unsecured convertible bonds issued by tBPC in June 2020 and October 2019, respectively, at a par value of $100 per unit, amounting to $10,000 with a duration of one year, and it is expected to be converted into common stock of tBPC. The host contract of the hybrid financial instrument, which must be classified as mandatorily measured at fair value through profit or loss, is a financial asset within the scope of IFRS 9.

The Company exercised the first batch of convertible bonds in October 2020, the transfer price was NTD$13 per share, the book value was $10,800 (including interest receivable of $800), and 831 thousand shares were acquired after converting, which were classified as investment accounted for using the equity method. Please refer to note 6(e).

The Company measured the convertible bonds at fair value on December 31, 2020, and recognized losses amounting to $3,559, represent as gains (losses) on financial assets at fair value through profit or loss.

As of December 31, 2020 and 2019, the Company did not provide any of the aforementioned financial assets as collaterals for its loans.

(c) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable from operating activities	$ 144	374
Accounts receivable	1,636	16,850
	1,780	17,224
Less: Loss allowance	-	(2)
	$ 1,780	17,222

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision was determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 1,780	0%	-

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ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 17,058	0%	-
1 to 30 days past due	166	1.20%	2
	$ 17,224		**2**

The movement in the allowance for notes and accounts receivable was as follows:

	2020	2019
Balance at January 1	$ 2	3
Impairment losses reversed	(2)	(1)
Balance at December 31	**$ -**	**2**

As of December 31, 2020 and 2019, the Company did not provide any of the aforementioned notes and accounts receivable as collaterals for its loans.

(d) Inventories

	December 31, 2020	December 31, 2019
Merchandise inventories	**$ 142,169**	**215,545**

The details of cost of sales for the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Cost of goods sold and expenses	$ 236,098	279,244
Inventory valuation loss and obsolescence (reversed)	2,538	(2,884)
	$ 238,636	**276,360**

For the year ended December 31, 2020, the write-down of inventories to net realizable value amounted to $2,538. For the year ended December 31, 2019, the Company reversed its allowance for inventory valuation loss and obsolescence amounting to $2,884 for sale of its obsolete inventories.

As of December 31, 2020 and 2019, the Company did not provide any inventories as collaterals for its loans.

(e) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	$ 211,112	208,600
Associate	24,881	28,502
	$ 235,993	**237,102**

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ASSOCIATED INDUSTRIES CHINA, INC.
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(i) Subsidiaries

For information on subsidiaries, please refer to consolidated financial statements for the year ended December 31, 2020.

(ii) Associate

The Company exercised convertible bonds of tBPC in October 2020, the transfer price was NTD$13 per share, the book value was $10,800 (including interest receivable of $800), and 831 thousand shares were acquired after converting, which were classified as investment accounted for using the equity method. The shareholdings had increased to 34.72%. Please refer to note 6(b) for other information.

The details of the material associate were as follows:

Name of Associate	Nature of the relationship with the Company	Main operating location/ Registered Country of the Company	Proportion of shareholding and voting rights December 31, 2020	Proportion of shareholding and voting rights December 31, 2019
tBPC	Shareholder with significant influence	Taiwan	34.72 %	26.30 %

The following aggregated financial information of the significant affiliates has been adjusted according to individually prepared IFRS financial statement to reflect the fair value adjustments made at the time of acquisition.

1) Summarized financial information of tBPC

	December 31, 2020	December 31, 2019
Current assets	$ 39,620	33,412
Non-current assets	60,038	72,334
Current liabilities	(18,060)	(16,573)
Non-current liabilities	(9,937)	(12,234)
Net assets	$ 71,661	76,939
Net assets attributable to owners of the associate	$ 71,661	76,939

	2020	2019
Operating revenue	$ 24,178	12,839
Loss from continuing operations (equal to comprehensive loss)	$ (16,876)	(27,830)
Total comprehensive loss attributable to owners of the associate	$ (16,876)	(27,830)

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	December 31, 2020	December 31, 2019
Share of net assets of associates owned by the Company at period began	$ 19,888	27,365
Share of net assets of the associate acquired by the Company for the period	6,568	-
Adjustment of capital surplus accounted for using the equity method	3,169	-
Comprehensive loss attributable to the Company	(4,744)	(7,477)
Share of net assets of the associate to the Company at the period ended	24,881	19,888
Additional fair value adjustments of patented technology	-	1,061
Additional goodwill	-	7,553
Carrying amounts of the investment	$ **24,881**	**28,502**

The Company assessed that there were indications of impairment due to tBPC's continuous loss in operations in recent years. On December 31, 2020 and 2019, the Company conducted an impairment test, through the assistance of an independent appraisal institute, on the valuation of its value-in-use of net identified assets and its value-in-use of equity in accordance with IAS 36 "Impairment of Asset". Based on the result of assessments, the Company recognized the impairment losses of $12,782 and $76,422, respectively, which was recorded as the carrying amount of investment accounted for using equity method.

(iii) Pledges

As of December 31, 2020 and 2019, the Company did not provide any investment accounted for using equity method as collateral for its loans.

(f) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019 were as follows:

	Land	Buildings and building improvement	Machinery and R&D equipment	Molding equipment and other equipment	Total
Cost:					
Balance on January 1, 2020	$ 95,104	29,484	2,889	14,232	141,709
Additions	-	-	87	26	113
Disposals	-	-	-	(4,946)	(4,946)
Balance on December 31, 2020	$ **95,104**	**29,484**	**2,976**	**9,312**	**136,876**
Balance on January 1, 2019	$ 95,104	29,484	2,889	14,100	141,577
Additions	-	-	-	132	132
Balance on December 31, 2019	$ **95,104**	**29,484**	**2,889**	**14,232**	**141,709**

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	Land	Buildings and building improvement	Machinery and R&D equipment	Molding equipment and other equipment	Total
Depreciation:					
Balance on January 1, 2020	$ -	6,263	2,386	13,357	22,006
Depreciation for the year	-	1,015	342	629	1,986
Disposals	-	-	-	(4,946)	(4,946)
Balance on December 31, 2020	**$ -**	**7,278**	**2,728**	**9,040**	**19,046**
Balance on January 1, 2019	$ -	5,249	1,968	12,708	19,925
Depreciation for the year	-	1,014	418	649	2,081
Balance on December 31, 2019	**$ -**	**6,263**	**2,386**	**13,357**	**22,006**
Book value:					
Balance on December 31, 2020	**$ 95,104**	**22,206**	**248**	**272**	**117,830**
Balance on January 1, 2019	**$ 95,104**	**24,235**	**921**	**1,392**	**121,652**
Balance on December 31, 2019	**$ 95,104**	**23,221**	**503**	**875**	**119,703**

As of December 31, 2020 and 2019, the property, plant and equipment has been pledged as collateral for short-term borrowings and credit lines. Please refer to note 8.

