

Stock Code: 1558

ZENG HSING INDUSTRIAL CO., LTD.

2022 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System:

<https://mops.twse.com.tw>

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I. Letter to the Shareholders

Dear Shareholders,

I would like to thank you all for supporting Zeng Hsing Industrial Co. Limited (hereinafter referred to as “the Company”). Over the past year, the domestic sewing machine shipments of ZENG HSING in 2022 reached 2.78 million units. The management team of ZENG HSING upheld the diligent and pragmatic spirit to steer through the tough market with all employees’ dedicated work to achieve the outstanding result of NT\$8.08 earnings per share in 2022.

In the future, the devoted team at ZENG HSING will continue to improve products and technologies, retain the long-term relationship with customers to introduce market-oriented models, and actively develop the emerging markets to promote the culture of sewing and lead the group to a new realm of production service.

The following is a report on the business results in the past year and future prospects of ZENG HSING.

1.1. 2022 Operating Results

(i) Operating plan performance (Consolidated)

In 2022, the gross profit of the consolidated business for the year amounted to NT\$7.198 billion, which decreased 6.76% from NT\$7.72 billion in 2021. The consolidated net profit for the year was NT\$8.08 million, which increased 19.35% from NT\$677 million in 2021.

(ii) Budget implementation (Consolidated)

The financial forecast was not disclosed publicly by the Company, as a result, there is no related statement available

(iii) Profitability analysis (Consolidated)

	Unit: NT\$ thousands; %	
	2022	2021
Interest Income	21,790	10,198
Interest Expenses	27,635	8,944
Return on Assets (%)	6.31	6.72
Return on Shareholders’ Equity (%)	9.47	10.53
Operating Income to Paid-in Capital Ratio (%)	56.90	117.77
Pre-tax Income to Paid-in Capital Ratio (%)	121.49	111.89
Net Margin	8.69	6.84
Earnings Per Share	8.08	8.68

(iv) Research and development status (Consolidated)

Since the Company’s inception, we have continued to invest in our people and products every year to stay competitive in the market. In 2022, NT\$185,152 thousand was spent on research and development, accounting for 2.57% of net revenue. In 2021, NT\$114,310 thousand of research and development accounted for 1.48% of net revenue, almost the same in these two years.

1.2. Overview of 2023 Business Plan

1.2.1. Current Operating Policy

1.
 - Develop our corporate strategy and vision
 - Implement target management
 - Establish strategies as guidelines
 - Integrate all the Company's resources
 - Set targets for all subsidiaries of the Company
 - Improve overall business performance
2.
 - Continue to develop new products
 - Strengthen existing production lines
 - Optimize product user interfaces
 - Provide online training videos and lessons
 - Cooperate with educational entities to improve the current product functions to offer a more diverse product portfolio
3.
 - Provide the customer with multiple services
 - Improve customer relationship management
 - Understand customer needs and therefore increase and improve the selection of products the Company offers
 - Provide services that strengthen long-term customer value and relationships
4.
 - Develop automated equipment and optimize inspection procedures to improve overall production quality and efficiency
5.
 - Identify key employees and develop their skillsets by planning and conducting a variety of functional trainings
 - Continue to improve learning facilities and the management of learning programs.
 - By continuing to improve the learning facilities, Zeng Hsing hopes that employees will take advantage of these resources to enhance their professional abilities.
 - Conduct performance interviews and establish a comprehensive promotion system.
6.
 - Continue to promote eco-friendly product management
 - Implement the ISO 14001 environmental management system
 - Follow the EU environmental procurement policies
7.
 - Continue to promote the Company's greenhouse gas system ISO 14064-1 and energy management system ISO 50001.

8.

- MES/ SPC (Manufacturing Execution System (MES), Statistical Process Control (SPC). The system was introduced to improve processes, increase production efficiency and monitor online process performance at any time.

9.

- With big data collection, the Company may effectively manage various costs, energy and improve production efficiency and quality control.

1.2.2. Sales forecast and Basis of Forecast

The financial forecast was not disclosed publicly by the Company, as a result, there is no sales forecast available

1.3. Future Strategies

1. Ensure revenue growth and maintain net operating margin: employ data-oriented decision-makings to carry out business/operations/talent innovation, integrate product blueprint development, consolidate existing customers, and actively develop regional customers in the sewing machine manufacturing industry to increase revenue and maintain net operating margin effectively.
2. Reduce operational risks: In response to the unknown risks caused by the external environment, the Company regularly inspects potential risks and enable the Company to prevent and manage them in advance in order to mitigate the potential impacts and losses brought by the organization's operation.
3. Proactive regional business growth: grasp the blueprint of competitive products and changes in business models, adjust sales strategies on a rolling basis, provide pre-sales, in-sales, and after-sales services to customers, drive up regional sales volume, and generate higher revenue for the industry.
4. Consolidate existing customers: Strengthen services to improve product differentiation and competitiveness, create customer value, and increase customer reliance on the company.
5. Develop new product series: Develop mid-to-high-end or differentiated models with strategic thinking to capture the market share of competitive products, introduce the modular design of components, and accumulate experience to enhance technical capabilities and high quality.
6. Improve quality assurance: Strengthen the design energy and implement the computerized vehicle verification project, improve the stability and quality of the machine, and enhance the competitiveness of the computerized vehicle.
7. Operation process innovation: Pursue operation intelligence, invest resources to improve the existing operation mode and establish necessary processes to achieve operational efficiency.
8. Organizational talent development: Establish a multinational human resources system for each business group, develop new business talent teams, cultivate management trainees with systematic thinking and management skills, and explore potential talent through special assignments.

1.4. The Impact of the External Competitive Environment, Regulatory Environment, and Macro environment

1. External competitive environment

There has been a reduction in prices in the sewing machine market. Zeng Hsing needs to reduce production costs and find ways to improve process technology to reduce the pressure of declining prices.

2. Regulatory environment

Regulation changes in domestic and foreign policies in recent years have not materially affected the Company's financial performance. Zeng Hsing observes domestic and foreign political and economic situations and acts accordingly and responsibly. Zeng Hsing communicates with its CPAs, lawyers and external experts when required to make sure the Company will follow all required regulations.

3. Macro environment

Over the past year, the sewing machine market has been affected by inventory adjustments since the second half of 2022. The ongoing Ukraine-Russia conflict, energy shortages, global inflation, and other issues have also impacted overall demand. Fortunately, with the dedication of all employees, the Company maintained fair operating performance. Nonetheless there is still room for improvement, such as adjusting pace, seeking opportunities for external strategic alliances, enhancing technology and precision processing technique, continuing develop automation and continuing to promote the culture of sewing in the future so that more people will have first-hand experience of the art of sewing, and that the product development and design can be directed more accurately toward meeting market demand.

We will also continue to address the issue of corporate social responsibility, uphold the welfare of the society, the environment and stakeholders, maintain the balance between the sustainable development of the environment and the Company to meet international standards, and truly become an enterprise at the international level.

On behalf of all employees of the Company, I sincerely thank all shareholders for your long-term support and recognition of the Company. We look forward to your continuous guidance and suggestions in the future.

Sincerely yours,
Chairman

CHIH-CHENG LIN

II. Company Profile

2.1. Date of Incorporation

3 January 1975

2.2. Company History

Year	Milestone
1975	◆ Established Zeng Hsing Industrial Co. Ltd on January 1975, with NT\$4,000,000 in capital.
2004	◆ In April, the Company registered to be listed on Taiwan's Emerging Stock Board. ◆ In December, the Company reinvested in Zeng Hsing Industrial Co., Ltd. in Vietnam.
2007	◆ In December, the Company increased its capital through employee stock options and cash to NT\$426,755,590 and its stocks were formally listed on the OTC stock exchange market in Taiwan. ◆ In December, the Company reinvested in Shinco Technologies Co., Ltd., an aluminum die casting and CNC processing factory, in Vietnam.
2012	◆ In April, the Company increased its capital by cash to NT\$516,691,730. ◆ Awarded Forbes Asia's 200 Best Under a Billion. ◆ In October, the Company was awarded excellent bonded factory of 2011.
2013	◆ Awarded the certification of CG6007 General Assessment Criteria for the Corporate Governance System. ◆ In July, the Company increased its capital with unappropriated retained earnings to NT\$542,526,310. ◆ In December, the Company increased its capital by cash to NT\$605,526,310.
2014	◆ In October, the Company was awarded excellent bonded factory of 2013. ◆ In October, the Company received "2nd Annual Golden Laurel Wreath Award" of Taipei Exchange. ◆ In December, the Company was listed on the Taiwan Stock Exchange.
2015	◆ In August, the Company issued its first Corporate Social Responsibility (CSR) report. ◆ In October, the Company was awarded excellent bonded factory of 2014. ◆ Implemented treasury stock buyback, and acquired 17,000 shares from August 29 to October 27. ◆ In November, Zeng Hsing in Vietnam had its 10 year anniversary and the 2nd plant in Vietnam held a grand opening ceremony.
2016	◆ Established "Riccar Handmade Flagship Store", the outlet for customer to try sewing. ◆ Certified by ISO 14001:2015 & 9001:2015 international standard and certified by TUV Rheinland. ◆ In October, the Company was awarded excellent bonded factory of 2015.

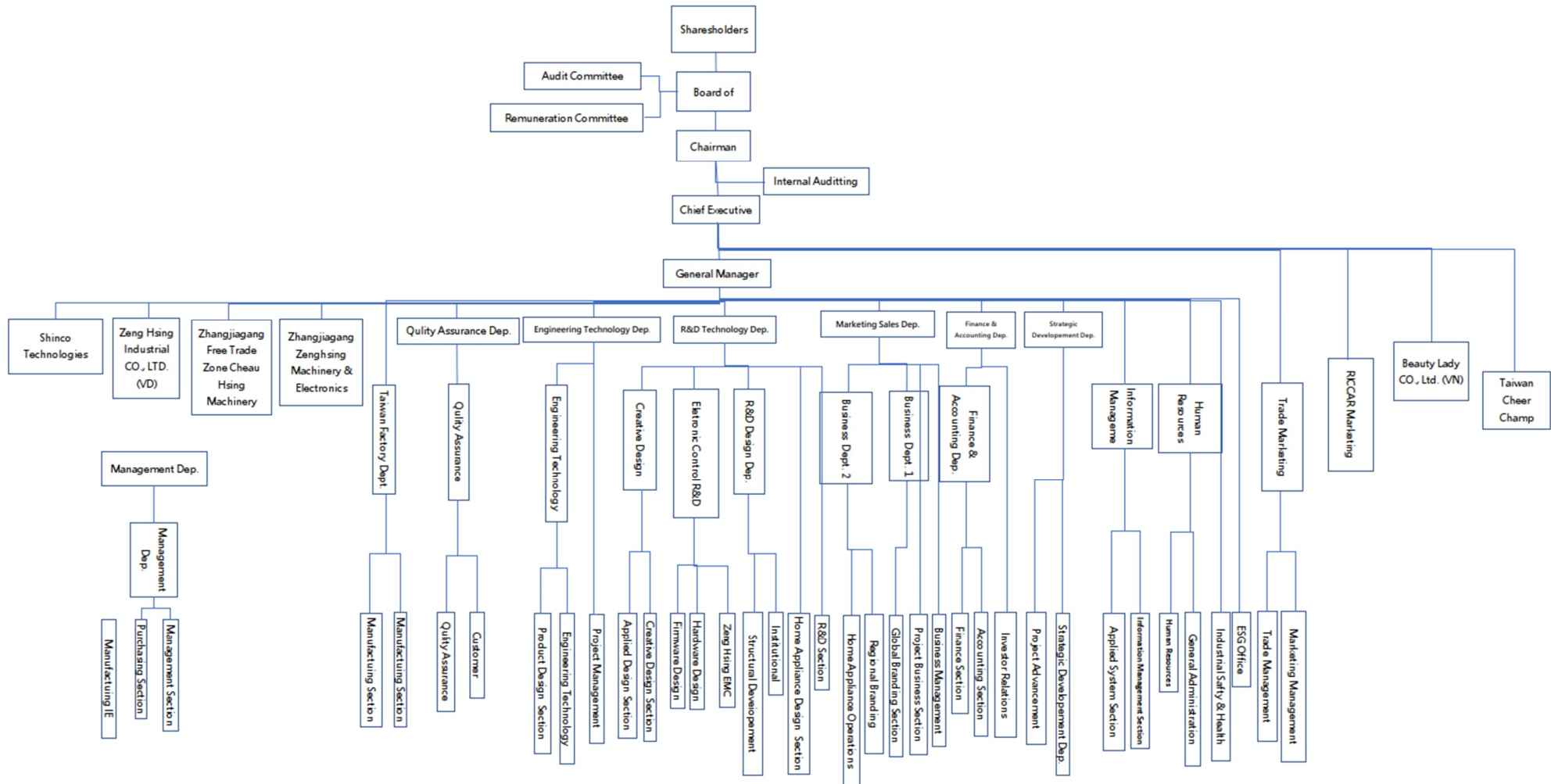
Year	Milestone
2017	<ul style="list-style-type: none"> ◆ Introduced the ISO14064-1 system to meet its corporate social responsibility. ◆ Held Groundbreaking Ceremony of the headquarters in Taiwan in September. ◆ In October, the Company was awarded excellent bonded factory of 2016.
2018	<ul style="list-style-type: none"> ◆ In May, the Company has been established for 50 years. ◆ was awarded ISO 50001 certification in June. ◆ In October, the Company was awarded excellent bonded factory of 2017. ◆ Zeng Hsing (VN II) introduced ISO energy management system.
2019	<ul style="list-style-type: none"> ◆ In October, the Company was awarded excellent bonded factory of 2018. ◆ In December, the Taiwan Operations Headquarters was completed. ◆ Zeng Hsing (VN I) introduced ISO energy management system.
2020	<ul style="list-style-type: none"> ◆ K series household sewing machine obtained carbon footprint (ISO14067) verification statement. ◆ The treasury stocks will be bought back during 2020/03/27-2020/05/26. ◆ The volunteer team was formally established. ◆ In October, the Company was awarded Excellent Bonded Factory of 2019. ◆ Introduced Authorized Economic Operator (AEO) certification system
2021	<ul style="list-style-type: none"> ◆ In May, according to the 7th "Corporate Governance Evaluation", the Company was ranked the top 6%~20% of listed companies. ◆ In October, the Company was awarded Excellent Bonded Factory of 2020/Excellent bonding operation personnel. ◆ In October, the Company obtained the Authorized Economic Operator (TWAEO) certificate. ◆ In November, the Company held the Supplier ESG Online Forum.
2022	<ul style="list-style-type: none"> ◆ In March, the Company was awarded the Certificate of Appreciation for the "Inheritance of Sewing and Embroidery Technology Activity" by the Association with Technical Degree A, R.O.C. ◆ The Company was awarded "A+ Grade" in the "2021 Resource Recycling Grading Management Plan" by the Taichung City Government. ◆ In April, the Company ranked in the top 5% for small to mid-sized companies based on market capitalization in the 8th Corporate Governance Evaluation for listed and OTC companies. ◆ In October, the Company received an award for being an top-performing bonded business personnel for 2021. ◆ In December, increased its capital by cash to NT\$665,356,310.

III. Corporate Governance Report

3.1 Organizational System

3.1.1. Organizational Structure

ZENG HSING INDUSTRIAL CO., LTD.



3.1.2. Major Departments and Their Scope of Operations

Department	Functions
Internal Auditing Office	<ul style="list-style-type: none"> ◆ Draw up annual group audit plan according to the competent authority's requirements. ◆ Implement, monitor and review the self-inspections of the Group's internal control. ◆ Annual group project review.
Strategic Development Department	<ul style="list-style-type: none"> ◆ Adhering to the resolutions of the board of directors to lead other managers, the department is responsible for formulating important policies of the Company and all related companies. ◆ Plan, formulate and promote the Group's medium and long-term strategies. (hereinafter referred to as "the Company") ◆ Assist with the management and development of business units and departments. ◆ The Company set forth the information strategy development plan and the overall group information system security plan.
Quality Assurance Department	<ul style="list-style-type: none"> ◆ Plan group quality assurance system and policy according to group strategy ◆ Supervise quality performance of the Group's production bases.
R&D Technology Department	<ul style="list-style-type: none"> ◆ Identify market and customer trends and research and develop the best product to satisfy customer and market demands ◆ Integrate R&D technical resources and improve R&D efficiency
Engineering Technology Department	<ul style="list-style-type: none"> ◆ Improve production technology capability and promote output and competitiveness according to the group's mid- and long-range strategy. ◆ Supervise the work development schedule, cost, technology and quality improvement of each product. ◆ Evaluate and review the feasibility of introducing new external technology or technical cooperation. ◆ Cultivate the short-term, mid-term and long-term team talents .
Marketing Sales Department	<ul style="list-style-type: none"> ◆ Formulate comprehensive product pricing strategy ◆ Formulate the future market and product blueprint
Finance & Accounting Department	<ul style="list-style-type: none"> ◆ Master the economic pulse of the world, improve the financial structure of the group and apply appropriate financial tools for comprehensive planning. ◆ Manage group funds steadily and effectively and provide decision maker timely management information.
Zeng Hsing Industrial CO., LTD Subsidiary Taiwan Factory Department	<ul style="list-style-type: none"> ◆ Implement global factory integration, planning and factory office construction supervision and management in line with company development and operational requirements.

3.2 Directors, Supervisors and Management Team

3.2.1. Directors and Supervisors

Director and supervisor information (1)

30 April 2023

Unit: shares

Title (Note 1)	Nationality/ Country of Origin	Name	Gender Age (Note 2)	Date Elected	Term (Years)	Date First Elected (Note 3 and 6)	Shareholding when Elected		Current Shareholding		Spouse & Underage Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 4)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	% (Note 7)	Shares	% (Note 8)	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Taiwan	CHIH- CHENG LIN	Male 61-70 years old	07/20/2021	3	12/28/2007	937,000	1.55%	1,027,007	1.54%	240,114	0.36%	0	0%	Bachelor of Industrial Engineering, Feng Chia University EMBA of National Chung Hsing University General Manager of Zeng Hsing Industrial Co., Ltd.	Chairman of Zeng Hsing Machinery & Electronics Co., Ltd Chairman of Zhangjiagang Zeng Hsing Trading Co., Ltd. Director of Zeng Hsing Industrial Co., Ltd. (BVI) Director of Jetsun Technology Co., Ltd. (SEYCHELLES) Chairman of Zeng Hsing Industrial Co., Ltd. (VN) Chairman of Shincos Technologies Limited (VN) CEO of Jetsun Technology Company Limited Chairman of Mitsumichi Industrial Co. Ltd. Chairman of Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. Director of Zorca Worldwide Ltd. Chief executive officer of Zeng HSING Industrial Co., Ltd. Corporate director of TURVO INTERNATIONAL CO., LTD. Representative of Zeng HSING Industrial Co., Ltd.	N/A	N/A	N/A	(Note 5)

Title (Note 1)	Nationality/ Country of Origin	Name	Gender Age (Note 2)	Date Elected	Term (Years)	Date First Elected (Note 3 and 6)	Shareholding when Elected		Current Shareholding		Spouse & Underage Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 4)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	% (Note 7)	Shares	% (Note 8)	Shares	%	Shares	%			Title	Name	Relation	
Director	Taiwan	RUEI-YI HONG	Male 51-60 years old	07/20/2021	3	12/28/2007	1,945,760	3.21%	2,023,129	3.04%	7,520	0.01%	0	0%	Master of Industrial Engineering & Management National Chin-Yi University of Technology Director of Zeng Hsing Industrial Co., Ltd.	Director of Jie Hong Ltd.	N/A	N/A	N/A	N/A
Director	Taiwan	FENG- CHIN LEE (Note 9)	Male 81-90 years old	07/20/2021	3	12/28/2007	944,628	1.56%	NA	NA	NA	NA	NA	NA	Graduated from Own Lead Primary School Supervisor of Zeng Hsing Industrial Co., Ltd.	Director of Yingfeng Aluminum Industry Co., Ltd. Chairman of Quancheng Machinery Co., Ltd.	N/A	N/A	N/A	N/A
Director	Taiwan	SU- CHEN LIAO	Male 61-70 years old	07/20/2021	3	12/28/2007	876,610	1.45%	908,774	1.37%	464	0.00%	313,300	0.47%	Graduated from National Chin-Yi University of Technology Director of Zeng Hsing Industrial Co., Ltd.	Chairman and general manager of Long Huan Enterprise Ltd. Chairman of Shenghong Investment Co., Ltd.	N/A	N/A	N/A	N/A
Independent Director	Taiwan	CHIH- SHENG WU (Note 9)	Male 51-60 years old	07/20/2021	3	06/18/2015	0	0.00%	NA	NA	NA	NA	NA	NA	Bachelor of Information Management, University of Tamkang Master of department of management science, National Chiao Tung University Vice-President Hongkong and Shanghai Banking Corporation	Vice-Chairman Turvo International Co., Ltd. Director of Zhu Ling Investment Director of Matec Southeast Asia (Thailand) Co., Ltd.	N/A	N/A	N/A	N/A

Title (Note 1)	Nationality/ Country of Origin	Name	Gender Age (Note 2)	Date Elected	Term (Years)	Date First Elected (Note 3 and 6)	Shareholding when Elected		Current Shareholding		Spouse & Underage Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 4)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	% (Note 7)	Shares	% (Note 8)	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Taiwan	JUN- MING HSU	Male 61-70 years old	07/20/2021	3	06/18/2015	0	0.00%	0	0.00%	0	0.00%	0	0%	Syracuse U. (Ph. D.)- Finance (Associate Professor of Department of Business) Administration and Lecture Director of Tunghai University Dean of Department of Finance, Tunghai University	Professor, Department of Finance, Chung Hsing University Independent director of Calin Technology Co., Ltd./ Member of Remuneration Committee/ Member of Audit Committee Member Member of Remuneration Committee and Audit Committee of Zeng Hsing Industrial Co., Ltd Independent Director of SHINE TREND International Multimedia Technology CO., LTD./Member of Remuneration Committee / Member of Audit Committee	N/A	N/A	N/A	N/A
Independent Director	Taiwan	MING- LIANG TARNG	Male 51-60 years old	07/20/2021	3	06/18/2015	0	0.00%	0	0.00%	0	0.00%	0	0%	Bachelor of Department of Accountancy, National Cheng Kung University Master of Department of Accountancy, National Cheng Kung University Manager of Ernst & Young LLP CFO of Dongguan Rongtai Plastic Material Co., Ltd. Partner of Sunpower Accounting	Accountant and partner of Sunshine Accounting Firm Member of Remuneration Committee and Audit Committee of Zeng HSING Industrial Co., Ltd Independent director/ Member of Audit Committee/Member of Remuneration Committee of Lagis Enterprise Co., Ltd	N/A	N/A	N/A	N/A

Title (Note 1)	Nationality/ Country of Origin	Name	Gender Age (Note 2)	Date Elected	Term (Years)	Date First Elected (Note 3 and 6)	Shareholding when Elected		Current Shareholding		Spouse & Underage Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 4)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	% (Note 7)	Shares	% (Note 8)	Shares	%	Shares	%			Title	Name	Relation	
Director	Taiwan	PO-SUNG CHANG	Male 61-70 years old	07/20/2021	3	06/18/2015	200,984	0.33%	215,924	0.32%	661,619	0.99%	0	0%	EMBA of Feng Chia University Other Career Development Center Manager of Zeng Hsing Industrial Co., Ltd. New Business Development Manager of Zeng Hsing Industrial Co., Ltd. Chief Project Manager of Zeng Hsing Industrial Co., Ltd.	Chairman of Taiwan Cheer Champ Co., Ltd.	Director	MENG- CHUNG HO	Nephew	N/A
Director	Taiwan	MENG- CHUNG HO	Male 51-60 years old	07/20/2021	3	06/14/2019	1,065,673	1.76	1,029,262	1.55%	100,000	0.15%	0	0%	Graduated from Chia- Yi Senior Commercial Vocation school General manager of Shanghai Antu International Trading Company Supervisor of Zeng Hsing Industrial Co., Ltd General Management Office Manager of Changqing Enterprise Co., Ltd. In China Factory manager of Li Sen Co., Ltd. Vice President of Purchase management department of Hongkong Xian Yun Co., Ltd.	Chairman & General manager of Magic Outdoor International Limited	Director	PO- SUNG CHANG	Uncle	N/A

Title (Note 1)	Nationality/ Country of Origin	Name	Gender Age (Note 2)	Date Elected	Term (Years)	Date First Elected (Note 3 and 6)	Shareholding when Elected		Current Shareholding		Spouse & Underage Children Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 4)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	% (Note 7)	Shares	% (Note 8)	Shares	%	Shares	%			Title	Name	Relation	
Director	Taiwan	CHUNG- TING TSAI	Male 41-50 years old	07/20/2021	3	07/20/2021	988,888	1.63%	1,003,305	1.51%	516,636	0.78%	0	0%	Master of Business Administration, California State University, San Bernardino. Manager of Marketing Planning Center of Zeng Industrial Co., Ltd.	Director of Can Xin Investment Co., Ltd. Corporate director, TURVO INTERNATIONAL CO., LTD. Representative of Zeng Industrial Co., Ltd.	N/A	N/A	N/A	N/A
Director	Taiwan	JIN-TAN LEE (Note 10)	Male 51-60 Years old	06/15/2022	2 years	06/15/2022	397,875	0.66%	427,451	0.64%	0	0.00%	0	0%	Industrial Management Department, Asian Eastern University of Science and Technology	Supervisor of HSIEH FENG ALUMINIUM BUSINESS CO., LTD.	N/A	N/A	N/A	N/A

Note 1: The name of the corporate shareholder shall include both the names of the corporate shareholder and the representative of the entity.

Note 2: List the actual age and express it as a range, such as 41~50 years old or 51~60 years old.

Note 3: Fill in the time the person is first elected. If there is any interruption of the terms, please note.

Note 4: Experiences related to the current position. For positions held in an audit certification accounting firm or related businesses in the period concerned, the title and responsible duties shall be provided.

Note 5: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (For example, increase the number of independent directors, and there should be more than half of the directors who do not serve as employees or managers, etc.).

The Director of the Company is also the CEO of the Company, because of the executive has a great influence on the company's operations and cultivate an executive need to step by step. In order to strengthen the standing of board of directors, inside the Company has been training the fit person actively after considered the efficiency of the company's operations and decision execution. Furthermore, the Director is closely and fully communicated about the Company's state of operation and planning policy with each director to implement corporate governance. The Company will plan to use the way of increase the number of independent directors in the future, to enhance the function of the Board of Directors and strengthen the function of supervision. At present, the Company has the following specific measures.

1. The current three independent directors are specialized in finance accounting and industrial management respectively, its can effectively develop the function of supervision.
2. Every year arrange each director to participate the professional director course for external institutions of Corporate Governance System etc. to enhance the operational effectiveness of the Board of Directors.
3. The independent directors will be fully communicated for at each functional committee and make suggestions for the Board of Directors reference to implement corporate governance.

4. Among the members of the board of directors, except that the chairman also serves as the CEO and the CHUNG-TING TSAI, who is concurrently the director and deputy general manager of marketing department, the rest of the directors do not serve as employees concurrently, and none of the directors are spouses or first-degree relatives.

Note 6: The initial appointment date starts from the date of listing.

Note 7: The percentage shareholding held when elected is calculated based on the total shares issued in the amount of 60,535,631.

Note 8: The current shareholding percentage is calculated based on the total shares issued in the amount of 66,535,631.

Note 9: The director, FENG-CHIN LEE, who passed away due to illness, was dismissed on 17 January 2022. The director, CHIH-SHENG WU, was dismissed on 11 July 2022.

Note 10: JIN-TAN LEE, was newly appointed as a director on 15 June 2022.

Director and supervisor information (2)

A. Disclosure of professional qualifications of directors and supervisors and independence of independent directors.

Criteria Name	Professional Qualifications and Experience (Note 1)	Independence Status (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman CHIH-CHENG LIN	<ul style="list-style-type: none"> ● At least 5 years of experience in business, finance, professional leadership, operations management, strategic planning, risk management, international perspective, global market judgment leadership, and working experience are required for the company's business. ● Experience: Chairman and CEO of the Company. ● Not been a person of any conditions defined in Article 30 of the Company Act. 		None
Director JIN-TAN LEE	<ul style="list-style-type: none"> ● More than 5 years of experience in business, finance, and corporate business, and specialized in corporate operations with extensive industry experience. ● Experience: Supervisor of Hsiehfeng Aluminum Industry Co., Ltd. and director of the Company. ● Not been a person of any conditions defined in Article 30 of the Company Act 		None
Director FENG-CHIN LEE (Note)	<ul style="list-style-type: none"> ● More than 5 years of experience in business, finance, crisis management, corporate business, and specialized in corporate operation with extensive industrial knowledge. ● Experience: Director of Hsiehfeng Aluminum Industry Co., Ltd., Chairman of Quancheng Machinery Co., Ltd., and director of the Company. ● Not been a person of any conditions defined in Article 30 of the Company Act 		None

<p>Director RUEI-YI HONG</p>	<ul style="list-style-type: none"> ● More than 5 years of experience in business, finance, and corporate business, and specialized in corporate operations with extensive industry experience. ● Experience: Director of Jie Hong Ltd., and director of the Company. ● Not been a person of any conditions defined in Article 30 of the Company Act 		<p>None</p>
<p>Director SU-CHEN LIAO</p>	<ul style="list-style-type: none"> ● More than 5 years of experience in business, finance, and corporate business, and specialized in corporate operations with extensive industry experience. ● Experience: Director and general manager of Long Huan Enterprise Ltd., Chairman of Shenghong Investment Co., Ltd., and Director of the Company. ● Not been a person of any conditions defined in Article 30 of the Company Act 		<p>None</p>
<p>Director PO-SUNG CHANG</p>	<ul style="list-style-type: none"> ● More than 5 years of experience in business, finance, corporate business, and specialized in corporate operation with extensive industrial knowledge. ● Experience: Supervisor/Director of the Company, Chairman of Taiwan Cheer Champ Co., Ltd. ● Not been a person of any conditions defined in Article 30 of the Company Act 		<p>None</p>
<p>Director MENG- CHUNG HO</p>	<ul style="list-style-type: none"> ● More than 5 years of experience in business, finance, corporate business, and specialized in corporate operation with extensive industrial knowledge. ● Experience: Supervisor/Director of the Company, Chairman & President of Magic Outdoor International Limited ● Not been a person of any conditions defined in Article 30 of the Company Act 		<p>None</p>
<p>Director CHUNG- TING TSAI</p>	<ul style="list-style-type: none"> ● At least 5 years of experience in business, operational judgment, risk management, leadership and decision making, crisis management, industry knowledge, international market perspective, and work experience required for the company's business. ● Experience: Director and Vice-general manager of the Company's Marketing department, Director of Can Xin Investment Co., Ltd. ● Not been a person of any conditions defined in Article 30 of the Company Act 		<p>None</p>

<p>Independent Director CHIH- SHENG WU (Note)</p>	<ul style="list-style-type: none"> ● He has more than 5 years of working experience in business and banking, specializing in finance, corporate operations, management skills, crisis management skills, industry knowledge, international perspective, global market judgment and decision-making leadership. ● Experience: Vice-Chairman Turvo International Co., Ltd., Investment, Director of Matec Southeast Asia (Thailand) Co., Ltd., Independent Director/Member of Remuneration Committee/ member of the Audit Committee of Zeng Hsing Industrial Co., Ltd ● Not been a person of any conditions defined in Article 30 of the Company Act 	<p>None of the following has occurred in the two years prior to the election or during the term of office:</p> <ol style="list-style-type: none"> 1. An employee of the company or any of its affiliates. 2. A director or supervisor of the company's affiliates. 3. Not a natural person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of over 1% of the total number of outstanding shares of the company or ranking in the top 10 in holdings. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the managers listed in the first paragraph or the persons listed in the preceding two paragraphs. 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraphs 1 or 2, Article 27 of the Company Act. 6. More than half of the directors' seats or voting shares of the company and 	<p>None</p>
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<p>Independent Director MING- LIANG TARNG</p>	<ul style="list-style-type: none"> ● At least 5 years of working experience in accounting and passed the national examinations required for accountants, business judgment, industry knowledge, leadership and decision-making ability. ● Experience: Accountant and partner of Sunshine Accounting Firm, Member of Remuneration Committee/Independent director/Member of Audit Committee of Lung Pien Vacuum Industry Co.,Ltd., Member of Remuneration Committee/Independent director/Member of Audit Committee of ZENG HSING Industrial Co.,Ltd, independent director/Member of Audit Committee/Member of Remuneration Committee of Lagis Enterprise Co., Ltd ● Not been a person of any conditions defined in Article 30 of the Company Act 	<p>other companies are controlled by the same person, the director, supervisor or employee of the other company.</p> <p>7. A chairman, general manager or equivalent position of the company and other companies or institutions are the same person or spouse, and the directors, supervisors or employees of other companies or institutions.</p> <p>8. A director, supervisor, manager or shareholder holding of a certain company or institution who has financial or business dealings with the Company or who holds 5% or more of the total number of outstanding shares of the Company.</p> <p>9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the</p>	<p>1</p>
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<p>Independent Director JUN-MING HSU</p>	<ul style="list-style-type: none"> ● At least 5 years of working experience as a professor of finance at a public university with professional qualifications, operational judgment, international market leadership and decision-making ability, specializing in financial and accounting planning professional matters, assisting companies in financial professional consulting and providing professional advice on the future development of the company. ● Experience: Professor of Department of Finance, Chung Hsing University/Independent director of Calin Technology Co., Ltd./ Member of Remuneration Committee/ Member of Audit Committee Member/Member of Remuneration Committee and Audit Committee of Zeng Hsing Industrial Co., Ltd/ Independent Director of SHINE TREND International Multimedia Technology CO., LTD./Member of Remuneration Committee / Member of Audit Committee ● Not been a person of any conditions defined in Article 30 of the Company Act 	<p>remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Company Act or to the Business Mergers and Acquisitions Act or relevant laws or regulations.</p> <p>10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company</p> <p>11. Not been a person of any conditions defined in Article 30 of the Company Act</p> <p>12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	<p>2</p>
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Note: The director, FENG-CHIN LEE, who passed away due to illness, was dismissed on 17 January 2022. The director, CHIH-SHENG WU, was dismissed on 11 July 2022. JIN-TAN LEE, was newly appointed as a director on 15 June 2022.

B. Diversity and independence of the board of directors:

(A) Diversity Policy.

The composition of the board of directors should consider various needs, such as the Company's operating structure, business development direction, and future development trends, as well as evaluating various diversity perspectives. A diverse board of directors with various viewpoints and opinions will enhance the quality of decision making and benefit the Company's shareholders and other stakeholders. In addition, the board of directors and management value inclusiveness and diversity to support the Company's values.

The board of directors as a whole should have the following competencies.

- (a) Operational evaluation
- (b) Financial and legal expertise
- (c) Management administration
- (d) Crisis management ability
- (e) Industry knowhow
- (f) International market perspective
- (g) Leadership and decision-making ability

(B) Implementation situation:

The 18th board of directors of the Company consists of 10 directors (including 3 independent directors). The ratio of directors with employee status is 20%, and the ratio of independent directors is 30%. All three independent directors have served the position for 8 years. They have met the statutory requirements of independent directors, and they are familiar with the Company's finance and operations. None of the directors is related by a spouse or second-degree kinship.

Members of the 18th Board of Directors (Term: 20 July 2021 to 19 July 2024)

Title	Name	Gender	Concurrently employee of the Company	Age				Tenure of independent directors		Education	Diversified Core Competencies						
				41-50 years old	51-60 years old	61-70 years old	71-80 years old	Under 3 years	3 to 9 years		Operational evaluation	Financial and legal expertise	Management administration	Crisis management ability	Industry knowledge	International market perspective	Leadership and decision-making ability
Chairman	CHIH-CHENG LIN	Male	●			●				EMBA of National Chung Hsing University	●	●	●	●	●	●	●
Director	SU-CHEN LIAO	Male				●				Graduated from National Chin-Yi University of Technology	●		●		●		●
Director	RUEI-YI HONG	Male			●					Master of Industrial Engineering & Management National Chin-Yi University of Technology	●		●		●		●
Director	FENG-CHIN LEE (Note)	Male					●			Graduated from Own Lead Primary School	●		●	●	●		●
Director	MENG-CHUNG HO	Male			●					Graduated from Chia-Yi Senior Commercial Vocation school	●		●		●		●
Director	PO-SUNG CHANG	Male				●				EMBA of Feng Chia University	●		●		●		●
Director	CHUNG-TING TSAI	Male	●	●						Master of Department of Business Management, California State University, San Bernardino	●		●	●	●	●	●
Director	JIN-TAN LEE	Male			●					Industrial Management Department, Asian Eastern University of Science and Technology	●		●		●		●
Independent Director	CHIH-SHENG WU	Male			●				●	Master of department of management science, National Chiao Tung University	●		●	●	●	●	●
Independent Director	MING-LIANG TARNG	Male			●				●	Master of Department of Accountancy National Cheng Kung University	●	●			●		●
Independent Director	JUN-MING HSU	Male				●			●	Syracuse U. (Ph. D)-Finance	●	●			●	●	●

Note: The director, FENG-CHIN LEE passed away due to illness and was dismissed on 17 January 2022. The director, CHIH-SHENG WU was dismissed on 11 July 2022. The director, JIN-TAN LEE has been newly appointed as 15 June 2022.