(g) Investments property

Details of investments property were summarized as follows:

	Land	Buildings and construction	Total
Cost			
Balance as of January 1, 2020 (Same balance as of December 31, 2020)	**$ 111,400**	**59,151**	**170,551**
Balance as of January 1, 2019 (Same balance as of December 31, 2019)	**$ 111,400**	**59,151**	**170,551**
Depreciation:			
Balance on January 1, 2020	$ -	6,901	6,901
Depreciation for the year	-	1,183	1,183
Balance on December 31, 2020	**$ -**	**8,084**	**8,084**
Balance on January 1, 2019	$ -	5,718	5,718
Depreciation for the year	-	1,183	1,183
Balance on December 31, 2019	**$ -**	**6,901**	**6,901**
Book value:			
Balance on December 31, 2020	**$ 111,400**	**51,067**	**162,467**
Balance on January 1, 2019	**$ 111,400**	**53,433**	**164,833**
Balance on December 31, 2019	**$ 111,400**	**52,250**	**163,650**
Fair Value:			
Balance on December 31, 2020			**$ 209,710**
Balance on December 31, 2019			**$ 192,450**

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Investment property comprises of commercial property that is leased to third parties. Each of the leases contains an initial non-cancellable lease period. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. Please refer to note 6 (k). The fair value measurement for the investment properties has been categorized as a Level 3 fair value based on the current market value for comparable properties in similar locations and condition.

As of December 31, 2020 and 2019, the investment property has been pledged as collateral for short-term borrowings and credit lines. Please refer to note 8.

(h) Intangible Assets

	Product Development expense	Computer software and others	Total
Balance on January 1, 2020 (same balance as of December 31, 2020)	$ -	**12,859**	**12,859**
Balance on January 1, 2019	26,862	12,166	39,028
Additions	-	886	886
Disposals	(26,862)	(193)	(27,055)
Balance on December 31, 2019	$ -	**12,859**	**12,859**
Amortization:			
Balance on January 1, 2020	$ -	9,819	9,819
Amortization for the period	-	1,421	1,421
Balance on December 31, 2020	$ -	**11,240**	**11,240**
Balance on January 1, 2019	$ 26,862	8,696	35,558
Amortization for the period	-	1,316	1,316
Disposals	(26,862)	(193)	(27,055)
Balance on December 31, 2019	-	**9,819**	**9,819**
Book value:			
Balance on December 31, 2020	$ -	**1,619**	**1,619**
Balance on January 1, 2019	-	**3,470**	**3,470**
Balance on December 31, 2019	$ -	**3,040**	**3,040**

As of December 31, 2020 and 2019, the Company did not provide any intangible assets as collaterals for its loans.

(i) Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured bank loans	$ 40,000	50,000
Secured bank loans	77,000	98,000
Total	$ **117,000**	**148,000**
Unused credit lines for short-term borrowings	$ **297,167**	**270,149**
Annual interest rates	**1.53%~1.83%**	**1.72%~1.85%**

Please refer to note 6(s) for the interest risk, foreign currency exchange rate risk, and liquidity risk information of the Company.

The Company provided property, plant and equipment and investments property as collaterals for its bank loans. Please refer to note 8.

(j) Provisions-warranties

		2020	2019
Balance on January 1	$	2,014	1,811
Provisions made during the period		2,984	3,347
Provisions used during the period		(2,098)	(3,144)
Balance on December 31	$	**2,900**	**2,014**

Provisions related to sales of products are assessed based on historical information.

(k) Operating lease

The Company as lessor

The Company leases out its investment property and some machinery. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(g) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date was as follows:

		December 31, 2020	December 31, 2019
Less than one year	$	5,090	5,090
One to two years		-	5,090
Total undiscounted lease payments	$	**5,090**	**10,180**

For the years ended December 31, 2020 and 2019, the rentals recognized in operating revenue amounted to $5,099 and $3,213, respectively; the direct costs incurred in rental, which were recognized as operating costs, amounted to $1,588 and $2,101, respectively.

(l) Employee benefits

The Company allocates no less than 6% of each employee's monthly wages to the labor pension personal account at Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

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The Company recognized pension costs under the defined contribution method amounting to $2,497 and $2,421 for the years ended December 31, 2020 and 2019, respectively. Payment was made to the Bureau of Labor Insurance.

(m) Income taxes

(i) Income tax expenses

1) The amount of income tax for the years ended December 31, 2020 and 2019 was as follows:

		2020	2019
Current tax expenses	$	-	-

2) Reconciliation of income tax and profit before tax for 2020 and 2019 are as follows:

		2020	2019
Profit before tax	$	(38,233)	(112,809)
Income tax using the Company's domestic tax rate		(7,647)	(22,562)
Recognition of domestic investment losses from investment using equity method		3,518	17,319
Realized investment losses		(12,920)	-
Deferred tax assets unrecognized in respect of the current tax losses		14,753	1,780
Recognition of previously unrecognized temporary differences		2,292	3,463
Other		4	-
	$	-	-

(ii) Deferred tax assets

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

		December 31, 2020	December 31, 2019
Tax effect of deductible temporary differences	$	95,046	92,754
The carryforward of unused tax losses		45,508	33,763
Foreign currency translation differences of foreign operations		13,354	14,939
	$	**153,908**	**141,456**

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The Company is able to control the timing of the reversal of the temporary differences related to the investments in subsidiaries on December 31, 2020 and 2019. The temporary differences arising from the investments in subsidiaries where there is a probability that such temporary differences will not reverse in the foreseeable future were not recognized as deferred tax assets.

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset against taxable income over a period of ten years for local tax reporting purposes. Because of the uncertainty of future taxable income, the Company did not recognize the deferred tax assets arising from the tax losses.

The Company estimated tax losses which could be used to offset future taxable income as of December 31, 2020, were as follows:

Year of loss	Unused tax credits	Expiry year	Remark
2012	$ 46,884	2022	(assessed)
2014	66,771	2024	(assessed)
2015	25,105	2025	(assessed)
2016	8,868	2026	(assessed)
2017	2,593	2027	(assessed)
2019	3,555	2029	(declared)
2020	73,763	2030	(estimated)
	$ 227,539		

2) Recognized deferred tax assets tax liabilities: None.

(iii) The Company's income tax returns for the year through 2018 have been examined by the tax authorities.

(n) Capital and other equities

(i) Ordinary shares

As of December 31, 2020 and 2019, the Company' s authorized common stocks were consisting of 200,000 thousand shares with a par value of 10 New Taiwan dollars per share amounted to $2,000,000 of which 53,807 thousand shares and 54,351 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2020 and 2019 were as follows:

Unit: in thousand shares

	Common stock	
	2020	**2019**
Balance on January 1	54,351	52,479
Issuance of new restricted employee shares	-	1,880
Cancellation of new restricted employee shares	(544)	(8)
Balance on December 31	**53,807**	**54,351**

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544 thousand and 8 thousand shares of employee restricted shares were repurchased in 2020 and 2019 as certain employees of the Company did not meet the vesting requirements, and the cancellation procedure had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

		December 31, 2020	December 31, 2019
Additional paid-in capital	$	20,986	20,986
Restricted employee shares		(1,603)	(2,256)
Employee stock options – expired		5,343	5,343
Donation from shareholders		1,427	1,257
Changes in equity of associates		3,169	-
	$	29,322	25,330

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained Earnings

The Company's Article of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and the others are supposed to be set aside or reversed as the special reserve in accordance with laws and regulations. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company adopts the residual dividend policy. In consideration of the expansion of operations and the need of cash flows in the future, when the Company plans to distribute its dividends, the distributable amounts cannot be less than 50% of the cumulative distributable surplus. Moreover, at least 10% of the dividends should be distributed in cash.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualified for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. The balances of special reserve as of December 31, 2020 and 2019 are both $79,510.

3) Earnings distribution

Based on the resolutions made during the annual stockholders' meeting held on June 17, 2020 and June 19, 2019, there are no earnings could be distributed in 2019 and 2018, respectively.

(iv) Treasury shares

Based on the resolutions made during the board meetings on May 8 and August 7, 2019, respectively, the Company determined to repurchase 1,500 thousand shares each, totaling 3,000 thousand treasury shares, to be converted into employee stock options. As of December 31, 2020, a total of 2,760 treasury shares, which had been repurchased, have yet to be converted or cancelled.

Movement of treasury share was as follows:

	2020		2019	
	Share (thousands)	**Amount**	**Share (thousands)**	**Amount**
Balance at period beginning	2,760	$ 24,831	-	$ -
Repurchase	-	-	2,760	24,831
Balance at period ended	**2,760**	**$ 24,831**	**2,760**	**$ 24,831**

In accordance with the Securities and Exchange Act requirements as stated above, the number of treasury shares purchased should not exceed 10% of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company retained earnings, paid-in capital in excess of par value and realized capital surplus.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged. These shares do not hold any shareholder rights before their completion of transfer.

(o) Share-based payment

(i) Restricted employee shares

On June 25, 2014, the Company' s shareholders decided to issue 1,500 thousand shares of employee restricted shares to the Company' s full-time employee who meet certain requirements. The restricted shares have been registered with and approved by the Securities and Futures Bureau of FSC. On October 13, 2014, the Board of Directors decided to issue the restricted shares on an installment basis. The Company issued the first restricted shares of 1,370 thousand, and the effective date was October 22, 2014. On August 11, 2015, the board of directors decided to issue the second restricted shares of 126 thousand shares, and the effective date issuance was September 11, 2015.

1,370 thousand shares and 126 thousand shares of the aforementioned restricted shares were issued without consideration. 20%, 20%, 30% and 30% of the restricted shares were vested when the employees continue to provide service for at least 1 year, 2 years, 3 years and 4 years from the registration and the effective date, and at the same time, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on the law and regulations.

If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could be distributed as cash or stock dividends. Employees who are given restricted shares are entitled to participate in the cash injection plan of the Company. The aforementioned new shares are also kept by a trust. If the employees of the Company fail to meet the vesting requirements, the cash or stock dividends will be withdrawn in the form of cash, and a share cancellation procedure will be performed. However, if employees are able to meet such requirements, the cash or stock dividends will be paid to individual accounts from the trust. The Company repurchased all the unvested shares at the issue price, and cancelled the shares on November 15, 2019.

On June 13, 2018, the Company's shareholders decided to award 2,000 thousand shares of employee restricted shares to the Company' s full-time employees who meet the certain requirements. The restricted shares have been registered with and approved by the Securities and Futures Bureau of the FSC. On November 7, 2018, the Board of Directors decided to issue the restricted shares on an installment basis. The Company issued the first restricted shares of 1,880 thousand shares, and the effective date was January 14, 2019.

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1,880 thousand shares of the aforementioned restricted shares were issued without consideration. 20%, 20%, 30%, and 30% of the restricted shares were vested when the employees continue to provide service for at least 1 year, 2 years, 3 years, and 4 years from the registration and the effective date, and at the same time, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on the law and regulations.

If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could be distributed as cash or stock dividends. Employees who are given restricted shares are entitled to participate in the cash injection plan of the Company. The aforementioned new shares are also kept by a trust. If the employees of the Company fail to meet the vesting requirements, the cash or stock dividends will be withdrawn in the form of cash, and a shares cancellation procedure will be performed. However, if employees are able to meet such requirements, the cash or stock dividends will be paid to individual accounts from the trust.