The specific management objectives of the Board of Directors' diversity policy and the achievement status:

Management Objectives	Achievement status
Directors who also serve as company managers shall not exceed one-third of the number of directors	Achieved
Independent directors shall be appointed for not more than three consecutive terms	Achieved
Diversified core competencies: industry experience, professional knowledge and skills	Achieved

3.2.2. Management Team

30 April 2022 Unit: shares

Title (Note 1)	Nationality/ Country of Origin	Name	Sex	Effective Date	Shareholding percentage		Spouse & Minor Shareholding percentage		Shareholding by Nominee Arrangement		Experience/ Education (Note 2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Taiwan	CHIH- CHENG LIN	Male	01/01/2014	937,000	1.55%	1,027,007	1.54%	240,114	0.36%	Bachelor of Industrial Engineering, Feng Chia University EMBA of National Chung Hsing University General Manager of Zeng Hsing Industrial Co., Ltd.	Chairman of Zenghsing Machinery & Electronics Co., Ltd. Chairman of Zhangjiagang Zenghsing Trading Co., Ltd. Director of Zeng Hsing Industrial Co., Ltd. (BVI) Chairman of Zeng Hsing Industrial Co., Ltd. (VN) Chairman of Shinco Technologies Ltd. (VN)	N/A	N/A	N/A	(Note 3)

											Chairman of Mitsumichi Industrial Co. Ltd. Chairman of Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. General Manager of Jetsun Technology Company Limited Director of Jetsun Technology Co., Ltd (Seychelles) Director of ZORCA WORLDWIDE LTD.(BVI) Representative of Zeng HSING Industrial Co., Ltd. Corporate director of Turvo International Co., Ltd. Corporate director of TURVO INTERNATIONAL CO., LTD. Representative of Zeng HSING Industrial Co., Ltd.					
General manager	Taiwan	TUNG-LIANG, LIU	Male	02/18/2019	54,448	0.08%	0	0.00%	0	0.00%	Master of Business Administration, Lunghwa University of Science and Technology Director of Panasonic Taiwan Co., Ltd.	General Manager of Zeng Hsing Industrial Co., Ltd. Director of Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. Director of Zhangjiagang Zenghsing Trading Co., Ltd. Director of Shinco Technologies Limited	N/A	N/A	N/A	N/A

												(VN) Director of Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.				
Strategic Development Department Special Advisor	Taiwan	MING- YU TSAI (Note 5)	Male	02/17/2017	N/A	N/A	N/A	N/A	N/A	N/A	Bachelor of Industrial Engineering, Feng Chia University Engineer of China Productivity Center	N/A	N/A	N/A	N/A	N/A
Riccar Department Special Advisor	Taiwan	HUI- LING ZHANG (Note 7)	Female	10/01/2014	N/A	N/A	N/A	N/A	N/A	N/A	Graduated from Providence University, Department of English Language, Literature and Linguistics. Associate Office of the CEO and Associate of the New Business Development Division of Zeng Hsing Industrial Co., Ltd.	N/A	N/A	N/A	N/A	N/A

Taiwan Factory Department Special Advisor	Taiwan	JIANG-DI TSAI (Note 6)	Male	1001/2014	N/A	N/A	N/A	N/A	N/A	N/A	Graduated from Taichung Municipal Taichung Industrial High School, Department of Machinery. CEO of Zeng Hsing Industrial Co., Ltd. (VN)	N/A	N/A	N/A	N/A	N/A
Marketing department Vice- general manager	Taiwan	CHUNG- TING TSAI	Male	0601/2016	1,003,305	1.51%	516,636	0.78%	0	0%	Master of Department of Business Management, California State University, San Bernardino Manager of Marketing Planning Center of Zeng Hsing Industrial Co., Ltd.	Director of Can Xin Investment Co., Ltd. Corporate director, TURVO INTERNATIONAL CO., LTD. Representative of Zeng Hsing Industrial Co., Ltd..	N/A	N/A	N/A	N/A
Strategic Development department Vice-general manager	Taiwan	JUN- SHEN ZHOU	Male	11/01/2016	60,658	0.09%	0	0.00%	0	0.00%	Graduated from National Chung Hsing University, Department of Accounting Master of Executive Master of Business Administration (Enterprise Management Group), National Chung Hsing University Assistant general manager of Financial Department and Spokesperson of Bai Sha Printing, Taiwan	Director of Mitsumichi Industrial Co., Ltd. Supervisor of Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. Director of Tai Tan Technology Co., Ltd. Director of Taiwan Cheer Champ Co., Ltd.	N/A	N/A	N/A	N/A

Project Advancement Office Special Advisor	Taiwan	WEI-CHENG CHEN (Note 8)	Male	05/01/2016	N/A	N/A	N/A	N/A	N/A	N/A	EMBA, Master of Business Administration of Feng Chia University,	N/A	N/A	N/A	N/A	N/A
Strategic Development department Assistant general manager	Taiwan	QIONG-MEI CHEN	Female	05/01/2016	273	0.00%	0	0.00%	0	0.00%	Master of Institute of Human Resource Management, National Sun Yat-sen University	General manager of Shinco Technologies Ltd. (VN)	N/A	N/A	N/A	N/A
Advancement Project Office Special Advisor	Taiwan	XIAO-HUI XIONG (Note 9)	Male	05/08/2017	N/A	N/A	N/A	N/A	N/A	N/A	EMBA of Feng Chia University	N/A	N/A	N/A	N/A	N/A
Audit department Deputy project manager	Taiwan	QI-FENG ZHANG (Note 11)	Male	11/13/2017	10,000	0.02%	0	0.00%	0	0.00%	Graduated from Ming Chuan University, Department of Finance Assistant general manager of Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Deputy general manager of Zeng Hsing Industrial Co., Ltd..	N/A	N/A	N/A	N/A
Audit department Department manager	Taiwan	JIA-JUN XIE (Note 11)	Female	03/10/2023	2,000	0.00%	0	0.00%	0	0.00%	Master of University of Southampton International Financial Markets (MSc)	N/A	N/A	N/A	N/A	N/A

Finance & Accounting department Assistant general manager	Taiwan	TZU-HO CHUANG	Male	07/01/2020	54,021	0.08%	0	0.00%	0	0.00%	Institute of Department of Accounting & Finance, Feng Chia University Senior manager of Ernst and Young	N/A	N/A	N/A	N/A	N/A
Engineering and Technology, R&D Technology Department Assistant general manager	Taiwan	MING-TA LI (Note 4)	Male	03/01/2021	45,000	0.07%	7,553	0.01%	0	0.00%	Graduated from EMBA of Technology industrial Engineering & Management, National Chin-Yi University of Technology	N/A	N/A	N/A	N/A	N/A
Manager of Quality Assurance Office	Taiwan	MEI-TA LIANG (Note 10)	Male	04/01/2022	212	0.01%	0	0.00%	0	0.00%	Department of Japanese Language, Soochow University	N/A	N/A	N/A	N/A	N/A

Note 1: It shall include the information of the general managers, vice general managers, assistant managers, and heads of all departments and branches; regardless of their title, the information has to be disclosed as long as their ranking is equivalent to that of a general manager, vice general manager or assistant manager.

Note 2: For the experience relevant to the current position, such as employment at an audit certification accounting firm or an associated enterprise during the said period, the title and responsibilities shall be specified.

Note 3: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (For example, increase the number of independent directors, and there should be more than half of the directors who do not serve as employees or managers, etc.).

The director of the Company is also the CEO of the Company, because of the executive has a great influence on the company's operations and cultivate an executive need to step by step. In order to strengthen the standing of board of directors, inside the Company has been training the fit person actively after considered the efficiency of the company's operations and decision execution. Furthermore, the Director is closely and fully communicated about the Company's state of operation and planning policy with each director to implement corporate governance. The Company will plan to use the way of increase the number of independent directors in the future, to enhance the function of the board of directors and strengthen the function of supervision. At present, the Company has the following specific measures.

1. The current three independent directors are specialized in finance accounting and industrial management respectively, its can effectively develop the function of supervision.
2. Every year arrange each director to participate the professional director course for external institutions of Corporate Governance System etc. to enhance the operational effectiveness of the Board of Directors.
3. The independent directors will be fully communicated for at each functional committee and make suggestions for the Board of Directors reference to implement corporate governance.
4. Among the members of the board of directors, except the directors are also members of the CEO, the other directors are not employees concurrently. There is no relationship of spouse or within one degrees of kinship among all directors.

Note 4: On 31 March 2021, MING-TA LI was newly appointed as the manager of the Engineering Technology Department, and on 1 April 2022, he was promoted to the assistant general manager of the Engineering Technology Department and R&D Technology Department.

Note 5: On 1 December 2021, general manager MING-YU TSAI was transferred to the special advisor of the Strategic Development Office, and was dismissed at the expiration of the contract on 16 February 2022.

Note 6: On 1 April 2022, JIANG-DI TSAI, deputy general manager of the Strategic Development Office, was transferred to be a special advisor of the Taiwan Factory Department.

Note 7: On 1 April 2022, HUI-LING ZHANG, vice general manager of Riccar Department, was transferred to be the special assistant of Riccar Marketing Department.

Note 8: On 1 April 2022, WEI-CHENG CHEN, assistant general manager of R&D technology department, was transferred to the special advisor of the Advancement Project Office

Note 9: On 1 April 2022, XIAO-HUI XIONG, assistant general manager of Quality Assurance Department, was transferred to Special Advisor of Advancement Project Office.

Note 10: On 1 April 2022, Manager MEI-TA LIANG served as the head of Quality Assurance Department.

Note 11: On 10 March 2023, changing the supervisor of Audit Department: QI-FENG ZHANG has been relieved of his position as deputy manager. JIA-JUN XIE has been newly appointed as section chief.

3.3 Remuneration of Directors, General Manager, and Deputy General Manager

3.3.1. Remuneration of general and independent directors

Unit: thousands of dollars; thousand shares

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 10)		Remunerations Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 11)		
		Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C) (Note 3) (Proposed figure)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Profit Sharing- Employee Bonus (G) (Note 6) (Proposed number)								
		The company	All companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company		Companies in the consolidated financial statements (Note 7)			The company	Companies in the consolidated financial statements (Note 7)
																		Cash	Stock	Cash	Stock			
Independent Director	CHIH-SHENG WU (Note 13)	380	380	0	0	0	0	3	3	0.08%	0.08%	0	0	0	0	0	0	0	0	0.08%	0.08%	N/A		
Independent Director	MING-LIANG TARNG	720	720	0	0	0	0	21	21	0.15%	0.15%	0	0	0	0	0	0	0	0	0.15%	0.15%	N/A		
Independent Director	JUN-MING HSU	720	720	0	0	0	0	24	24	0.15%	0.15%	0	0	0	0	0	0	0	0	0.15%	0.15%	N/A		
Chairman	CHIH-CHENG LIN (Note 14)	0	0	0	0	1,000	1,387	24	34	0.21%	0.29%	6,432	6,737	0	0	1,099	0	1,099	0	1.73%	1.87%	N/A		
Director	RUEI-YI HONG	0	0	0	0	500	500	24	24	0.11%	0.11%	0	0	0	0	0	0	0	0	0.11%	0.11%	N/A		
Director	SU-CHEN LIAO	0	0	0	0	500	500	21	21	0.11%	0.11%	0	0	0	0	0	0	0	0	0.11%	0.11%	N/A		
Director	JIN-TAN LEE (Note 13)	0	0	0	0	292	292	15	15	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06%	0.06%	N/A		
Director	CHUNG-TING TSAI	0	0	0	0	500	500	24	24	0.11%	0.11%	3,719	3,719	108	108	471	0	471	0	0.98%	0.98%	N/A		
Director	PO-SUNG CHANG	0	0	0	0	500	500	24	24	0.11%	0.11%	0	0	0	0	0	0	0	0	0.11%	0.11%	N/A		
Director	MENG-CHUNG HO	0	0	0	0	500	500	24	24	0.11%	0.11%	0	0	0	0	0	0	0	0	0.11%	0.11%	N/A		

1. Independent directors' remuneration payment policies, systems, standards and structure, and state the relevance to the amount of remuneration according to the responsibilities, risks, time invested, etc.:
Evaluations are made according to the Company's "Directors and Managers 'Remuneration Management Measures" and "Directors and Managers' Performance Evaluation Measures", in addition to referring to the Company's overall operating performance, future operating risk of the industry and development trends. The individual performance achievement rate and contribution to the Company's performance are also considered for reasonable compensation. The related performance evaluation and compensation reasonableness are reviewed by the Remuneration Committee and the Board of Directors. The remuneration system is reviewed from time to time depending on the actual operation and relevant laws in order to keep the balance between the Company's sustainable operation and risk control.
2. Apart from the aforementioned disclosure, the remunerations for directors of the Company providing services (such as serving as a consultant, not concurrently an employee, in the parent company/ all companies included in the financial statements /reinvestment business) to consolidated subsidiaries: None

Note 1: The names of directors should be listed separately, and the amount of each payment is disclosed in a summary.

Note 2: Refers to remuneration of directors in the most recent year (including directors' salary, duty allowance, severance pay, various bonuses, incentives, etc.)

Note 3: Refers to the amount of director's remuneration distributed by the board of directors in the most recent year.

Note 4: Refers to director's related expenses from professional practice in the most recent year.

Note 5: Refers to the collection includes salary, a duty allowance, severance pay, various bonuses, transportation allowance, special expenses, various allowances, dormitory, car, etc. for the person that are directors and are employee.

Note 6: Refers to employee compensation for persons who are concurrently directors and employees. The amount of compensation received as resolved by the board of directors in the most recent year should be disclosed. If it is not possible to estimate, the estimated amount of this year will be calculated based on the proportion of the actual distribution amount last year.

Note 7: The total amount of remuneration paid by the company to all directors of the company stated in the consolidated report should be disclosed.

Note 8: The total remuneration the company pays to each director should be disclosed along with the names of the directors in the designated bracket.

Note 9: The total remuneration of each director of the company paid by all companies in the consolidated report should be disclosed and disclose the name of the directors in the designated bracket.

Note 10: Net profit after tax refers to net profit after tax in the most recent parent company only financial statement.

Note 11: a. This column should clearly fill in the amount of remuneration received by the company's directors from a reinvestment business outside the subsidiary or the parent company (if not, please fill in "NA").

b. If a director of a company receives remuneration from an invested entity other than a subsidiary, such remuneration received from the invested entity other than a subsidiary shall be consolidated into column I of the remuneration range table and change the name of the column to "all investment business".

c. Remuneration refers to the remuneration, wage, employee profit sharing, and allowances paid by non-consolidated affiliates to directors who are also their directors, supervisors, or managers.

Note 12: The information in the above table is the remuneration of directors in 2022. The amount of directors' remuneration approved by the board of directors on 10 March 2023 is expected to be distributed in June 2023. The remuneration of employees who served as directors in 2022 is the amount proposed for distribution.

Note 13: The director, FENG-CHIN LEE, was dismissed on 17 January 2022 due to his passing. The director, JIN-TAN LEE, has been newly appointed as director on 15 June 2023. The director, ZHI-SHENG WU was dismissed on 11 July 2022.

Note 14: The director, CHIH-CHENG LIN, has been elected as the legal representative director of Turvo International Co., Ltd. on August 31 2022. The above information includes director remuneration and professional allowance paid by Turvo International Co., Ltd. to CHIH-CHENG LIN.

*The remuneration disclosed in this form is different from that required by the Income Tax Act. Therefore, the purpose of this form is for information disclosure and is not intended for taxation purposes.

3.3.2. Remuneration of the General Manager and Deputy General Manager

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)		Profit Sharing- Employee Bonus (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income % (Note 8)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary (Note 9)
		The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company	Companies in the consolidated financial statements (Note 5)	The company		Companies in the consolidated financial statements (Note 5)		The company	Companies in the consolidated financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
Chief executive officer.	CHIH-CHENG LIN	10,474	10,607	515	515	7,190	7,362	2,974	0	2,974	0	4.28%	4.34%	N/A
General manager	TUNG-LIANG LIU (Note)													
Deputy general manager	HUI-LING ZHANG (Note)													
Deputy general manager	JIANG-DI TSAI (Note)													
Deputy general manager	CHUNG-TING TSAI													
Deputy general manager	JUN-SHEN ZHOU													
Special assistant	MING-YU TSAI (Note)													

* Regardless of their title, the information has to be disclosed as long as their ranking is equivalent to that of a general manager or vice general manager (e.g. president, chief executive officer, general director, etc.).

Range of remuneration	Name of manager and deputy general manager	
	The Company (Note 6)	Companies in the consolidated financial statements (Note 7)
Less than NT\$1,000,000	MING-YU TSAI, JIANG-DI TSAI, HUI-LING ZHANG	MING-YU TSAI, JIANG-DI TSAI, HUI-LING ZHANG
NT\$1,000,000 ~ NT\$2,000,000		
NT\$2,000,000 ~ NT\$3,500,000	JUN-SHEN ZHOU	JUN-SHEN ZHOU
NT\$3,500,000 ~ NT\$5,000,000	CHUNG-TING TSAI	CHUNG-TING TSAI
NT\$5,000,000 ~ NT\$10,000,000	CHIH-CHENG LIN, DONG-LIANG LIU	CHIH-CHENG LIN, DONG-LIANG LIU
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
Greater than NT\$100,000,000		
Total	7	7

Note.1: Names of general managers and vice general managers shall be listed separately, and individual payments made shall be disclosed through a summary. If the director is also a general manager or vice general manager, this table and the above table (1-1 or 1-2-1 and 1-2-2) shall be completed.

Note.2: Salaries, additional pay, and service pay for general managers and vice general managers in the latest year.

Note.3: Various prizes, awards, transportation, special expenditure, various allowances, dormitory, cars, and other actual items provided and other compensations for general managers and vice general managers in the latest year. For housing, automobiles and other transportation tools or expenses that are specific to individuals, the nature and cost of the assets provided, the actual or market-value-based rental, the cost of gasoline and other payments shall be disclosed. If a driver is assigned, please indicate the pay available for the driver but it may not be included in the calculation of remunerations. In addition, salaries recognized in accordance with IFRS 2: stock-based payment transaction, including employee stock option certificates, restricted employee shares, and participation in subscribing shares in cash capital increase, shall also be included as part of the remunerations.

Note.4: Employee remunerations (including stock and cash) distributed to general managers and vice general managers as approved by the Board of Directors in the latest year. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculate proportionally. In addition, the attached Table 1-3 shall be completed.

Note.5: The total value of remunerations paid to general managers and vice general managers of the company by all companies in the consolidated report (including the Company) shall be disclosed.

Note.6: For the total value of various remunerations paid to each general manager and vice general manager by the Company, disclose the name of the general manager and the vice general manager in the respective bracket.

Note.7: For the total value of various remunerations paid to each general manager and vice general manager of the Company by all companies (including the Company) in the consolidated report, disclose the name of the general manager and vice general manager in the respective bracket.

Note.8: Net profit after tax refers to net profit after tax in the most recent individual or individual financial report.

Note.9: a. The value of related remunerations claimed by general managers and vice general managers of the Company from reinvested businesses other than subsidiaries shall be specified in this column.

b. In the event that general managers and vice general managers of the company claim related remunerations from reinvested businesses other than subsidiaries, the said remunerations shall be combined in Column E of the remuneration bracket table and the name of the column shall be changed to "all re-invested businesses."

c. Remunerations are the compensation, rewards (including rewards for employees, directors, and supervisors) and operational expenses, among others, claimed by general managers and vice general managers of the company who serve as the director, supervisor, or manager at a reinvested business other than the subsidiary.

Note.10: The amount of the pension field shall refer to the amount set aside in 2022.

Note.11: The above table shows the employee remuneration for the 2022, which is expected to be distributed in August 2023. The proposed distribution amount is based on the actual distribution amount of last year.

Note 12: On 1 December 2021, General Manager MING-YU TSAI was transferred to the special assistant of the Strategic Development Department, and the contract expired on 16 February 2022

Note 13: On 1 April 2022, JIANG-DI TSAI, vice General Manager of the Strategic Development Department, was transferred to the Special Advisor of the Taiwan Factory Department.

Note 14: On 1 April 2022, HUI-LING ZHANG, the deputy general manager of the Riccar Department, was transferred to the special assistant of the Riccar Marketing Department.

* The remunerations disclosed in this table is different from that required by the Income Tax Act. Therefore, the purpose of this table is for information disclosure and is not intended for taxation purposes.

3.3.3. Names of managerial officers who received employees' bonuses in the preceding year and the distribution

Unit: thousands of dollars

	Title (Note1)	Name (Note1)	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Manager	Chairman and Chief Executive Officer	CHIH-CHENG LIN	0	4,606	4,606	0.93%
	General manager	DONG-LIANG LIU(Note)				
	Deputy general manager	HUI-LING ZHANG(Note)				
	Deputy general manager	JIANG-DI TSAI(Note)				
	Deputy general manager	CHUNG-TING TSAI				
	Deputy general manager	JUN-SHEN ZHOU				
	Special assistant	MING-YU TSAI(Note)				
	Deputy general manager	XIE-ZHENG LIU(Note)				
	Assistant general manager	XIAO-HUI XIONG(Note)				
	Assistant general manager	WEI-CHENG CHEN(Note)				
	Assistant general manager	QIONG-MEI CHEN				
	Assistant general manager	TZU-HO CHUANG				
Assistant general manager	MING-TA LEE					

Note.1: The name and title of the individual shall be disclosed but distribution of profits may be disclosed through a summary.

Note.2: Employee remunerations (including stock and cash) distributed to managers resolved by the Board of Directors in recent years. If it is impossible to estimate the value planned to be distributed this year, follow the actual value distributed last year and calculate proportionally. After-tax net earnings shall refer to the amount in the most recent year. When the International Financial Reporting Standards are adopted, after-tax net earnings are those indicated in the entity or individual financial report from the most recent year.

Note.3: Pursuant to Tai-Cai-Zheng-San-Zi No. 0920001301 Letter dated 27 March 2003, managers shall refer to the following positions:

- (1) General Managers and people of equivalent ranking
- (2) Vice general managers and people of equivalent ranking

(3) Assistant managers and people of equivalent ranking

(4) Head of Department of Finance

(5) Head of Accounting Department

(6) Other people handling corporate affairs and signature rights

Note.4: If directors, general managers, and vice general managers receive employee remunerations (including stock and cash), this table needs to be completed in addition to Exhibit 1-2.

Note.5: The table above indicates 2022 employee remuneration, which is expected to be paid in August 2023. The amounts are the numbers potentially may be distributed this year referencing the actual amount distributed last year.

Note.6: On 1 December 2021, general manager MING-YU TSAI was transferred to the special assistant of the Strategic Development Department , and the contract expired on 16 February 2022.

Note.7: On 1 April 2022, deputy general manager JIANG-DI TSAI of the Strategic Development Department, was transferred to the Special Consultant of the Taiwan Factory Department.

Note.8: On 1 April 2022, deputy general manager HUI-LING ZHANG of the Riccar Department, was transferred to the special assistant of the Riccar Marketing Department.

Note.9: On 1 April 2022, assistant general manager of R&D technology department WEI-CHENG CHEN, was transferred to the special assistant of the Advancement Project Office

Note 10: On 1 April 2022, assistant general manager XIAO-HUI XIONG of Quality Assurance Department, was transferred to special assistant of the Advancement Project Office.

3.3.4. Remuneration Policy

- (1) Analysis of total remuneration paid to the Company's directors, general managers, and vice general managers in the consolidated financial statements over the last two years as a percentage of the individual or individual financial reports' net profit after tax:

Criteria Title	The Company				Consolidated Financial Statements			
	2021		2022		2021		2022	
	Total amount	Percentage of remunerations of supervisors to net income after tax	Total amount	Percentage of remunerations of supervisors to net income after tax	Total amount	Percentage of remunerations of supervisors to net income after tax	Total amount	Percentage of remunerations of supervisors to net income after tax
Director remuneration	13,524	2.58%	17,645	3.57%	13,804	2.63%	18,347	3.71%
General manager and Deputy general Manager Remuneration	30,883	5.88%	21,153	4.28%	33,051	6.29%	21,458	4.34%
Net Profit after Tax	525,148	-	494,472	-	525,148	-	494,472	-

(1) Director remuneration: The increase in 2022 compared to 2021 was due to the following reasons:

- (A) The Company: (a) The re-election in July 2021. Before the re-election in 2021, there was one director who also served as an employee. After the re-election, the newly appointed director, CHUNG-TING TSAI, also served as an employee, resulting in a total of two directors serving as employees. As a result, there was an increase in directors receiving employee salaries. (b) MENG-CHUNG HO and BAI-SONG ZHANG were used to serve as supervisors and were appointed as directors. As a result, two director remunerations have been added.
- (B) All companies included in consolidated financial statements: Chairman CHIH-CHENG LIN was appointed as the authorized representative of the corporate shareholder of Turvo International Co., Ltd. on August 31 2022, resulting in an increase in receiving director remuneration from Turvo International Co., Ltd.
- (2) Remuneration to general managers and deputy general managers:

The decrease in 2022 compared to 2021 was due to three deputy general managers were reassigned as special advisors and assistants. Therefore, the decrease was due to the change in their job positions.

(2) The policy, criteria and composition of compensation payments, the procedures for setting compensation, and the correlation with operating performance and future risks

A. Policy, criteria and composition of remuneration.

In accordance with Article 35 of the Company's Articles of Incorporation, the remuneration of the directors for the performance of their duties shall be determined by the board of directors with reference to the normal standards of the industry in accordance with the degree of participation and value of a contribution of individual directors. In addition, in accordance with Article 35 of the Company's Articles of Incorporation, no more than 4% of the Company's profit for the year shall be set aside as directors' remuneration. The Company periodically evaluates the remuneration of directors in accordance with the "Regulations Governing the Performance of the Board of Directors", "Regulations Governing the Remuneration of Directors and Managers" and "Regulations Governing the Performance of Directors and Managers", and the related performance evaluation and reasonableness of remuneration are reviewed by the Remuneration Committee and the Board of Directors.

The remuneration of the Company's managers is determined in accordance with the "Regulations Governing the Remuneration of Directors and Managers" and the "Regulations Governing the Evaluation of the Performance of Directors and Managers", in order to appreciate and reward the managers' efforts in their work. The bonuses are also based on the Company's annual operating performance, financial position, operational position and individual performance. In addition, if the Company makes a profit in the year, 2-6% of the profit shall be allocated to employee compensation in accordance with Article 35 of the Company's Articles of Incorporation. The results of the performance evaluation conducted by the Company in accordance with the "Regulations Governing the Evaluation of the Performance of Directors and Managers" shall be used as a reference for managerial bonuses. (i) Departmental performance: The annual KPI items of each department are evaluated based on the Company's strategic objectives; (ii) Personal performance: The results are based on a comprehensive personal performance appraisal combined with departmental KPI indicators.

The Company's compensation package is determined by the Remuneration Committee's organizational structure, including cash remuneration, stock options, dividends, pension benefits or resignation benefits, various allowances and other measures with substantial incentives. The scope of the remuneration is consistent with the guidelines for directors' and managers' remuneration in the annual reports of the companies.

B. Procedures for determining the remuneration

In order to regularly evaluate the remuneration of directors and managers, the evaluation results are based on the “Performance Evaluation Method of the Board of Directors” and the “Annual Performance Evaluation Management Method” applicable to managers and employees. In addition, the compensation of the chairman and the general manager is set in relation to the company's operating performance indicators and reported to the Remuneration Committee and the board of directors. In order to fully demonstrate the achievement of the operating performance indicators, the performance criteria for the chairman of the board of directors are set in relation to the operating performance indicators and the scope of evaluation includes the following indicators: net income before tax, customer satisfaction and corporate governance evaluation. The performance criteria for the general manager include the following performance targets: operational safety management, supervision of the execution of financial plans, revenue management, promotion of the autonomy of maintenance capabilities, enhancement of internal controls, and implementation of quality assurance and management.

The performance self-assessment results of the board of directors, directors and members of various functional committees in 2022 all met the standards. In addition, while the Company's operation was affected by COVID-19 in 2022, it still worked hard to prevent the pandemic and deployed ahead of time, and implemented cost-cutting measures to maintain the profit performance in the past. According to the results of the Company's 2022 annual manager performance evaluation, all managers' performance has reached the predetermined target requirements, and the Company's annual operating indicators evaluation results have also reached the standard.

The performance evaluation and the reasonableness of the remuneration of the directors and managers of the Company are evaluated and reported by the compensation committee and the board of directors regularly every year, with reference to the individual's performance achievement rate and contribution to the Company, the overall operational performance of the Company, the future risks and development trends of the industry, and the timely review of the remuneration system from time to time in light of the actual operating conditions and relevant laws and regulations. The actual amounts of remuneration for directors and managers for fiscal 2022 are reviewed by the Remuneration Committee and reported to the board of directors.

C. Relevance to operating performance and future risks.

The review of the payment standards and systems related to the Company's remuneration policy is based on the Company's overall operating conditions as the main consideration, and the payment standards are approved based on the performance achievement rate and contribution to improve the overall organizational team efficiency of the board of directors and management departments. In addition, the Company also make reference to industry salary standards to ensure that our management's salaries are competitive in the industry and to retain outstanding management personnel.

The performance objectives of the Company's managers are integrated with "risk management" to ensure that possible risks within the scope of responsibilities are managed and prevented, and the results of the actual performance evaluation are linked to the relevant human resources and related salary and compensation policies. The performance of the relevant decisions is reflected in the Company's profitability, which is in turn related to the performance of the management's compensation and risk management.

3.4 Implementation of Corporate Governance

3.4.1. Board of Directors

The 18th board of directors met 8 (A) times in 2022. Attendance of directors and supervisors in the meetings is as follows:

Term of office: 20 July 2021 to 19 July 2024

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	CHIH-CHENG LIN	8	0	100%	Re-elected on 20 July 2021 (Elected and appointed as chairman on 20 July 2021)
Director	RUEI-YI HONG	8	0	100%	Re-elected on 20 July 2021
Director	SU-CHEN LIAO	8	0	100%	Re-elected on 20 July 2021
Director	CHUNG-TING TSAI	8	0	100%	Re-elected on 20 July 2021
Director	FENG-CHIN LEE (Note 1)	0	0	100%	Re-elected on 20 July 2021 Dismissed on 17 January 2022
Director	BAI-SONG ZHANG	8	0	100%	Re-elected on 20 July 2021
Director	MENG-CHUNG HO	8	0	100%	Re-elected on 20 July 2021
Director	JIN-TAN LEE (Note 2)	5	0	100%	Newly appointed on 15 June 2022
Independent director	ZHI-SHENG WU (Note 2)	3	0	75%	Re-elected on 20 July 2021 Dismissed on 11 July 2022
Independent director	MING-LIANG TARNG	8	0	100%	Re-elected on 20 July 2021
Independent director	JUN-MING HSU	8	0	100%	Re-elected on 20 July 2021

Note 1: Director FENG-CHIN LEE was dismissed on 17 January 2022 due to his passing.

Note 2: Director JIN-TAN LEE has been newly appointed as a member of the 18th board of directors on 15 June 2022.

Note 3: Director ZHI-SHENG WU was dismissed on 11 July 2022. He was expected to attend 4 meetings, and he attended 3 meetings, with an attendance rate of 75%.

Other items required to be stated:

1. Where any of the following circumstances occurs with respect to the operation of the Board of Directors, meeting dates, sessions, contents of resolutions, opinions of all independent directors, and actions taken by the Company in response to opinions of independent directors shall be noted: None

(1) Items referred to in Article 14-3 of the Securities and Exchange Act.

(2) Except for the matters mentioned in the preceding paragraph, matters resolved by the Board of Directors, to which an independent director has a dissenting or qualified opinion that is on record or stated in a written statement.

2. For any recusal of directors due to conflict of interests in certain proposals, the director's name, the content of the motion, the reason for the refusal and the participation in voting shall be noted:

On 22 December 2022, the Company conducted a regular review of the salary standards and structure for executives. As Chairman CHIH-CHENG LIN and director CHUNG-TING TSAI were interested parties, they recused themselves from the vote. The proposal was passed with the agreement of all attending directors after being presented by the Chairman.

3. The listed company shall disclose the evaluation period and period, scope, manner and content of the evaluation of the board's self (or peer) assessment, etc. and fill in Schedule II (2) the board of directors to assess the implementation of the situation.

Assessment cycle (Note 1)	Assessment time (Note 2)	Assessment scope (Note 3)	Assessment (Note 4)	Assessment content (Note 5)
Once a year	01/01/2022-12/31/2022	Board of directors	Performance evaluation of the board of directors	<p>1. Comply with the relevant laws and regulations:</p> <p>(1) Compliance with the law with respect to matters required to be brought to the board of directors for discussion</p> <p>(2) Whether a board meeting is held quarterly</p> <p>(3) Compliance with the conflict of interest recusal for directors</p> <p>(4) Meeting the number of training hours required for directors</p> <p>(5) Board meeting attendance rate</p> <p>(6) Shareholders' meeting attendance rate</p> <p>2. Participation in company operation</p> <p>(1) Review the Company's accounting system, financial status and financial report, audit report and follow-up</p> <p>(2) Evaluate the independence and suitability of certified accountants</p> <p>(3) Assess and monitor various existing or potential risks of the company</p> <p>(4) Communication and interaction with company management</p> <p>Result: Overall, the board of directors is operating well. Based on the evaluation results, it will continue to strengthen to enhance the effectiveness of corporate governance.</p>

Once a year	01/01/2022-12/31/2022	Individual board members	Peer evaluation	<p>1. Comply with the relevant laws and regulations:</p> <ol style="list-style-type: none"> (1) Whether there is a violation of the rules of insider trading (2) Whether the directors/supervisors or their minor children violate the laws and regulations of the right of incorporation (3) Compliance with the conflict of interest recusal (4) Meeting the number of training hours required (5) Board meeting attendance rate (6) Shareholders' meeting attendance rate <p>2. Participation in company operation</p> <ol style="list-style-type: none"> (1) Supervise and understand the execution of the operation plan, the presentation of financial status and financial statements, the audit report and the tracking situation (2) Evaluate and supervise the implementation and tracking of the company's internal control system (3) Communication and interaction with company management (4) Participate in the discussion of board meetings and provide specific suggestions <p>Result: The score for this year's assessment is 100 points, and the result is "Excellent". The composition of the board of directors has a balanced structure of internal and external directors, as well as independent directors with diverse professional skills, which meets the needs of the Company's development. In addition to hold board meetings quarterly, the board members are provided with information on the Company's operations on a monthly basis to assist them in monitoring the Company's operational status and the execution of strategies in a timely manner. The performance evaluation results will serve as a reference for the selection or nomination of directors, and the results of the evaluation will also be used as a reference for setting individual compensation for each director.</p>
Once a year	01/01/2022-12/31/2022	Remuneration Committee	Self-evaluation of the Remuneration Committee	<p>The performance evaluation criteria for the Remuneration Committee are as follows:</p> <ol style="list-style-type: none"> (1) Participation in the Company's operations (2) Understanding of the responsibilities of the Remuneration Committee (3) Improvement in the decision-making quality of the Remuneration Committee (4) Composition of the Compensation Committee and selection of its members; (5) Internal control <p>The performance evaluation results of the Compensation Committee are as follows:</p>

				<p>The evaluation score for this year is 100 points, and the evaluation result is excellent.</p> <p>The performance evaluation results will serve as a reference for nomination, and the performance evaluation results of the Remuneration Committee members will be used as a reference basis for determining their individual compensation and benefits.</p>
Once a year	01/01/2022-12/31/2022	Audit Committee	Self-evaluation of the Audit Committee	<p>The performance evaluation criteria for the Audit Committee are as follows:</p> <p>(1) Participation in the Company's operations</p> <p>(2) Understanding of the responsibilities of the Audit Committee</p> <p>(3) Improvement in the decision-making quality of the Audit Committee</p> <p>(4) Composition of the Audit Committee and selection of its members;</p> <p>(5) Internal control</p> <p>The performance evaluation results of the Audit Committee are as follows:</p> <p>The evaluation score for this year is 100 points, and the evaluation result is excellent.</p> <p>The Audit Committee has been established for one and a half years now and its overall operations have been working well. The Committee has been competent in ensuring compliance with relevant laws and regulations, managing risks, and carrying out audits. The performance evaluation results of the Audit Committee members will serve as a reference for nominating directors and determining their individual compensation.</p>

Note 1: The implementation cycle of the board evaluations, e.g. once a year.

Note 2: The period covered by the board evaluation, e.g. to evaluate the performance of the board from 1 January 2019 to 31 December 2019.

Note 3: The scope of the evaluation includes performance evaluations of the board of directors, individual board members and functional committees.

Note 4: The manner in which the assessment is conducted includes internal self-assessment of the board of directors, self-assessment of board members, peer evaluation, assessment by external experts, professional institutions appointed, or other appropriate manner for performance evaluation.

Note 5: The assessment content includes at least the following items according to the assessment scope:

(1) Performance evaluation of the board of directors: including at least the degree of participation in the Company's operations, the quality of the board's decision-making, the composition and structure of the Board of Directors, the selection and continuous training of directors, internal control, etc.

(2) Performance evaluation of individual directors: including at least the company's objectives and tasks, directors' recognition of responsibilities, participation in the company's operations, internal relationship management and communication, professional and continuous training of directors, internal control, etc.

(3) Performance evaluation of functional committees: the degree of participation in the company's operations, the responsibility recognition of the functional committees, the quality of the functional committee's decision-making, the composition of the functional committee and the selection of members, internal control, etc.

4. The objectives of enhancing the function of the board of directors for the year and the most recent year (such as the establishment of an Audit Committee, the promotion of information transparency, etc.) and the implementation assessment:

(1) Enhancing the functions

The current directors of the Company were elected on 20 July 2021. Among them, the independent directors were selected through the nomination system of candidates. None of the directors of the Company have a kinship relationship within the scope of spouse or second parent. On 12 August 2020, the Company adopted a resolution of the board of directors to revise the board meeting rules in accordance with the "Measures for the board of directors of the Public Offering Company". Subsequent operations of the board of directors shall be governed by the "Code of Procedures for Board Meetings". In addition, the Company approved to include the purchase of directors and supervisors' liability insurance in the Company's Articles of Incorporation on 13 June 2007 through the resolution of the shareholders' general meeting and enroll the directors and supervisors in liability insurance every year from 1 February 2010, the latest policy renewal was on 1 February 2023. In addition, during the tenure of the board members of the Company, they regularly participate in the training courses related to the topics of corporate governance organized by the institutions designated by the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies".