On June 17, 2020, the Company's shareholders decided to award 1,200 thousand shares of employee restricted shares to the Company' s full-time employees who meet the certain requirements. The restricted shares have been registered with and approved by the Securities and Futures Bureau of the FSC. On November 4, 2020, the Board of Directors decided to issue the restricted shares on an installment basis. The the effective date was January 11, 2021.

The information of the Company's restricted stock was as follows:

Unit: in thousand shares

	2020	2019
Outstanding units at January 1	1,880	8
Granted during the year	-	1,880
Forfeited during the year	(544)	(8)
Outstanding units at December 31	**1,336**	**1,880**

As of December 31, 2020 and 2019, the unearned employee compensation balances were $3,674 and $8,686, respectively. A total of 544 thousand employee restricted shares was retrieved and cancelled due to failure or loss of qualifications to meet the vesting requirements for the year ended December 31, 2020. The effective date of capital reduction was March 18, 2020, and the related registration procedures have been completed.

The expenses incurred by the Company for employee restricted shares were $225 and $7,797 for the years ended December 31, 2020 and 2019, respectively.

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(ii) Employee stock options

On May 6, 2015, the Company's board of directors decided to issue employee stock options of 1,850 units, with an exercisable right of 1,000 shares of the Company's common stock per unit. The total options issued were 1,850,000 shares, and the issuance date was on November 5, 2015. The information on total options issued was as follows:

	2019	
	Shares (in thousands)	**Weighted-average exercise price (NT dollars)**
Outstanding shares on January 1	1,850	$ 10.00
Exercised during the year	-	-
Forfeited during the year	(1,850)	-
Outstanding shares on December 31	-	10.00
Exercisable shares on December 31	-	-

All the employee stock options were forfeited on November 5, 2019.

The issuance terms of the stock options are as follows:

1) Exercise price: NT$10 per share.

2) Exercisable duration: The employees who received stock options that exceed 2 years can exercise a specific percentage in each period as below. The exercisable duration of the options is 4 years. It is not allowed to be transferred, pledged, gifted, or disposed in any other means except for inheritance. After the expiration date, the Company will retire the unexercised options and the employees can no longer exercise their rights.

Period to exercise options	Exercisable percentage (cumulative)
2 years after options received	50 %
3 years after options received	100 %

3) Exercise method: The Company will issue new shares when the options are exercised.

According to Company Act, Article 161, Paragraph 1, the registration of capital amount change should be made after the issuance of shares.

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The Company adopted the Binomial options pricing model to compute the fair value on the grant date, and the assumptions are summarized as follows:

Exercise price (TWD)	10.00
Current price (TWD)	9.46
Expected dividend yield rate	0%
Expected volatility	41.50%
Risk-free interest rate	0.66%
Expected life of the option	4 years
The weighted average fair value (TWD / shares)	2.89

(p) Losses per share

Basic earnings per share and diluted earnings per share for the years ended December 31, 2020 and 2019, was computed as follows:

	2020	2019
Basic loss per share:		
Net loss	$ (38,233)	(112,809)
Weighted-average number of outstanding shares (thousands)	49,711	51,230
Basic losses per share (dollars)	$ (0.77)	(2.20)

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

		2020	2019
Primary geographical markets			
Netherland	$	273,148	318,102
Taiwan		15,693	16,034
United States		8,270	11,099
Other		1,959	2,810
	$	299,070	348,045
Major products / servises lines			
LCD monitors	$	282,461	334,682
Medical equipment		3,677	2,433
Others accessories		7,833	7,717
Rental revenue		5,099	3,213
	$	299,070	348,045

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(ii) Contract balances

1) Please refer to note 6(c) for the information of notes and accounts receivable and its impairment.

2) Contract liability

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liability (Unearned sales revenue)	$ 122,786	152,711	137,610

The amount of revenue recognized for the years ended December 31, 2020 and 2019, that included in the contract liability balance at the beginning of the periods were $152,711 and $137,610, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(r) Employee compensation and directors' and supervisors' remuneration

According to the Company's Articles of Incorporation which, before revised, require that earning shall first be offset against any deficit, then, a minimum of 10% will be distributed as employee remuneration and a maximum of 2% will be allocated as directors' and supervisors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

Due to loss before tax for the years ended December 31, 2020 and 2019, no employees compensation and directors' and supervisors' remuneration was recognized.

(s) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration to credit risk

The proportion of the Company's sales form subsidiaries were 94% and 95% in 2020 and 2019, respectively.

3) Receivables and debt securities

For credit risk exposure of note and accounts receivables, please refer to note 6(c).

Other financial assets at amortized cost include cash and cash equivalents, other receivables, and guaranteed deposits, are considered to have low risk, and thus, the impairment provision recognized during the period is limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).

(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

	Carrying amount	Contractual cash flows	Within a year	Over 1 years
December 31, 2020				
Non-derivative financial liabilities:				
Short-term borrowings	$ 117,000	(117,000)	(117,000)	-
Notes and accounts payable	38,674	(38,674)	(38,674)	-
Other payables	14,415	(14,415)	(14,415)	-
Guarantee deposits	891	(891)	-	(891)
	$ 170,980	**(170,980)**	**(170,089)**	**(891)**
December 31, 2019				
Non-derivative financial liabilities:				
Short-term borrowings	$ 148,000	(148,000)	(148,000)	-
Notes and accounts payable	58,915	(58,915)	(58,915)	-
Other payables	9,122	(9,122)	(9,122)	-
Guarantee deposits	891	(891)	-	(891)
	$ 216,928	**(216,928)**	**(216,037)**	**(891)**

The Company does not expect the cash flows included in the maturity analysis, to occur significantly earlier or at significantly different amounts.

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(iii) Market risk

1) Currency risk (expressed in thousands for foreign currencies)

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 752	USD/TWD =28.48	21,415	1,364	USD/TWD =29.98	40,881
Financial liabilities						
Monetary items						
USD	1,213	USD/TWD =28.48	34,544	1,862	USD/TWD =29.98	55,808

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, short-term borrowings, notes and accounts payable, and other payables that are denominated in foreign currency.

A weakening (strengthening) 5% of each foreign currency against the functional currency on December 31, 2020 and 2019 would have affected the net profit before tax as follows:

	December 31, 2020	December 31, 2019
USD (against the TWD)		
Appreciate 5%	$ (656)	(746)
Depreciate 5%	656	746

The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount for disclosure. For the years ended December 31, 2020 and 2019, the foreign exchange losses, including realized and unrealized ones, amounted to $3,584 and $1,669, respectively.

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

(iv) Interest rate analysis

Please refer to liquidity risk for the details of financial assets and liabilities exposed to interest rate risk.

		December 31, 2020	December 31, 2019
Variable rate instruments (carrying amount):			
Financial assets	$	27,360	41,210
Financial liabilities		(117,000)	(148,000)

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents management of the Company's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net loss before tax would have increased or decreased by $224 and $267 for the years ended December 31, 2020 and 2019, respectively, which would mainly result from the bank savings and short-term borrowings with variable interest rates at the reporting date.

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging and of financial assets at fair value through other comprehensive income are measured on a recurring basis.

Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for the assets or liability that are not based on observable market data.

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and lease liabilities, disclosure of fair value information is not required :

ASSOCIATED INDUSTRIES CHINA, INC.
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	December 31, 2020				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Mandatorily designated at fair value through profit or loss	$ 6,441	-	-	6,441	6,441
Financial assets measured at amortized cost					
Cash and cash equivalents	43,749	-	-	-	-
Notes and accounts receivable	1,780	-	-	-	-
Other receivables	696	-	-	-	-
Restricted deposits (recognized as other non-current assets)	326	-	-	-	-
Refundable deposits (recognized as other non-current assets)	255				
	$ 53,247				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 117,000	-	-	-	-
Notes and accounts payable	38,674	-	-	-	-
Other payables	14,415	-	-	-	-
Guaranteed deposits	891	-	-	-	-
	$ 170,980				

	December 31, 2019				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Mandatorily designated at fair value through profit or loss	$ 10,000	-	-	10,000	10,000
Financial assets measured at amortized cost					
Cash and cash equivalents	49,661	-	-	-	-
Notes and accounts receivable	17,222	-	-	-	-
Other receivables	126	-	-	-	-
Restricted deposits (recognized as other current assets)	326	-	-	-	-
	67,335				
	$ 77,335				
Financial liabilities measured at amortized cost					
Short term borrowings	$ 148,000	-	-	-	-
Notes and accounts payable	58,915	-	-	-	-
Other payables	9,122	-	-	-	-
Guaranteed deposits	891	-	-	-	-
	$ 216,928				

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

2) Fair value valuation technique for financial instruments not measured at fair value

The book value of financial assets and liabilities at amortized cost in the report is approximately its fair value.

3) Fair value valuation technique for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument will use the public quoted price of the active market as the fair value if it has the public quoted price of the active market.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by using a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. Fair value of forward currency exchange is usually determined by using the forward currency rate.

4) There were no transfer among fair value hierarchies for the years ended December 31, 2020 and 2019.

5) Reconciliation of level 3 fair values

	Non derivative mandatorily measured at fair value through profit or loss
Balance on January 1, 2020	$ 10,000
Total profit or loss recognized	
In profit or loss	(3,559)
Purchased	10,000
Transfers out of level 3	(10,000)
Balance on December 31, 2020	**$ 6,441**
Balance on January 1, 2019	$ -
Total profit or loss recognized	
Purchased	10,000
Balance on December 31, 2019	**$ 10,000**

(Continued)

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company' s financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at "fair value through other comprehensive income-convertible bonds".

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss – convertible bonds	Option Pricing Model-Formula Method	·Discounted rate in lack of marketability as of December 31, 2020 was 29.29%	The higher the lack of marketability discount rate is, the lower the fair value will be.
〃	Revenue method (Discounted Cash Flow Method)	·Discounted rate in lack of market liquidity as of December 31, 2019 was 35%	The higher the discounted rate is, the lower the fair value will be.

(t) Financial risk management

(i) Briefings

The Company is exposed to the following risks arising from financial instruments：

1) Credit risk

2) Liquidity risk

3) Market risk

In this note expressed the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Company' s finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both domestic and international financial market operations.

ASSOCIATED INDUSTRIES CHINA, INC.
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The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative and non-derivative financial instruments in accordance with the Company's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Company continue with the review of the amount of the risk exposure in accordance with the Company's policy and the risk management policies and procedures. The Company has no transactions in financial instruments for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash and cash in banks.

1) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, and these limits are reviewed periodically. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis. The Company constantly assesses the financial status of the customers.

Also, the Company through subsidiaries to sell products at Europe and America area, and controls the credit and evaluates the financial condition of these clients to reduce the credit risk of accounts receivable.

2) Investment

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company deposits the cash in different financial institutions for the purpose of controlling the credit risk in each financial institution. Therefore, there is no significant credit risk of bank deposits.

3) Guarantees

Please refer to note 13(a) for the Company provided financial guarantees to its subsidiaries as of December 31, 2020.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures in compliance with the terms of the loan agreements.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

The loans and borrowings from the bank forms an important source of liquidity for the Company. As of December 31, 2020 and 2019, the unused short-term bank facilities were $297,167 and $270,149, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily, the New Taiwan Dollars (TWD), Euro (EUR), US Dollars (USD), and Chinese Yuan (CNY).

The Company uses the derivate financial instrument for hedging. Hence, the gains or losses deriving from the fluctuation of exchange rate will be offset with the hedging item. The market risk is insignificant.

2) Interest rate risk

The Company borrows funds on variable interest rates, which has a risk exposure in cash flow.

(u) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares and retained earnings.

The Company monitors the capital structure by way of periodical review on the liability ratio. The Company's capital is the "total equity" in the balance sheet, same with the total liabilities being subtracted to the total assets.

As of December 31, 2020 and 2019, the liability ratio were as follows:

	December 31, 2020	December 31, 2019
Total liabilities	$ 296,969	372,081
Total assets	716,544	818,402
Liability ratio	41 %	45 %

As of December 31, 2020, there were no changes in the Company's approach of capital management.