The Company has formulated rules for the scope of duties of independent directors. The 18th board of directors (term: from 20 July 2021 to 19 July 2024) is composed of ZHI-SHENG WU, MING-LIANG TARNG and JUN-MING HSU and their attendance was normal. As of 31 December 2022, the three independent directors have not served more than three consecutive terms. Their professional knowledge, accounting and financial analysis, and other professional capabilities provided the board with good recommendations on the related proposals on internal control system implementation, business and finance in the board meeting.

The Company has formed an Audit Committee from all independent directors from 20 July 2021 to assist the board of directors in supervising the company's meetings. The Audit Committee is responsible for overseeing the operation and quality of the Company's accounting, auditing, and financial reporting processes, as well as considering the risks and reasonableness of significant financing for funds, endorsements and guarantees, and transactions to acquire or dispose of assets.

(2) Promoting information transparency

The Company and the Board of Directors approved that the financial statements of the Company and its subsidiaries are audited by Ernst & Young, and all the information required by the law is disclosed and completed correctly in time. On 13 March 2009, the board of directors approved the "Internal Material Information Processing Procedures" and on 22 December 2022, the board approved to update the "Internal Material Information Processing Operation Procedures" and appoint a dedicated staff to be responsible for the collection and disclosure of Company information, establish a spokesperson and deputy spokesperson system to ensure that all major information can be disclosed in a timely and appropriate manner. The website set up by the Company can be linked to MOPS (Market Observation Post System, TWSE) for shareholders and interested parties to access the related business and financial information of the Company.

(3) Effective exercise of the functions of the board of directors

1. The Company purchases directors' liability insurance for all directors to enable them to fulfill their duties wholeheartedly and create the best interests for the Company and shareholders.
2. As of 31 December 2022, none of the three independent directors in the Company have served for more than three consecutive terms.
3. The Company has established a corporate governance supervisor approved by the board of directors and formulated a "Standard Operating Procedures for Handling Requests Made by Directors" to assist directors in performing their duties and enhancing the efficiency of the board of directors.
4. The Company has established a "Rules for Performance Evaluation of Board of Directors" to evaluate the board of directors' performance at least once a year. Since 2022, the performance evaluation of the Remuneration Committee and the Audit Committee has also been added.

3.4.2. Information on the operation of the Audit Committee

In accordance with Article 14-4 of the Securities and Exchange Act, the Company established the Audit Committee on 20 July 2021, which consists of all independent directors.

1. Professional qualifications and experience of audit committee members

Member	Professional Qualifications and Experience
Independent director MING-LIANG TARNG (Convenor)	<ul style="list-style-type: none"> At least 5 years of working experience in accounting and passed the national examinations required for accountants, business judgment, industry knowledge, leadership and decision-making ability. Experience: Accountant and partner of Sunshine Accounting Firm, Member/independent director of Remuneration Committee and convenor of Audit committee of the Company, independent director/ member of audit committee/ member of Remuneration Committee of LAGIS ENTERPRISE CO.
Independent director CHIH-SHENG WU (Dismissed on 11 July 2022)	<ul style="list-style-type: none"> He has more than 5 years of working experience in business and banking, specializing in finance, corporate operations, management skills, crisis management skills, industry knowledge, international perspective, global market judgment and decision-making leadership. Experience: Vice-Chairman Turvo International Co., Ltd., Investment, Director of Matec Southeast Asia (Thailand) Co., Ltd., Independent Director/Member of Remuneration Committee/ member of the Audit Committee of Zeng Hsing Industrial Co., Ltd
Independent director JUN-MING HSU	<ul style="list-style-type: none"> At least 5 years of working experience as a professor of finance at a public university with professional qualifications, operational judgment, international market leadership and decision-making ability, specializing in financial and accounting planning professional matters, assisting companies in financial professional consulting and providing professional advice on the future development of the company. Experience: Professor of the Department of Finance of National Chung Hsing University, Independent Director / Member of Remuneration Committee / Member of Audit Committee of Calin Technology Co., Ltd., Independent Director/Convenor of the Compensation and Remuneration Committee/Member of the Audit Committee of Zeng Hsing Industrial Co., Ltd., Independent Director / Member of Remuneration Committee / Member of Audit Committee of SHINE TREND International Multimedia Technology CO., LTD.

2. Main job content:

The matters considered by the Audit Committee mainly include:

- (1) The establishment or amendment of the internal control system.
- (2) Evaluation of the effectiveness of the internal control system.
- (3) Establishing or amending procedures for handling significant financial transactions involving the acquisition or disposal of assets, derivative transactions, lending of funds to others, endorsement or provision of guarantees.
- (4) Matter in which the directors have an interest.
- (5) Significant asset or derivative transactions.
- (6) Significant loans, endorsements or guarantees of funds.
- (7) The raising, issuance or private placement of securities of an equity nature.
- (8) The appointment, dismissal or compensation of a certified public accountant.
- (9) Appointment or removal of the head of finance, accounting or internal audit.
- (10) Financial reports.
- (11) Annual earnings distribution-related matters.
- (12) Other significant matters as required by the Company or the competent authorities.

The Audit Committee met seven times (A) in 2022, and the independent directors were present as follows.

Title	Name	Attendance in Person (B)	By proxy	Attendance Rate (%) 【B/A】 (Notes 1 and 2)	Remarks
Convener	MING-LIANG TARNG	7	0	100%	
Members	CHIH-SHENG WU	2	0	67%(Note 3)	Dismissed on 11 July 2022.
Members	JUN-MING HSU	7	0	100%	

Note 1: In the event an independent director of the committee resigns before serving a full year, the resignation date should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the actual number of meetings held by the committee and the actual number of attendances by such members.

Note 2: If there is a reelection of any independent director before the end of the year, the outgoing and elected members should be added to the list and indicate whether a member is incumbent, newly-elected or reelected and the reelection date. Their attendance rate (%) should be based on the actual number of meetings held by the committee and the actual number of attendances by such members.

Note 3: CHIH-SHENG WU was dismissed on 11 July 2022. He was expected to attend three meetings in 2022, and he attended two meetings, with an attendance rate of 67%.

Other matters shall be recorded:

1. In the event the Audit Committee has any of the following occurrences, must state the date and term of the meeting, the content of the resolutions, the dissenting opinions, reservations, or significant recommendations of the independent directors, the results of the Audit Committee's resolutions, and the Company's handling of the Audit Committee's opinions.

(1) The matters listed in Article 14-5 of the Securities and Exchange Act.

Audit Committee Meeting Date	Resolution's content	Results of Audit Committee Resolutions and the Company's Handling of Audit Committee Opinions	Independent directors' dissenting opinions, reservations or significant recommendations
1 st term, 4 th meeting on 10 March 2022	Report on the Company's internal audit operations.	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	None
	The issuance of the "Statement of Internal Control"		
	The Company's 2021 financial statements and consolidated financial statements		
	Release of non-compete restrictions on directors in the company's by-election.		

	<p>The 2021 director and supervisor remuneration and employee remuneration distribution.</p> <p>The Company's 2021 Earnings Distribution Proposal</p>	<p>Result of the Audit Committee's resolution: All members of the Audit Committee agreed to approve the payment of cash dividends to shareholders from NT\$8 per share, totaling NT\$484,285,048.</p> <p>The Company's handling of the Audit Committee's opinion: The proposal to increase the cash dividend from NT\$8 to NT\$8.5 per share, totaling NT\$514,552,864, was approved by the Chairman after consulting all directors present.</p>	None.
	<p>Proposal for the review of the Company's CPA fees</p> <p>Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd., a 100%-owned subsidiary of the company, reduced capital and returned share monies</p> <p>The Company assigns the custody of the seal of the endorsement guarantee to a special officer</p> <p>Amendments to the Company's "Procedures for the Acquisition or Disposal of Assets</p> <p>The Company's 100% reinvestment company "Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd."</p>	<p>All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.</p>	
<p>1st term, 5th meeting on 3 May 2022</p>	<p>Consolidated financial statements for the first quarter of 2022</p> <p>The Company's proposed endorsement guarantee for the reinvestment business</p> <p>Amendments to the Company's "Procedures for the Acquisition or Disposal of Assets</p>	<p>All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.</p>	None
<p>1st term, 6th meeting on 6 June 2022</p>	<p>The Company intends to make a public tender offer for the common shares of Turvo International Co., Ltd</p>	<p>All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.</p>	None
<p>1st term, 7th meeting on 5 August 2022</p>	<p>Consolidated financial statements for the second quarter of 2022</p>	<p>All motions were unanimously approved by the Audit Committee, and</p>	None

		the board of directors approved all motions on the Audit Committee's recommendation.	
	The Company intends to purchase common shares of Turvo International Co., Ltd. on the centralized market	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	None
1 st term, 8 th meeting on 2 September 2022	The Company intends to carry out a domestic cash capital increase and issue common shares for 2022	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	None
1 st term, 9 th meeting on 14 November 2022	Consolidated financial statements for the third quarter of 2022	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	None
	Amendment to the Company's "Rules of Procedure for Shareholders Meetings"	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	
	The Company's proposed endorsement guarantee for the reinvestment business.	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	
	Proposal to acquire or dispose of the balance limit for derivative products for 202	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	
1 st term, 10 th meeting on 22 December 2022	Proposal for the balance limit of acquiring or disposing derivative products in the subsidiary investments for 2023	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	None
	The Company's audit plan for 2023	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	
	The Company's 100% reinvestment company "Zhangjiagang Cheau Hsing Machinery & Electronics Co., Ltd."	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	
	The Company intends to purchase common shares of Turvo International Co., Ltd. on the centralized market.	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	
	The Company's proposed endorsement guarantee for the reinvestment business	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	
	Amendment to the Company's "Ethical Corporate Management Best Practice Principles"	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	
1 st term, 11 th meeting on 10 March 2023	Review of the professional fees for the Company's CPAs	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	None
	The issuance of the "Statement of Internal Control"- for 2022	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	
	The Company's 2022 financial statements and consolidated financial statements	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	
	Proposal for the appointment of the Company's CPA, regular evaluation of their independence and qualifications, and the situation of obtaining prior approval for non-	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	

	audit services from Ernst & Young and its affiliates.		
	Release of non-compete restrictions on independent directors in the Company's by-election		
	The Company's 2022 Earnings Distribution Proposal		
	The proposal for the change in the Company's internal audit supervisor.		
	The proposal for providing endorsement guarantee to Citibank (as defined in the guarantee) on behalf of the Company's subsidiary investment company for applying for a short-term credit line.		
	The proposal to cancel the fund loan from the subsidiary Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. to Shanghai Debra Trading Company Limited		
1st term, 12th meeting on 9 May 2023	Consolidated financial statements for the first quarter of 2023	All motions were unanimously approved by the Audit Committee, and the board of directors approved all motions on the Audit Committee's recommendation.	None
	Amendment to the business plan and budget for 2023.		
	Proposal for increasing investment in the Vietnam-based company FOREMOST GULF INTERNATIONAL CO., LTD. (VN)		
	Proposal to review the shareholder proposal rights at the Company's 2023 annual general meeting		
	Review of accepting the nomination for independent director candidates on the Company's 2023 shareholders' meeting.		
	Proposal for the renewal of the contract between the Company and Ta Ching Bills Finance Corporation		
	Proposal for the renewal of the contract between the Company and Bank of Taiwan		
	Proposal for the renewal of the contract between the Company and E.SUN Commercial Bank		
	Proposal for the renewal of the contract between the Company and Mega Bills		
	Proposal for the renewal of the contract between the Company and CTBC BANK		
	The Company's proposed endorsement guarantee for the reinvestment business		
	Amendment to the Company's "Regulations for Director and Executive Compensation Administration"		
	Amendment to the Company's "Rules of Procedure for Shareholders Meetings"		

(2) Other than the preceding matters, other matters not approved by the Audit Committee and approved by two-thirds or more of all directors: None.

2. For any recusal of independent directors due to conflict of interests in certain proposals, name of the independent director, contents of resolutions, reasons for the recusal and participation in the voting shall be

noted: Amendment to the Company's "Regulations for Director and Executive Compensation Administration" on 10 March 2023.

The Company regularly reviews the compensation of its directors and managers, and has revised the car allowance for independent directors from "NT\$ 3,000 per time " to "NTD 5,000 per time".

The proposal has been abstained from discussion and voting by independent directors MING-LIANG TARNG and JUN-MING HSU due to their personal interests.

3. Communication between independent directors and internal auditors and accountants (shall include the significant matters, manner and results of communication regarding the Company's financial and business conditions).

(1) At the quarterly audit committee meeting, the company's internal audit supervisor communicates the audit report results to the audit committee members on a regular basis and presents an internal audit report. If there are any unusual circumstances, they will immediately notify the audit committee members. There were no such occurrences in 2022. The Company's audit committee and the head of internal audit have a good working relationship.

(2) At the quarterly audit committee meeting, the company's certified accountants will present the results of the quarterly financial statement audit or review, as well as any other information required by applicable laws. If there are any unusual circumstances, they will immediately notify the audit committee members. There were no such occurrences in 2022. The company's audit committee and certified accountants communicated effectively.

The communication matters between independent directors and the head of internal audit or with the CPAs are as follows:

Audit Committee Meeting Date	Attendees	Significant matters communicated with the head of internal audit	Significant matters communicated with the CPAs
5 August 2022 (Individual meeting)	Individual director: MING-LIANG TARNG Individual director: JUN-MING HSU Audit: QI-FENG ZHANG, JIA-JUN XIE and YU-CHING HUANG	Internal audit project report meeting (Individual meeting)	● None
5 August 2022 (Individual meeting)	Individual director: MING-LIANG TARNG Individual director: JUN-MING HSU CPA: WEN-BI YEN, MING-YU HO	None	<ul style="list-style-type: none"> ● Explanation on the review of the financial statements for the second quarter of 2022 by CPAs. ● Explanation on recent legal updates by CPAs (individual meeting)
1 st term, 4 th meeting on 10 March 2022	Individual director: MING-LIANG TARNG Individual director: JUN-MING HSU Attendees: Chairman CHIH-CHENG LIN, general president TUNG-LIANG LIU, senior manager TZU-HO CHUANG, assistant manager QI-FENG ZHANG CPAs: CHING-YUAN TU, MING-YU HO	Review of internal audit business reports	<ul style="list-style-type: none"> ● The CPAs discussed the 2021 audit of the consolidated financial statements, including the audit results and key audit matters ● Recent legal updates and key corporate governance measures explained by CPAs ● Examine the CPAs' independence and suitability

1 st term, 5 th meeting on 3 May 2022	Individual director: MING-LIANG TARNG Individual director: JUN-MING HSU Independent director: CHIH-SHENG WU Attendees: Chairman CHIH-CHENG LIN, general president TUNG-LIANG LIU, senior manager TZU- HO CHUANG. assistant manager QI-FENG ZHANG	Review of internal audit business reports	<ul style="list-style-type: none"> ● None
1 st term, 9 th meeting on 14 November 2022	Individual director: MING-LIANG TARNG Individual director: JUN-MING HSU Attendees: Chairman CHIH-CHENG LIN, general president TUNG-LIANG LIU, senior manager TZU- HO CHUANG. CPAs: Ming-Hung Chen, WEN-BI YEN, MING-YU HO	None	<ul style="list-style-type: none"> ● The CPAs discussed the consolidated financial statements in the third quarter of 2022, including the audit results and key audit issues, etc. ● Recent legal updates and key corporate governance measures explained by CPAs ● Examine the CPAs' fees, independence and suitability.
1 st term, 11 th meeting on 10 March 2023	Independent director: MING-LIANG TARNG Independent director: JUN-MING HSU Attendees: Chairman CHIH-CHENG LIN, general president TUNG-LIANG LIU, senior manager TZU- HO CHUANG. assistant manager QI-FENG ZHANG CPAs: WEN-BI YEN, MING-YU HO	None	<ul style="list-style-type: none"> ● The CPAs discussed the 2022 audit of the consolidated financial statements, including the audit results and key audit matters. And the communication with corporate governance and management team. ● Recent legal updates and key corporate governance measures explained by CPAs ● Explanation of EY's Audit Quality Indicators (AQI) Information ● Pre-approval explanation for non-assurance services
Results: The Audit Committee reviewed or approved the above matters, and the independent directors had no objection.			

(3) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles”

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company formulated a formal code of practice for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and disclosed on TWSE and the Company’s website in accordance with regulations.	No discrepancy.
II. Shareholding structure & shareholders’ rights (I) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?		V	(I) The Company set up a spokesperson and a deputy spokesperson to deal with proposals or disputes from shareholders.	The Company set up a spokesperson and a deputy spokesperson as a conduit for communication between the Company and stakeholders.
(II) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(II) The Company keeps track of any changes to the list of the major shareholders and the ultimate owners of those shares through reporting.	No discrepancy.
(III) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(III)The Company set forth “Subsidiary Supervision and Management Practices” and “Relationship and Group Enterprise Transactions Procedures” to regulate related matters accordingly, and the subsidiaries implement the relevant internal control measures. The Company conducts regular and ad-hoc audits by the Audit Department, the Financial Department or the accountant. The Company’s the Strategic Development Department and the Financial Department keep track of any regulation updates and control system from time to time.	No discrepancy.
(IV) Does the company establish internal rules against insiders trading	V		(IV) The Company has enacted and complied with “Procedures for Handling Material Insider Information” and “Code of Ethical Conduct” to regulate the Company’s stakeholders.	No discrepancy.

Evaluation Item	Implementation Status (Note 1)		Summary	Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
with undisclosed information?				
III. Composition and Responsibilities of the board of directors (I) Does the board of directors have a diversity policy, specific management objectives and implementation?	V		(I) a. The board enacted a policy on diversity based on the composition of the members. The related information is disclosed on the Company’s website and TWSE. b. The Company adopted the "Corporate Governance Principles" at the board meeting of 30 October 2014 and amended the regulations that develop a diversified policy in Chapter 3, "Strengthening Board Functions" on 30 April 2015, 9 November 2016 and 12 August 2020. The nomination and selection of members of the Company's board of directors are in accordance with the company's articles of association. In order to ensure the diversity and independence of directors, the nomination will evaluate the qualifications of each candidate's academic experience, refer to the opinions of stakeholders, and abide by the "Director and Supervisor Election Measures" and " Corporate Governance Principles". c. The diversification of the members of the board: According to the management objectives on diversity, the entire board of directors’ specialty will need to include business strategy, finance & accounting and administration and production management. The Company elected the 18th term’s directors to set up ten director members (including three independent directors). Among the directors, the proportion of directors with employee status is 20%; the proportion of directors aged 41-50 is 10%;the proportion of directors aged 51-60 is 50%; the proportion of directors aged 61-70 is 40%; and the proportion of director aged 81-90 is 10%. Independent directors accounted for 33%, and the three independent directors have a tenure of more than 8 years. Their professional background covers a wide range of industry, accounting, technology and management, etc., and has the knowledge, skills and literacy necessary to perform duties. Each director’s industry experience and expertise are diverse and complementary.	No Discrepancy.

Evaluation Item	Implementation Status (Note 1)		Summary	Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		(II) The Company has set up the Remuneration Committee. On 20 July 2021, the Company also set up an Audit Committee. Other functional committees shall be established whenever deemed necessary.	No discrepancy.
(III) Does the company establish a standard to measure the performance of the board, implement it annually, report the results of the performance evaluation to the board of directors, and applies it to individual directors' remuneration and nomination renewal?	V		(III) The board of directors of the Company passed the "Board of Directors Performance Evaluation Method" on 1 August 2016 to enhance the functionality of the board's operations by promoting self-motivation among its members. The performance evaluation of the board of directors, board members, Remuneration Committee, and Audit Committee should be conducted at least once a year. The internal evaluation should conduct an annual performance assessment at the end of each year. The performance evaluation execution report for the board of directors, board members, Remuneration Committee, and Audit Committee for the fiscal year 2022 has been submitted to the board on 10 March 2023 and has reported the results of the performance evaluation. The performance evaluation criteria of the Company's board of directors include the following aspects: (1) Understanding of the company's goals and mission. (2) Awareness of the duties and responsibilities of directors. (3) Participation in the company's operations. (4) Internal control and risk management of the company. (5) Management of internal relationships and communication. (6) Professionalism and continuous education. The performance evaluation criteria for board members include the following items: (1) Compliance with relevant laws and regulations. (2) Participation in the company's operations. The performance evaluation criteria for the Remuneration Committee include the following items: (1) Participation in the company's operations. (2) Awareness of the duties and responsibilities of the Remuneration Committee. (3) Improvement of the decision-making quality of the Remuneration Committee. (4) Composition and selection of members of the Remuneration Committee. (5) Internal control. The performance evaluation criteria for the Audit -Committee include the following items:	No discrepancy.

Evaluation Item	Implementation Status (Note 1)		Summary	Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>(1) Participation in the company's operations (2) Understanding of the duties of the Audit Committee. (3) Enhancement of decision-making quality of the Audit Committee. (4) Composition and selection of members of the Audit Committee. (5) Internal control.</p> <p>The evaluation is conducted by the Finance and Accounting Department and the Human Resources Department through an internal questionnaire. The evaluation covers four aspects: the operation of the board of directors, the participation of directors, the operation of the Remuneration Committee, and the operation of the Audit Committee. The evaluation is conducted through assessments by directors on the operation of the board of directors, their own participation, assessments by the Remuneration Committee and Audit Committee on their operation. The evaluation results will be used as a reference for selecting or nominating directors, and the performance evaluation results of directors and functional committee members will be used as a reference for determining their individual compensation.</p> <p>After collecting all the questionnaires in January each year, the Finance and Accounting Department and the Human Resources Department of the Company will analyze the results and report them to the board of directors. Based on the suggestions provided by the directors, the Company will propose ways to strengthen and improve the evaluation process.</p> <p>The Company completed the performance evaluations of the board, board members, Remuneration Committee, and Audit Committee in December 2022. The evaluation score for 2022 remains satisfactory, and there are no aspects that require improvement. The results have been submitted to the board meeting held on 10 March 2023, and will be used as a reference for individual director compensation and nomination for reappointment.</p> <p>(1) Board of directors: The evaluation score for this year is 100 points, and the evaluation result is excellent. The composition of the board of directors has a balanced structure of internal and external directors, including independent directors, and considers the diversity of professional skills required for the Company's development. In addition to quarterly board meetings, the board provides information on the company's operations to its members on a monthly basis, assisting directors in supervising the company's business operations and strategy execution in a timely manner. The performance evaluation results will be used as a reference for selecting or nominating directors and as a reference for setting individual director compensation.</p> <p>(2) Remuneration Committee: The assessment score for 2022 is 100, and the evaluation result is "Excellent." The performance</p>	

Evaluation Item	Implementation Status (Note 1)		Summary	Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
(IV) Does the company regularly evaluate the independence of CPAs?	V		<p>evaluation result will be used as a reference for nomination, and the individual compensation of the members of the Remuneration Committee will be based on their performance evaluation results.</p> <p>(3) Audit Committee: The assessment score for 2022 is 100, and the evaluation result is "Excellent." The Audit Committee has been established for a year and a half, and its overall operation is on track. The Committee has performed its supervisory duties diligently, ensuring compliance with relevant laws and regulations, risk control, and audit matters. The performance evaluation results of the Audit Committee members will be used as a reference for nominating directors and determining their individual compensation.</p> <p>(IV) The Company's Audit Committee evaluates the independence and competence of its CPAs on an annual basis. In addition to requiring auditors to provide a "Statement of Independence" and "Audit Quality Indicators (AQIs)," which include five aspects and 13 indicators such as professionalism, independence, quality control, supervision, and innovation ability, the Committee confirms that the auditors and their family members have no other financial interests or business relationships with the Company other than the fees for auditing and taxation. The Committee also refers to AQI information, including external and internal inspection results, performance milestones, employee satisfaction surveys, and personnel turnover rates, to confirm that the auditors and their firm have superior audit experience and training hours compared to the industry average. Furthermore, the Company will continue to introduce four digital audit tools, including an audit knowledge base system, an audit collaboration platform, digital analysis tools, and digital audit methodology support, to enhance audit quality. The most recent evaluation result was discussed and approved by the Audit Committee on 10 March 2023, and was submitted to and approved by the board of directors on the same day. Please refer to Note 3 for the independence evaluation criteria for CPA.</p>	No discrepancy.
IV. Does the company deploy qualified and appropriate number of corporate governance personnel and appoint personnel responsible for corporate governance matters (including but not limit to providing	V		<p>The Company sets up the Investor Relations Division as a corporate governance secondary unit. On 3 March 2021, the board of directors of the Company resolved to appoint Finance & Accounting department assistant general manager TZU-HO CHUANG, as the dedicated officer (supervisor) in corporate governance, who is a qualified CPA, and meets the requirements under Article 3-1 of “The Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. The main duties of corporate governance officers and units are to provide information for</p>	No discrepancy.

Evaluation Item	Implementation Status (Note 1)		Summary	Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
information for directors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, assisting directors and supervisors to follow laws, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?			<p>directors to perform their functions, help directors and supervisors comply with laws and regulations, handling work related to board meetings and the shareholders' meetings.</p> <p>The tasks undertaken in 2022 are as follows:</p> <ol style="list-style-type: none"> 1. Assisting independent directors and general directors in performing their duties, providing required information and arranging training for directors. <ol style="list-style-type: none"> a. Providing board members with the latest laws and regulations regarding the Company's business areas and corporate governance-related amendments and updating them regularly. b. Assisting the independent directors and general directors to formulate annual refresher plans and arrange courses according to the Company's industrial characteristics and directors' academic and experience background. 2. Assisting with the legal procedures and compliance of the board meetings and shareholders' meetings. <ol style="list-style-type: none"> a. Report to the board of directors, independent director, audit committee or supervisor the Company's corporate governance operation status and confirm whether the Company's board meetings and shareholders' meetings are in compliance with relevant laws and rule of corporate governance. b. To assist and remind directors the legal compliance requirements when they perform business or formal resolution and make a suggestion when the board of directors will make an illegal resolution. c. After the meeting, check the release of material information of the board of directors' important resolution and confirm the legality and correctness of material information's content. 3. Formulating the agenda of the board meeting and notifying the directors 7 days prior to the meeting date. Convening a meeting and providing documents. Reminding meeting members of potential conflict of interest issues in advance if they have to recuse themselves from the meeting. The board meeting minutes should be completed within 20 days after the meeting. 4. Registering in advance the date of the shareholders' meeting as required by relevant law. Producing meeting notice, manual and minutes within the statutory period. Registering for amendments to the Articles of Incorporation or results of the election of directors. 	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons																								
	Yes	No	Summary																									
			<p>5. The situation of the Company corporate governance executive training in 2022 are as follows:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Unit</th> <th>Name</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>3 May 2022</td> <td>2022 Global Trends and Business Opportunities in Low-Carbon Economy and Corporate Low-Carbon Innovation</td> <td>Securities& Futures Institute</td> <td>3</td> </tr> <tr> <td>17 October 2022- 18 October 2022</td> <td>Corporate Succession and Corporate Governance</td> <td>Accountung Research and Development Foundation</td> <td>3</td> </tr> <tr> <td>17 October 2022- 18 October 2022</td> <td>Corporate Succession and Corporate Governance</td> <td>Accountung Research and Development Foundation</td> <td>3</td> </tr> <tr> <td>14 November 2022</td> <td>Mergers and Acquisitions and Integration Management</td> <td>Securities& Futures Institute</td> <td>3</td> </tr> <tr> <td colspan="3">Total (hours)</td> <td>12</td> </tr> </tbody> </table>	Date	Unit	Name	Hours	3 May 2022	2022 Global Trends and Business Opportunities in Low-Carbon Economy and Corporate Low-Carbon Innovation	Securities& Futures Institute	3	17 October 2022- 18 October 2022	Corporate Succession and Corporate Governance	Accountung Research and Development Foundation	3	17 October 2022- 18 October 2022	Corporate Succession and Corporate Governance	Accountung Research and Development Foundation	3	14 November 2022	Mergers and Acquisitions and Integration Management	Securities& Futures Institute	3	Total (hours)			12	
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V. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		<p>The Company has established a communication channel with stakeholders and set up a stakeholder zone on the Company's website to respond appropriately to important CSR issues that stakeholders concern about. The communication channel is as follows:</p> <ol style="list-style-type: none"> The Company's switchboard 04-2278-5177#9 Spokesman TZU-HO CHUANG Assistant general manager 04-2278-5177#182 spokesman@zenghsing.com.tw Deputy spokesman JUN-SHEN ZHOU Vice- general manager 04-2278-5177#885 Sam_chou@zenghsing.com.tw Business customer service JIN-SIOU SYUE manager 04-2278-5177#133 sales@zenghsing.com.tw ESGO SHAN-MEI ZENG section chief 04-2278-5177#589 csr@zenghsing.com.tw Management Department, SIOU-FONG WAN assistant manager 04-2278-5177#255 kelly_wan@zenghsing.com.tw 	No Discrepancy.																								
VI. Does the company appoint a professional	V		The Company appointed the Stock Agent Department of SinoPac Securities Co., Ltd. as the Company's stock agency to handle the related matters of the shareholders' meeting.	No Discrepancy.																								

Evaluation Item	Implementation Status (Note 1)		Summary	Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
shareholder service agency to deal with shareholder affairs?				
VII. Information Disclosure				
(I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(I) The Company has disclosed related financial business and corporate governance information on TWSE and the Company's website.	No Discrepancy.
(II) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		(II) The Company assigns a dedicated employee to be responsible for the collection and disclosure of company information and designates someone who has a full understanding of the Company's finances, business or can coordinate the departments to provide related information as the company spokesperson and deputy spokesperson that speak on behalf of the Company to ensure the information that may affect the decisions of shareholders and stakeholders is disclosed appropriately and timely. In the future, if an investor conference is held, the related information will also be uploaded to TWSE and the Company's website for investors' reference.	No Discrepancy.
(III) Does the company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V		(III) The Company's 2022 annual financial report was published on 10 March 2023. It did not publish and report the annual financial report within two months after the end of the fiscal year. The financial reports for the first, second, and third quarters have been published and reported its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.	No Discrepancy.
VIII. Is there any other important information to facilitate a better understanding of the	V		(I) Employee rights and employee wellness The Company employs employees without gender or racial discrimination. The Company considers whether the person has the professional knowledge and skills required and provides fair	No Discrepancy.

Evaluation Item	Implementation Status (Note 1)		Summary	Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?			<p>opportunities for applicants. In order to provide employees with a comfortable and safe working environment, the Company attaches importance to pre-employment training for employees, including workplace safety courses. In addition, the Company arranges a health check for all employees every year to fully understand the health of employees and reduce occupational injuries.</p> <p>The Company implements employee welfare measures in accordance with the Labor Standards Act and relevant regulations. It also sets up an employee welfare committee, which provides subsidies for employees' weddings, funerals, illnesses and births, and holds various outings and community activities regularly to promote employees’ physical and mental health and enhance the bonding among employees. The committee also implements employees' annual surplus earnings distribution and festival bonuses, which fully reflect the management philosophy of "striving for wellbeing".</p> <p>In order to secure employees’ life after retirement, the Company has an employee retirement policy. The policy provides that 6% of the total salary paid must be appropriated to a pension reserves fund and deposited in the dedicated account of the Supervisory Committee of Workers’ Retirement Preparation Fund. After Labor Pension Act became effective on 1 July 2005, the Company appropriates 6% of employee salary to the labor pension reserve fund each month and deposits the fund into individual labor pension accounts for employees covered by the Act. The purpose is to provide employees maximum security for retirement.</p> <p>Labor Standards Act is applicable to the Company, and all operations must comply with the act. In order to promote labor-management cooperation and improve work efficiency, the Company regularly convenes labor-management meetings in accordance with Regulations for Implementing Labor-Management Meeting to communicate and cooperate with employees. In addition, the Company emphasizes talent training and encourages employees to participate in various internal and external training courses. The internal training courses aim at the internal professional technology exchange to improve employee productivity; the external training courses provide professional training opportunities for employees, and employees are appointed to participate in these courses when needed.</p> <p>(II) Investor relations The Company treats all shareholders with fairness and openness. The shareholders' meeting is held every year and a notice to convene a shareholders’ meeting is given to each shareholder in accordance with the Company Act and relevant laws and regulations. The Company submits reports to the shareholders' meeting when making major financial and business decisions, such as acquiring or transferring assets and endorsement or guarantees. The Company not only gives shareholders the opportunity to ask</p>	

Evaluation Item	Implementation Status (Note 1)		Summary	Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
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			<p>questions or propose for discussion at shareholders' meetings but also sets up the regulation of shareholders' meeting proceedings in accordance with the law, which provides that the Company has to properly keep the meetings minutes and fully disclose related information on TWSE. In addition, the Company sends meeting notices and annual reports to shareholders before the annual shareholders' meeting, as well as setting up a spokesperson and deputy spokesperson as a channel for the Company to communicate with shareholders, investors and stakeholders, in order to ensure the right of shareholders to be fully aware of the major issues of the Company.</p> <p>Based on the principle of information disclosure, the Company establishes online reporting system of public information, appointed financial department personnel to be responsible for the collection and disclosure of company information, and handle related information announcement reporting matters in accordance with the principle of information disclosure, “List concerning what information public companies should announce to the public or report to the FSC” and “Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds”. After being reviewed and confirmed by the competent authority and responsible officer, the Company will proceed with related information announcements and declarations and provide timely information that may affect investors' decision-making. In addition, the Company sets up a company website to introduce the products and the scope of business for the public to understand the Company.</p> <p>(III) Supplier relations The Company has been deeply engaged in the field of sewing machine products for decades. Due to the long-term relationship with upstream key component suppliers, the Company has formed a stable and close production and marketing partnership with upstream key raw material suppliers. The Company also sends staff to help suppliers to improve their product quality and upgrade technology. In recent years, the supplier association has been held annually to strengthen interaction with third parties and enhance cooperation.</p> <p>(IV) Rights of stakeholders While pursuing company growth, the Company also considers stakeholders' opinions and suggestions. In order to achieve effective communication with stakeholders, the Company adopts different communication methods. Within the organization, the Company announces employee-related pay and benefits, environmental safety and health, and company policies through various office meetings or factory weekly meetings. So employees will understand their rights and interests. In addition, the Company also has an employee welfare committee to improve benefits for employees. Outside the organization, upstream suppliers can learn about</p>	

Evaluation Item	Implementation Status (Note 1)		Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons
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			<p>relevant laws and regulations of products through supplier assembly; downstream customers often learn about the status of the Company and products through customer service mailbox/telephone/dealer conference; other stakeholders such as investors/banks/government agencies, etc. can check the latest information through the official website of the Company, television interviews, and magazine reports, etc.</p> <p>(V) Directors’ , managers’ , and corporate governance executive’s training records in 2022 Please refer to pages 91-92 of this annual report for a description of the training of directors, managers, and corporate governance executive.</p> <p>(VI) The implementation of risk management policies and risk evaluation measures In order to strengthen corporate governance and establish sound risk management operations, the Company analyzes and responds to high-probability and high-impact risk events related to operating objectives, correctness of financial reporting and fraud prevention in operations, and records, keeps tracks of and systematically manages by the Company’s risk management system. Operational status of risk management policy The Company has been actively promoting the implementation of its risk management mechanism, holding regular meetings of the risk management team, and reporting its operation to the board of directors once a year. The main operational highlight status for 2022 are as follows: 1. According to the risk management operating procedures, the risk management meeting is held at least once a year, and the results of the meeting are reported to the board of directors on 22 December 2022 The execution status is as follows: (1) The risk management meeting was held on 24 March 2022 to confirm the units and items for drills. (2) The risk management meeting was held on 20 December 2022 to plan the schedule for the 2023 risk management plan. 2. Implementation status of various risk management measures: (1) Operational risk: Shutdown risk management policy In response to the Risk Management Best-Practice Principles issued by the TWSE, the policy was reviewed and completed after formulation. (2) Financial risk: Group tax policy and management measures Department in charge: The measures have been completed by the</p>

Evaluation Item	Implementation Status (Note 1)		Summary	Deviations from “the Corporate Governance Best- Practice Principles for TWSE/TPEX Listed Companies” and Reasons																														
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			<p>Accounting Department in March 2022.,</p> <p>(3) Strategic risk: Patent and trademark risk measures, contract risk measures,</p> <p>Department in charge: The formulation for the measures has been completed by Strategy Promotion Department in December 2022.</p> <p>3. The execution status of required risk drills for each department:</p> <table border="1"> <thead> <tr> <th>Department</th> <th>Completion</th> <th>Drill topic</th> </tr> </thead> <tbody> <tr> <td>Quality assurance department</td> <td>25 May 2022</td> <td>Quality risk</td> </tr> <tr> <td>IT department</td> <td>13 May 2022</td> <td>Information security risk</td> </tr> <tr> <td>Taiwan plant</td> <td>27 June 2022</td> <td>Self-defense firefighting</td> </tr> <tr> <td>Zhangjiagang plant</td> <td>20 June 2022</td> <td>Operational risk</td> </tr> <tr> <td>Zeng Hsing Industrial plant in Vietnam</td> <td>28 June 2022</td> <td>Firefighting and accident</td> </tr> <tr> <td>Shinco Technologies plant in Vietnam</td> <td>27 June 2022</td> <td>Firefighting and emergency medical services</td> </tr> <tr> <td>Finance and accounting department</td> <td>8 August 2022</td> <td>Taxation and transfer pricing</td> </tr> <tr> <td>Finance and accounting department</td> <td>29 November 2022</td> <td>Exchange rate fluctuations.</td> </tr> <tr> <td>Strategy and development department</td> <td>31 December 2022</td> <td>Breach of contract and infringement of patents and trademarks</td> </tr> </tbody> </table> <p>4. Report on the implementation plan for risk management in 2023</p> <p>According to the Operational Guidelines for Risk Management and the announcement of the TWSE, there are two items planned for implementation in 2023.</p> <p>(1) Expected items for risk drills</p>	Department	Completion	Drill topic	Quality assurance department	25 May 2022	Quality risk	IT department	13 May 2022	Information security risk	Taiwan plant	27 June 2022	Self-defense firefighting	Zhangjiagang plant	20 June 2022	Operational risk	Zeng Hsing Industrial plant in Vietnam	28 June 2022	Firefighting and accident	Shinco Technologies plant in Vietnam	27 June 2022	Firefighting and emergency medical services	Finance and accounting department	8 August 2022	Taxation and transfer pricing	Finance and accounting department	29 November 2022	Exchange rate fluctuations.	Strategy and development department	31 December 2022	Breach of contract and infringement of patents and trademarks	
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			<p>(2) Explanation of the expected amendment of Operational Guidelines for Risk Management</p> <p>A. On 8 August 2022, the Taiwan Stock Exchange announced the " Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".</p> <p>B. The current operational guidelines for risk management will be reviewed and revised as necessary, and will be submitted for approval by the board of directors before implementation.</p> <p>(VII) Execution status of customer policies The Company has maintained stable and good relationships with its customers and uphold a quality policy of "customer satisfaction, quality first, continuous improvement, and sustainable management." The Company provides high-quality products that meet customer needs and offer great value for their money, in order to create profits for the Company.</p> <p>(VIII) Purchasing insurance for directors The Company has passed the resolution of the regular shareholders' meeting on 13 June 2007 to include the purchase of directors' and supervisors' liability insurance into the Company's Articles of Incorporation and began covering the directors and supervisors' liability insurance from 1 February 2010. On 1 February 2023, the director and supervisor liability insurance were renewed.</p> <p>(VII) Professional qualification of personnel related to financial information transparency Certified Internal Auditor: 2 people Certificate of competency for stock personnel: 3 people R.O.C. CPA: 1 person</p>																								

IX. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.		
Number	Indicators	Improvements and measures
2.3	Is the chairman and the general manager or equivalent (highest executive officer) of the company not the same person or spouses or first-degree relatives?	Job adjustments will be made before the end of 2023.
4.1	Has the company established a dedicated (or part-time) position to promote sustainable development, conducted risk assessments on environmental, social, or corporate governance issues related to the company's operations based on materiality principles, and formulated relevant risk management policies or strategies? Has the board of directors supervised the promotion of sustainable development and disclosing it on the company's website and annual report?	The board of directors' supervision of sustainable development, including the establishment of management policies, strategies, and goals, as well as reviews, will be disclosed separately on the company's website and annual report.
4.7	Has the chairman of the board of directors, the general manager, or the manager in charge of financial or accounting affairs of the company not worked in the firm of the current certified public accountant or its affiliated companies within the last year?	The English version of the 2022 Sustainability Report published in 2023 will be uploaded to the Taiwan Stock Exchange's website and the company's website by the end of the 2023.