(v) Investing and financing activities not affecting current cash flow

(i) The Company's investing and financing activity which did not affect the current cash flow for the years ended December 31, 2020 and 2019 were as follows:

1) The inventory transferred to the equipment was amounted to $87 and $ 0, respectively.

2) For conversion of convertible bonds to ordinary shares, please refer to note 6(b) and (e).

3) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows	December 31, 2020
Short-term borrowings	$ 148,000	(31,000)	117,000
Guaranteed deposits	891	-	891
	$ 148,891	**(31,000)**	**117,891**

	January 1, 2019	Cash flows	December 31, 2019
Short-term borrowings	$ 109,000	39,000	148,000
Guaranteed deposits	945	(54)	891
	$ 109,945	**38,946**	**148,891**

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are subsidiaries and entities that have had transactions with related parties during the periods covered in the financial statements：

Names and relationship with related parties	Relationship with the Company
AG Neovo International Ltd. (AG Neovo International, formerly named as GMF) (Note)	Subsidiary
AG Neovo Technology B.V. (AG Neovo B.V.)	Subsidiary
AG Neovo Investment Co., Ltd. (AG Neovo Investment)	Subsidiary
AG Neovo International Ltd. (Note)	GMF's subsidiary
AG Neovo Technology Corp. (AG Neovo USA)	GMF's subsidiary
AG Neovo Technology (Shanghai) Co., Ltd (AG Neovo Shanghai)	AG Neovo Investment's subsidiary
Taiwan Biophotonic Corporation (tPBC)	An associate

Note 1: The sub-subsidiary, AG Neovo International had, completed its liquidation procedures on April 30, 2020. Thereafter, the subsidiary, GMF, was renamed AG Neovo International Ltd. on June 30, 2020.

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

	Sales 2020	Sales 2019
Subsidiary－AG Neovo B.V.	$ 273,148	318,102
Subsidiary－AG Neovo USA	8,273	11,099
Sub-Subsidiary－CN	8	-
	$ 281,429	**329,201**

The Company sells monitors to the subsidiaries and grandson companies, the price is based on the cost mark-up by a certain percentage, and makes necessary adjustments as appropriate. The ending inventory of the subsidiaries and grandson companies are recorded as the Company’ s inventory, and the Company shall not be recognized as sales until they are delivered. The credit terms of unrelated parties are 30~90 days after delivery.

(ii) Accounts receivable with related parties

	December 31, 2020	December 31, 2019
Subsidiary－AG Neovo USA	**$ -**	**14,773**

(iii) Unearned sales revenue

	December 31, 2020	December 31, 2019
Subsidiary－AG Neovo B.V.	$ 103,350	152,111
Sub-subsidiary－AG Neovo USA	19,367	-
	$ 122,717	**152,111**

(iv) Acquisitions of financial assets

The 100 units of convertible bonds issued by tBPC and acquired by the Company each amounted to $10,000 in June 2020 and October 2019, respectively, which were classified as financial assets measured at fair value through profit or loss. Please refer to note 6(b).

(v) Investment of convertible bonds converting to ordinary shares

The Company exercised convertible bonds of tBPC in October 2020, the transferred price was NTD$13 per share, the book value was $10,800 (including interest receivable of $800), and 831 thousand shares were acquired after converting, which were classified as investment accounted for using the equity method.

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

(vi) Guarantees

	December 31, 2020	December 31, 2019
Subsidiary－AG Neovo B.V.	$ 150,000	150,000
Sub-subsidiary－AG Neovo USA	30,000	30,000
	$ 180,000	**180,000**

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	$ 9,968	9,864
Post-employment benefits	288	288
	$ 10,256	**10,152**

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	December 31, 2020	December 31, 2019
Land and buildings	Guarantee for short-term loans and the credit line	$ 117,310	118,325
Investment property	〃	162,467	163,650
Restricted deposits	Warranty guarantee	326	326
		$ 280,103	**282,301**

(9) Commitments and contingencies:

As of December 31, 2020 and 2019, the unused balance of the Company's letters of credit amounted to $6,353 and $4,818, respectively.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

(12) Other:

(a) A summary of current-period employee benefits, depreciation and amortization, by function, is as follows:

By function / By item	2020			2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	-	39,018	39,018	-	43,916	43,916
Labor and health insurance	-	3,010	3,010	-	3,046	3,046
Pension	-	2,497	2,497	-	2,421	2,421
Remuneration of directors	-	1,565	1,565	-	1,731	1,731
Others	-	2,201	2,201	-	2,233	2,233
Depreciation (note)	1,183	1,986	3,169	1,183	2,081	3,264
Amortization	473	948	1,421	230	1,086	1,316

Note: The depreciation for the years ended December 31, 2020 and 2019 included the depreciation of investment property both amounted to $1,183.

Additional information on the numbers of employee and employee benefits were as follows:

	2020	2019
Number of employees	38	40
Non employee directors	2	3
Average labor cost	$ 1,298	1,395
Average salary and bonus	$ 1,084	1,187
Percentage change in average salary and bonus (note)	(9)%	
Supervisors' remuneration	$ -	-

Note: The decrease of percentage change is due to the expense (reversal) of restricted employee shares amounting to $225 and $7,797 for the years ended December 31, 2020 and 2019, respectively. Please refer to note 6(o).

The information on the Company's remuneration policy (including Directors, supervisors, managers and employees) is as follows:

The Company has a policy on directors' remuneration and employees' remuneration in its Articles of Incorporation and sets up the Remuneration Committee to evaluate and supervise the remuneration system for directors and managers of the Company. The remuneration of directors and managers shall be handled in accordance with the Articles of Incorporation and personnel management regulations, after reviewing by the Remuneration Committee, and resolved by the Board of Directors, then the resolution shall be submitted to the shareholders' meeting for approval, and shall be paid reasonably in addition to taking into account the Company's operating performance, future risks, development strategies and industrial trends.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

In accordance with the laws and the needs of various regions, the Company has developed a complete employee welfare system to provide employees with good remuneration and benefits. Employee compensation includes monthly pay, dividend bonuses based on operating performance, and employee compensation in accordance with annual profitability and Articles of Incorporation.