Note.1: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

Note.2: A self-evaluation report is defined as the company assessing its corporate governance evaluation items with appropriate explanations on current corporate operations and implementation.

Note.3: Independence and competence evaluation criteria of CPAs

The independence criteria are as follows:

	Evaluation item	Evaluation Results	Passed Independence Assessment
1	Whether the CPA has direct or indirect major financial stake in the Company.	No	Yes
2	Whether the CPA is involved in any financing or financial guarantee agreements involving the Company or Corporation directors.	No	Yes
3	Whether the CPA have any close business relationship or potential employment relationship with the Company.	No	Yes
4	Whether the CPA and members of the audit team hold shares in the Company.	No	Yes
5	Whether non-audit services provided by CPA to the Company have direct impact on the major items of audit services provided.	No	Yes
6	Whether the CPA sell shares or other securities issued by the Company.	No	Yes
7	Whether the CPA is representing the Company in litigation of a third party or other disputes.	No	Yes
8	Whether the CPA has familial relationships with directors, managers, or people in positions that has major impact on Corporation audits at the Company.	No	Yes
9	Whether the CPA has be appointment for audit services remained unchanged for 7 years.	No	Yes

(4) Composition, Responsibilities and Operations of the Remuneration Committee

A. Remuneration Committee Member Information

Title/Name (Note 1)	Criteria	Professional Qualifications and Experience (Note 2)	Independent Status (Note 3)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a members of the remuneration committees
Independent Director (Convenor)	JUN-MING HSU	<ul style="list-style-type: none"> ● Possess at least 5 years of working experience as a professor of finance at a public university with professional qualifications, operational judgment, international market leadership and decision-making ability, specializing in financial and accounting planning professional matters, assisting companies in financial professional consulting and providing professional advice on the future development of the Company. ● Experience: Professor of the Department of Finance of National Chung Hsing University, Independent Director / Member of Remuneration Committee / Member of Audit Committee of Calin Technology Co., Ltd., Independent Director/Convenor of the Compensation and Remuneration Committee/Member of the Audit Committee of Zeng Hsing Industrial Co., Ltd., Independent Director / Member of Remuneration Committee / Member of Audit Committee of SHINE TREND International Multimedia Technology CO., LTD. <input type="checkbox"/> ● Not been a person of any conditions defined in Article 30 of the Company Act. 	<p>None of the following has occurred in the two years prior to the election or during the term of office:</p> <ol style="list-style-type: none"> 1. An employee of the company or any of its affiliates. 2. A director or supervisor of the company's affiliates. 3. Not a natural person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of over 1% of the total number of outstanding shares of the company or ranking in the top 10 in holdings. 4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of the managers listed in the first paragraph or the persons listed in the preceding two paragraphs. 5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraphs 1 or 2, Article 27 of the Company Act. 6. More than half of the 	2

Independent director	CHIH-SHENG WU (He was dismissed on 11 July 2022)	<ul style="list-style-type: none"> ● He has more than 5 years of working experience in business and banking, specializing in finance, corporate operations, management skills, crisis management skills, industry knowledge, international perspective, global market judgment and decision-making leadership. ● Experience: Vice-Chairman Turvo International Co., Ltd., Investment, Director of Matec Southeast Asia (Thailand) Co., Ltd., Independent Director/Member of Remuneration Committee/member of the Audit Committee of Zeng Hsing Industrial Co., Ltd. ● Not been a person of any conditions defined in Article 30 of the Company Act. 	<p>directors' seats or voting shares of the company and other companies are controlled by the same person, the director, supervisor or employee of the other company.</p> <p>7. A chairman, general manager or equivalent position of the company and other companies or institutions are the same person or spouse, and the directors, supervisors or employees of other companies or institutions.</p> <p>8. A director, supervisor, manager or shareholder holding of a certain company or institution who has financial or business dealings with the Company or who holds 5% or more of the total number of outstanding shares of the Company.</p> <p>9. Not a professional individual who, or an</p>	0
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Independent Director	MING-LIANG TARNG	<ul style="list-style-type: none"> ● Possess at least 5 years of working experience in accounting and passed the national examinations required for accountants, business judgment, industry knowledge, leadership and decision-making ability. ● Experience: Accountant and partner of Sunshine Accounting Firm, Member of Remuneration Committee/Independent director/Member of Audit Committee of Zeng HSING Industrial Co., Ltd. /Independent director/Member of Audit Committee/Member of Remuneration Committee of Lagis Enterprise Co., Ltd. ● Not been a person of any conditions defined in Article 30 of the Company Act. 	owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Company Act or to the Business Mergers and Acquisitions Act or relevant laws or regulations.	1
Member	YOUNG-YAW PAI (He was newly-appointed at 2 September 2022)	<ul style="list-style-type: none"> ● Possess at least 5 years of work experience in business operations, with expertise in management and crisis handling, industry knowledge, international perspective, global market analysis, and strong decision-making and leadership skills. ● Experience: Chairman of Precision Motion Industries, Inc. ● Not been a person of any conditions defined in Article 30 of the Company Act. 	<p>10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company</p> <p>11. Not been a person of any conditions defined in Article 30 of the Company Act</p> <p>12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	0

Note 1. Please specify the relevant years of service, professional qualifications and experience, and independence of each member of the Remuneration Committee in the form. If they are independent directors, please refer to the directors and supervisor's information (1) on page 00. Please fill in the series as independent directors or others, respectively (if such person is the convener, please add a note).

Note 2. Professional qualifications and experience: Specify each member's professional qualifications and experience of the Remuneration Committee.

Note 3. Members of the Remuneration Committee should state their independence, including but not limited to whether they, their spouse or relatives within the second degree of kinship serve as directors, supervisors or employees of the company or its affiliated companies; The number and proportion of the company's shares held by relatives (or in the name of others); Whether to serve as a director, supervisor or employee of a company that has a specific relationship with the company (refer to Subparagraphs 5 to 8, Paragraph 1, Article 6, of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter"); The amount of remuneration received for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.

Note 4. Please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange for disclosure methods.

B. Information on the operation of the Remuneration Committee.

(A) Review remuneration regularly.

The function of the Remuneration Committee of the Company is to be professional and objective, to evaluate the remuneration policies and systems of directors and managers of the Company at least three times a year, and to request the meeting to submit proposals to the board of directors for their decision-making if in need.

- a. The function of the Remuneration Committee of the Company
 - (a) Review remuneration regularly and propose amendments.
 - (b) Determine and regularly check the policies, systems and standards and structure of directors, supervisors and managers for their performance and remuneration.
 - (c) Evaluate remuneration of directors and managers of the Company regularly.
- b. The Remuneration Committee Meetings shall perform functions as follows:
 - (a) Payroll management is in line with the Company's remuneration philosophy.
 - (b) Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry, the time spent by the individual, also to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure.
 - (c) There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the Company's risk appetite.
 - (d) For directors and senior managerial officers, the percentage of bonus to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company's business.
 - (e) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

(B) The Remuneration Committee of the Company is comprised of three members.

(C) Committee members' tenure of the fifth term: From 20 July 2021 to 19 July 2024, and the Remuneration Committee held 3 meetings(A) in 2022, and members' qualifications and their attendance are listed below.

Title	Name	Attendance in Person (B)	Attendance by Proxy	Attendance rate (%) B/A	Remarks
Independent Director (Convener)	JUN-MING HSU	3	0	100%	Re-elected, Date: 20 July 2021
Independent Director	MING-LIANG TARNG	3	0	100%	Re-elected, Date: 20 July 2021
Independent Director	CHIH-SHENG WU	1	0	100%	Re-elected, Date: 20 July 2021 Dismissed, Date: 11 July 2022
Member	YOUNG-YAW PAI	1	0	100%	Newly-appointed, Date: 2 September 2022

Notes regarding the Salary and Remuneration Committee:

1. If the Board of Directors does not agree with the recommendations of the Salary and Remuneration Committee, it should state the date of the board meeting, content of discussions and what the final resolution was: None.
2. Should there be objections regarding the decisions made by the Salary and remuneration committee, there should be a record or written statement of the event and there should be a record of the date, content of motion and all opinions of the members: None.

Note:

- (1) In the event any member of the committee resigns before serving a full year, the resignation date should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the actual number of meetings held by the committee and the actual number of attendances by such member.
- (2) If there is a re-election of the members before the end of the year, the outgoing and elected members should be added to the list and indicating whether a member is incumbent, newly-elected or reelected and the reelection date. Their attendance rate (%) should be based on the actual number of meetings held by the committee and the actual number of attendances by such member.

C. Major Resolutions of Remuneration Committee Meetings

Remuneration Committee	Motion and follow-up	Motion and follow-up	Motion and follow-up
2 nd of 5 th term 10 March 2022	1. The 2021 director and employee remuneration distribution.	Resolution: After consultation with the chairman, all the members present agreed to pass the case. After the case was passed according to law, the case was submitted to the board of directors for approval and reported at the shareholders' meeting.	All the attending directors unanimously consented to passing the case.
3 rd of 5 th term 2 September 2022	Employee stock subscription through cash capital increase was reserved by the Company in 2022. The stock subscription status for managers (supervisors at the rank of senior manager or above) is as follows.	Resolution: After consultation with the chairman, all the members present agreed to pass the case. After the case was passed according to law, the case was submitted to the board of directors for approval and reported at the shareholders' meeting.	All the attending directors unanimously consented to passing the case.
4 th of 5 th term 22 December 2022	1. The budget for 2022 year-end bonus of the Company. 2. The Company regularly reviews the salary standards and structures for managers.	Resolution: After consultation with the chairman, all the members present agreed to pass the case. After the case was passed according to law, the case was submitted to the board of directors for approval and reported at the shareholders' meeting.	All the attending directors unanimously consented to passing the case.
5 th of 5 th term 10 March 2023	1. The 2021 director and employee remuneration distribution.	Resolution: After consultation with the chairman, all the members present agreed to pass the case. After the case was passed according to law, the case was submitted to the board of directors for approval and reported at the shareholders' meeting.	All the attending directors unanimously consented to passing the case.
	Amendment of the Company's "Regulation Governing Remuneration for Directors and Managers".	Resolution: As the independent directors MING-LIANG TARNG and JUN-MING HSU have recused themselves from the discussion and voting due to their own conflicts of interest. After consultation with the chairman, all the members present agreed to pass the case. After the case was passed according to law, the case was submitted to the board of directors for approval and reported at the shareholders' meeting.	
6 th of 5 th term 9 May 2023	1. Amendment of the Company's "Regulation Governing Remuneration for	Resolution: After consultation with the Chairman, all the members present agreed to pass the case.	All the attending directors

Remuneration Committee	Motion and follow-up	Motion and follow-up	Motion and follow-up
	Directors and Managers".	After the case was passed according to law, the case was submitted to the board of directors for approval and reported at the shareholders' meeting.	unanimously consented to passing the case.

(5) The state of the Company's promotion of sustainable development and any discrepancy from “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reason for any such discrepancy

Promotion Items	Implementation Status			Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary (Note2)	
1. Does the company set up a full-time (part-time) unit that promote sustainable development, and the board of directors authorizes the senior management to handle it, and reports the handling situation to the board of directors?	V		The Company has set up a ESG Committee, which is supervised by the chairman, the general manager serves as the head of the committee, and the senior managers of each department serve as members. The ESG Committee follows the committee's charter and ESG management measures to identify stakeholders and investigate issues of concern to stakeholders. Furthermore, the ESG Committee holds consensus meetings and target review meetings every year to ensure the implementation of management policies for various significant issues and discusses the implementation of ESG - related policies and the formulation of future directions with each department. The ESG Committee reports to the board of directors on the progress of ESG policy implementation every quarter, including the identification of significant ESG issues, development of ESG policies, establishment of ESG goals, and execution effectiveness. The board reviews the reasonableness and implementation of the relevant strategies,	No discrepancy.

Promotion Items	Implementation Status		Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons	
	Yes	No		
			confirms whether they conform to the future development trend of the Company, and adjusts or modifies them if necessary. (Please refer to VII. Other important information that helps understand the implementation of ESG development.)	
2. Does the company conduct risk assessment of environmental, social and corporate governance issues concerning the company's operations by the materiality principle and formulate relevant risk management policies or strategies? (Note 2)	V		Zeng Hsing introduced a materiality analysis in the preparation of the ESG Report, hoping to identify the sustainable issues of interest / interests of stakeholders through a systematic analysis model, as a reference basis for the disclosure of information in the report, to facilitate effective communication with different stakeholders. The major analysis model of Zeng Hsing is divided into five major steps: 1. Identify stakeholders, 2. Collect issues of concern, 3. Engage experts and scholars with ESG expertise to assess Zeng Hsing's positive/negative, actual/potential impact and level of influence on the external ESG environment, and establish the prioritization of significant themes, 4. Determine the boundaries of significant themes, 5. Determine and execute response mechanisms. For more details, please refer to the Stakeholder Communication page on the ESG website.	No discrepancy.
3. Environmental issues (1) Does the company establish an appropriate environmental management system according to its industrial characteristics?	V		(1) The Company's Taiwan headquarters has obtained the ISO 14001: 2015 environmental management system certificate.	No discrepancy.

Promotion Items	Implementation Status			Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary (Note2)	
(2) Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load?		V	(2) The Company complies with the requirements of EU environmental protection regulations, actively promotes the comprehensive control of the use of hazardous substances, ensures that the raw materials provided by the suppliers can meet the relevant regulations, and implements the product greening design to provide consumers with safe products and avoid causing environmental damage.	No discrepancy.
(3) Does the company assess the potential risks and opportunities of climate change to the company now and in the future, and take measures to deal with climate-related issues?	V		(3) In 2021, we referenced the Task Force on Climate-related Financial Disclosures (TCFD) framework to identify climate change risks and opportunities, assess the frequency and impact of potential risks/opportunities, and produce a matrix of risk/opportunity significance. We have implemented corresponding measures to address these risks and opportunities. This information is disclosed in the Company's 2021 CSR Report.	No discrepancy.
(4) Does the company count greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?	V		(4) Greenhouse gas: Since 2016, the Company has introduced the greenhouse gas inventory system ISO 14064-1, and established organizational-level greenhouse gas inventory and verification specifications. The Company has conducted annual greenhouse gas inventories and internal audits and disclose emission levels in its CSR Report. The Company's Taiwan headquarters is expected to obtain a third-party verification statement for ISO 14064-1 in 2023. Please refer to the Sustainability Environment page on our ESG website for information on its energy reduction achievements. Water resources: The total amount of water used and related management policies are disclosed in the report every year.	No discrepancy.

Promotion Items	Implementation Status		Summary (Note2)	Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
			Waste: The total amount of waste, resource recovery rate and related management policies are disclosed every year.	
4. Social issues (1) Has the company formulated relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	V		<p>(1) The Company acknowledges the international human rights standards such as the United Nations Universal Declaration of Human Rights, United Nations Guiding Principles on Business and Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the International Labour Organization. Through the "Zeng Hsing Human Rights Policy", the Company respects the protection established by the Universal Declaration of Human Rights and discloses it on the Company's website.</p> <p>The Company respects employees' diversity, and recruits employees based on the principle of equal work pay for equal work without regard to their gender, age, or religion. The Company commits to creating a harmonious and supportive environment in accordance with Labor Standards Act, Act of Gender Equality in Employment, and People with Disabilities Rights Protection Acts.</p> <p>The Company regularly holds labor meetings every quarter to promote a harmonious and prosperous labor-management environment. Also, the Company regularly raises awareness of workers' rights and address issues such as workplace bullying and gender discrimination to foster a friendly workplace environment.</p> <p>The Summary of the Company's human rights management policy and specific plans are as follows: 1. Taiwan Headquarters: According to the Taiwan Headquarters Education and Training Management Regulations, all new employees shall receive new employee training within 10 days after reporting to work. The content includes company introduction, operation overview, process system and friendly workplace (including discrimination) and other related instructions. In 2022, there were a total of 23 new employees, and the percentage of new employees receiving</p>	No discrepancy.

Promotion Items	Implementation Status		Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
(2) Does the company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in employee compensation?	V		<p>human rights policy or procedure training was 100%, with a total of 11.5 training hours. In addition, education and training will be implemented for the existing staff of the Taiwan headquarters. In the first and second half of 2021, a total of four courses will be implemented, such as gender equality measures, changes in labor laws, creating a discrimination-free workplace for pregnancy, gender equality in allowing both genders to take childcare leave, and eliminating employment discrimination.. There are 328 attendees and 275 hours of human rights courses.</p> <p>2.Zeng Hsing Vietnam (VN): The human resources unit regularly conducts 1 hour of SA8000 education and training for new employees every year to ensure that employees understand SA8000 policies. New employees are required to receive training on human rights policies or procedures, with a total of 1,716 training hours. (In 2022, the number of training hours was reduced due to the change from physical courses to oral lectures in order to avoid social gathering that may cause positive Covid-19 cases.)</p> <p>3. Shinco Technologies Co., Ltd.and China Zhangjiagang did not hold human rights related courses. In the future, the Company will continue to focus on human rights issues and promote related education and training to increase awareness of human rights protection and reduce the likelihood of related risks.</p> <p>(2) The Company conducts an annual salary survey and formulates a reasonable compensation policy based on the survey results, which is also integrated with the employee performance evaluation system. In addition, the Company has established relevant reward and disciplinary systems, such as work rules, proposal implementation and incentive measures, and model employee selection methods, all of which can be accessed through the company's internal system.</p> <p>In 2022, facing the severe challenges posed by the global economy and the</p>

Promotion Items	Implementation Status		Summary (Note2)	Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No		
(3) Does the company provide employees with a safe and healthy working environment, with regular safety and health training?	V		<p>COVID-19 pandemic, all employees of the company worked hard to achieve the operational goals. The Company has reflected its business performance or results in employee compensation, in accordance with Article 35 of the Company's Article of Incorporation, which stipulates that 2-6% of the profits shall be allocated as employee compensation, and no more than 4% will be allocated as director compensation.</p> <p>(3) The Company has established a Safety and Health Management Committee, which holds regular meetings to review and implement employee training and education programs and continuously improve the working environment and safety measures. The Company aims to create a high-quality workplace.</p>	No discrepancy.
(4) Has the company established effective career development training plans?	V		<p>(4) The headquarters establishes Training Management Regulations according to the quality manual and proposes the following year's training plans at the end of year to be reviewed by the training team. To cultivate competitiveness among employees, the Company designs internal training courses and collaborates with external training centers according to the training plan.</p> <p>1. Staff education and training The Taiwan headquarters of our company has a systematic training blueprint, hybrid learning course design, and a diverse talent development system. We provide rich internal and external training resources, encourage continuous learning of professional knowledge and interdisciplinary studies, and effectively enhance employees' ability to apply knowledge and skills to practical work. The average training hours for all employees in 2022 was 19.52 hours, with male employees averaging 19.37 hours and female employees averaging 19.67 hours. This indicates that the Company fully cares for all employees. Despite the ongoing impact of the pandemic in 2022, we continued to invest resources in talent cultivation and issued a training quality management manual. Following the spirit of</p>	No discrepancy.

Promotion Items	Implementation Status		Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	
			<p>continuous improvement in TTQS, we conducted internal talent development and participated in the assessment of the TTQS Talent Development Quality Management System organized by the Ministry of Labor. The Company was awarded a Silver Medal, ranking in the top 8% of all participating companies in terms of talent development quality.</p> <p>2.Thinking Transformation Program To enhance the management capabilities of supervisors and promote innovative thinking, in the 2022, three physical courses and one online course were conducted for department and division level supervisors. The course topics included data decision-making, systematic thinking and management, performance management and performance interviews, as well as the ATLearning course for executives. A total of 136 people were trained, and blended learning was utilized to enhance learning effectiveness.</p> <p>3.Integration of Training and Certification Based on the group's vision to "deepen core business, innovate operational models, and become a world-class corporate group leading the industry through new business and market development," we continue to promote the culture of sewing. Through the "sewing skills certification mechanism, we cultivate the ability of employees to possess 'product-related professional knowledge,' and extend learning outcomes to practical applications. Assembly skills are extended to "multi-skilled worker competitions," and practical skills are extended to social public welfare volunteer activities. A total of 23 people participated in Sewing Skill Test A, and 111 people participated in Sewing Skill Test B, with a pass rate of 98.5%. Through the promotion of sewing culture, employees can better understand product functions and incorporate them into their daily lives, and positively shape the corporate culture to build employee cohesion..</p>

Promotion Items	Implementation Status			Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary (Note2)	
(5) Does the company comply with relevant regulations and international standards and formulate policies to protect customer rights and complaint procedures concerning the health and safety of the customers of the products and services, client privacy, marketing and labels?	V		(5) The Company complies with the requirements of international regulations, standards and environmental protection standards, and its products comply with relevant regulations such as RoHS and CE. It is also certified by EMC, GS, UL and other products. In addition, the legal requirements of customers in different countries are different. Therefore, according to the needs of customers, Zeng Hsing provides the highest degree of cooperation and exposes relevant service information and labels in products / user manuals / outside boxes. In order to assist domestic and foreign agents to have a full understanding and application of the company's product functions, and then to troubleshoot and improve maintenance technology, irregularly provide technical service training and product training courses to domestic and foreign customers, and according to actual needs in the domestic, Hold product briefings and technical seminars outside. For consumer complaints, the company's quality system management section will handle related customer complaint cases according to customer complaints.	No discrepancy.
(6) Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?	V		(6) According to the procurement and supplier management measures, the supplier assessment mechanism includes environmental protection, labor practices and human rights assessment items, with a score of 10% of the total score. Investigation items such as restricted substance management and control, labor practice + human rights + environmental protection compliance, etc. The supplier needs to attach relevant supporting documents or check the actual records before scoring.	No discrepancy.
5. Does the company refer to the internationally prepared reporting standards or guidelines for preparing corporate social responsibility reports and other reports that disclose the	V		The Company's CSR report is selected with reference to the contents of the Global Reporting Initiative (GRI) Standards, and the sustainability themes, related strategies, goals and measures to be disclosed in this report are analyzed	No discrepancy.

Promotion Items	Implementation Status			Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary (Note2)	
company's non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?			and listed according to Guidelines and framework writing. The content of the report is prepared based on the GRI Standards Core Option (Core), and TUV	
<p>6. If the company has established its Sustainable Development Best Practice Principles according to “the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” please describe the operational status and differences: Although the Company has not set up Corporate Social Responsibility Best Practice Principles, the Company implements CSR step by step taking into consideration its current status and regulations. The Company will enhance its CSR operation through amending relevant articles, strengthening and promoting corporate ethics-related training.</p>				
<p>7. Other important information to facilitate better understanding of the company’s implementation of promoting sustainable development: Zeng Hsing ESG policy: Promote a circular economy, continue to save energy and reduce carbon, and develop a sustainable environment. Care for employees' well-being, workplace safety and health, and maintain growth momentum. Implement corporate governance, strengthen information disclosure, and ensure sustainable operation. Maintain superior quality, provide reliable products, and improve customer satisfaction. Strengthen the supply system, maintain partnerships, and create mutual prosperity through coexistence. Promote sewing culture, maintaining public interest, and give back to local community.</p> <p>Zeng Hsing formally established the "ESG Office" (ESGO) in April 2018 and simultaneously formulated the ESG policy, and set up the ESG Committee in order to continue to strengthen the policy. The steering committee of the ESG Committee is the chairman and the chairman of the committee is the general manager. Each functional organization appoints department heads to serve as members and is responsible for the promotion of the relevant ESG policies of the unit. It also appoints a director-general and a secretary who are responsible for compiling and providing relevant information of the unit and completing the ESG goals according to the action plan.</p> <p>ESGO collects and analyzes international sustainable development trends and global risk issues every year. After investigating the needs of stakeholders each year, ESGO will propose the Company's risks and opportunities on related issues, and plan the corresponding strategies and implementation plans with the committee to avoid related operational shocks; related goals and performance are fully disclosed in the report every year. At the end of each year, ESGO holds an annual ESG target consensus meeting to discuss the latest progress and future direction of ESG-related businesses, and conduct cross-departmental communication and coordination and resource integration on the type and nature of issues to supervise project implementation progress and promote performance.</p> <p>In the second quarter of each year, a goal review meeting is held, and all committee members participate in the review of the status of the CSR goals of each unit and publish it to the whole factory in the company's internal ESG area. In August 2022, ESGO took the six major aspects of ESG policy as the main development axis and confirmed the future direction of ESG development with the highest committee and the steering committee. The followers conducted group discussions with the top executives, director generals, and secretaries of 15 functional units, and spent a total of 12 hours discussing the ESG goals of each unit. In October, all members of the ESG Committee convened to conduct a 2-hour annual ESG consensus meeting to set the 2023 ESG target. In 2023, 15 units have set a total of 78 ESG-related management goals, of which the environmental and employee aspects were the main driving directions.</p>				

Promotion Items	Implementation Status			Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary (Note2)	

In addition, in the social feedback part, Zeng Hsing feels that the resources in the remote township are relatively scarce. Therefore, in the area of public welfare activities, the vulnerable groups in the township are the main targets of care, such as after-school tutoring and nutritious lunches for children, and support for local long-term caring centers, to improve their quality of life and receive better care. For the first time in 2021, Zeng Hsing corporated with the Digital Humanitarian Association to promote community distance health education and sewing classes through the Wacare APP developed by the Association. This APP is mainly developed for elders and caregivers in communities. It can provide health education classes, yoga classes, and one-on-one consultations with doctors in remote areas through video/live streaming to reduce medical costs and transportation costs caused by the urban-rural divide.

In addition, Zeng Hsing established a volunteer team in 2020 and recruited Zeng Hsing employees, retired employees, relatives, friends and family members to join the charity service. The service types are divided into public welfare sewing teaching, public welfare small objects production and environmental protection activities. In 2022, a total of 17 volunteer activities were organized, including cleaning up the mountains at the Saint Eva Hill, teaching the elderly to sew in the Taiping community, and providing distance sewing lessons to the Zhuzaihan community. The cumulative service hours amounted to 1,051 hours. In addition, one volunteer training was provided, with a total of 630 training hours in 2022.

The following table indicated the results of the donation of cash or sewing machine in 2022:

Item	Organization	Amount
Sewing machines	1. Yilan Aohua Tribal Culture Health Stations	315 units
	2. Fu'an community, Xizhi	
	3. Taitung Maria Theresia Social Welfare Foundation	
	4. Parents association of Fulong Elementary School	
	5. Student parents association of Yang Ming Junior High School	
	6. Mingli Elementary School	
	7. Chang-Hua Chao-Yang Elementary School	
	8. Nantou County Shin-Shing Elementart School	
	9. Jian Elementary School	
	10. Jui-Fang Elementary School	
	11. LiouGuei Primary School	
	12. Kenting Elementary School	
	13. Hualien County Dongli Elementary School	
	14. New Taipei Municipal Shuang-Xi High School	
	15. ShuangXi Elementary School	
	16. Parent Committee of Sanlun Elementary School	
	17. Parent association of Chung-Te Elementary School	
	18. The Clothes Association with Technical Degree A R,O,C,	
	19. Hutech University, Vietnam	
	20. Van Lang University, Vietnam	

Promotion Items	Implementation Status			Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary (Note2)	
Cash			1. Wacare distance education project 2. Kuang Fu Elementary School, Zhongliao s 3. Chung Yie Elementary School, Taiping Dist., Taichung City 4. Chung Yie Elementary School, Taiping Dist., Taichung City 5. The Garden of Hope Foundation, Taitung Branch Office 6. CIH SIN Children's Home 7. St. Francis Xavier Children and Juvenile Center 8. Holy Love Villa 9. Maria Theresia Social Welfare Foundation 10. Da Chen Senior High School	1.1 million

The following table indicated the results of the volunteer team's service in 2022:

Items	Name of the event	Service Target	Service attendance	Hours	Number of volunteers
Public welfare	1. Public Welfare- Chopstick sleeve, book cover, drawstring 2. Public Welfare- Cloth menstrual pads.	None		278	49
Environmental Activities	1. Cleaning the Holy Love Villa 2. Cleaning the Holy Love Villa(held by TOPKEY) 3. Coastal Cleanup at No. 9 Wind Turbine(held by TOPKEY)	None		568	122
Sewing Teaching	1. Taiping Seniors Activity Center Sewing Experience (*2 times) 2. Miaoli Girls' Home Summer Sewing Experience (*2 times) 3. CIH SIN Children's Home Summer Sewing Experience (*1 times) 4. Remote Sewing Class at Chuzai Mountain Community (*2 times) 5. Remote Sewing Class at Yilan AohuaTribal Culture Health Stations (*2 times) 6. Remote Sewing Class at Fu'an community, Xizhi (*2 times)	Seniors, teenagers, women	275	169	54
Other	The Clothes Association With Technical Degree A R.O.C. Volunteer Training Camp	Volunteer teacher for rural education	76	36	9
	Total		351	1,051	234

The Company conducts risk assessment on important issues with the materiality principle of ESG to formulate a risk management policy as follows. For detailed management policies, please refer to the rated chapters of the report:

Promotion Items	Implementation Status			Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary (Note2)	
Major considerations	Management policy			
Corporate Governance			Zeng Hsing group set the "Work Rules Management Measures", "Code of Ethical Conduct", "Code of Integrity Management" and "Integrity Management Operating Procedures and Behavior Guide" to guide company directors, managers and employees to comply with ethical standards. Zeng Hsing strictly prohibits any acts of corruption, bribery and extortion, and employees who commit the above acts which are found to be true will be dismissed. (For details, please refer to the ESG Report-Implementing Integrity Management)	
Legal compliance			Zeng Hsing complies with various local laws and regulations, such as Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, and related regulations governing listed or OTC-listed companies, or other rules concerning business practices as the basic prerequisite for the implementation of integrity management. Zeng Hsing has passed ISO 9001, ISO 14001, ISO45001 and other certifications to ensure compliance with government regulations and customer requirements. Each system management units of the Taiwan headquarters, China Zhangjiagang, Zeng Hsing (VN) and Shinco (VN) formulates an annual audit plan every year. According to the plan, each unit will check whether the operation process complies with the requirements. Regular internal and external inspections of environmental protection, occupational safety and health regulations are carried out to ensure all operations of the company comply with legal requirements (For details, please refer to the ESG Report- Legal compliance)	
Environmental protection			Taiwan headquarters, Zeng Hsing (VN) and China Zhangjiagang formulate quality and environmental manuals in accordance with ISO14000 series (CNS 14001, CNS14004 series) standards. The purpose is to establish and formulate environmental policies and target procedures and evaluate their effectiveness to meet the ideals and characteristics of Zeng Hsing Group. The company's environmental policy is the center and takes into account environmental protection and economic needs, practice environmental protection and pollution prevention, and will assume the responsibility of the company for environmental protection. All subsidiaries of Zeng Hsing have established a greenhouse gas inventory promotion team in accordance with ISO14064-1 to conduct related operations, hire external consultants to conduct education and training, and train qualified inventory and verification personnel, and conduct related operations in accordance with the greenhouse gas management regulations. Zeng Hsing (VN) is responsible for not only installing EMS (Energy Management System) monitoring software and hardware equipment, but also obtaining ISO50001 certification. (For details, please refer to the ESG Report- Sustainable environment)	
Training and education			Talent is the cornerstone of a company's growth and talent cannot be fostered quickly. The construction of the talent development system allows employees to have a clear development path, builds a sufficient talent pool for the company, and supports the company's strategic development. In 2015, the Taiwan headquarters began to build a Human Resources Development (HRD) system to effectively assist companies in selecting, using, training and retaining talents. The EHRD system is divided into 5 major modules, which are capabilities, functions, performance, training and dynamic talent modules. Through the gap in ability and function evaluation, the training master system can be connected for education and training to strengthen personal knowledge and abilities. All subsidiaries of Zeng Hsing offer employees diverse learning resources to ensure that each employee can enhance personal knowledge and have more potential opportunities. (For details, please refer to the ESG Report- Staff education and training)	

Promotion Items	Implementation Status			Discrepancy from the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary (Note2)	
Occupational safety and health			Zeng Hsing group aims to provide a good and safe working environment to enable employees to work with peace of mind, reduce safety and health risks, and create a safety culture and a happy working environment. In order to effectively ensure the safety of employees, both the Taiwan headquarters and Zeng Hsing (VN) have introduced the occupational safety and health management system (ISO45001), and reviewed the safety management performance of each unit through the safety and health committee and the safety and health management review meeting under it. In addition to the requirements of occupational safety laws and regulations, the Company will improve the safety of colleagues' workplaces and equipment when using equipment, and to maintain and optimize the working environment of occupational safety and hygiene. (For details, please refer to the ESG Report- Safety culture responsibility)	

Note 1: "Yes" is selected for implementation, please describe the key policies, strategies, and measures that were adopted, as well as their current status. If "No" is selected, please explain the "Discrepancy from the Code of Practice for Sustainable Development of Listed Companies and Reasons for Discrepancy" column, as well as the future plans for the implementation of relevant policies, strategies, and measures. For promoting projects 1 and 2, listed companies shall disclose their governance and supervisory framework for sustainable development, including but not limited to management policies, strategy and goal-setting, and review measures. They shall also describe their policies or strategies for managing risks related to environmental, social, and corporate governance issues related to their operations, as well as their evaluation status.

Note 2: The materiality principle refers to environmental, social, and corporate governance issues that affect the Company's investors and other stakeholders.

(6) Ethical Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
I. Establishment of ethical corporate management policies and programs				
(I) Does the company formulate the integrity management policy approved by the board of directors, and state in the regulations and external documents the policies and practices of integrity management, and the board and management's commitment to actively implement the operation policy?	V		(I) Integrity has been the Company's business philosophy and essential core functions for all employees. The Company has formulated “Code of Ethics”, “Code of Integrity Management”, “Procedures and Conduct Guidelines for Integrity Management” and “Employee Handbook”, which specifically regulates behavior indicators that should be paid attention to by directors, supervisors, managers, and employees of the Company and group companies and organizations when they are performing their businesses.	No discrepancy.
(II) Does the company has established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least covers the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" Article 7, paragraph 2 of the prevention measures?	V		(II) The Company has formulated the “Procedures and Conduct Guidelines of Integrity Management” for business activities or other business areas that have high risk for unethical conducts in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, to take individual precautionary measures for individual operations.	No discrepancy.
(III) Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and	V		(III) The Company's “Procedures and Conduct Guidelines for Integrity Management” clearly sets out plans to prevent unethical conduct, including identification standards and procedures, and handling of violations of the “Code of Integrity Management”. Integrity management sets clear and effective reward and punishment and the appeal system is incorporated into employee performance	No discrepancy.

revise the pre-disclosure plan?			reviews and human resources policies.	
II. Fulfill operations integrity policy				
(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(I) Before establishing a business relationship with others, the Company should first evaluate the legality of agents, suppliers, customers or other business associates, the integrity of their business policies, and whether they have records of dishonesty to ensure that their business practices are fair, transparent and will not ask for or accepting bribes. When signing a contract with others, the Company should fully understand the integrity of the other party and include compliance with business integrity in the contract. It should be clearly stated in the contract that if any party engages in unethical conduct in the course of business operation, the other party may terminate or cancel the contract at any time without any condition.	No discrepancy.
(II) Does the company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to prevent dishonest behaviors and supervision and implementation?	V		(II) The company operates in accordance with the management of integrity. The Strategic Development Division will serve as a part-time unit to promote integrity management and is responsible for the formulation and supervision of the implementation of the integrity management policy and prevention plan, and irregularly checks and evaluates whether the prevention measures established by the integrity management are operating effectively, and evaluates the compliance status of the relevant business processes, prepares reports, and reports to the board of directors. The dedicated unit reported its implementation to the board of directors on 22 December 2022.	No discrepancy.
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(III) The Company has a "Code of Ethics" in place, setting forth the conflict prevention policy and reporting channels.	No discrepancy.
(IV) Has the company established an effective accounting system and internal control system for the implementation of integrity management, and the internal audit unit has	V		(IV) The Company shall establish an effective accounting system and internal control system for business activities with a higher risk of unethical conduct and review it at any time to ensure that the design and implementation of the system are continuously effective. The Internal Audit Office regularly checks the	No discrepancy.

<p>formulated relevant audit plans based on the results of the assessment of the risk of dishonesty, and checked the compliance with the plan to prevent dishonesty, or entrust CPAs to perform the audit?</p>		<p>compliance with the system and prepares an audit report to be submitted to the board of directors. The Internal Audit Office can also appoint a CPA accountant or professional to provide assistance if necessary.</p>	
<p>(V) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	<p>V</p>	<p>(V) The Company implements the integrity management policy, and the relevant implementation status in 2022 is as follows:</p> <ol style="list-style-type: none"> 1. The Company conducts training in accordance with the integrity and pragmatism of "core functions"; and lists "integrity" as an evaluation item of the annual evaluation of employee functions during the Company's newcomer education and training, 2. The Company had no incidents of internal reporting of corruption in 2022. 3. Annual education and training, as well as the promotion of integrity policies, are used to raise colleagues' awareness of professional ethics and law and regulation compliance. Status of implementation: In November 2022, the online promotional video "The Flavor of Scallion Bread" produced by the Company' Taiwan headquarters was viewed by 262 people. 4. Anti-Corruption - Supplier Code of Conduct Promotion: Evaluated qualified suppliers must sign the " Code of Conduct for Integrity, Ethics, and Confidentiality Agreement " to ensure honest and upright operations and adopt the same code of conduct as Zeng Hsing employees through the contract. Every year, the ethical conduct of the industry is promoted through a supplier conference. Execution Status: In 2022, the strategy development department produced promotional materials for supplier ethical conduct in December, and the management department sent them via email to all 98 suppliers in Taiwan. 5. On 22 December 2022, the board of directors reported on the operation and implementation of the ethical corporate 	<p>No discrepancy.</p>

		<p>policy for 2022.</p> <p>6.Reporting system and whistleblower protection</p> <p>The Company has established specific reporting procedures for detecting and preventing unethical behavior in the “Corporate Governance Best Practice Principles” ,” Ethical Corporate Management Best Practice Principles “, and " Procedures for Ethical Management and Guidelines for Conduct ." Both internal and external parties are encouraged to report any unethical or inappropriate behavior, and the ESG Office and Audit Office are designated as the responsible departments for receiving reports. The Company's website provides an effective communication channel for employees, shareholders, stakeholders, and external parties to report such incidents. The Company also discloses the direct email address for receiving reports. If a report involves a director or senior executive, it will be submitted to the ESG Office and Audit Office. The Company has also established a whistleblower protection system to ensure that the identity and content of the whistleblower are kept confidential, and the whistleblower will not suffer from any retaliation. In 2022, there were no external or internal reports of corruption. From 2022 to 2023, the ESG Office's complaint corner received four complaints related to employee rights. However, effective communication and negotiation successfully resolved these issues, and no formal cases were filed. This demonstrates the Company's commitment to and concern for employee rights, as well as its ability to solve problems effectively. The Company will continue to monitor employees' needs and problems to ensure that their rights are fully protected and respected in the workplace.</p>	
<p>III. Operation of the integrity channel</p> <p>(I)Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow up?</p>	V	<p>(I) Integrity system:</p> <p>The company has established internal and external reporting channels and processing systems to implement code of ethical conduct, code of integrity management and company governance rules and ensure the legitimate rights and interests of informants and related persons. The integrity system and other related</p>	No discrepancy.

<p>(II) Does the company set the standard operating procedures for the investigation of the complaint, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?</p>	<p>V</p>	<p>operating procedures have been approved by the board of directors and disclosed on the important rules section of the Company's website.</p> <ol style="list-style-type: none"> 1. Report scope <ol style="list-style-type: none"> (1) Behavior in violation of the relevant provisions of the Act or regulations applicable to the Company and the Company's policies, systems or ethical code of conduct. (2) Any behavior that damages the rights or interests of the company is likely to damage, such as fraud, embezzlement of company assets, and collection of improper benefits. (3) Any form of fraud by company management or employees. 2. Whistleblower channel: <p>Encourage internal and external personnel to report unethical conduct. The Company will give rewards according to the severity of the incident reported. All personnel can file the report through the supervisor's email (supervisor_huang@ zenghsing.com.tw), the telephone hotline (04-2212-2267 * 589), the dedicated e-mail (csr@zenghsing.com.tw) and a physical mailbox at the Company's security guards' room. Every case is differentiated by its severity levels and will be handled by human resources, department managers, and labor management teams.</p> 3. The whistleblower should provide at least the following information <ol style="list-style-type: none"> (1) The name of the whistleblower and the address, telephone number and email where the whistleblower can be contacted. (2) The name of the whistleblower or other information can identify the whistleblower. (3) Specific evidence available for investigation. <p>(II) Level of acceptance of reported cases The "Administrative Measures on Employee Opinion Appeals" classifies the reported incidents into three levels according to the severity of the case and formulates standard specifications based on the principles of handling, responsible personnel and timeliness of treatment. The reporter and the relevant personnel shall not disclose the contents of the case to the public and shall keep the incident absolutely confidential.</p> <ol style="list-style-type: none"> 1. The processing process and record keeping of the dedicated unit: <ol style="list-style-type: none"> (1) Reports involving general employees should 	<p>No discrepancy.</p>
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<p>(III) Does the company provide proper whistleblower protection?</p>	<p>V</p>	<p>be reported to the department supervisor and reports involving directors or senior executives should be reported to independent directors.</p> <p>(2)The Company's dedicated unit and the supervisor or person to be reported mentioned earlier should ascertain the relevant facts immediately and provide assistance from relevant departments when necessary.</p> <p>(3)If it is proved that the reported person has indeed violated relevant laws and regulations or the company's integrity management policies and regulations, he should immediately request the reported person to stop the relevant behavior, and to deal with it appropriately, and if necessary, request damages through legal procedures to protect the company's reputation and rights of the company.</p> <p>(4)Written documents shall be retained for the acceptance of reports, investigation process, and investigation results, and shall be kept for five years, and their preservation shall be done electronically. Before the expiration of the retention period, in the event of a lawsuit related to the reported content, the relevant information shall be retained until the end of the lawsuit.</p> <p>(5)When the report is verified to be true, relevant units of the company should review the relevant internal control system and operating procedures and propose improvement measures to prevent the same behavior from happening again.</p> <p>(6)The company's dedicated unit shall report the incident, its handling method, and subsequent review and improvement measures to the board of directors.</p> <p>(III) Whistleblower protection The relevant personnel of the company handling the report shall make a written statement that the identity of the reporter and the contents of the report shall be kept confidential and shall undertake to protect the reporter from improper handling due to the report. The "Administrative Measures for Employee Opinion Appeals" stipulates that when handling, investigating and reporting cases, the Company and the investigating officers shall be fair and just. The investigator may face punishment if they take unfavorable</p>	<p>Comply with the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.</p>
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		<p>actions such as dismissal, demotion, or salary reduction against the reporter of the incident.</p> <p>Cases reported in any of the following circumstances will not be accepted:</p> <p>(1) Those who did not provide contact information.</p> <p>(2) Those who did not provide specific reasons and evidence for the reported case.</p> <p>(3) The reporting matters are not within the scope of reporting applicable to this system.</p> <p>As of 31 March 2023, there are no reported cases.</p>	
<p>IV. Strengthening information disclosure</p> <p>(I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</p>	V	<p>(I) The Company's "Ethical Corporate Management Best Practice Principles", "Procedures and Conduct Guidelines of Integrity Management" and "Code of Ethics" are disclosed on the MOPS. The ESG section, corporate governance and the implementation of integrity management are disclosed on the Company's website.</p>	No discrepancy.
<p>V. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation:</p> <p>The Company has formulated "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", "Ethical Corporate Management Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Employee Handbook" and "Administrative Measures on Employee Opinion Appeals" based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies. Every director and employee shall follow the rules and the operating conditions are in compliance.</p>			
<p>VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies):</p> <p>Please refer to the Company's website (http://www.zenghsing.com.tw/csr/?lang=zh-hant) of ESG category and "ZHENG HSING ESG Report" for reviewing the results of ethical corporate management policy implementation.</p>			

Note 1: Regardless of whether "yes" or "no" is selected for operational status, it should be described in the summary explanation field.

(7) Corporate Governance Guidelines and Regulations

Please refer to the Company website. (www.zenghsing.com.tw)

(8) Other Important Information Regarding Corporate Governance

A. The 18th Directors Continuing Education in 2022 (Course hours)

Date of the course Name of the course	Training Unit	Chairman	Director	Director	Director	Independent	Independent	Independent	Director	Director	Director
		CHIH- CHENG LIN	RUEI-YHONG	SU-CHEN LIAO	JIN-TAN LEE	CHIHSHENG WU	MING-LIANG TARNG	JUN-MING HSU	MENG- CHUNGHO	PO-SUNG CHANG	CHUNG- TING TSAI
May 3 2022 Global Trends and Business Opportunities for Low-Carbon Economy and Corporate Low- Carbon Innovation in 2022	Securities& Future Institute	3	3	3		3	3	3	3	3	3
5 October 2022 Legal Compliance Seminar for Insider Equity Transactions	Securities& Future Institute				3						
6 October 2022 Sustainable development roadmap industry theme promotion meeting for listed companies in 2022	Securities& Future Institute						3				
25 October 2022 Corporate Governance and Sustainable Business Operations Workshop - Sustainable Business Operations and Domestic and International Tax Trends	Taiwan Academy of Banking and Finance				3						
14 November 2022 Mergers and Acquisitions and Integration Management	Securities& Future Institute	3	3	3	3			3	3	3	3
2 December 2022 Director, Supervisor, and Corporate Governance Executive Networking Seminar – Siji Lecture Hall	Securities& Future Institute				3						
Total hours of classes		6	6	6	12	3	6	6	6	6	6

Note: The independent director CHIH-SHENG WU was dismissed on 11 July 2022, with three hours of continuing education.

B.

Title	Name	Course Name	Length of the curriculum	Period
Senior manager of Finance and Accounting Department (Head of Accounting Department)	TZU-HO CHUANG	Regulations Governing the Principal Accounting Officers of Issuers Continuing Education Course	12	17 October 2022 to 18 October 2022
Section chief of Finance and Accounting Department (Accounting Supervisory Agent)	YI-WEI, HUANG	Analysis of Legal Liabilities Related to "Digital Evidence" and "Virtual Currency" Issues	6	6 June 2022
		New Trends in ESG and TCFD Reporting: Mastering Key Information	3	18 July 2022
		Tax Regulations and Practices for Controlled Foreign Corporations (CFCs)	3	1 September 2022
Assistant Manager of Audit Office	QI-FENG ZHANG	Analysis of Strengthening the Functions of Three Lines of Defense and the Operation Mechanism of the Board of Directors (including Whistleblower Mechanism)	6	8 March 2022
		Common Internal Control Deficiencies and Case Studies in Various Business Cycle Types	6	7 September 2022

C. Corporate Governance Executive Training in 2022:

Title	Name	Course Name	Length of the curriculum	Period
Senior manager of Finance and Accounting Department	TZU-HO CHUANG	Global Trends and Business Opportunities for Low-Carbon Economy and Corporate Low-Carbon Innovation in 2022	3	3 May 2022
		Examining Disputes over "Management Rights" from the Perspectives of Corporate Governance and Shareholder Structure	3	17 October 2022 18 October 2022
		Business Succession and Corporate Governance	3	17 October 2022 18 October 2022
		Mergers and Acquisitions and Integration Management	3	14 November 2022

(9) Internal Control System

A. Statement of Internal Control System

ZENG HSING INDUSTRIAL CO., LTD.

Statement of Internal Control System

10 March 2023

Based on the findings of a self-assessment, Zeng Hsing Industrial Co., Ltd. states the following with regard to its internal control system during the year 2022:

1. Zeng Hsing Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Zeng Hsing takes immediate remedial actions in response to any identified deficiencies.
3. Zeng Hsing evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. Zeng Hsing has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations
5. Based on the findings of such evaluation, Zeng Hsing believes that, on 31 December 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

6. This Statement is an integral part of Zeng Hsing annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the board of directors in their meeting held on 10 March 2023, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

ZENG HSING INDUSTRIAL CO., LTD.

Chairman: CHIH-CHENG LIN

General manager: DONG-LIANG LIU

B. Companies which CPAs professionally review the internal control system shall disclose the review report provided by the CPAs: None.

(10) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during 2022 or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None

(11) Material resolutions of a shareholders meeting or a board of directors meeting during 2022 or during the current fiscal year up to the date of publication of the annual report:

1. Material resolutions from the 2022 Shareholders' Meeting and Implementation Status

Date	Category	Material Resolutions				
15 June 2022	Shareholders' Meeting	<p>1. The 2021 Business Report and Financial Statements. Implementation result: Approved.</p> <p>2. The 2021 surplus distribution. Implementation result: The ex-dividend base date was set on 5 August 2022 and the distribution date was set on 2 September 2022. (Cash dividend of NT\$8.5 per share will be distributed.)</p> <p>3. Approved the amendments to the "Articles of Incorporation", "Procedures for Acquisition or Disposal of Assets" of the Company. Implementation result: They were processed in accordance with revised procedures and made public on the Company's website.</p> <p>4. Election of directors Election Results:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>List of elected directors</th> <th>Number of votes</th> </tr> </thead> <tbody> <tr> <td>JIN-TAN LEE</td> <td>26,378,360</td> </tr> </tbody> </table> <p>5. Release of non-compete restrictions on directors Implementation result: Approved.</p>	List of elected directors	Number of votes	JIN-TAN LEE	26,378,360
List of elected directors	Number of votes					
JIN-TAN LEE	26,378,360					

2. Material Resolutions from the Board of Directors:

Date	Category	Material Resolutions
10 March 2022	Board of directors	<p>1. Approved the issuance of the "Statement of Internal Control" by the Company.</p> <p>2. Approved the financial statements and consolidated financial statements for 2021.</p> <p>3. Approved the convening of the Company's 2022 Annual General Meeting of Shareholders.</p> <p>4. Approved the related matters concerning the shareholders' right of proposal in the 2022 general shareholders' meeting.</p> <p>5. Approved the Company's by-election of one director.</p> <p>6. Approved the nomination of director candidates for the 2022 Annual General Meeting of Shareholders.</p>

		<ol style="list-style-type: none"> 7. Approved the nomination and consideration of director candidates by the board of directors of the Company. 8. Approved the proposal for the Company to lift restrictions on non-competition for elected additional directors 9. Approved the Company's remuneration for directors and supervisors and employee remuneration for 2021. 10. Approved the distribution of the Company's 2021 earnings. 11. Approved the renewal of the Company's contract with Mega International Commercial Bank. 12. Approved the Company's audit fee and periodic evaluation of CPA independence and suitability. 13. Approved the change of the Company's spokesperson and acting spokesperson. 14. Approved a reduction in capital and a return of share monies by Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd., a wholly owned subsidiary of the Company. 15. Approved the custody of the Company's seal of endorsement and guarantee. 16. Approved the amendment of the Company's Articles of Incorporation. 17. Approved the amendment to the Company's Corporate Governance Principle. 18. Approved the amendment to the Company's "Procedures for the Acquisition and Disposal of Assets". 19. Approved the financing to the Company's 100% invested company, "Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd."
3 May 2022	Board of directors	<ol style="list-style-type: none"> 1. Approved the shareholders' proposal at the Company's 2022 Annual General Meeting of Shareholders. 2. Approved the nomination of director candidates at the Company's 2022 Annual General Meeting of Shareholders. 3. Approved the renewal of the Company's contract with Taipei Fubon Bank. 4. The Company intends to apply for a short-term credit line from Citi (Taiwan) Commercial Bank and a foreign exchange and derivatives financial commodity transaction credit line. 5. Approved the renewal of the Company's contract with Bank of Taiwan. 6. Approved the renewal of the Company's contract with Chinatrust Commercial Bank. 7. Approved the renewal of the Company's contract with Chang Hwa Bank. 8. Approved the renewal of the Company's contract with Daqing Bills Finance Corporation. 9. Approved the renewal of the Company's contract with E.SUN Commercial Bank 10. Approved the renewal of the Company's contract with Mega Bills Finance Co. Ltd 11. Approved the discussion on the maximum balance of the Company's financial instruments to financial institutions for the year 2022. 12. Approved the Company's endorsement of the guarantee for the investment business. 13. Approved the amendment of the Company's "Procedures for the Acquisition and Disposal of Assets".
6 June 2022	Board of directors	<ol style="list-style-type: none"> 1. A pproved the Company's public acquisition of common shares of TURVO INTERNATIONAL CO., LTD.
15 June 2022	Board of directors	<ol style="list-style-type: none"> 1. Approved the distribution of the Company's 2021 earnings. 2. Approved the Company's 2022 business plan and budget preparation. 3. Approved the adjustment and change of directors and the appointment of the general manager for the investment business to be converted in the Company.

5 August 2022	Board of directors	<ol style="list-style-type: none"> 1. Approved the consolidated financial statements for the second quarter of 2022. 2. Approved the employment of one member for the Remuneration Committee in the Company. 3. Approved the Company to apply for a short-term credit limit from Taishin International Bank. 4. Approved the Company to apply for a short-term credit limit and foreign exchange and derivative financial commodity transaction limit from HSBC Bank. 5. Approved the Company to apply for a short-term credit limit and foreign exchange and derivative financial commodity transaction limit from Bank SinoPac. 6. Approved the Company's purchase of common shares of Turvo International Co., Ltd. on the centralized market.
2 September 2022	Board of directors	<ol style="list-style-type: none"> 1. Approved the Company's domestic cash capital increase and issuance of common shares for 2022. 2. Approved the Company's 2022 cash capital increase, including the reservation of shares for employee stock options and the subscription status of managers (supervisors at the level of senior manager or above). 3. Approved the Company's appointment of a Remuneration Committee member.
14 November 2022	Board of directors	<ol style="list-style-type: none"> 1. Approved the consolidated financial statements for the third quarter of 2022. 2. Approved the Company's adjustment and change of directors and appointment of general managers for investment businesses. 3. Approved the amendment to the Company's "Regulations Governing the Management of Seals". 4. Approved the amendment to the Company's "Shareholders' meeting procedure rules". 5. Approved the Company's renewal of business contract with Fubon Bank. 6. Approved the Company's endorsement of the guarantee for the investment business. 7. Approved the Company's endorsement of the guarantee for the investment business. 8. Approved the Company's discussion on the upper limit of fund financing balance to be processed with financial institutions for 2023. 9. Approved the acquisition and disposal of derivative commodities limits for the Company. 10. Approved the balance limit for the acquisition and disposal of derivative commodities for 2023 of the Company's the investment business.
22 December 2022	Board of directors	<ol style="list-style-type: none"> 1. Approved the Company's 2023 internal audit plan. 2. Approved the Company's 2023 business plan and budget preparation. 3. Approved loan funds to 100% owned subsidiary "張家港巧興機電有限公司." by the Company. 4. Approved the Company's purchase of common shares of Turvo International Co., Ltd. on the centralized market. 5. Approved the Company's financial report regarding the provision for employee compensation and the ratio of remuneration for directors and supervisors. 6. Approved the year-end bonus budget for 2022. 7. Approved the Company's regular review of manager's salary standards and structure. 8. Approved the Company's endorsement of the guarantee for the investment business. 9. Approved the amendment to the Company's "Procedures for Handling Material Inside Information". 10. Approved the amendment to the Company's "Ethical Corporate Management Best Practice Principles".

		<p>11. Approved the amendment to the Company's "Procedures for Ethical Management and Guidelines for Conduct".</p> <p>12. Approved the amendment to the Company's "Corporate Governance Principles.</p> <p>13. Approved the Company's audit fees.</p>
10 March 2023	Board of directors	<p>1. Approved the issuance of the "2022 Statement of Internal Control" by the Company.</p> <p>2. Approved the financial statements and consolidated financial statements for 2022.</p> <p>3. Approved the convening of the Company's 2023 Annual General Meeting of Shareholders.</p> <p>4. Approved the related matters concerning the shareholders' right of proposal in the 2023 general shareholders' meeting.</p> <p>5. Approved the Company's by-election of one director.</p> <p>6. Approved the nomination of independent director candidates for the 2023 Annual General Meeting of Shareholders.</p> <p>7. Approved the nomination and consideration of director candidates by the board of directors of the Company.</p> <p>8. Approved the proposal for the Company to lift restrictions on non-competition for elected additional independent directors</p> <p>9. Approved the Company's remuneration for directors and employee remuneration for 2022.</p> <p>10. Approved the distribution of the Company's 2022 earnings.</p> <p>11. Approved the change of the Company's audit supervisor.</p> <p>12. Approved the appointment and periodic evaluation of the Company's appointed CPAs, and the prior consent of Ernst & Young and its affiliated non-audit service providers regarding independence and suitability.</p> <p>13. Approved the renewal of the Company's contract with Mega International Commercial Bank.</p> <p>14. Approved the Company's application for short-term credit and foreign exchange and derivative financial commodity transaction limit from Citibank.</p> <p>15. Approved the Company provide endorsement guarantee for the application of short-term credit limit from Citibank.</p> <p>16. Approved the amendment of the Company's "Regulation on Financial Statement Preparation Process".</p> <p>17. Approved the amendment to the Company's "Corporate Governance Principle."</p> <p>18. Approved the amendment to the Company's " Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises".</p> <p>19. Approved the cancellation of the capital loan from the subsidiary Zhangjiagang Free Trade Zone Chau Hsing Machinery & Electronics Co., Ltd. to Shanghai Debra Trading Company Limited.</p> <p>20. Approved the amendment to the Company's "Regulation Governing Directors' and Managers' Remuneration".</p>
9 May 2023	Board of directors	<p>1. Approved the consolidated financial statements for the first quarter of 2023.</p> <p>2. Approved the Company's 2023 business plan and budget preparation.</p> <p>3. Approved the Company's plan to increase investment in the Vietnam-based company "FOREMOST GULF INTERNATIONAL CO., LTD (VN).</p> <p>4. Approved the related matters concerning the shareholders' right of proposal in the 2023 general shareholders' meeting..</p> <p>5. Approved the nomination of independent director candidates for the 2023 Annual General Meeting of Shareholders.</p> <p>6. Approved the renewal of the Company's contract with Ta Ching Bills Finance Corporation.</p> <p>7. Approved the renewal of the Company's contract with Bank of Taiwan..</p> <p>8. Approved the renewal of the Company's contract with E.SUN Commercial Bank.</p>

		<p>9. Approved the renewal of the Company's contract with Mega Bills Finance Co. Ltd.</p> <p>10. Approved the renewal of the Company's contract with CTBC BANK.</p> <p>11. Approved the Company's endorsement of the guarantee for the investment business.</p> <p>12. Approved the amendment to the Company's "Regulation Governing Directors' and Managers' Remuneration".</p> <p>13. Approved the Company's "Rules of Procedure for Shareholders Meetings".</p>
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(12) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors:

Date	Category	Major Issues of Record or Written Statements
10 March 2022	Board of directors	<p>Discussion Item No. 10: Approval of the Company's 2021 earnings distribution. Opinions:</p> <p>1. Director CHUNG-TING TSAI: Proposed to increase the cash dividend payout ratio from 92.17% to 100%.</p> <p>2. Director JUN-MING HSU: Entities that pay out 100% of dividend, such as telecommunication companies, because they have more cash much larger than the net profit. In principle, they are generally companies with a lot of cash. In addition, some companies' cash dividend payout ratio 100% because they expect to collect a lot of payments next year. The Company also has a lot of cash and with the capital reduction in the China plant, if there is not too much capital expenditure, the payout ratio of 100% is feasible.</p> <p>3. Chairman CHIH-CHENG LIN proposed distributing cash dividends to shareholders at NT\$8.5 per share, totaling NT\$514,552,864, which the Chairman approved after consulting all directors present.</p>

(13) Resignation or Dismissal of the Company's Key Individuals, including the Chairman, General manager, and Heads of Accounting, Finance, Internal Audit, Head of Corporate Governance and R&D:

Title	Name	Date of Appointment	Date of Termination	Reason for Resignation or dismissal
Senior manager of research and development.	WEI-CHENG CHEN	1 May 2016	1 April 2022	Internal job adjustment
Assistant general manager of Research and development technology department.	QI-FENG ZHANG	13 November 2017	10 March 2023	Internal job adjustment

3.5 Information Regarding the Company's Audit Fee and Independence

CPA Professional Fee Range

Currency: NT\$ thousand

Accounting Firm	Name of CPA	Audit Period	Audit Fees	Non-audit fees	Total	Remark
Ernst & Young	MING-HUNG CHEN	1 January 2022-	4,915	2,536	7,451	
	WEN-BI YEN	31 December 2022				

Non-audit services: NT\$270 thousand for tax compliance audit, NT\$1,025 thousand for transfer pricing, NT\$711 thousand for the Group tax calculation and declaration, and NT\$530 thousand for project audit.

Note: Audit period and reasons for replacement should be stated in the table separately if the Company replaces the CPA firm or CPA. The information such as the audit and non-audit fees paid shall be disclosed in appropriate spaces in the table. Non-audit fees should be accompanied by a description of the services provided.

(1) Replacing the audit firm and the audit fee paid to the new audit firm was less than the amount paid in the previous year: None.

(2) Audit fee reduced for more than 10% year over year, the reduced amount, proportion, and reason should be disclosed: None.

3.6 Replacement of CPA

3.6.1 Regarding the previous CPAs

Date	Approved by the board of directors on 23 December 2021 for replacement with effect from the first quarter of 2022.		
Reason for change and explanation	To work in line with the competent authority to strengthen CPA independence and implement the accountant rotation mechanism. CPAs Chin-Yuan Tu and Ming-Hung Chen, who were previously in charge of the Company's financial statement audits, will be replaced by CPA Ming-Hung Chen and Wen-Bi Yen in the first quarter of 2022.		
Indicate whether the appointment is terminated or not accepted by the appointor or accountant	Parties	CPAs	Appointed person
	Criteria	NA	
	Proactive termination of appointment		
No longer accept (continued) appointment			
Opinions on audit reports issued within the last two years without qualification and reasons	None		
Disagreement with the issuer	Yes	Accounting Principles or Practices	
		Financial Report Disclosure	
		Scope or steps of verification	
		Other	
	No	✓	
	Explain		
Other disclosures (Items 1.4 to 1.7 of paragraph 6 of Article 10 of this Standard should be disclosed)	No		

3.6.2 Regarding the succeeding CPAs

Accounting Firm	Ernst & Young
Name of CPA	WEN-BI YEN
Date of Appointment	Approved by the board of directors on 23 December 2021 for replacement from the first quarter of 2022
Pre-appointment regarding the accounting treatment method or accounting principles for specific transactions, as well as the opinions and results that may be issued on the financial report	NA
Written opinions of the successor accountants on matters with which the predecessor accountants disagreed	NA

3.6.3 The previous CPA's response to the three items of Subparagraphs 1 and 2, Paragraph 6, Article 10 of the Guidelines Governing the Public Company's Annual Report: N/A.

3.7 The Company's Chairman, President, and managers in charge of its finance or accounting operations held positions in the Company's independent auditing firm or its affiliates in the most recent year: None.

3.8 Changes in Shareholding Percentages by Directors, Supervisors, Management and Shareholders with 10% Ownership or More

3.8.1 Changes in Shareholding Percentage of Directors, Managers and Major Shareholders

Unit: shares

Title	Name	2022		As of 22 April 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	CHIH-CHENG LIN	90,007	0	0	0
Director	SU-CHEN LIAO	32,164	0	0	0
Director	FENG-CHIN LEE	0	0	0	0
Director	RUEI-YI HONG	94,369	0	0	0
Director	BAI-SONG ZHANG	14,940	0	0	0
Director	MENG-CHUNG HO	(41,411)	0	0	0
Director	JIN-TAN LEE	29,576	0	0	0
Director and marketing department deputy general manager	CHUNG-TING TSAI	14,417	0	0	0

Title	Name	2022		As of 22 April 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Independent director	ZHI-SHENG WU	0	0	0	0
Independent director	MING-LIANG TARNG	0	0	0	0
Independent director	JUN-MING HSU	0	0	0	0
General manager	DONG-LIANG LIU	49,448	0	0	0
Strategic development deputy general manager	JUN-SHEN ZHOU	30,538	0	0	0
Strategic development department senior manager	QIONG-MEI CHEN	273	0	0	0
Strategic development deputy general manager	JIANG-DI TSAI	(5,000)	0	0	0
RICCAR division deputy general manager	HUI-LING CHANG	0	0	0	0
R & D technology department senior manager	WEI-CHENG CHEN	0	0	0	0
Quality assurance department senior manager	XIAO-HUI XIONG	0	0	0	0
Financial & accounting department deputy general manager	TZU-HO CHUANG	42,021	0	0	0
Engineering technology division a Vice-general manager	MING-TA LI	25,684	0	0	0

Note 1: Shareholders who hold more than 10% of the Company's shares should be noted as major shareholders and listed separately.

Note 2: If the counterparty of a share transfer or share pledge is a related party, further disclose the counterparty's share transfer, share pledge information.

Note 3: The director, Feng-Chin Lee, passed away and was dismissed on 17 January 2022.

The director, ZHI-SHENG WU, was dismissed on 11 July 2022.

Note 4: The director, JIN-TAN LEE, was newly appointed on 15 June 2022.

Note 5: The deputy general manager of strategic development, JIANG-DI TSAI, has been transferred to the position as the special assistant advisor of Taiwan Factory on 1 April 2022.

Note 6: The deputy general manager of RICCAR division, HUI-LING CHANG, has been transferred to the position as the special assistant of marketing department of RICCAR division on 1 April 2022.

Note 7: The senior manager of R & D technology department, WEI-CHENG CHEN, has been transferred to the position as the special assistant of project advancement office on 1 April 2022.

Note 8: The senior manager of quality assurance department, XIAO-HUI XIONG, has been transferred to the position as the special assistant of project advancement office on 1 April 2022.

3.8.2 Shares Trading with Related Parties: None.

3.8.3 Stock Rights Pledging with Related Parties: None.

3.9 The Information Show Name and Relationship between the Companies Top Ten Shareholders, or Spouses or Relatives within Two Degrees

Unit: shares

Name (Note 1)	Current Shareholding		Spouse's/ Children's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees (Note 3)		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
RUEI-YI HONG	2,023,129	3.04%	7,520	0.01%	0	0%	CHING-WEN HONG	Brother	
CHING-WEN HONG	1,474,540	2.22%	133,270	0.20%	0	0%	RUEI-YI HONG	Brother	
Fubon Life Insurance Co., Ltd.	1,117,000	1.68%	N/A	N/A	0	0%	MING-HSING TSAI	Chairman of Fubon Life Insurance Co., Ltd.	
Fubon Life Insurance Co., Ltd. MING-HSING TSAI	0	0.00%	-	-	-	-	Fubon Life Insurance Co., Ltd.	Chairman of Fubon Life Insurance Co., Ltd.	
MENG-CHUNG HO	1,029,262	1.55%	100,000	0.15%	0	0%	None	None	
CHIH-CHENG LIN	1,027,007	1.54%	240,114	0.36%	0	0%	None	None	
CHUNG-TING TSAI	1,003,305	1.51%	516,636	0.78%	0	0%	YI-CHING TSAI	Brother and sister	
FENG-CHIN LEE	944,628	1.42%	N/A	N/A	0	0%	None	None	
Canxin Investment Co., Ltd.	943,369	1.42%	N/A	N/A	0	0%	YI-CHING TSAI	Chairman of Canxin Investment Co., Ltd.	
Canxin Investment Co., Ltd. YI-CHING TSAI	616,000	0.93%	0	0.00%	0	0%	1. CHUNG-TING TSAI 2. Canxin Investment Co., Ltd.	1. Sister and brother 2. Chairman of Canxin Investment Co., Ltd.	
SU-CHEN LIAO	908,774	1.37%	464	0.00%	313,300	0.47%	SHEN-LING LIAO	Brother and sister	
Universal Microelectronics CO., LTD.	792,986	1.19%	N/A	N/A	0	0%	SHEN-LING LIAO	Chairman of Universal Microelectronics CO., LTD.	
Universal Microelectronics CO., LTD. SHEN-LING LIAO	420,592	0.63%	0-	0.00%-	0	0%	1. SU-CHEN LIAO 2. Universal Microelectronics CO., LTD.	1. Brother and sister 2. Chairman of Universal Microelectronics CO., LTD.	

Note 1: All the top 10 shareholders shall be listed. The names of corporate shareholders and the name of their representatives shall be listed separately.

Note 2: The shareholding percentage is calculated separately based on the number of shares held in the name of the person, his/her spouse and minors, and through nominee arrangements.

Note 3: Relationships between the aforementioned shareholders, including corporate shareholders and natural person shareholders, shall be disclosed pursuant to the Regulations Governing the Preparation of Financial Reports by Securities issuers.

3.10 Ownership of Shares in Affiliated Enterprises

As of 31 December 2022 Unit: Shares

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors or Managers		Total Ownership	
	Share	Percentage	Share	Percentage	Share	Percentage
Zeng Hsing Industrial Co., Ltd. (BVI)	13,500	100.00%	-	-	13,500	100.00%
ARCORIS PIE LTD.	7,000,000	100.00%	-	-	7,000,000	100.00%
Zorca Worldwide Ltd. (BVI)	64,700	100.00%	-	-	64,700	100.00%
Taiwan Cheer Champ Co., Ltd.	15,421,630	85.68%			15,421,630	85.68%
Jetsun Technology Co., Ltd (Seychelles)	1,200,000	100.00%			1,200,000	100.00%
Jetsun Vietnam Technology Co., Ltd.		100.00%				100.00%
Zeng Hsing Industrial Co., Ltd (VN)		100.00%				100.00%
Beauty Lady CO., Ltd. (VN)		100.00%				100.00%
Shinco Technologies Ltd. (VN)		100.00%				100.00%
Taiwan Carbon Technology Co., Ltd.	2,500,000	19.53%			2,500,000	19.53%
Mitsumichi Industrial Co., Ltd.	1,378,000	53.00%			1,378,000	53.00%
FOREMOST GULF INTERNATIONAL CO., LTD.(BVI)	15,000	100.00%	15,000	30.00%	30,000	60.00%
FOREMOST GULF INTERNATIONAL(Vietnam)CO., LTD.		100.00%				100.00%
Zeng Hsing Industrial Co., Ltd. Director of Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.		100.00%				100%
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.		100.00%				100%
Zhangjiagang Zenghsing Trading Co., Ltd.		100.00%				100%
Shanghai Debra Trading Company Limited		100.00%				100%
TURVO INTERNATIONAL CO., LTD.	14,113,000	23.41%			14,113,000	23.41%
TIPO INTERNATIONAL CO., LTD.(SAMOA)	31,133,211	100%			31,133,211	100%

T&M JOINT(CAYMAN) HOLDING CO., LTD.	4,912,749	35.71%	3,031,069	22.04%	7,943,818	57.75%
Hong Kong Xinfeng Enterprise Limited		100%				100%
MATEC SOUTHEAST ASIA(THAILAND) CO., LTD.		100%			216.276	99.99%
Dongguan Xin Feng Hardware Machinery & Plastics Industry Ltd.		100%				100%
Turvo International Co., Ltd. (Zhejiang)		100%				100%

Note: The long-term investment using equity method adopted by the Company.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital (NT\$ thousand)	Capital Increased by Assets Other than Cash	Other
December 2008	10	55,000,000	550,000,000	43,464,809	434,648,090	Employee exercise the stock options in the amount of \$7,893	None	Note 1.
June 2009	10	55,000,000	550,000,000	43,478,809	434,788,090	Employee exercise the stock options in the amount of \$140	None	Note 1.
November 2009	10	55,000,000	550,000,000	46,978,809	469,788,090	Cash capital increase \$35,000	None	Note 2.
August 2010	10	55,000,000	550,000,000	48,388,173	483,881,730	Capital increase by retained earnings in the amount of \$14,094	None	Note 3.
December 2010	10	55,000,000	550,000,000	47,169,173	471,691,730	Treasury stock retired \$12,190	None	Note 4.
April 2012	10	65,000,000	650,000,000	51,669,173	516,691,730	Cash capital increase in the amount of \$45,000	None	Note 5.
July 2013	10	65,000,000	650,000,000	54,252,631	542,526,310	Capital increase by retained earnings \$25,835	None	Note 6.
December 2013	10	65,000,000	650,000,000	60,552,631	605,526,310	Cash capital increase in the amount of \$63,000	None	Note 7.
November 2018	10	85,000,000	850,000,000	60,535,631	605,356,310	Treasury stock retired \$170	None	Note 8.
November 2022	10	85,000,000	850,000,000	66,535,631	665,356,310	Cash capital increase in the amount of \$60,000 thousand	None	Note 9

Note 1: Jin-Guan-Cheng-Yi-Zi No. 0930152723 on 23 November 2004.