The Company conducts regular company wide employee performance appraisals each year to understand the performance of employees as a basis for promotion, training, and compensation adjustment.

As set out in Articles 1, 20 and 21 of the Articles of Association of the Company, the Company shall, in accordance with the current year's profit status, allocate not less than 10 percent of the profit as the employees' remuneration in accordance with the remuneration policies of employees and directors, and the Company shall also allocate not more than 2 percent of the profit as the directors' remuneration. However, if the Company still has accumulated losses, it should reserve the amount of accumulated losses in advance. The profit status for the year refers to the pre-tax profit of the current year less the employees' remuneration and the directors' remuneration. The remuneration of the former employee may be made in stock or cash, and shall be paid to an employee of the Company who meets certain conditions, which shall be determined by the Board of Directors. Employees' remuneration and directors' remuneration shall be allocated 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, a report of such distribution shall be submitted to the shareholders' meeting.

According to the Company Act, the object of the transfer of the treasury shares acquired by the Company, the object of the issuance of the employee stock option, the employee who purchased the shares when issuing the new shares and the object of issuing the new restricted employee shares, including employees of the holding company or the subordinate company who meet certain conditions, which shall be determined by the Board of Directors.

When a director of the Company performs his duties with the Company, regardless of the Company's operating profits and losses, the Company shall pay the remuneration, which shall be authorized by the Board of Directors in accordance with the degree of participation and value of the Company's operations, at the same level with the same industry.

If the Company suffered a pre-tax net loss, then there is no need to estimate the remuneration of employees and directors.

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2020:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars and foreign currencies)

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date (note 4)	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary (note)	Subsidiary endorsements/ guarantees to third parties on behalf of parent company (note)	Endorsements/ guarantees to third parties on behalf of companies in Mainland China (note)
0	The Company	AG Neovo B.V.	100% owned subsidiary	419,575	150,000	150,000	-	-	35.75 %	419,575	Yes	No	No
0	〃	AG Neovo USA	〃	419,575	30,000	30,000	28,480	-	7.15 %	419,575	Yes	No	No

Note：According to the Company's Procedures for Endorsement and Guarantee, the total amount of endorsement guarantees the Company or the Company is permitted to provide shall not exceed 100% of the Company's net worth.

(iii) Information regarding securities held as of December 31, 2020 (excluding the investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Company holding securities	Security type and name	Relationship with the Company	Account	December 31, 2020: Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	Fair value	Remark
The Company	IRONYUN INCORPORATED	-	Financial assets measured at fair value through other comprehensive income-noncurrent	6,025	-	6.79 %	-	Note
〃	Convertible bonds (tBPC)	-	Financial assets measured at fair value through profit or loss- current	100	6,441	- %	6,441	〃

Note: Preferred stock and common stock are 5,512 and 513 thousands shares.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Remark
			Purchase /Sale	Amount	Percentage of total purchases/ sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	AG Neovo B.V	100% owned subsidiary	(Sale)	(273,148)	(91) %	90 days net from date of invoice	Not applicable	90 days net from date of invoice; actual payments would depend on the capital demand.	Note	-%	

Note ：As of December 31, 2020, the amount of unearned sales revenue was $103,350.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments:

The Company did not engage in derivative trading in 2020. As of December 31, 2020, the subsidiaries did not have any unsettled derivative financial instruments.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/ foreign currencies and thousand units)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Ending Balance as of December 31, 2020			Net income (losses) of Investee (Note2)	Share of profits /losses of investee (Note1)	Remark
				December 31, 2020 (Note 1)	December 31, 2019 (Note 1)	Shares	Percentage of ownership	Carrying value (Note 1)			
The Company	GMF	British Virgin Islands	Investment	313,522	313,522	0.7	100 %	5,223	(6,272)	(6,272)	Note 3
〃	AG Neovo B.V	Netherlands	Sales LCD monitors	187,013	187,013	4.8	100 %	197,638	1,516	1,516	
〃	AG Neovo Investment	British Virgin Islands	Investment	14,796	14,796	0.5	100 %	8,251	(655)	(655)	
〃	Taiwan Biophotonic Corporation	Taiwan	Manufacturing and sale of medical equipment	92,327	81,527	2,524	35 %	24,881	(16,876)	(4,808)	
GMF	AG Neovo International	British Virgin Islands	Investment	- (US$ -)	14,390 (US$ 480)	-	-	- (US$ -)	(7) (US$ -)	Recognized by shareholding percentage by GMF	Note 3
〃	AG Neovo USA	U.S.A.	Sales LCD monitors and medical equipment	59,960 (US$ 2,000)	59,960 (US$ 2,000)	701	100 %	3,362 (US$ 118)	(6,883) (US$ (233))	〃	

Note1: The amounts in New Taiwan Dollars were translated at the exchange rates of USD28.48 at reporting date.
Note2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD29.5354 based on the average exchange rate at reporting date.
Note3: After the sub-subsidiary AG Neovo International completed the liquidation proceedings on April 30, 2020, subsidiary GMF completed the renaming of AG Neovo International on June 30, 2020.

ASSOCIATED INDUSTRIES CHINA, INC.
Notes to the Financial Statements

(c) Information on investment in mainland China:

(i) The related information on investees in Mainland China:

(In Thousands of New Taiwan Dollars/ foreign currencies and thousand units)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 2)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020 (Note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020 (Note 2)	Net income (losses) of the investee (Note 3)	Percentage of ownership	Investment income (losses) (Note3)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
AG Neovo (Shanghai)	Sales LCD monitors	14,240 (US$500)	Note 1	14,240 (US$500)	-	-	14,240 (US$500)	(645) (US$(22))	100%	(645) (US$(22))	8,803 (US$309)	-

(ii) Upper limit on investment in Mainland China:

(In Thousands of New Taiwan Dollars and foreign currencies)

Accumulated Investment in Mainland China as of December 31, 2020 (Notes 2 and 4)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 2 and 4)	Upper Limit on Investment
114,945 (US$4,036)	114,945 (US$4,036)	251,745

Note 1 : Indirect investment in Mainland China through companies registered in the third region.
Note 2 : The amounts in New Taiwan Dollars were translated at the exchange rates of USD28.48 at reporting date.
Note 3 : The amounts in New Taiwan Dollars were translated at the exchange rates of USD29.5354 based on the average exchange rate at reporting date.
Note 4 : Including the withdrawal amount of investment on the Shanghai CIMC Baowell Industries Co., Ltd.