Note 2: Jin-Guan-Cheng-Fa-Zi No. 0980052873 on 16 October 2009.

Note 3: Jin-Guan-Cheng-Fa-Zi No. 1000031461 on 7 July 2011.

Note 4: Jin-Guan-Cheng-Jiao-Zi No. 1000053979 on 4 November 2011.

Note 5: Jin-Guan-Cheng-Fa-Zi No. 1010008472 on 21 March 2012.

Note 6: Jin-Guan-Cheng-Fa-Zi No. 1020024504 on 25 June 2013.

Note 7: Jin-Guan-Cheng-Fa-Zi No. 1020046047 on 22 November 2013.

Note 8: Jin-Guan-Cheng-Fa-Zi No. 1040044669 on 9 November 2015 (Because it is not transferred to the employee within 3 years from the date of purchase, it is cancelled.)

Note 9: Jin-Guan-Cheng-Fa-Zi No. 1110357685 on 5 October 2022.

B. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Unissued Shares	Total Shares	
Registered common shares	66,535,631	18,464,369	85,000,000	Listed shares, 5,000,000 shares of which are reserved for share subscription warrants, preferred shares with warrants, or warrant bonds.

C. Information relating to shelf registration system: None

4.1.2 Shareholding structures

As of 22 April 2023 Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	11	185	17,880	89	18,169
Shareholding (shares)	562,402	2,334,734	4,498,392	54,518,270	4,621,833	66,535,631
Percentage	0.84%	3.51%	6.76%	81.74%	6.95%	100.00%

Note: Companies listed on the TWSE (TPEX) and emerging stock market for the first time should disclose the proportion of funds from Mainland China in the shareholding percentage: Funds from Mainland China refer to companies invested in by the people, institutions, organizations, other institutions from Mainland China, or their investment in a third region as stated in Article 3 of the Measures Governing Investment Permit to the People of the Mainland Area.

4.1.3 Shareholding Distribution Status

A. Common Shares

(NT\$10 per share in face value) As of 22 April 2023

Class of Shareholding (Unit: Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	9,466	507,281	0.76%
1,000 ~ 5,000	7,110	13,183,696	19.82%
5,001 ~ 10,000	864	6,201,038	9.32%
10,001 ~ 15,000	275	3,350,673	5.04%
15,001 ~ 20,000	121	2,130,047	3.20%
20,001 ~ 30,000	119	2,858,478	4.30%
30,001 ~ 40,000	54	1,852,496	2.78%
40,001 ~ 50,000	23	1,030,401	1.55%

Class of Shareholding (Unit: Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
50,001 ~ 100,000	54	3,777,155	5.68%
100,001 ~ 200,000	28	3,833,010	5.76%
200,001 ~ 400,000	30	8,224,040	12.36%
400,001 ~ 600,000	10	4,802,663	7.22%
600,001 ~ 800,000	6	4,313,639	6.48%
800,001 ~ 1,000,000	3	2,796,771	4.20%
Over 1,000,001	6	7,674,243	11.53%
Total	18,169	66,535,631	100.00%

4.1.4 List of Major Shareholders

As of 22 April 2023 Unit: Shares

Shareholder's Name	Shareholding Shares	Percentage
RUEI-YI HONG	2,023,129	3.04
CHING-WEN HONG	1,474,540	2.21
Fubon Life Insurance Co., Ltd.	1,117,000	1.68
MENG-CHUNG HO	1,029,262	1.55
CHIH-CHENG LIN	1,027,007	1.54
CHUNG-TING TSAI	1,003,305	1.51
FENG-CHIN LEE	944,628	1.42
Canxin Investment Co., Ltd.	943,369	1.42
SU-CHEN LIAO	908,774	1.37
Universal Microelectronics CO., LTD.	792,986	1.19
Total	11,264,000	16.93

4.1.5 Market Price, Net Worth, Earnings, and Others Information in Last 2 Years

Unit: NT\$, thousand shares

Items	2021	2022	As of 31 March 2023 (Note 8)
Market Price per Share (Note 1)			
Highest Market Price	186.5	149.5	127.0
Lowest Market Price	138.5	106.5	111.5
Average Market Price	155.79	131.98	118.14
Net Worth per Share (Note 2)			
Before Distribution	81.08	82.94	82.88
After Distribution	72.58	-	-
Earnings per Share (Note 3)			
Weighted Average Shares (thousand shares)	60,536	61,160	66,536
Earnings Per Share (Note 3)	8.68	8.08	0.19
Dividends per Share			
Cash Dividends	8.5	5.5	-

Stock Dividends			
• Dividends from Retained Earnings	None	None	-
• Dividends from Capital Surplus	None	None	-
Accumulated Undistributed Dividends(Note 4)	None	None	
Return on Investment			
Price / Earnings Ratio (Note 5)	17.95	16.33	-
Price / Dividend Ratio (Note 6)	18.33	24.00	-
Cash Dividend Yield Rate (Note 7)	5.46	4.17	-

Note 1: Stating the highest and lowest market price of the common stock in each year and calculate the average market Price per year according to the annual trading value and volume.

Note 2: Please fill in information based on the number of shares issued at the end of the year, and according to Board of Directors or the following year's shareholders' meeting resolution regarding distribution.

Note 3: Earnings per share before and after adjustments if made retroactively due to distribution of bonus shares shall be stated.

Note 4: The accumulated dividend undistributed as of the current year shall be disclosed if the issuance terms of the equity securities provide that the undistributed dividend of the year may be accumulated and distributed in a year that is profitable.

Note 5: Price / Earnings Ratio = Annual Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Annual Average Market Price / Cash Dividend per Share

Note 7: Cash Dividend Yield = Cash Dividend per Share / Average Market Price

Note 8: The data is duly audited (reviewed) by the certified public accountant in the first quarter of 2019, except market price per share

Note 9: The 2022 dividend per share has not yet been decided by the shareholders' general meeting.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy:

The Company operates in the traditional industry. It's life cycle is at maturity stage with stable profit and sound financial structure. In addition to be complaint with the Company Act and the Company's Articles of Incorporation, the Company determines its dividend distribution according to the capital planning and operation performance. The principle is to maintain a stable and balanced dividend policy. The board of directors will propose the earnings distribution (cash dividend or stock dividend) method and amount according to the operating performance, financial status and capital planning before the shareholders' meeting, but at least 50% dividends are paid out to shareholders, and the cash dividend ratio is not less than 30% of the total dividend. However, when the Company has no surplus, no dividend will be distributed.

B. Proposed dividend distribution at the shareholders' meeting:

2022 earning distribution was approved by the board of directors on 10 March 2023. The proposed distribution approved at the board meeting is as follows: Cash dividend in the amount of \$365,946, at \$5.5 per share. The proposal is pending approval at the 2023 shareholders' meeting.

C. The Company did not expect any major changes to the dividend policy.

4.1.7 Effect of stock grants planned at current shareholders' meeting on business performance and EPS: None.

4.1.8 The compensation of employee, directors and supervisor:

A. The Articles of Incorporation sets forth the ratio of and qualifications to receive compensation of employee, directors and supervisor:

If the Company is profitable, it will set aside 2% to 6% as employee bonus, and no more than 4% as remuneration to directors and supervisors. However, if the company suffers loss, it will make up for the loss first. Employees' compensation may be distributed through shares of the Company or cash. The resolution shall be agreed by the majority of directors present at the board meeting with more than 2/3 of board members attending the meeting and report the resolution shall be report to the shareholders' meeting.

Employees who may receive share or cash dividend include those who are employees of affiliated companies meeting certain requirements.

B. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: There was no significant discrepancy between the actual amount distribution and the amount recognized.

C. The Company's 2022 surplus distribution plan was approved by the board of directors on 10 March 2023. The board of directors approved the proposed distribution as follows:

(A) Employee profit and remunerations for directors and supervisors the distribution of employee profit and remunerations for directors and supervisors were passed by the board on 10 March 2023. According to the Company's Articles of Incorporation, NT\$20,000 thousand will be distributed as employee compensation, and NT\$3,792 thousand as director and supervisor compensation.

(B) Employee remunerations distributed in stock and their ratio in the after-tax income indicated in the entity financial statement of the current term and their ratio in the overall remunerations assigned to employees: No stock compensation was distributed to employees this year.

D. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (including the number of shares distributed, monetary amounts and stock price), and, if there is any discrepancy between the actual distribution and the compensation recognized, the difference, reason and the treatment:

(A) The Company distributes compensation to: employees at NT\$23,000 thousand, director and supervisor at NT\$4,400 thousand.

(B) The actual compensation distributed, and the amount proposed by the board of directors: There was no significant discrepancy between the actual amount distribution and the amount recognized.

4.1.9 Buyback of Common Stock: None

4.2 Bonds: None.

4.3 Preferred Shares: None.

4.4 Global Depository Receipts: None.

4.5 Employee Stock Options

(1) The employee stock options the Company issued and were valid have all been exercised.

(2) As of the printing date of the annual report, names of managers who attain employee stock options, and employees who attain the top ten numbers of stock option in the amount of over NT\$30 million and the acquisition: None.

The new restricted employee shares:

(1) The Company did not issue new restricted employee shares.

(2) As of the printing date of the annual report, names of managers who attain restricted employee shares, and employees who attain the top ten numbers of restricted shares: None.

4.6 Status of New Share Issuance in Connection with Mergers and Acquisitions
None.

4.7 Financing Plans and Implementation:

(I) Cash capital increase for 2022

(1) The application was approved by the Financial Supervisory Commission of Jin-Guan-Zheng-Fa-Zi No. **1110357685 dated 5 October, 2022** and the modification registration was approved by the Ministry of Economic Affairs of Jing-Shou-Shang-Zi No. 11101229690 dated 6 December, 2022.

(2) The cash capital increase will issue 6,000 thousand new shares, with a par value of NT\$10 per share, and an issue price of NT\$90 per share. It is expected to raise a total of NT\$540,000 thousand.

(3) Capital increase project, progress, and expected benefits:

Unit: NT\$ thousands

Project	Expected Completion Date	Total Funding Amount	Expected Progress of Fund Utilization
			Q4 of 2022
Repayment of bank loan	Expected Progress of Fund Utilization Q4 of 2022	540,000	540,000

The Company is conducting a cash capital increase to raise a total amount of NT\$540,000 thousand through the issuance of common stocks, which will be used to repay bank borrowings. The Company expects to complete the fundraising in November 2022, and immediately start repaying the relevant borrowings according to the bank loan contracts. Based on the actual borrowing interest rates of 1.22% to 1.30% for short-term bank borrowings, the Company expects to save interest expenses of NT\$559 thousand in 2022, and NT\$6,708 thousand annually in subsequent years. Which will moderately reduce the Company's financial burden and improve its debt repayment ability. It will also enhance the current ratio and quick ratio, strengthening the Company's overall financial structure and facilitating flexible funds management.

2. Execution Status:

The funds were raised and completed on 21 November 2022, totaling NT\$540,000 thousand, and were used to repay bank loans. The actual amount disbursed as of the end of the Q4 of 2022 was NT\$540,000 thousand, and the actual execution progress of the plan was 100.00%. According to the plan, the use of funds for the repayment of bank loans helps to reduce the Company's financial burden and improve its debt repayment ability. It also strengthens the Company's financial structure and reduces operational risks, which is beneficial to the overall operation and development of the Company and provides flexibility for fund allocation.

V. Operational Highlights

5.1 Business content

5.1.1 Business Scope

A. The main content of the company's business

(A)The Company manufactures household sewing machines, sewing machine related parts, aluminum alloy die-castings, vacuum cleaner, and vacuum cleaner related parts and sales in the domestic market and foreign market.

(B) The Company handles general export trade and import trade and agency for the quotation and bidding business of products of domestic and foreign manufacturers that related to the preceding item. (Except those that are subject to special approval.)

B. Company's Current Major Products

Currency: NT\$ thousands

Major Products	2021		2022	
	Amount	%	Amount	%
Sewing Machines	7,099,796	91.97	5,491,275	76.29
Vacuum Cleaners	114,539	1.48	150,383	2.09
Precision Metal Parts	-	-	1,015,817	14.11
Other	505,597	6.55	540,770	7.51
Total	7,719,932	100.00	7,198,245	100.00

C. What Zeng Hsing offers

The Company has provided troubleshooting and technical training to its domestic and foreign agents. This is to allow Zeng Hsing's domestic and foreign agents to understand the full functionality and uses of their products. Also, tutorials for its customers help them understand how the product can be used most effectively in their own home.

D. The Company's Current Products and Upcoming Products

(A) Current Product

The Company currently manufactures sewing machines, household vacuums, and related parts. Other than the domestic demand, the majority of the demand for products is overseas. To enhance the Company's competitiveness, Zeng Hsing attends many exhibitions worldwide. For example, the International Hardware Fair Cologne, Dubai Exhibition, El Salvador International Business exhibition, China International Sewing Machinery & Accessories Show, and other international exhibitions.

(B) Plans for Future Products

The Company aims to integrate microcomputer and electromechanical technology to improve product quality and functionality. The Company aims to research and develop more portable products and professional sewing machines.

5.1.2 Industry Overview

A. Current situation and development of industry

Sewing machines are a form of garment machinery. The machines are intensively used in the manufacturing process of cutting and sewing. It's used mostly to manufacture clothes, shoes, hats, handbags, etc. There are two types of sewing machines: domestic or industrial, depending on the requirements of the user. Industrial sewing machines require higher speed, high precision, reliability, durability, and unitary, etc. For home models, the emphasis is put on multifunctionality, portability, usability, standard appearance, and price. The focus of the development of household sewing machines is to simplify the mechanics and increase multifunctionality and automation. There is also a greater focus on integrating sewing machines with microprocessors to allow broader use for the machines. About the sales regions, the manufacturing plants for the sewing machines are located, nearby customers. This means that customers' proximity to the manufacturer allows for better post-sale maintenance and service.

In terms of product purpose, industrial sewing machines are single model machines. They are manufactured to meet the special requirement, fast, low noise, high precision, durable, and stable. The basic models are flat sewing machines and overlock sewing machines. While the household sewing machines are multifunctional, portable, and easy to use, suitable for everyday household tailoring.

Household sewing machines are technology and labor-intensive industry. Taiwan after years of hard work has reached a considerable scale. Aside from a few Japanese factories: Janome, Brother, Elite, and Happy who have their own brands, most Taiwanese manufacturers operate under the ODM model. Most Japanese brands manufacture sewing machines that are outsourced by their parent companies. The outsourced products accounted for most of the domestic market. The manufacturers that are mainly owned by Taiwanese operators, for example, Zeng Hsing, SUNBEEN, SEWMASTER, PROCHEM PACIFIC, MERRYLOCK, and MITSUMICHI, have concentrated sales, which is due to competition between brands. Some of their ODM manufacturers may be the same but do not account for a large portion, or the ODM models are different.

Taiwanese sewing machines have always been mainly exported. The United States has steadily been the number one export destination. In 2022, the United States accounted for 32.59% of all exported sewing machines followed by Japan, Germany, Australia, Russia and other countries. This indicates that the Company's sewing machines possessed high quality and value to receive recognition and affirmation from overseas sales.

Overall, the sewing machines are heading towards the middle price spectrum. From 2020 to 2022, the top 5 export destinations accounted for 68.87%, 64.40% and 67.51% of all exports in their respective years. The Company can monitor whether it can keep up with the American, Japanese, and European market demands as shown below:

Table of top 5 Countries for Taiwan Household Sewing Machine Exports from 2020 to 2022

Currency: NT\$ thousands

Rank	2020			2021			2022		
	Country	Amount	%	Country	Amount	%	Country	Amount	%
1	Japan	884,271	23.00%	U.S.A.	1,204,906	27.02%	U.S.A.	850,313	32.59%
2	U.S.A.	866,260	22.53%	Japan	654,282	14.67%	Japan	433,942	16.63%
3	Germany	538,867	14.02%	Germany	493,565	11.07%	Germany	238,063	9.12%
4	Netherlands	181,551	4.72%	UK	289,224	6.49%	Australia	120,690	4.63%
5	UK	176,892	4.60%	Canada	229,806	5.15%	Russia	118,591	4.54%
	Total	2,647,841	68.87%	Total	2,871,783	64.40%	Total	1,761,599	67.51%

Information Resource: Customs Administration, Ministry of Finance

Note: The statistical information includes export and re-export.

Since 1980, the government heavily promoted the information electronics and precision machinery industries to improve the industry structure and to replace the more labor-intensive industries, such as textiles, garments, and shoemaking. As the manufacturing environments changed, it was unsuitable for labor-intensive businesses to develop in Taiwan. The domestic textile industry shrunk, and production moved mainly to Vietnam. Therefore, the domestic demand for industrial and household use sewing machines started to show a downward trend.

Europe and the United States are the world's largest consumer markets for household sewing machines. In 2020, COVID-19 spread globally and hit the global economy severely. In the initial stage, under the influence of uncertain economic factors, the demand for orders decreased. As a result of the city-wide lockdowns in Europe and the United States, DIY trend at home rose. In the post pandemic era, consumers in Europe and the United States spent longer time at home, driving consumers to use household sewing machines and sales of household sewing machines continued, bringing positive benefits and expanding user groups. However, the ongoing COVID-19 pandemic in 2021 and 2022, as well as global events such as the Russia-Ukraine conflict, the FED rate hikes, and high inflation have led to multiple and complex economic challenges worldwide. As a result, the economy has continued to decline, causing adverse effects on the industry.

The export amount of Taiwan sewing machines Comparison table of 2021 and 2022

HS Description		AMOUNT (NT\$ thousands)		
		2021	2022	Different Percent (%)
845210	Household Sewing Machine	4,459,433	2,609,319	-41.49%

Information Resource: Customs Administration, Ministry of Finance

Note: The statistical information included export and re-export.

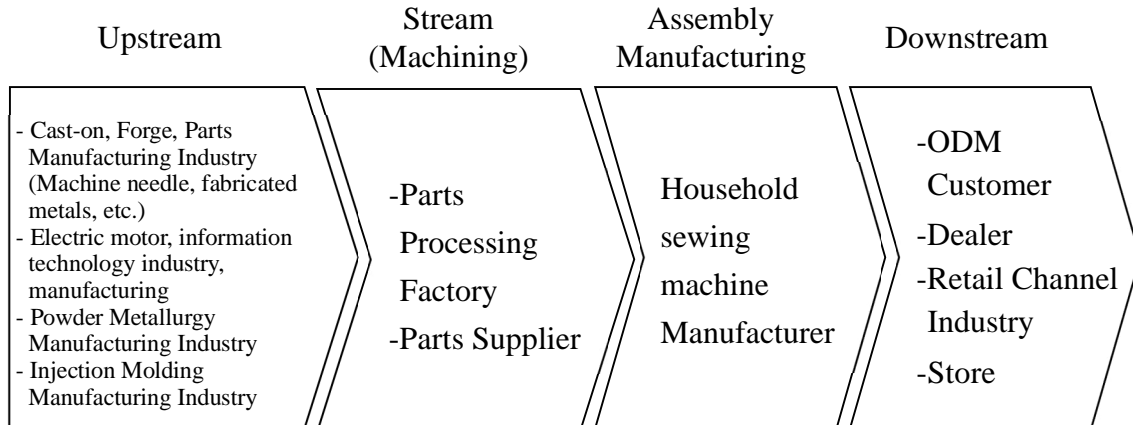
B. Association of upstream, mid-stream, and downstream industries

We offer a variety of sewing machines and though the basic operating principle is not very different, the machines are composed of hundreds of parts and the mechanisms are just as complicated.

Mechanical sewing machines use CAM to produce a variety of patterns but the number of patterns that can be produced is limited. These machines and mechanisms require a high level of precision and complexity.

Computer-based machines use stepping motor to drive and generate patterns. This type of machine is easy to make. The number of patterns available relies on the memory space in the machine. In theory, if there is enough memory, the number of patterns is unlimited.

The Company's relationship with the chain is shown below:



C. Development trend of products and market competition

Since the sewing machine was invented, the structure of the machines has not changed much. In recent years, the sewing patterns has become more intricate and diversified along with the development of technology. In household use, the popularity of fast fashion requires continuous change in design and thus computerized models are in increasing demand. In the future, the sewing patterns are expected to be more intricate taking advantage of the internet and computer technology. The use of the machine will be a step closer to a 'printing sewing machine'.

Household-use machine development aims to achieve automation, simplify the mechanical structure, increase multi-functionality and in particular, develop components with computer parts such as microprocessors and feed monitors, which is full of potential for development. Tradition machines are limited to 30 patters, whereas with computerized models, the options are limitless. Since the use of technology can improve functionality so well, household models are able to reach similar capabilities to that of industrial models. Automated machines offer a large number of functions and as a result can produce higher value in the market.

Currently the domestic market has higher demand for household-use machines. Apart from Zeng Hsing, there are other manufacturers, such as Janome, Aisan, Xin Fu, Duan Lang, Shan Ping, Zhi Guan, Xun Jia, Guang Bai, Chang Yu and Mitsumichi Industrial Co., Ltd. etc. In the international market, the major companies are SVP Group, Janome, Brother, Bernina, Juki, Jaguary and Fei Yue, Heng Qiang and Wan Wei. SVP, Janome, Brother, Bernina, Juki and Jaguar are better-known manufacturers who have their own brands and marketing channels. They are still engaged in higher-margin models. Janome, Taidi, Huiguo, Fingfu, Ruilang were reinvested by and established by Japanese companies in Taiwan. In addition to manufacturing products outsourced by the parent company, they also manufacture products for other globally-renowned companies.

The product development trend in the industry is as follows:

- (A) Automatic thread sewing and automatic thread replacement
- (B) Feeding mechanism that can reduce the problems of poor cloth feeding and sewing failure
- (C) Machines that can be more widely used for various materials
- (D) High-quality embroidery systems with input functions such as photos or paint.
- (E) Provide multiple forms of user services
- (F) Improve human-machine interface functions, such as dialog capabilities with high-function display
- (G) Strengthen mechanical and technological integration technology and development combining computer network or memory card.

In terms of competitiveness in the sewing machine industry among various countries, Japanese manufacturers have a higher market share due to their complete product lines and stable quality. The machines manufactured in China have a lower quality, sales price and profit. As a result, quality is a big part of the price of the product. Based on the current condition of the Taiwanese manufacturers, they need to take advantage of the pricing competitiveness, enhance their technology level and completeness of the product lines if it hopes to exceed Japanese standards.

5.1.3 Technology and R&D Overview

A. Research and development expenses for the most recent year and as of the printing date the end of the annual report:

Currency: NT\$ thousands

Year	2022	As of 30 April 2023
Price of R&D	185,152	94,230

B. Successful Developments

Year	Result of Research	
2021	H72FS1	Computer type horizontal full rotation sewing machine
	H71G	Computer type horizontal full rotation sewing machine
	LB42C	4-thread overlock
	M25D	Mechanical vertical semi-rotary sewing machine
	K75W	Mechanical vertical semi-rotary sewing machine
	LB4XD	4-thread overlock
	H77D	Computer type horizontal full rotation sewing machine
2022	QD80AE	Computer type horizontal full rotation sewing machine
	LB42E	Mechanical overlock
	K75W	Mechanical overlock
	CJ01AX	COMBO embroidery sewing machine
	BHB	Handheld vacuum cleaner
	LB44C	Mechanical overlock
	H710DS	Computer sewing machine

5.1.4 Long-term and Short-term Business Development

To respond to the future industrial development and the overall economic environment trends, the Company formulates long-term and short-term plans to guide the future direction of the Company's operations and thus enhance competitiveness. The following is a brief description of our short- and long-term plan.

A. Short-Term Business Development Plans

(A) Marketing Strategy

Strengthen existing product lines, cooperate with new product promotions and image building and continue to use the original channels to achieve synergy, develop new marketing channels to expand niche markets and overall market share.

(B) Production and Operation Strategy

a. Production Strategy: In response to the business environment, effectively utilize the production base in Taiwan, China and Vietnam, and as a result increase product quality management.

- b. Purchasing Strategy: Gauge shifts in the business climate and market demand and adjust inventory according to the market. Avoid having to risk price fluctuation for slow moving inventory.

(C) R&D Strategy

Expand the size of the organization in order to accelerate the development of new products, Develop R&D staff to enhance talent pool.

(D) Operation Management and Financial Planning

The Company introduced the ERP information system for more efficient and accurate collection of information. Other goals include strengthening after-sales service to maintain long-term business relationships with customers, ensuring that the Company maintains stable profits, a healthy financial accounting management system to manage the Company's funding planning, and provide comprehensive information for departments of the Company to improve their performance.

B. Long-Term Business Development Plans

(A) Marketing Strategy

- a. Improve product image and value
- b. Introduce various new products to appeal to customers
- c. Plan more diversified marketing channels to launch products
- d. Strengthen technical support for customers
- e. Establish a long-term sales network to generate synergy from different products

(B) Production and procurement Strategy

- a. Establish a flexible production process to regulate production capacity and shorten production cycles.
- b. Respond quickly to the market as changes in demand can increase risk of stockpiling, therefore creating slow moving inventory.
- c. Maintain a good long-term relationship with upstream entities to obtain a stable source of supply and bargaining space for procurement, thus allowing for a competitive advantage in procurement costs.

(C) R&D Strategy

- a. Integrate industry, government and academia to develop key component
- b. Plan core products based on product development trends
- c. Establish the Company's own key technology and patents
- d. Continue to invest in the R&D of next generation products in order to pursue technological advantages
- e. Establish modular and standardized development techniques in order to reduce development and research time, reduce cost and increase number of new products.

- (D) Operation Management and Financial Planning
- a. To meet the needs of operational growth, expand into new overseas marketing channels and build a global marketing network
 - b. Create a sound management system
 - c. Implement an operating philosophy within the company
 - d. Create an outstanding work culture
 - e. Strive for the vision of a sustainable development
 - f. Strengthen the financial structure through diverse financing channels in the capital market to bring about growth across the Company
 - g. Improve the Company's financial team and overall brand.

- (E) Human Resources
- a. Recruit and train senior management and technical staff at all levels to meet the long term domestic and foreign demand
 - b. Enhance the training for employees' diversified skills
 - c. Use human resources effectively
 - d. Improve the overall industry competitiveness

5.2 Market and Sales Overview

1.2.1 Market Analysis

- A. Analyze the sales (provided) regions of the company's main products (services)

The Company is mainly export-oriented, and the net sales in 2021 and 2022 were NT\$7,719,932 thousand and NT\$7,198,245 thousand, respectively.

Countries	2021	2022
U.S.A.	1,364,160	1,294,152
Switzerland	407,798	620,356
China	57,904	561,369
Germany	792,904	350,739
Brazil	286,415	342,886
Russia	222,352	231,514
Italy	363,742	193,373
Others	4,224,657	3,603,856
Total	7,719,932	7,198,245

B. Market Share

At present, the household sewing machine market is mainly in higher-earning regions such as Western Europe, North America, Japan, and Australia, etc. In terms of export, the USA has been the number one destination for Zeng Hsing Group, followed by Switzerland, China and Germany. Overall, Taiwan exported the sewing machines are heading towards in the middle of the price range spectrum. From 2020 to 2022, the top 5 export destinations accounted for 68.87%, 64.40%, and 67.51% of all exports in their respective years. In addition to the lower product prices than the major Japanese manufacturers, the high quality and outstanding after-sales service allowed Taiwan's household sewing machine industry to occupy a certain position in the global market.

Domestically, the Company is the largest household sewing manufacturer and supplier. Other manufacturers include Janome, Taidi, and Huiguo. The Company's product mainly is a household type sewing machine and the competitive advantage is the Company's understanding of customer demand, the ability to control related-technology, and good command of the organization. The development of household computer sewing machines has established basic software electronic control capabilities, which will be actively integrated to develop high value-added products.

C. Future Supply and Demand Conditions and Growth of the Market

The main uses of sewing machines are sewing household clothes, tablecloths, tapestry and home accessories. As national income increases, home decorations receive more attention in households. Sewing machines are continuously upgraded to be more multi-functional and convenient and the use is no longer limited to sewing and repairing garments. They can be used to make handbags, table mats, table towels, bed sheets and curtains. The demand for these products also continues to grow, which is favorable for the overall market growth in the future. Moreover, as a result of the economic growth in China, Indonesia and the third-world countries, which are also densely populated regions, the residents in these nations are looking to improve their quality of life therefore low-price range products are growing popular. In Europe and the US where there are aging population and focus on improving quality of life through leisure activities, the demand for sewing machines is increasing too.

In recent years, the emerging markets such as China, Russia, Eastern Europe, the Middle East, India and South America, have increasing demand for low-price range products as a result of the rapid economic development, higher national income and dense population. In markets like these, there is great potential. Computerized sewing machines can use microprocessors and software to improve the functionality.

D. Niches in competition

(A) Forward looking business philosophy

The Company adheres to the principles of “honesty, teamwork, innovation, and community wellbeing” and instructs employees to be realistic while maintaining enthusiastic at Company holds the philosophy of searching for the truth, Ask the employee to have enthusiasm for work to which can help gain trust from the customers and coworkers partners. The employees will utilize their professionalism and continue to integrate the resources provided and strive for innovation. On one hand, the Company is to cultivates talents and on the other hand, it is to innovate innovation helps and to establish a stable operation.

(B) Professional ODM Factory, Product Line Completeness

Zeng Hsing has more than 50 years of valuable experience in the production and sales of household sewing machines. The production lines are flexible allowing for adaptation to the market when needed. The Company successfully changed from OEM to ODM format, and the customization capability was strong and thus was well-recognized in the industry globally.

(C) Established a complete supply chain, effectively control raw materials or cost and ensure supply stability

The Company’s management team has deeply cultivated the production of household sewing machines. As a result, the Company has accumulated a complete set of upstream key components from reliable suppliers. The Company aims to keep healthy relationships with suppliers to form a stable and close relationship between the best production and sales partners, which overall will help control costs and ensure supply stability.

(D) Manufacturing Capability of China, Taiwan & Vietnam

Household sewing machines are a labor-intensive industry, and as a result of the rising domestic labor price, the Company invested in China and Vietnam in 1998 and 2005 respectively. The move aimed at achieving cost-effectiveness and division of labor and thus increasing production capacity and greatly enhancing the economy of scale and efficiency. In 2007, the Company invested in Vietnam to set up a die-casting factory to produce aluminum alloy metal parts to gain more competitive advantage.

(E) Improving R&D Innovation and Technology Application

The Company is focused on research and development and continuously invests in product development and quality improvement every year. The R&D teams conduct development and work using 3D design, modular design and a collaborative design platform. Hence, the Company introduced a PLM system as a product life cycle management system. In 2007 and 2009, the Company successfully applied for subsidies under the “Leading New Product Development Coaching Program” and “Leading New Product Development Coaching Program: Computer Sewing Machine” from the Ministry of Economic Affairs. The Company plans to utilize its collaboration with the industry, government and academia to develop new technology. These technologies include technological capabilities and components design to improve the technology level to produce advanced computer based sewing machines, providing high priced and high value products.

In response to the APP market trend, the Company’s R&D team created an embroidery design APP that allows users to design embroidery on a tablet, as well as WiFi connection technology that will enable users to transfer embroidery drawings to the embroidery machine via WiFi quickly. In addition, the Company has created a number of high-speed models to meet customer demands to bring the products closer to consumers' lives and increase customer stickiness.

(F) Product quality ensures customer satisfaction and therefore having long-term clients

The Company keeps track of developments of the industry through its strong manufacturing experience and operation capability. We aim to introduce new products to the market, meet consumer needs in real time and work closely with customers in order to understand customer needs, special specifications and production quality. Currently, the brand is leading in the industry in terms of number of customers globally and therefore we can create long-term partnerships with our customers. The Company has been working with US customers for more than 20 years and Japanese, North American and Swiss customers for nearly 40 years. We are confident we can keep constant growth of the Company.

(G) Sound Management Standard

In order to maintain effective operation of various business activities, a sound internal control system is implemented. In 1993, the Company received the ISO9002 quality certification, becoming Taiwan’s first company to be certified. In 2002, the Company received ISO9001:2000 quality management certification. With the continuous growth of the organization, the Company utilizes its internal resources available to strengthen corporate structure and

works towards a complete resource management structure, aiming to significantly improve the Company's operating structure. In 2007, the Company completed the ISO14001 environmental management certification. This means that the Company complies with EU environmental management. In 2011, the Company received TOSHMS&OHSAS18011, an occupational health and safety certification. In 2016, the main office in Taiwan received certification of renewed versions of ISO 9001 quality systems and ISO 14001 (2015 version) environmental management system.

E. Pros and cons to development and responsive measures

(A)Pros

a. Improvement of national income and quality of life

With the high level of national income, home decorations will receive more attention in households. The functions of sewing machines are continuously developing to become more diversified and user friendly. The use of sewing machines is no longer limited to making items of clothing or for professional use. Non-professionals can make their own handbags, tablecloths, bedsheets, curtains and whatever else they require.

b. Low price strategy can stimulate market demand and economic growth in emerging regions

The domestic sewing machine market is mostly concentrated in Europe, the US and Japan. Domestic sewing machine retailers struggled when faced with customers who experienced economic depression, salary cuts and layoffs. For budget-conscious consumers, many vendors have adopted low prices to meet market demand. Demand for low- and mid-priced models has increased. In recent years, China, India and the third world countries have seen economic development and as a result they look to improve their livelihoods. Thanks to the economic development, the demand of low to medium priced sewing machines has also grown. The Company has comprehensive production lines and produces low to mid-priced models for both functionality and quality, which greatly meet consumer needs. The Company also uses a triangular marketing plan. The low to mid- priced models are manufactured in China to effectively reduce the costs which makes these models very competitive, favorable for the Company's future development.

c. Raw Material Supplier Network

The Company's management team has been involved in the industry of sewing machine products for decades. It was over a long period of time that the key suppliers were connected to form a sincere and close partnership with these suppliers. The Company's raw materials suppliers are vital as when there are changes in the economic environment of the industry, it is down to these partnerships that the Company is able to control cost and guarantee stock for the customers.

d. Overseas Factories and Global Division of Labor

Due to a lack in labor force in Taiwan, and Taiwan's higher salary requirements than other countries, the Company's research and development remained in Taiwan while the manufacturing sites are mainly located overseas. The Company has factories in China and Vietnam as division in labor is most effective. Currently, the manufacturing, outgoing shipments and human resources in overseas sites are operating on the right track, which boosted the Company's overall competitiveness against other companies.

(B) Cons

a. Difficulty in creating a self-owned brand and marketing this brand.

As household sewing machines market channels are controlled by the larger brands, new products are hard to establish as customers are more accepting of brands they are familiar with. Japanese manufacturers in recent years have had good brand marketing, however most of their sales are within Japan. These brands struggled in the European and American sewing machine markets due to high cost of branding and establishing marketing channels. As a result, the Company currently operates the international manufacturer ODM model. The Company has entered the mainland China market to understand the markets access points while also actively training sales staff. Additionally, The Company will continue to increase the size of the R&D team and develop new product features to quickly respond to consumer needs and trends.

b. Competitors price

Household sewing machines have already matured as a product and the market competition is saturated. When faced with customers with bargaining power and pricing pressure from competitors, the industry has now entered a micro-profit age. Apart from providing the customer with high quality and competitively priced products, manufacturers have to put themselves in customers' shoes to understand the needs of the customer, develop products that are suitable for the market, assist branded customers in acquiring orders from channel distributors, create customer value and provide a variety of customer service. Similarly, the Company needs to enhance its competitive in quality through increasing variety of product lines.

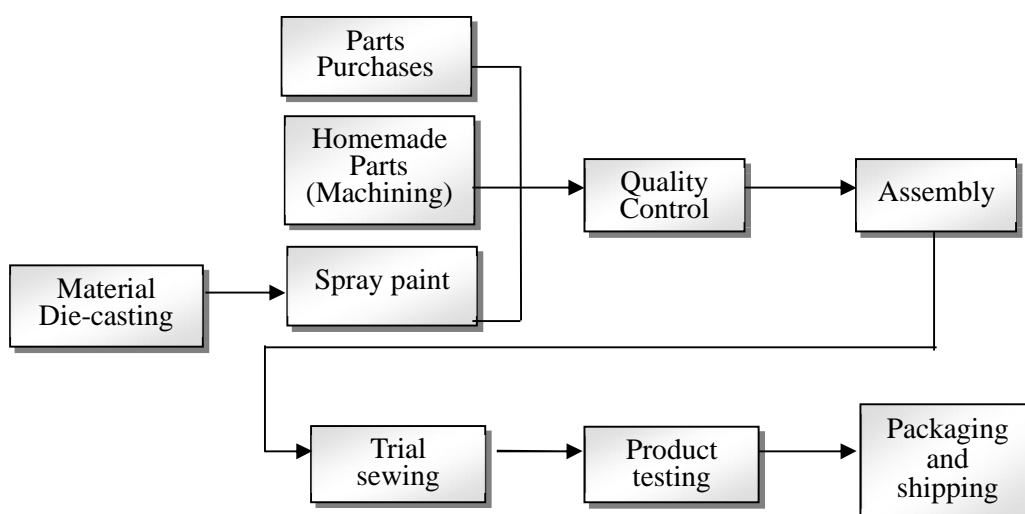
1.2.2 The products application and production process

A. The products application

Household Sewing machine: Sew clothing, tablecloths, tapestries, and other home accessories.

Household vacuum cleaner: Clean carpets and floors.

B. Production process



1.2.3 Supply status of main raw materials

The Company has a complete satellite factory system, and most of the raw material suppliers are concentrated near the production factory and have good cooperative relations, so the supply of main raw materials is stable.

Main Raw Materials	Main Suppliers	Situation
Presser Foot	Yu Hsing	Good
Placode	Zheng Tong	Good
Motor	Fang Zheng / Jin Yuan Ji Dian	Good
Punch	Yuan Fong / Cyuan Sheng	Good
Aluminum Ingot	Yang Xin/ Ming Ruan/Xin Guang	Good
ABS Plastic	Tai Long / Hui Ye	Good

1.2.4 Suppliers/customers who accounted for 10% or more of total purchase (sales) in one of the last two fiscal years and analysis of changes

A. Major Suppliers in the Last Two Calendar Years

Currency: NT\$ thousands; %

Item	2021				2022				Q1 of 2023			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percentage	Relation with Issuer	Company Name	Amount	Percentage	Relation with Issuer
1	Company A	361,012	7.25%	N/A	Company A	239,227	6.91%	N/A	Company B	46,135	5.85%	N/A
2	Others	4,619,252	92.75%	-	Others	3,223,102	93.09%	-	Others	742,607	94.15%	-
	Net Purchase	4,980,264	100.00%		Net Purchase	3,462,329	100.00%		Net Purchase	788,742	100.00%	

Note 1: The name of the supplier with more than 10% of the total purchase amount in the last two years and the amount and proportion of the purchase are listed, however the names are coded because the contract provides that the supplier's identity shall not be revealed and the same shall apply if the transaction counterparty is an individual and a non-related party.

Description: For the past two years, more than 70% of the purchasing volume has been from a single supplier, and the proportion of purchasing from other suppliers below 7% has remained relatively stable. This indicates that the main supplier has good cooperation and a stable supply source, and there is no concentration of purchasing among suppliers.

B. Major Clients in the Last Two Years

Currency: NT\$ thousands; %

Item	2021				2022				Q1 of 2023			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percentage	Relation with Issuer	Company Name	Amount	Percentage	Relation with Issuer
1	Company A	4,271,273	55.33%	N/A	Company A	3,324,398	46.18%	N/A	Company A	464,168	28.03%	N/A
2	Others	3,448,659	44.67%	-	Others	3,873,847	53.82%	-	Others	1,191,808	71.97%	-
	Net Sales	7,719,932	100.00%		Net Sales	7,198,245	100.00%		Net Sales	1,655,976	100.00%	

Note 1: The name of the customer and the amount and proportion of the total sales in the last two years are listed, however the names are coded because the contract provides that the customer's identity shall not be revealed and the same shall apply if the transaction counterparty is an individual and a non-related party.

Description: In the past two years, only one customer accounted for over 10% of the total sales revenue and there was little discrepancy in the sales proportion. About 40% to 50% of customers accounted for less than 10% of total sales revenue. This indicates a stable and good cooperative relationship with the main brand customers, and efforts have been made to develop new customers to alleviate the concentration of sales.

1.2.5 Production in the Last Two Years

Output Unit: thousands. Currency Unit: NT\$

thousands

Output Major Products	Year	2021			2022		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Sewing machine		4,500	3,791	6,336,425	4,000	2,459	4,405,619

1.2.6 Sales volume in the Last Two Years

Sales unit: thousands, thousand PCS; Sales value unit: NT\$ thousands

Sales Major Products	Year	2021				2022			
		Domestic sales		International sales		Domestic sales		International sales	
		volume	Amount	volume	Amount	volume	Amount	volume	Amount
Sewing machine		9	43,496	3,922	7,056,300	11	111,508	2,776	5,379,767
Vacuum cleaner		0	0	60	114,539	0	0	69	150,374
Precision metal parts		-	-	-	-	2,495	166,074	35,542	849,743
Other businesses		-	20,648	-	484,949	-	116,877	-	423,893
Total			64,144		7,655,788		394,468		6,803,777

5.3 Human Resources

Year		2021	2022	As of 30 April 2023
Number of Employees	Direct	2,141	2,559	2,603
	Indirect	928	973	940
	Management	360	613	627
	Total	3,429	4,145	4,170
Average Age		32.39	35.55	35.34
Average Years of Service		12.81	13.47	13.69
Education (%)	Ph.D.	0.03	0.02	0.02
	Masters	2.33	3.26	3.21
	Bachelor's	13.74	19.28	17.34
	Senior High	38.12	31.89	31.85
	Below Senior	45.78	45.55	47.58
	Total	100.00	100.00	100.00

5.4 Environmental Protection Expenditure

- 1.4.1 Any losses suffered by the company in the last two years and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in the environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.
- 1.4.2 In response to the EU restricted substances regulations related information: the Company's products to the European Union have been in line with the European Union restricted substances regulations related norms.

5.5 Labor Relations

5.5.1 Employees' working environment and personal safety

The Company has set up safety and health committees, meets regularly to review, and implements employees' health checks, relevant educational and training courses and continuous improvements in the working environment and safety measures to create a quality workplace. In addition, the Company obtained the environmental management system (ISO14001) certification, and the implementation of TOSHMS / OHSAS 18001 "Taiwan Occupational Safety and Health Management System", 1 was certified and registered by the Ministry of Economy Standards Inspection Bureau on 25 October 2011. The Company upholds the spirit of continuous improvement, and actively proposes and implements feasible improvement programs regarding noise and pollution prevention, safety and health management and fire drills.

5.5.2 Employees' behavior or code of ethics

The Company has set up "Employee Work Rules" with respect to employee behavior, prepared manuals and "Annual Performance Appraisal Measures" for employees to follow, so that employees clearly know the code of conduct. The Company also set forth regulations governing model staff selection to encourage outstanding employees.

In order to provide guidance for directors, supervisors and managers of the Company to acknowledge the ethical standards, we have established the "Code of Conduct" according to individual situations and needs. The main points are as follows:

- A. To prevent conflicts of interest: Prevent conflicts of interest when personal interests are involved or may be involved in the overall interests of the Company.
- B. To avoiding making self-interest: avoid using company property, information or taking advantage of a job position for personal gain or making personal gain while competing with the Company.
- C. Confidentiality: should be liable for maintaining confidential the Company's related non-disclosed information.
- D. Fair trade: No information learned on the basis of his or her position may be manipulated, concealed, or misused to gain undue benefits by making false statements or other unfair transactions with respect to material matters.
- E. To protect and to use company assets appropriately: It is such person's responsibility to protect the Company's assets and ensure that they are used effectively and legally for official business.
- F. Compliance with laws and regulations: The Company management shall strengthen compliance with securities trading laws and other laws and regulations.
- G. To encourage reporting any illegal or unethical transactions in violation of the trading laws and other laws and regulations: In order to encourage

employees to report violations, the Company, in accordance with the relevant processes or mechanisms, inform employees that the Company will do its utmost to protect the reporter from retaliation.

The abovementioned regulations can be accessed through the company's website or internal network.

5.5.3 Employee benefits measures and their implementation

The Company has set up the Employee Welfare Committee and implemented various welfare measures in accordance with the Labor Standards Act and the relevant laws and regulations. The Company's main measures are as follows:

- A. Labor Insurance
- B. Employee group insurance
- C. Employee bonuses
- D. Festival allowance
- E. Subsidies for benefits such as weddings and funerals
- F. Scholarships for employees and their children
- G. Group tours and travel subsidy, employee dinner allowance, festivals activities and gifts
- H. Employee meal allowance
- I. Employee health check
- J. Club activities
- K. Holding family day
- L. Employee share ownership trust

5.5.4 Further education and training and their implementation

The Company has put in place employee training regulations. the Human Resources Department will arrange orientation for new employees so they understand the Company's business philosophy, organizational bylaws, work environment and individual rights and obligations. The full time staff will receive education and training by departments according to job needs. Through on-the-job training, internal and external training projects and book studies, etc., employees' quality of work and capability are enhanced. In 2022, 6,915 employees received trained, and the total cost of training reached NT\$1,480 thousand.

In order to encourage employees to pursue further education while on the job, employees may pursue further education in accordance with the Company policy, and when a degree is earned, the Company will award a fixed amount of bonus as encouragement.

5.5.5 The retirement system and its implementation

To protect employees' retirement, the Company, in accordance with the Labor Standards Act, shall allocate 6% of employee salary as pension reserve and deposit it in the dedicated account with the Labor Retirement Reserve Supervision Committee, and since the promulgation of the Labor Pensions Act on 1 July 2005, the Company shall set aside 6% of employee salary to be deposited in the dedicated pension account each month for employees applicable under the Act so as to provide employees maximum retirement life protection.

5.5.6 The labor-management agreements and employee rights and interests protection measures

The Company is applicable under the Labor Standards Act. All operations shall comply with the Act. The Company regularly holds labor-management meetings pursuant to the Regulations for Implementing Labor-Management Meeting to promote mutual cooperation and improve efficiency, so that the two sides can communicate and cooperate more smoothly.

5.5.7 For the most recent year and as of the date of publication of the annual report, disclose the losses suffered as a result of labor disputes(including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions) and the estimated amount and response measures that may occur now and, in the future: None.

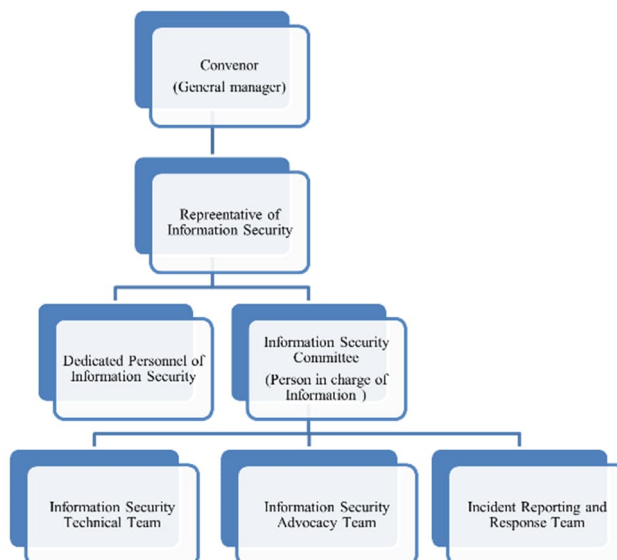
5.6 Information security management.

5.6.1 Describe the risk management framework of information security, information security policy, specific management plan, and resources invested in information security management, etc.

The maintenance, confidentiality, and correctness of corporate information, if not protected, can cause great loss, so it is crucial for the Company to stipulate information security protocols. The Company hence set forth the Organization Rules of Information Security Committee and Regulations of Computer Information Management.

Based on the importance of information security, the responsible unit reports to the board of directors on the status of information security governance and implementation annually, with the most recent report due on 5 August 2022.

A. Information Security Committee Organizational Chart



B. Information security policy and specific management plan

The Information Security Committee shall hold at least two information security meetings each year, attended by the information personnel, and may convene ad-hoc meetings as necessary.

To ensure that the employees have the ability to comply with the prevention and security of information system, follow network transmission information security, and manage crisis-related matters, the Company will conduct a factory-wide training for all employees with respect to information security every year to remind employees of information security risks and related operating procedures. The training includes promotion of the information security policy, legal requirements, operating procedures, safety responsibility, security precautions or data exchange of every information system, proper storage of confidential or sensitive information, correct use of information equipment and information management system, and training of processing procedures. The Company uses the online training materials so employees can access the information from time to time.

The Company has established a computer network system security control mechanism and uses anti-virus software internally to scan files daily to detect abnormal files so they can be cleared in real-time, while it is also forbidden to use certain applications.

Firewall intrusion prevention detection and anti-virus applications are also performed for protection and to block abnormal applications. The Company also uses a security system and adopts a policy of responsible use to manage specific applications and equipment allowing for real-time monitoring. The Company monitors the network to prevent the leakage of confidential and sensitive information or accessing abnormal websites that may lead to hacking.

C. Information security related work report

(A) Define and classify confidentiality of the working file: to implement the measures in line with AEO high quality enterprise project and group ISO method to integrate project schedule

(B) Adjustment of email approval notification settings in the security system: The information security system has been adjusted

(C) Strengthen colleagues' information security concept

(D) Authorization review of important systems (ERP, etc.) (to be reviewed once a year): Confirmed and executed by information management and auditors

D. Social engineering exercise results

The information management unit organizes email social engineering exercises from time to time to test whether the email is clicked due to the

more exaggerated and sensational email subject, therefore ignoring the sender's information and content and clicking phishing links without suspicion.

The threat of malicious emails and phishing emails is becoming more and more serious, ranging from leaking personal account passwords, computer virus attacks, to causing the company to lose a lot of money and affecting the company's image. Every year, Xingxuetang will conduct online information security education and training for all plant personnel to strengthen the information security awareness of colleagues.

E. Operation of information security protection

The group's current internal information security protection mechanism

First step: Unscheduled plant wide personnel safety awareness promotion (including e-mail social engineering exercise from time to time)

Second step: Spam filtering system (blocking emails containing abnormal sources or folders)

Third step: WSG network security gateway system (blocking the network connection with information security risk concerns)

F. Implementation in 2022

(A) In 2022, two Information Security Management Committee meetings were held to review the implementation of information security management.

(B) In 2022, 0.5 hours of online information security education and training for the entire factory were handled, with 320 people participated.

(C) All external emails executed in 2022 will require approval from the supervisor for release.

5.6.2 State the losses, possible impacts and responsive measures information taken related to major information security incidents suffered in the most recent year and as of the date of printing of the annual report, and if it is not reasonably estimable, state the fact that it is not reasonably estimable: None.

5.7 Material contracts

Type of contract	Parties	Period	Major contents	Restrictions
Engineering Contract	Lee Ming Construction Co., Ltd.	January 2021- December 2022	New plant construction	N/A
Engineering Contract	Dah Yea Electrical Engineering Co., Ltd.	Signed the contract on 2021. The project is scheduled to be completed according to the project timeline	The construction project for the additional office space in the factory building	N/A

VI. Financial information

6.1 Five-Year Financial Summary – Based on IFRS-compliant

6.1.1 Condensed Balance Sheet and Income Statement (Consolidated)

Condensed Balance Sheet (Consolidated)

Currency: NT\$ thousands

Year		2018	2019	2020	2021	2022	As of 31 March 2023 (Note 3)
Item							
Current assets		4,874,094	4,211,008	5,647,260	5,544,852	7,089,519	6,679,842
Property, Plant and Equipment (Note 2)		1,431,041	1,696,637	1,860,734	1,922,444	3,525,829	3,461,426
Intangible assets		39,042	38,951	41,002	37,636	960,552	958,194
Other assets (Note 2)		467,442	495,462	432,687	461,142	978,881	946,107
Total assets		6,811,619	6,442,058	7,981,683	7,966,074	12,554,781	12,045,569
Current liabilities	Before distribution	1,572,328	1,295,471	2,320,897	2,568,536	3,339,704	2,828,461
	After distribution	2,238,220	1,828,185	2,895,985	3,083,089	Undistributed	Undistributed
Non-current liabilities		392,198	342,608	606,308	421,510	989,876	930,810
Total liabilities	Before distribution	1,964,526	1,638,079	2,927,205	2,990,046	4,329,580	3,759,271
	After distribution	2,630,418	2,170,793	3,502,293	3,504,599	Undistributed	Undistributed
Equity attributable to owners of parent	Before distribution	4,802,489	4,761,834	4,982,834	4,908,107	5,518,560	5,514,435
	After distribution	4,136,597	4,229,120	4,407,746	4,393,554	Undistributed	Undistributed
Capital stock		605,356	605,356	605,356	605,356	665,356	665,356
Capital surplus		1,385,352	1,385,352	1,393,097	1,389,627	1,890,261	1,890,261
Retained earnings	Before distribution	2,974,881	2,982,511	3,279,872	3,239,338	3,165,339	3,167,127
	After distribution	2,308,989	2,449,797	2,704,784	2,724,785	Undistributed	Undistributed
Other equity interest		(163,100)	(211,385)	(295,491)	(326,214)	(202,396)	(208,309)
Treasury stock		(2,163)	-	-	-	-	-
Non-controlling interest		44,604	42,145	71,644	67,921	2,706,641	2,771,863
Total equity	Before distribution	4,847,093	4,803,979	5,054,478	4,976,028	8,225,201	8,286,298
	After distribution	4,181,201	4,271,265	4,479,390	4,461,475	Undistributed	Undistributed

Condensed Balance Sheet (Unconsolidated)

Currency: NT\$ thousands

Item		Year				
		2018	2019	2020	2021	2022
Current assets		3,274,300	2,761,785	3,355,836	3,310,033	2,651,379
Property, Plant and Equipment (Note 2)		334,544	622,386	722,445	736,693	703,803
Intangible assets		32,930	27,624	24,825	24,525	26,757
Other assets (Note 2)		3,060,467	2,986,471	3,158,126	3,015,518	4,771,383
Total assets		6,702,241	6,398,266	7,261,232	7,086,769	8,153,322
Current liabilities	Before distribution	1,510,146	1,297,068	1,682,647	1,762,785	2,159,886
	After distribution	2,176,038	1,829,782	2,257,735	2,277,338	Undistributed
Non-current liabilities		389,606	339,364	595,751	415,877	474,876
Total liabilities	Before distribution	1,899,752	1,636,432	2,278,398	2,178,662	2,634,762
	After distribution	2,565,644	2,169,146	2,853,486	2,693,215	Undistributed
Capital stock		605,356	605,356	605,356	605,356	665,356
Capital surplus		1,385,352	1,385,352	1,393,097	1,389,627	1,890,261
Retained earnings	Before distribution	2,974,881	2,982,511	3,279,872	3,239,338	3,165,339
	After distribution	2,308,989	2,449,797	2,704,784	2,724,785	Undistributed
Other equity interest		(163,100)	(211,385)	(295,491)	(326,214)	(202,396)
Treasury stock		-	-	-	-	-
Total equity	Before distribution	4,802,489	4,761,834	4,982,834	4,908,107	5,518,560
	After distribution	4,136,597	4,229,120	4,407,746	4,393,554	Undistributed

* If the company has prepared an individual financial report, it shall prepare separately individual condensed balance sheet and consolidated income statement for the last five years.

* Those who adopted the financial reporting standards for less than 5 years shall prepare the financial data of adopting ROC financial accounting standards.

Note 1: The year in which the financial report has not been audited by a certified accountant should be noted.

Note 2: Those who have undergone asset revaluation in the current year should include the evaluation date and the value after the reevaluation.

Note 3: As of the printing date of the report, listed companies or companies whose stocks that have been traded in the securities dealers shall disclose the financial data of the most recently reviewed period of examination if they have been audited or reviewed by a certified accountant.

Note 4: The amount after distribution should be filled in according to the resolution of the shareholders' meeting of the following year.

Note 5: For financial data notified by the competent authority to make correction or be restated, such data should be enumerated with corrected or restated numbers, with status and causes indicated.

Condensed Statement of Comprehensive Income (Consolidated)

Currency: NT\$ thousands

Item	Year					As of 31 March 2023 (Note2)
	2018	2019	2020	2021	2022	
Operating revenue	6,669,964	5,935,948	6,965,819	7,719,932	7,198,245	1,655,976
Gross profit	1,688,206	1,489,275	1,960,012	1,591,351	1,454,440	351,823
Income from operations	1,042,163	851,030	1,189,969	712,917	378,559	72,191
Non-operating income	239,637	53,501	(59,272)	(35,560)	429,807	16,215
Income before tax	1,281,800	904,531	1,130,697	677,357	808,366	88,406
Income from operations of going concerns- after tax	940,861	688,006	845,641	528,343	625,195	84,907
Income or loss from non-going concerns	-	-	-	-	-	-
Net income (Loss)	940,861	688,006	845,641	528,343	625,195	84,907
Other comprehensive income (income after tax)	(4,123)	(43,652)	(82,173)	(21,317)	111,919	887
Total comprehensive income	936,738	644,354	763,468	507,026	737,114	85,794
Net income attributable to shareholders of the parent	923,572	675,801	832,980	525,148	494,472	12,873
Net income attributable to non-controlling interest	17,289	12,205	12,661	3,195	130,723	72,034
Comprehensive income attributable to Shareholders of the parent	919,449	632,149	750,807	503,831	613,136	6,960
Comprehensive income attributable to non-controlling interest	17,289	12,205	12,661	3,195	130,723	78,834
Earnings per share	15.26	11.16	13.76	8.68	8.08	0.19

Condensed Statement of Comprehensive Income (Unconsolidated)

Currency: NT\$ thousands

Item	Year				
	2018	2019	2020	2021	2022
Operating revenue	6,137,712	5,415,138	6,197,136	6,798,275	5,336,553
Gross profit	1,237,989	1,062,307	1,305,136	1,258,277	679,250
Income from operations	751,237	628,248	839,809	766,450	137,450
Non-operating income	445,215	209,453	197,818	(108,955)	464,672
Income before tax	1,196,452	837,701	1,037,627	657,455	602,122
Income from operations of going concerns- after tax	923,572	675,801	832,980	525,148	494,472
Income or loss from non-going concerns	-	-	-	-	-
Net income (Loss)	923,572	675,801	832,980	525,148	494,472
Other comprehensive income (income after tax)	(4,123)	(43,652)	(82,173)	(21,317)	118,664
Total comprehensive income	919,449	632,149	750,807	503,831	613,136
Earnings per share	15.26	11.16	13.76	8.68	8.08

* If the company has prepared an individual financial report, it shall prepare separately individual condensed balance sheet and consolidated income statement for the last five years.

* Those who adopted the financial reporting standards for less than 5 years shall prepare the financial data of adopting ROC financial accounting standards.

Note 1: The year in which the financial report has not been audited by a certified accountant should be noted.

Note 2: As of the printing date of the report, listed companies or companies whose stocks that have been traded in the securities dealers shall disclose the financial data of the most recently reviewed period of examination if they have been audited or reviewed by a certified accountant.

Note 3: The amount after distribution should be filled in according to the resolution of the shareholders' meeting of the following year.

Note 4: For financial data notified by the competent authority to make correction or be restated, such data should be enumerated with corrected or restated numbers, with status and causes indicated.

6.1.2 Auditors' Opinions from 2018 to 2022

Year	Accounting Firm	CPA	Audit Opinion
2018	Ernst and Young	CHIN-YUAN TU, MING-HUNG CHEN	Unqualified opinion
2019	Ernst and Young	CHIN-YUAN TU, MING-HUNG CHEN	Unqualified opinion
2020	Ernst and Young	CHIN-YUAN TU, MING-HUNG CHEN	Unqualified opinion
2021	Ernst and Young	CHIN-YUAN TU, MING-HUNG CHEN	Unqualified opinion
2022	Ernst and Young	MING-HUNG CHEN, WEN-BI YEN	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis

(Note 1) Item (Note 3)		Financial Analysis for the Last Five Years					As of 31 March 2023 (Note 2)
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt Ratio	28.84	25.43	36.67	37.53	34.49	31.21
	Ratio of long-term capital to property, plant and equipment	366.12	303.34	304.22	280.76	261.36	266.28
Solvency (%)	Current ratio	309.99	325.06	243.32	215.88	212.28	236.17
	Quick ratio	266.26	273.53	184.13	153.34	163.46	181.03
	Interest earned ratio (times)	160.69	215.60	205.36	76.73	30.25	12.12
Operating performance	Accounts receivable turnover (times)	5.63	5.76	6.25	6.93	4.67	3.96
	Average collection period	64.83	63.36	58.40	52.66	78.15	92.17
	Inventory turnover (times)	9.58	7.26	5.24	4.17	3.46	3.16
	Accounts payable turnover (times)	6.03	5.85	5.71	5.39	4.52	4.42
	Average days in sales	38.10	50.27	69.65	87.52	105.49	115.50
	Property, plant and equipment turnover (times)	4.92	3.80	3.92	4.08	2.64	1.90
	Total assets turnover (times)	0.98	0.90	0.97	0.97	0.70	0.54
Profitability	Return on total assets (%)	13.98	10.43	11.79	6.72	6.31	2.97
	Return on stockholders' equity (%)	20.29	14.26	17.16	10.53	9.47	4.11
	Pre-tax income to paid-in capital (%)	211.74	149.42	186.78	111.89	121.49	53.15
	Profit ratio (%)	14.11	11.59	12.14	6.84	8.69	5.13
	Earnings per share (NT\$)	15.26	11.16	13.76	8.68	8.08	0.19
Cash flow	Cash flow ratio (%)	86.37	59.39	33.14	22.12	35.78	30.80
	Cash flow adequacy ratio (%)	127.90	122.31	93.59	79.70	83.93	99.18
	Cash reinvestment ratio (%)	13.73	1.74	3.54	(0.10)	5.95	7.51
Leverage	Operating leverage	2.16	2.37	2.16	3.11	5.66	8.93
	Financial leverage	1.01	1.00	1.00	1.01	1.08	1.12

1. Interest earned ratio: The decrease in interest earned ratio was mainly due to the increase in interest expense in the current year compared to 2021.
2. Accounts receivable turnover: The decrease in the accounts receivable turnover ratio was due to the inclusion of Turvo in the consolidated financial statements starting from September 2022, which led to an increase in accounts receivable by the end of 2022. However, Turvo's sales revenue will only be included in the consolidated financial statements for the last four months of 2022 (September to December), resulting in a shorter period of sales being accounted for and therefore lowering the accounts receivable turnover.
3. Average collection period: The increase in average collection period was mainly due to the decrease in accounts receivable turnover.
4. Accounts payable turnover (times): The decrease in accounts payable turnover was mainly due to a slowdown in material demand, resulting in a decrease in the average accounts payable compared to 2021.
5. Average days in sales: The increase in average days in sales was mainly due to the decrease in accounts payable turnover.
6. Property, plant and equipment turnover (times): The decrease in the property, plant, and equipment turnover was mainly due to the inclusion of Turvo in the consolidated financial statements starting from September 2022, resulting in an increase in the net value of property, plant, and equipment. However, this increase was offset by a decrease in sales revenue compared to 2021 due to a slowdown in demand from end customers. Therefore, the property, plant, and equipment turnover ratio has decreased.
7. Total assets turnover: The same as 6.
8. Profit ratio: Same as 6.
9. Cash flow ratio: The increase in the cash flow ratio was due to an increase in net cash inflows from operating activities compared to 2021
10. Cash reinvestment ratio: The increase in the cash reinvestment ratio was mainly due to the inclusion of Turvo in the consolidated financial statements starting from September 2022, which resulted in an increase in net cash flows from operating activities compared to 2021. As a result, the cash reinvestment ratio has increased.
11. Operating leverage: The increase in operating leverage was mainly due to a decrease in operating profit compared to 2021.

6.2.2 Financial Analysis (Unconsolidated)

Item (Note 3) \ Year (Note 1)		Financial Analysis for the Last Five Years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt Ratio	28.35	25.58	31.38	30.74	32.32
	Ratio of long-term capital to property, plant and equipment	1471.40	777.95	731.80	698.81	814.8
Solvency (%)	Current ratio	216.82	212.93	199.44	187.77	122.76
	Quick ratio	211.94	207.86	194.57	178.94	120.42
	Interest earned ratio (times)	174.73	285.26	238.06	118.38	37.24
Operating performance	Accounts receivable turnover (times)	4.88	4.86	4.99	5.38	4.24
	Average collection period	74.85	75.14	73.13	67.90	86.01
	Inventory turnover (times)	68.24	59.01	66.51	46.23	41.41
	Accounts payable turnover (times)	5.51	6.41	7.79	9.38	9.46
	Average days in sales	5.35	6.19	5.49	7.89	8.81
	Property, plant and equipment turnover (times)	24.47	11.32	9.22	9.32	7.41
	Total assets turnover (times)	0.91	0.83	0.91	0.95	0.7
Profitability	Return on total assets (%)	13.70	10.35	12.25	7.38	6.66
	Return on stockholders' equity (%)	20.10	14.13	17.10	10.62	9.48
	Pre-tax income to paid-in capital (%) (Note7)	197.64	138.38	171.41	108.61	90.50
	Profit ratio (%)	15.05	12.48	13.44	7.72	9.27
	Earnings per share (NT\$)	15.26	11.16	13.76	8.68	8.08
Cash flow	Cash flow ratio (%)	46.40	29.28	19.14	38.18	13.75
	Cash flow adequacy ratio (%)	115.27	95.63	78.50	78.64	65.18
	Cash reinvestment ratio (%)	3.62	(5.67)	(3.81)	1.81	(3.54)
Leverage	Operating leverage	1.58	1.61	1.50	1.58	4.28
	Financial leverage	1.01	1.00	1.01	1.01	1.14

1. Current ratio: The decrease in the current ratio was mainly due to an increase in short-term borrowing for operating working capital purposes.
2. Quick ratio: The same as 1.
3. Interest earned ratio: The decrease in interest earned ratio was mainly due to an increase in interest expenses compared to 2021.
4. Accounts receivable turnover (times): The decrease in accounts receivable turnover was mainly due to an increase in overdue accounts receivable compared to 2021.
5. Average collection period: The increase in the average collection period was mainly due to the decrease in accounts receivable turnover.
6. Property, plant and equipment turnover (times): The decrease in property, plant, and equipment turnover was mainly due to the decrease in net sales compared to 2021, caused by a slowdown in end-customer demand.
7. Total assets turnover (times): The same as 6.
8. Profit ratio: The same as 6.
9. Cash flow ratio: The same as 1.
10. Cash reinvestment ratio: The decrease in the cash reinvestment ratio was mainly due to the decrease in operating cash flow compared to 2021
11. Operating leverage: The decrease in operating leverage was mainly due to the decrease in net operating revenue compared to 2021.

* If the company has prepared an individual financial report, it shall prepare separately individual condensed balance sheet and consolidated income statement for the last five years.

* Those who adopted the financial reporting standards for less than 5 years shall prepare the financial data of adopting ROC financial accounting standards.

Note 1: The year in which the financial report has not been audited by a certified accountant should be noted.

Note 2: Those who have undergone asset revaluation in the current year should include the evaluation date and the value after the reevaluation.

Note 3: At the end of this table in the financial report, the following formula shall be shown:

1. Financial Structure analysis

(1) Debt ratio = Total Liabilities / Total Assets

(2) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net

2. Liquidity analysis

(1) Current ratio = Current assets / Current liability

(2) Quick ratio = (Current Assets - Inventories - Prepaid expenses) / Current liability

(3) Times interest earned = Profit before Credit for Income Tax / Current interest expense

3. Operating performance analysis

(1) Average collection turnover (Including Accounts Receivable and Notes Receivable from operation) = Sales / Average trade receivables

(2) Days to collect accounts receivable = 365 / Average collection turnover

(3) Average inventory turnover = Cost of goods sold / Average inventories

(4) Average payment turnover (Including Accounts Payable and Notes Payable from operation) = operating costs / Average trade payables

(5) Average days to sell inventory = 365 / Average inventory turnover

(6) Property, plant and equipment turnover = Sales / Average property, plant and equipment, net

(7) Total assets turnover = Sales / Average total assets

4. Return on investment analysis

- (1) Rate of return on assets = $[\text{Profit} + \text{Interest expense} \times (1 - \text{Tax rate})] / \text{Average assets}$
- (2) Rate of return on equity = $\text{Profit} / \text{Average total Equity}$
- (3) Profit to sales = $\text{Profit} / \text{Sales}$
- (4) Earnings per share = $(\text{Equity attributable to owners of parent} - \text{Dividend-preferred stock}) / \text{Weighted average outstanding shares (Note 4)}$

5. Cash flow

- (1) Cash flow ratio = $\text{Net cash provided by operating activities} / \text{Current liability}$
- (2) Cash flow adequacy ratio = $5\text{-year net cash provided by operating activities} / 5\text{-year (Capital expense} + \text{Increase in inventories} + \text{Cash dividend})$
- (3) Cash flow reinvestment ratio = $(\text{Net cash provided by operating activities} - \text{Cash dividend}) - (\text{Property, plant and equipment, net} + \text{Long-term investments} + \text{Other non-current assets} + \text{Operating Capital})$ (Note 5)

6. Leverage

- (1) Operating Leverage = $(\text{Net sales} - \text{Variable cost}) / \text{Operating income}$ (Note 6)
- (2) Financial leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$

Note 4: The following factors are to be included for consideration for the calculation of earnings per share:

1. It is based on the weighted average common stock shares instead of the outstanding stock shares at year-end.
2. For capitalization with cash or treasury stock transaction, the stock circulation must be included for consideration to calculate weighted average stock shares.
3. For capitalization with retained earnings and capital surplus, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) shall be deducted from net income or added to the net loss. If preferred stock shares are not cumulative, preferred stock dividend shall be deducted from net income if there is any, but it needs not to be added to net loss if there is any.

Note 5: The following factors are to be included for consideration for the analysis of cash flow:

1. Net cash flow from operating activity shall refer to the net cash inflow from operating activity on the Statement of Cash Flow.
2. Capital expenditure shall refer to the cash outflow of annual capital investment.
3. Increase of inventory is factored in only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero.
4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross Property, plant and equipment shall refer to the total property, plant and equipment before deducting the accumulated depreciation.

Note 6: Issuers are to have operating cost and operating expenses classified into the category of fixed and variable. If the classification of operating cost and operating expense involves estimation or discretionary judgment, it must be made reasonably and consistently.

Note 7: If the company's shares are non-denominational or not at NT\$10 per share, and the above calculations of paid-in capital ratio may use the equity attributable to the owner of the parent company stated in the balance sheet.

6.3 Audit Committee Review Report in the most recent year

Zeng Hsing Industrial Co., Ltd.

Audit Committee Review Report

The Board of Directors has prepared and submitted to us the Company's 2022 Business Report, proposal for earnings distribution and the financial statements audited by the CPA, who issued an audit report accordingly. Pursuant to Article 219 of the Company Act, we hereby submit this report.

Sincerely,

Zeng Hsing Corporation

The 2023 Annual General Meeting of Shareholders

Audit Committee Convenor: Ming-Liang Tarng

10 March 2023

6.4 Financial Report for the most recent year:

Please refer to pages 164-266.

6.5 A parent company only financial statement for the most recent fiscal year, certified by a CPA:

Please refer to pages 267 - 359.

6.6 If the company or its affiliates experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

Financial Standing Comparison and Analysis Table

Unit: NT\$ thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	7,089,519	5,544,852	1,544,667	27.86%
Fixed Assets	3,525,829	1,922,444	1,603,385	83.40%
Intangible Assets	960,552	37,636	922,916	2452.22%
Other Assets	978,881	461,142	517,739	112.27%
Total Assets	12,554,781	7,966,074	4,588,707	57.60%
Current Liabilities	3,339,704	2,568,536	771,168	30.02%
Non-current Liabilities	989,876	421,510	568,366	134.84%
Total Liabilities	4,329,580	2,990,046	1,339,534	44.80%
Capital stock	665,356	605,356	60,000	9.91%
Additional paid-in capital	1,890,261	1,389,627	500,634	36.03%
Retained Earnings	3,165,339	3,239,338	(73,999)	-2.28%
Other components of equity	(202,396)	(326,214)	123,818	-37.96%
Treasury stock	-	-	-	-
Non-controlling interests	2,706,641	67,921	2,638,720	3884.98%
Total Stockholders' Equity	8,225,201	4,976,028	3,249,173	65.30%
<p>1. The reasons for the changes in the increase or decrease are as follows:</p> <p>(1) Additional paid-in capital: The increase was mainly due to the issuance of ordinary shares with a premium for cash capital increase in 2022.</p> <p>(2) Other components of equity: The main reason was due to the increase in exchange differences on financial statements of foreign operating entities.</p> <p>(3) Other: It was mainly due to the consolidation of Turvo into the consolidated financial statements starting from September 2022.</p> <p>(2) Impact: No significant impact.</p>				

7.2 Analysis of Financial Performance

Financial Performance Comparison and Analysis Table

Currency: NT\$ thousands; %

Item	Year		Difference	
	2022	2021	Amount	%
Net Sales	7,198,245	7,719,932	(521,687)	-6.76%
Gross Profit	1,454,440	1,591,351	(136,911)	-8.60%
Operating Income	378,559	712,917	(334,358)	-46.90%
Non-operating Income and Expenses	429,807	(35,560)	465,367	-1308.68%
Income from continuing operations before income tax	808,366	677,357	131,009	19.34%
Income from continuing operations, net of tax	625,195	528,343	96,852	18.33%
Income (Loss) from Discontinued Operation	-	-	-	-
Net Income	625,195	528,343	96,852	18.33%
Total other comprehensive income, net of tax	111,919	(21,317)	133,236	-625.02%
Total comprehensive income	737,114	507,026	230,088	45.38%
Stockholders of the parent	494,472	525,148	(30,676)	-5.84%
Non-controlling interests	130,723	3,195	127,528	3991.49%
Stockholder of the parent	613,136	503,831	109,305	21.69%
Non-controlling interests	123,978	3,195	120,783	3780.38%
Earnings per share-basic	8.08	8.68	-0.60	-6.91%

7.2.1 Analysis of changes in financial ratios:

- A. Decrease operating profit and loss: It was mainly due to the impact of slowing demand from end customers.
- B. Increase in non-operating income and expenses: It was mainly due to the increase in foreign exchange gain.
- C. Other comprehensive profits and losses (net amount after tax) increased in the current period: It was mainly due to the increase in exchange differences in the financial statements of overseas operations.
- D. Increase in non-controlling interests: It was mainly due to the difference caused by the inclusion of Turvo in the consolidated financial statements starting from September 2022.