(iii) Significant transactions: None.

(d) Major shareholders:

Shareholding / Shareholder's Name	Shares	Percentage
Top Group Holdings, Ltd.	8,156,294	15.15 %
David Pi	3,335,541	6.19 %
Associated Industries China, Inc. (Treasury shares)	2,760,000	5.12 %

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2020.

ASSOCIATED INDUSTRIES CHINA, INC.

Statement of cash and cash equivalents

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Petty cash and Cash on hand	$ 542
Checking accounts		12,947
Demand deposits	NTD	6,713
〃	Foreign currency(USD725 thousand dollars)	20,647
Time deposits	NTD	2,900
		$ 43,749

Note: The exchange rate: USD1= NTD28.48

ASSOCIATED INDUSTRIES CHINA, INC.

Statement of notes and accounts receivable

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Client name	Description	Amount
Notes Receivable		
A Company	Non-related party	$ 130
Other (Note)	〃	14
Accounts Receivable		
AK Company	Non-related party	769
H Company	〃	197
AO Company	〃	197
AP Company	〃	166
AQ Company	〃	166
Other (Note)		141
		1,780
Total		**$ 1,780**

Note: The amount of individual customers included in others does not exceed 5% of the account balance.

Statement of inventories

Item	Amount: Cost	Amount: Net Realizable Value
Inventories	$ 158,059	**167,762**
Less: allowance for inventory valuation loss and obsolescence	(15,890)	
Total	**$ 142,169**	

ASSOCIATED INDUSTRIES CHINA, INC.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Additions (Decrease) (Note)		Share of profit (loss) of		Exchange differences on	Ending Balance				
Invested Company	shares (in thousands)	Amount	shares (in thousands)	Amount	subsidiaries and associate	Impairment loss	translation of foreign operations	shares (in thousands)	Percentage of ownership	Amount	Net assets value	Collaterals or Pledged assets
AG Neovo International Ltd. (AG Neovo International, formerly named as GMF)	0.7	$ 11,806	-	-	(6,272)	-	(311)	0.7	100 %	5,223	5,223	None
AG Nuevo B.V.	4.8	188,058	-	-	1,516	-	8,064	4.8	100 %	197,638	197,638	〃
AG Neovo Investment	0.5	8,736	-	-	(655)	-	170	0.5	100 %	8,251	8,251	〃
Taiwan Biophotonic Corporation	8,153	28,502	(5,629)	13,969	(4,808)	(12,782)	-	2,524	34.72 %	24,881	24,881	〃
Total		$ 237,102		13,969	(10,219)	(12,782)	7,923			235,993		

Note: The increase (decrease) of the current period includes a reduction in capital to cover losses, a conversion of convertible corporate debt of $10,800, and a capital surplus adjustment by the equity method of $3,169.

ASSOCIATED INDUSTRIES CHINA, INC.

Statement of changes in property, plant and equipment

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note (6)(f).

Statement of changes in investment property

Please refer to Note (6)(g).

Statement of changes in intangible assets

Please refer to Note (6)(h).

ASSOCIATED INDUSTRIES CHINA, INC.

Statement of short-term borrowings

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Contract Period	Interest Rate	Credit Lines	Collateral or Pledged assets		Ending Balance
HUA NAN BANK	Unsecured loans	2020.11~2021.5	Note	30,000	None	$	5,000
TAIWAN COOPERATIVE BANK	Unsecured loans	2020.4~2021.4	〃	24,000	None		20,000
CHANG HWA BANK	Secured loans	2020.6~2021.6	〃	370,000	Land and Building		77,000
Mega International Commercial Bank	Unsecured loans	2020.7~2021.7	〃	25,000	None		15,000
						$	**117,000**

Note: Between 1.53%~1.83%。

Statement of notes and accounts payable

Suppliers Items	Description		Amount
Accounts payables:			
AQ Company	Non-related party	$	26,802
AR Company	〃		4,733
AS Company	〃		3,132
Other (Note)	〃		4,007
			38,674
		$	**38,674**

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

ASSOCIATED INDUSTRIES CHINA, INC.

Statement of other payables

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Payroll payable and bonuses	Estimated year-end bonuses and unpaid leave	$ 4,685
Professional service fees payable	Professional service fee	2,061
Other (Note)	Shipping expenses and miscellaneous expense	7,669
		$ 14,415

Note: The amount of each item included in others does not exceed 5% of the account balance.

Statement of operating revenue

For the year ended December 31, 2020

Item	Quantity (thousand units)	Amount
Sales Revenue		
LCD monitors	44	$ 282,461
Medical equipment	1	3,677
Others accessories and others	12	7,833
Net sales		293,971
Rental revenue		5,099
Operating revenues, net		**$ 299,070**

ASSOCIATED INDUSTRIES CHINA, INC.

Statement of operating costs

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
The inventory, beginning of year	$ 228,897
Add: Purchases	161,455
Less: Transferred to expense and others	(105)
The inventory, end of year	(158,059)
Cost of goods sold	232,188
Add: The depreciation of molding equipment, Amortization and others	3,910
Lease Cost	1,588
Inventory valuation loss and obsolescence	2,538
Operating costs	**$ 240,224**

Statement of operating expenses

Item	Selling expenses	Administrative expenses	Research and development expenses
Payroll expense	$ 13,871	15,831	9,316
Business promotion fee	1,090	246	15
Insurance fee	1,619	1,484	983
Depreciation	849	542	595
Agency fee	-	2,489	-
Professional service fees	139	3,528	30
Others (Note)	5,688	5,552	1,696
Total	**$ 23,256**	**29,672**	**12,635**

Note: The amount of each item included in others does not exceed 5% of the account balance.