7.2.2 Sales Volume Forecast and Related Information:

The company has not disclosed its financial forecasts, this is not applicable.

7.2.3 The potential future impact upon the company's financial operations as well as responsive measures:

The Company will monitor market trends from time to time, manage the production bases flexibly to adjust inventory to prevent slow-moving inventory and price fluctuation risk in raw materials, as well as keeping track of the economy and market demand to plan new product promotion, so as to expand market share and boost profit.

7.3 Analysis of Cash Flow

7.3.1 Liquidity Analysis of the most recent two years

Item	Year		
	2022	2021	Variance (%)
Cash Flow Ratio (%)	35.78%	22.12%	61.75%
Cash Flow Adequacy Ratio (%)	83.93%	79.70%	5.31%
Cash Reinvestment Ratio (%)	5.95%	-0.10%	-6050.00%
Analysis of financial ratio change:			
<ol style="list-style-type: none"> 1. Cash flow ratio: The cash flow ratio increased due to net cash inflow from operating activities increased compared to 2021, leading to an increase in the cash flow ratio. 2. Cash reinvestment ratio: The increase in cash reinvestment ratio was mainly due to the inclusion of Turvo in the consolidated financial statements since September 2022 resulted in an increase in operating cash inflows compared to 2021, leading to an increase in the cash reinvestment ratio. 			

7.3.2 Remedy for Liquidity Shortfall: Not applicable.

7.3.3 Cash Flow Analysis for the Coming Year

Currency: NT\$ thousands

Balance of cash at start of term (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Net Cash Flow from Financing Activities (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
\$3,047,053	867,884	(1,327,436)	2,587,501	-	-
Cash Flow Projection for Next Year:					
<ol style="list-style-type: none"> 1. Operating activities: Stable operations are expected to generate net cash inflows in the coming year. 2. Investing and financing activities: Based on the capital expenditure plan and dividend policy for 2023, the Company has sufficient capital and will use bank borrowings if there is a shortage of funds due to the timing of payments and receipts and fluctuation in exchange rates. 					

7.4 Major Capital Expenditure Items

The major capital expenditure of the company is the plant construction at the Taiwan headquarters. The sources of funds are equity fund and bank financing.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

The Company's management make reinvestments based on factors such as the Company's operating needs, cost reductions, market share expansion, or the Company's global layout. An investment evaluation team was established by the Company's management to conduct a comprehensive evaluation of the Company's current conditions, future prospects and global trends, etc., and provide investment proposals for decision-makers.

Due to the higher manufacturing cost in the factories in China, certain products have been moved to the Vietnamese manufacturers. The Chinese factory is dedicated to improving efficiency, cut cost and as a result enhancing profit margins. In order to ensure a stable source of materials and reduce the cost of purchases to increase profits, in the future the Company will continue to improve the rationalization of production processes, increase the rate of manufacturing major parts by the Company itself, reduce costs, and strengthen the management of the supply chain.

The Company's plants in Vietnam have been operating efficiently and generated profit. Moving forward, the Company will strictly control production costs to improve efficiency and profitability.

7.6 Special Disclosure

7.6.1 Risk Assessment

A.Organizational Structure and Policies for Risk Management

Name of Group	Responsibilities
Board of Directors	<ol style="list-style-type: none">1. Manage and create appropriate business culture.2. Supervise the managers to make good use of the Company's resources to perform their duties and achieve their goals.3. Establish the Company's core values and standards and promote efficient internal and external communications.4. Ensure to exercise duties in accordance with laws, articles of association and resolutions of shareholders' meetings.
Remuneration Committee	<ol style="list-style-type: none">1. Exercise due care of a good manager and perform the duties faithfully. They should forward proposals to the board of directors for discussion.2. Set and review regularly the annual and long-term performance goals, salary and compensation policies, systems, standards and structures of the directors and managers of the Company.3. Regularly evaluate how the Company's directors and managers have performed in terms of achieving their targets and determine the

	composition and amounts of their respective salary and remuneration.
Management Committee	<ol style="list-style-type: none"> 1. Within the scope of authorization, develop management policies and determine the relevant operational matters according to the board of directors' instruction 2. Review matters related to the organizational reform 3. Evaluate and decide new plans 4. Review addition, disposal and transfer of important equipment 5. Deliberate important proposals made by various departments 6. Understand the dynamics of each department, communicate management information and achieve business performance goals 7. Review internal audit report 8. Coordinate matters among all departments
Internal Control System Self-Inspection Team	<ol style="list-style-type: none"> 1. Internal control related to the effectiveness and efficiency of operations 2. Internal control related to the reliability of financial reporting 3. Internal control related to the compliance of relevant laws and regulations.
Information Security Committee	<ol style="list-style-type: none"> 1. Review of Information Security Management Policy 2. Formulation of Information Security Management Policy 3. Coordination of responsibilities for information security matters among all departments 4. The risk supervision of information assets 5. Coordination and discussion of the information security technology, method, and procedures that should be adopted 6. Review and supervision of information security incident. 7. Permission and supervision of the corrective and preventive measures.
Risk Management Committee	<ol style="list-style-type: none"> 1. Check and identify risks that could impact operations and profits based on the company's overall operating policy. 2. Proceed with various risk projects, conduct risk assessments, and assess the feasibility of decisions-making. 3. Examine the various risk management mechanisms and countermeasures. 4. Analysis of risk loss events and response measures 5. Comply with the competent authority's regulations or other significant risk issues.

B. Risk Management Policy

The board of directors develops and reviews the procedures, and the management team forms the management committee to regularly or irregularly review business policies, review organizational systems, evaluate and decide on new plans, and communicate management information, etc., as well as whether there are any abnormal circumstances. All departments will bear responsibilities according to hierarchy and carry out duties diligently.

The internal control system self-inspection team will review the internal control systems annually and the internal audit team evaluates the effectiveness of the self-inspection team to minimize the risk of human error.

Over the years of implementation, except for market risks which cannot be controlled in the macroeconomic environment, other risks such as financial risk, liquidity risk, credit risk, legal risk, strategic and operating risk, have all been controlled internally and effectively without faults.

7.6.2 Impact of changes in interest rates, exchange rates, and inflation on the Company's profits and losses and future countermeasures.

To meet the short-term capital requirements, the Company will consider low-cost funding from the money market while also seeking financing from financial institutions. For the medium and long-term development and financial planning, capital market can be leveraged when appropriate.

Interest risk shall refer to the fluctuation of financial instruments' fair value or future cash flow caused by changes in market interest rates. The Company's interest rate risk mainly derives from the floating interest rates loans and fixed interest rate loans. In terms of financial commodity investment, the company invests primarily in low-risk bank deposits, notes issued under repurchase agreement and money market or bond funds to ensure funds safety and keep liquidity.

The Company's products are mainly exported overseas, and the main income is in US Dollars. The foreign currency income covers the foreign currency expenditure required for imports. In addition, financial analysts will constantly be updated on global markets information, be aware of the exchange rate trend and refer to the analysis and suggestions provided by banks. Depending on the actual funding needs and exchange rate changes, foreign exchange deposit positions may be adjusted when appropriate, and when there is greater exchange fluctuation, the Company will execute forward exchange, exchange agreement with banks to avoid further losses. The Company will keep observing the changes in the financial market, follow the company's hedging principle to lower the aggregated exposure, and use the exchange hedging instrument properly to reduce the effect of exchange rate fluctuations on the company's profit/loss.

As the Company operates in an export-oriented industry, exchange rate changes may affect revenue and profits. The Company's hedging measures against exchange rate changes are described below:

- The export quotation considers the fluctuation of currency exchange rates and adjusts sale price timely to reflect cost.
- Establish dedicated foreign currency accounts to reduce the impact of exchange rate fluctuation and determine appropriate timing to settle currency exchange and goods payments.

- The finance department maintains close ties with the foreign exchange departments at banks in order to keep track of the global currency exchange changes and make foreign currency denominated asset /liability hedging assessment from time to time to reduce negative impact from exchange rate changes.
- Stipulated the “Process for obtaining or disposing of assets” in accordance with regulations set forth by the Securities and Futures Bureau, Financial Supervisory Commission to govern the procedures for trading, risk management, supervision and auditing of derivative financial products, and enhance risk control with respect to the Company’s use of financial instrument to hedge against exchange rate risk.
- Always keep track of market exchange rate changes and negotiable favorable exchange rates with banks.

The annual CPI growth rates announced by the Directorate-General of Budget, Accounting and Statistics for Taiwan in 2021 and 2022 were 1.96% and 2.95%, respectively. Although the inflation risk has increased, it is still within an acceptable range. The Company continues to manage raw material inventory, implement procurement strategies, and innovate in production processes to reduce costs. The Company also adjust our pricing appropriately to increase profits, which can effectively respond to changes in the environment and mitigate the impact of inflation on the Company.

7.6.3 Policies of engaging in high risk and high-leverage investment, fund-lending, endorsement guarantees and derivative commodity transactions; main reasons for profit or loss and future responsive measures:

- The Company's policy is to focus on the operation of core business. In addition, the Company has established “Procedures for Acquisition or Disposal of Assets” and “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees” as guidelines for engaging in related activities. The Company has not engaged in high-risk or highly-leveraged investments.
- The Company lends money to external entities: Where there is necessary for business needs between the Company and its subsidiaries to conduct fund transfers, they will be handled in accordance with the “ Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees” established by the Company and its subsidiaries. The information regarding each fund loan to others will be announced in a timely and correct manner in accordance with legal regulations. As the Company and its affiliated enterprises have sound financial management and operate in a prudent manner, there have been no losses incurred due to fund loans.
- The Company’s endorsement guarantees for others: When necessary, the Company and its subsidiaries provide guarantees for third-party endorsements in accordance with the “ Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees” between the Company and its subsidiaries. The Company also comply with legal regulations and promptly and accurately disclose information on all endorsement guarantees. Due to the sound financial management and prudent operations of our company and its related enterprises, the Company has never suffered losses due to endorsement guarantees.

- The Company engages in derivative transactions with a conservative and prudent approach, and all transactions are made for the purpose of hedging, and such transactions are treated in accordance with the 'Procedures for obtaining or disposing of assets.
- Future responsive measures: The Company has engaged in investing, lending money to others and the endorsement guarantee will be handled in accordance with the 'Procedures for Acquisition or Disposal of Assets' and 'Procedures for loaning funds and endorsement guarantee'. In the future, the Company will continue to strictly control derivatives transactions based on the exchange rate risk control principles in order to reduce exchange rate risk and hedge against foreign exchange losses.

7.6.4 Future R&D Plan and Expected Costs

The Company's R&D team is focused on developing its own talents. It focuses on nurturing professionalism and skills, accumulating experience and expertise and initiate cooperation with the industry, government and academia therefore strengthening the technical capabilities and quality of the team. The Company aims to introduce 3D design software, modular design methods, collaborative design, design environment standards, and coordinated engineering. There are a number of advanced design methods such as mold flow analysis, stress analysis and motion analysis to speed up development time and enhance R&D quality so the Company can move towards developing more diversified products.

It is expected in 2023 that R&D manpower will increase. The estimated R&D expenditure is expected to account for about 2.5% to 3% of the revenue.

7.6.5 Impact of foreign and domestic policy changes on the company's financial operations and corresponding measures:

In recent years, the important changes of the domestic and foreign policies and laws have not affected the Company's finances. The Company always monitors the development of domestic and foreign political and economic situations and legal changes. Furthermore, the Company has fully understand the state of development and respond to changes in the market and always maintain a high level of vigilance and have the ability to respond appropriately to changes in the market environment. If needed, the Company will immediately consult with CPAs and lawyers, thus reducing the possible impact in the future.

7.6.6 The impact of technological changes (including information security risks) and industrial changes on the Company's financial operations and corresponding measures:

The Company is committed to the research, development and manufacturing of household sewing machines and has accumulated more than 50 years of rich experience in production, sales and building flexible strategy, which is able to stay with changes in market demand while actively investing in research and development. The OEM model was transformed into the ODM model, with strong customization capabilities and excellent product quality. Product quality

has been receiving acknowledgement from the world's top manufacturers. In addition, the Company is developing its front-end process and business development. The Company actively carries out the process of restructuring and cooperation, improving each branch of the company and raising the technology threshold.

Household sewing machines production is a labor-intensive industry, and as a result of the rising domestic labor price, the Company moved its production to China and Vietnam to establish overseas production bases. The move greatly increased the production capacity of sewing machines, and also increased the proportion of household use parts, reduced product costs and therefore faced the risk of risking initial costs.

In addition to possessing the same technical ability as the rest of the industry, the Company has also developed other advanced and unique techniques to manufacture household sewing machines. The most difficult part is the integration of mechanical structure and electrical control. The Company has accumulated many years of research and development experience, obtained a number of sewing machine patents, and is committed to the research and development of new products, from the simplification of mechanical structure and the modularization of the manufacturing process to the integration of computer and mechanical technology. The Company has many years of experience in departmental adjustment and connection. The connection between products is good and there are no major technical skills related risks.

7.6.7 The impact of change in corporate image and crisis management.

The Company has been committed to long-term corporate social responsibility, public welfare, and educational activities. The Company has always adhered to the business philosophies of honesty and pragmatism. There has also always been a great focus on risk control. If there is any situation that endangers the company's operation and requires changes, the Company's crisis management team will take necessary measures to respond. In the most recent year until the printing date of the report, the company image has been good and there are no risks involved.

7.6.8 Expected benefits, possible risks and corresponding measure for mergers and acquisitions:

In order to diversify the Company's business operations, continuously pursue growth, increase competitiveness, expand its operational scale, and achieve sustainable development goals, the Company decided at the board of directors meeting on 6 June 2022 to conduct a public cash tender offer to acquire common shares of Turvo International Co., Ltd. (stock code: 2233, hereinafter referred to

as "Turvo"). The tender offer period was from 8 June 2022 to 6 July 2022. As of 9 June 2022, the minimum required amount of 3,015,000 shares for the tender offer had been reached, and the total amount of common shares to be sold in response to the tender offer reached 33,970,990 shares by the tender offer deadline of 6 July 2022. The transaction was settled on 12 July 2022, with the actual number of shares acquired being 13,000,000 shares, at a tender offer price of NT\$130 per share, for a total transaction amount of NT\$1.69 billion. The Company's shareholding ratio in Turvo's total outstanding common shares is 21.56%.

(1) Expected Benefits:

A. Diversified Business: The acquisition will promote cooperation between the two companies and increase the application scope of their products.

B. Increased Competitiveness: The technical exchange between the two companies will enhance their product and market competitiveness.

C. Improved Management Performance: The expansion of resource sharing will bring benefits to both companies.

D. Increased Earnings per Share: Recognition of investment income in the future will create profitable returns for shareholders.

(2) Possible risks

A. The profitability and prospects of the acquisition target may be lower than expected, resulting in overvaluing the acquisition value.

B. Differences in corporate culture and management strategies after the acquisition may delay the time for the comprehensive benefits of the acquisition to take effect.

7.6.9 Expected benefits, possible risks and corresponding measures for expanding the plant

The board of directors approved the expansion project of the right factory in Vietnam (Zeng Hsing Industrial CO., Ltd. (VN)) on 5 November 2021, which is expected to increase the Group's production capacity by approximately 7% in the future. The project shall be implemented in accordance with the Company's relevant regulations as well as other applicable laws and regulations. Expanding the factory requires capital investment, but the newly developed products not only meet the economies of scale to reduce production costs, but also complete the

company's product line, reduce product costs, and increase gross profit margin. Therefore, even in the face of cyclical economic downturns and temporary decreases in demand, the company can flexibly adjust the production lines and the capacity allocation of each product. The risk of expanding the factory should be limited.

7.6.10 The risks and countermeasures faced in the purchase or sales concentration.

The Company's largest sales customer in 2022 was NT\$3,324,398 thousand, accounting for 46.18% of total sales, a slight decrease in sales concentration from 55.33% in the previous year

Sales concentration occurred mainly because the customer is a globally celebrated sewing machine brand. The Company's product quality, research ability, available machine model, and production scale are recognized by the customer so that the Company becomes its main ODM outsourcing manufacturer. However, the Company is well aware that sales concentration will expose the Company to higher operation risk and will take the following countermeasures:

A. Maintain good supply relationship

Customer loyalty in the brand is high, therefore, downstream companies continue to order from The Company, every well-known household sewing machine brand needs to have stable product quality and timely delivery supplier, while maintaining a good supply relationship. At the current stage of household sewing machine production, judging by the industry development patterns, the household sewing machine market will be most competitive. Due to the complexity of the machine (requiring roughly 200 or more parts), the product requires precision in assembly and high quality. Various well-known brands are likely to have unstable supply risks if they look for suppliers that run small factories.

B. Strengthen customer dependency on the Company

The main sales is in the United States. The Company has after-sales services for the models sold in the United States and originally the service was performed in the USA by clients. However, now the Company's subsidiary provided the after sales service. Because customer pays for the maintenance and shipping fees at a rate that is lower than the customer's cost if the service is done in the US. We can provide customer with new models with customized appearances every year, also we set up factories in Vietnam to provide more efficient services to EY customers.

C. Actively develop high-end computerized sewing machines

At present, the Company's computer-integrated sewing machines are mainly medium and low-end models. But with the Company's continuous dedication, computerized sewing machines have been successfully developed, which are higher-end computerized sewing machines. The Company used mainly offer household-friendly machine. In 2009, the Company's first high-end computerized sewing machine was introduced to the market. As sales were divided among different customers, concentration of customers was reduced.

D. Customized products required by customers

The Company has strong customization capabilities and has provided many customers with customized products they needed. There is a high degree of dependence from customers on the Company, thereby mitigating the risk of the Company's concentration of certain sales.

E. Develop new products with customers

In addition to customizing the products required by customers, the Company also develops new products with customers. The products that the Company has developed with customers in the past were all mechanical models. However, during the cooperation process, customers gradually agree with the Company's development of computerized sewing machine technology.

F. Develop a market for secondary appliances

In order to avoid sales concentration on a single household sewing machine product, the Company proactively developed a second product for the home appliances market. We also increased engineering manpower in line with customers' transition and continue to develop a market for new home appliances.

G. Extend product line with existing equipment

Due to the gradual increase of production costs in mainland China and the implementation of the labor contract law, the Company transferred orders that were originally produced in China to a Vietnamese subsidiary. Its product line was extended via aluminum alloy die-casting equipment and processing and plastic injection equipment.

To sum up, the Company always has a large concentration of sales due to the fact that the customer is a leading household sewing machine manufacturer in the world. The Company aims to continually improve the existing customer satisfaction and enhance the competitive advantage and customer maintenance. In addition, we will actively develop new products and develop new capacity to diversify the Company's products.

7.6.11 Directors, supervisors or large shareholders holding more than 10% of shares.
Company influence, risk insurance and corresponding measures:

The Company's directors, supervisors or major shareholders holding more than 10% of shares did not make any significant transfer of equity in the most recent year and as of the printing date of the report. The Company's operation was very stable.

7.6.12 The impact, risks and countermeasures of the change of management rights on the company

The Company's operations are sound and profitable. The directors, supervisors or large shareholders holding more than 10% of shares in the most recent one years and as of the printing date of the report did not engage in mass transfer of equity. The management right of the company was very stable

7.6.13 Litigation or non-litigious events

A. Any conclusive or pending litigious, non-litigious cases or administrative disputes of the Company in the most recent two years and as of the printing date of the report, which may have material impact on the shareholder's rights and interest or securities prices: No

B. The situation where the Company's directors, supervisors, general managers, the de facto responsible persons, major shareholders and associates holding more than 10% of shares who are involved in any litigation, non-litigious proceeding, or administrative dispute that was finalized or still pending during the most recent 2 fiscal years or during the current fiscal year up to the printing date of the report, and the result of which could have material impact upon the shareholders' equity or prices for the Company's securities: None.

C. The Company's directors, supervisors, general managers or major shareholders holding more than 10% of shares who was involved in matters prescribed by Article 157 of "Regulations Governing the Scope of Material Information and the Means of its Public Disclosure" during the most recent 2 fiscal years or the current fiscal year up to the printing date of the report. The Company's actions: According to the Letter Zheng-Bao-Fa No. 1110001929 dated 26 May, 2022 issued by the Securities and Futures Investors Protection Center, the Company's manager, Jiang-Di Tsai, was found to have violated Article 157 of the Securities and Exchange Act due to negligence in short-term trading. As a result, the Company has exercised its right of recovery, and the funds in question have been returned to the Company's account on 31 May 2022 and 1 June 2022.

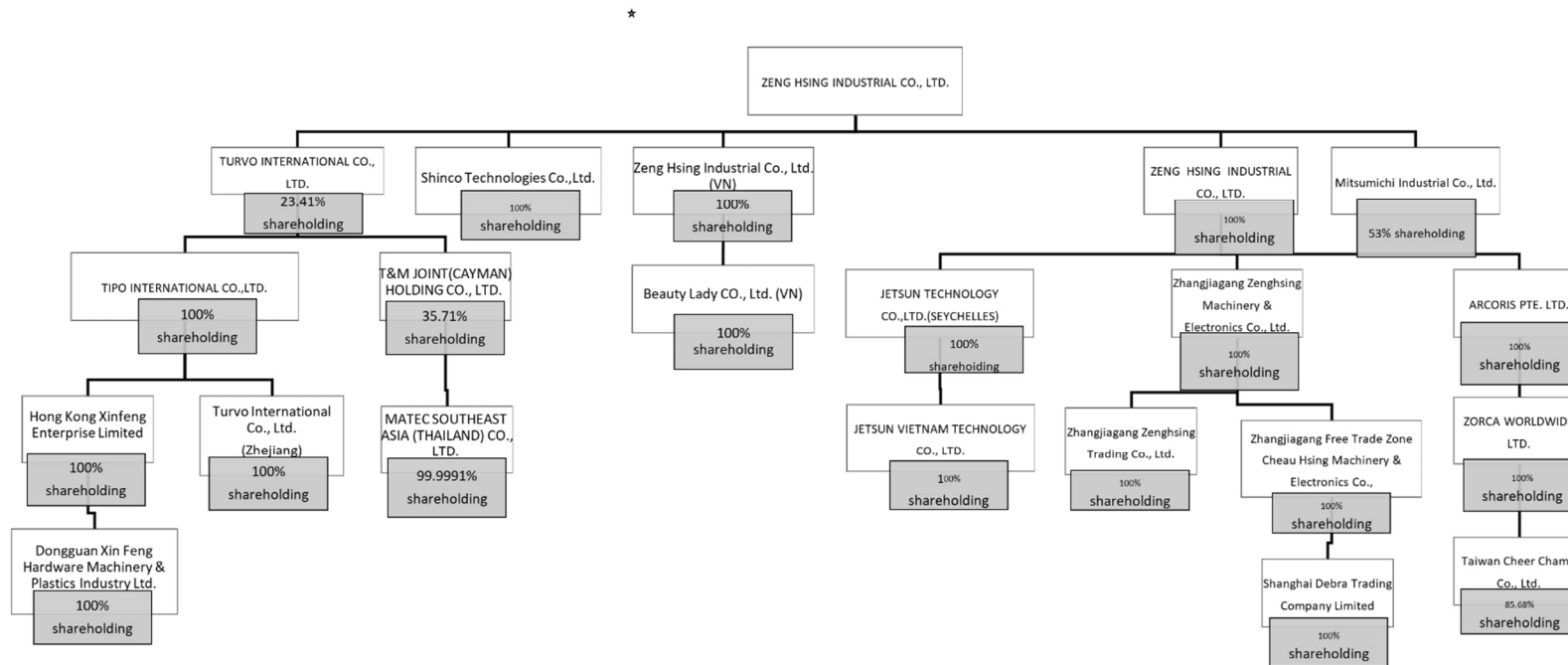
7.6.14 Other important risks: None.

7.7 Other important item: None.

VIII.Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Organizational chart



Year of the data: 31 December 2022

8.1.2 Information of associated enterprises

31 December 2022

Currency: US\$, NT\$, RMB million

Company	Date of Incorporation	Address	Capital Stock	Business Activities
Zeng Hsing Industrial Co., Ltd. (BVI)	3 December 1997	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD\$13.5	Holding company
ZORCA WORLDWIDE LTD.(BVI)	19 May 2016	Marcy Building, 2nd Floor, Purcel Estate P.O.Box 2416 Road Town British Virgin islands	USD\$6.47	Holding company
Jetsun Technology Co., Ltd. (Seychelles)	8 April 2016	Global Gateway 8, Rue De La Perle Providence Mahe Seychelles	USD\$1.20	Holding company
Arcoris Pte. Ltd.	2 February 2015	8 Cross Street #24-03/04 PWC Building Singapore (048424)	USD\$7.00	Holding company
Mitsumichi Industrial Co. Ltd.	22 June 1999	No. 259, Taiming Rd., Wuri Dist., Taichung City 414, Taiwan	NT\$26	Manufacturing household sewing machines and sport equipment
Taiwan Cheer Champ Co., Ltd.	10 June 1993	New Taipei City, Taiwan	NT\$180	Buying and selling household sewing machines
Zeng Hsing Industrial Co., Ltd. (VN)	28 January 2005	Bing Doung, Vietnam	US\$35	Manufacturing household sewing machines and sport equipment
Beauty Lady CO., Ltd. (VN)	4 November 2022	Bing Doung, Vietnam	US\$1	Import and export trade, wholesale, and retail.
Shinco Technologies Limited (VN)	14 December 2007	Bing Doung, Vietnam	US\$11.17	Material die-casting of metal of aluminum, zinc and magnesium alloy
Jetsun Technology Company Limited	17 August 2016	Bing Doung, Vietnam	US\$1.2	Research and design of filtration equipment
Zhangjiagang Zeng Hsing Machinery & Electronics Co., Ltd.	12 February 1998	Jiangsu, China	US\$6.5	Manufacturing and selling sewing machine, hanheld vacuum cleaner and their spare parts
Zhangjiagang Zeng Hsing Trading Co., Ltd.	18 October 2005	Jiangsu, China	RMB\$1	Selling household sewing machines and spare parts

31 December 2022

Currency: US\$, NT\$, RMB million

Company	Date of Incorporation	Address	Capital Stock	Business Activities
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	20 June 2012	Jiangsu, China	USD\$0.5	Selling household sewing machines and spare part
Shanghai Debra Trading Company Limited	10 October 2018	Shanghai, China	RMB\$5	Selling household sewing machines and spare parts
Turvo International Co., Ltd.	29 December 1987	No. 59, Jing 2nd Rd., Wuqi Dist., Taichung City	NTD6028.8	Precision metal parts machining, manufacturing, and trading
TIPO INTERNATIONAL CO., LTD. (SAMOA)	97.05.14	Vistra Coporate Services Centre, Ground Floor NPF Building, Beach Round, Apia, Samoa	NTD946.31	Holding company
Hong Kong Xinfeng Enterprise Limited	93.11.17	Room 2, 4/F., Winning Commercial Building, 46 & 48 Hillwood Road, Tsimshatsui, Kowloon, Hong Kong	NTD216.81	Holding company
Dongguan Xin Feng Hardware Machinery & Plastics Industry Ltd.	85.03.25	Guangdong, China	NTD 230.29	Precision metal parts machining, manufacturing, and trading
Turvo International Co., Ltd. (Zhejiang)	99.06.28	Zhejiang, China	NTD 686.96	Precision metal parts machining, manufacturing, and trading
T&M JOINT (CAYMAN) HOLDING CO., LTD.	103.07.22	P.O. Box 31119 Grand Pavilion, Hi biscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands	NTD 204.69	Holding company
MATEC SOUTHEAST ASIA (THAILAND) CO., LTD.	101.10.26	588 Moo 7 Thatoom Srimahaphot, Prachinburi 25140, Thailand	NTD 204.64	Precision metal forging

8.1.3 Disclosure of Information on Overlapping Shareholders where Control is Presumed between the Company and any Group Companies: None.

8.1.4 The business activities of the group companies primarily involve the following industries:

Selling and manufacturing household sewing machines and spare part; Selling and manufacturing Tooling equipment and spare part; Import and export trade.

8.1.5 Directors, Supervisors, and Presidents of Our Group Companies

31 December 2022

Company	Title	Name	Shareholding	
			Number of Shares	% (Investment Holding)
Zeng Hsing Industrial Co., Ltd. (BVI)	Director	CHIH-CHENG LIN	-	-%
ZORCA WORLDWIDE LTD.(BVI)	Director	CHIH-CHENG LIN	-	-%
Jetsun Technology Co., Ltd. (Seychelles)	Director	CHIH-CHENG LIN	-	-%
Arcoris Pte. Ltd.	Director	TANG TOW SIANG	-	-%
Mitsumichi Industrial Co. Ltd.	Chairman	Zeng Hsing Industrial Co., Ltd. (Represented by CHIH-CHENG LIN)	1,378,000	53%
	Director	Zeng Hsing Industrial Co., Ltd. (Represented by CHUN-SHEN CHOU)		
	Director and Managing Director	XIAN-ZHANG WANG	132,000	5.08%
	Supervisor	CUI-FEN WANG	-	-%

Company	Title	Name	Shareholding	
			Number of Shares	% (Investment Holding)
Taiwan Cheer Champ Co., Ltd.	Chairman	ZORCA WORLDWIDE LTD. (Represented by PO-SUNG CHANG)	15,421,630	85.68%
	Director	ZORCA WORLDWIDE LTD. (Represented by CHUN-SHEN CHOU)		
	Director and general manager	MIN-CHIH TSAI	186,110	1.03%
	Supervisor	YUE-SHU LIAO	-	-%
Zeng Hsing Industrial Co., Ltd. (VN)	Chairman	CHIH-CHENG LIN	-	-%
	Director	CHANG-HSING LIN	-	-%
	General manager	DONG-LIANG LIU	-	-%
Beauty Lady CO., Ltd. (VN)	Chairman	CHIH-CHENG LIN	-	-%
	General manager	DONG-LIANG LIU	-	-%
Shinco Technologies Limited (VN)	Chairman	CHIH-CHENG LIN	-	-%
	Director	DONG-LIANG LIU	-	-%
	General manager	QIONG-MEI CHEN	-	-%
Jetsun Technology Company Limited	General manager	CHIH-CHENG LIN	-	-%
Zhangjiagang Zeng Hsing Machinery & Electronics Co., Ltd.	Chairman	CHIH-CHENG LIN	-	-%
	Director	DONG-LIANG LIU	-	-%
	Director and general manager	CHIA-WEI YU	-	-%
	Supervisor	JIA-RONG LIN	-	-%
Zhangjiagang Zeng Hsing Trading Co., Ltd.	Chairman	CHIH-CHENG LIN	-	-%
	Director	DONG-LIANG LIU	-	-%
	Director and general manager	CHIA-WEI YU	-	-%
	Supervisor	JIA-RONG LIN	-	-%
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	Chairman	CHIH-CHENG LIN	-	-%
	Director	DONG-LIANG LIU	-	-%
	Director and general manager	CHIA-WEI YU	-	-%
	Supervisor	CHUN-SHEN CHOU	-	-%
Shanghai Debra Trading Company Limited	Chairman	CHIA-WEI YU	-	-%
	General manager and Supervisor	WEI-CEN CHEN	-	-%

Company	Title	Name	Shareholding	
			Number of Shares	% (Investment Holding)
Turvo International Co., Ltd.	Chairman	ZENG HSING INDUSTRIAL CO., LTD. (Representative: CHUN-CHANG LIU)	14,113,000	23.41%
	Director	ZENG HSING INDUSTRIAL CO., LTD. (Representative: CHIH-CHENG LIN)		
	Director	ZENG HSING INDUSTRIAL CO., LTD. (Representative: CHIH-SHENG WU)		
	Director	ZENG HSING INDUSTRIAL CO., LTD. (Representative: CHING-HSING SZU)		
	Director	ZENG HSING INDUSTRIAL CO., LTD. (Representative: DONG-LIANG LIU) Hongjhu Investment Co., Ltd. (Representative: TE-HWA YANG)		
	Independent director	LI-HEN HUANG, SHIH-MIN LO and CHANG-YUN I		
	Independent director		0	0%
	Independent director		0	0%
TIPO INTERNATIONAL CO.,LTD. (SAMOA)	Chairman	CHUN-CHANG LIU	-	-%
Hong Kong Xinfeng Enterprise Limited	Chairman	CHUN-CHANG LIU	-	-%
Dongguan Xin Feng Hardware Machinery & Plastics Industry Ltd.	Chairman	CHUN-CHANG LIU	-	-%
Turvo International Co., Ltd. (Zhejiang)	Chairman	CHUN-CHANG LIU	-	-%
T&M JOINT (CAYMAN)HOLDING CO.,LTD.	Director	CHUN-CHANG LIU	-	-%
MATEC SOUTHEAST ASIA (THAILAND) CO., LTD.	General manager	BING-HE CHEN	1	0%

8.1.6 Directors, Supervisors, and Presidents of Our Group Companies

A. Summary of subsidiaries for 2022

Unit: EPS is in NT\$, others are in thousands of NT\$

Subsidiaries Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenue	Income (Loss) from Operation	Net Income (Loss)	Basic Earnings (Loss) Per Share
Zeng Hsing Industrial Co., Ltd. (BVI)	451,329	631,441	0	631,441	0	(204)	45,722	3,386.84
ZORCA WORLDWIDE LTD.(BVI)	191,933	111,200	61	111,139	0	(234)	(25,720)	(397.53)
Jetsun Technology Co., Ltd. (Seychelles)	39,494	28,278	0	28,278	0	0	(1,234)	(1.03)
Arcoris Pte. Ltd. (Singapore)	218,237	148,345	7	148,338	0	(466)	(24,087)	(3.44)
Mitsumichi Industrial Co. Ltd.	26,000	123,368	33,242	90,126	134,725	16,316	16,707	6.43
Taiwan Cheer Champ Co., Ltd.	180,000	175,964	49,516	126,448	227,589	31,092	30,085	1.67
Zeng Hsing Industrial Co., Ltd. (VN)	1,049,554	2,287,544	410,742	1,876,802	3,837,982	37,471	45,755	-
Beauty Lady CO., Ltd. (VN)	31,168	31,720	1,146	30,574	344	(10)	(580)	-
Shinco Technologies Limited (VN)	347,158	351,314	20,329	330,985	377,031	41,664	36,070	-
Jetsun Technology Company Limited (VN)	39,494	32,492	4,214	28,278	0	(1,283)	(1,234)	-
Zhangjiagang Zeng Hsing Machinery & Electronics Co., Ltd. (China)	212,534	584,469	145,157	439,312	830,103	(1,334)	72,170	-
Zhangjiagang Zeng Hsing Trading Co., Ltd. (China)	4,692	32,267	16,014	16,253	122,772	12,227	17,022	-
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. (China)	14,931	96,726	14,462	82,264	284,949	20,549	14,017	-
Shanghai Debra Trading Company Limited (China)	22,088	10,328	7,985	2,343	8,129	(3,084)	(3,071)	-
Turvo International Co., Ltd.	602,881	4,668,201	1,234,489	3,433,712	1,806,149	242,787	622,346	10.32
TIPO INTERNATIONAL CO.,LTD. (SAMOA)	946,313	2,228,661	40,003	2,188,658	—	(10,701)	325,651	10.46
Hong Kong Xinfeng Enterprise Limited	216,811	975,220	—	975,220	—	(134)	251,566	—
Dongguan Xin Feng Hardware Machinery & Plastics Industry Ltd.	230,289	1,231,307	259,785	971,522	1,337,334	244,013	253,089	—
Turvo International Co., Ltd. (Zhejiang)	686,956	1,348,601	166,050	1,182,551	895,072	32,541	46,341	—
T&M JOINT (CAYMAN)HOLDING CO.,LTD.	204,687	24,064	1,826	22,238	—	(247)	(13,678)	—
MATEC SOUTHEAST ASIA (THAILAND) CO., LTD.	204,637	94,118	70,056	24,062	11,591	(3,994)	(13,300)	—

B. Consolidated Financial Statements of Group Companies

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended 31 December 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates. (Please refer to pages 164-266)

C. Relationship Report: None.

8.2 Any Private Placement of Securities for the Most Recent Fiscal Year and during the Current Fiscal Year up to the date of Publication of the Annual Report

None.

8.3 Summary of Share Ownership and Disposal of Shares of the Company by Subsidiaries for the Most Recent Fiscal Year and during the Current Fiscal Year up to the date of Publication of the Annual Report

None.

8.4 There has not been any event occurred within the latest fiscal year and as of the date of the Annual Report which would materially affect the shareholder equity or price of securities of the Company according to Item 3, Paragraph 3 of Article 36 of the Securities and Exchange Act.

None.

8.5 Additional Information Required to be Disclosed

None.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

Notice to readers:

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

Address: NO. 78, Yong Cheng Rd., Taiping Dist., Taichung City, Taiwan, R.O.C.

Telephone: 886-4-22785177

Independent Auditors' Report Translated from Chinese

To ZENG HSING INDUSTRIAL CO., LTD

Opinion

We have audited the accompanying consolidated balance sheets of ZENG HSING INDUSTRIAL CO., LTD (the "Company") and its subsidiaries as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audits of Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2022 and 2021, and their consolidated financial performance and cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of accounts receivable

As of December 31, 2022, the Company and its subsidiaries' accounts receivable and allowance for doubtful accounts amounted to NTD 2,075,995 thousand and NTD 47,052 thousand, respectively. Net accounts receivable represented 16% of the total consolidated assets that could have significant impacts on the Company and its subsidiaries. Since the collection of notes and accounts receivable is the key factor in the working capital management of the Company and its subsidiaries, and the adoption of provision policy requires significant management judgement whose the measurement results affect the net amount of accounts receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control over accounts receivable; assessing the reasonableness of loss allowance policy, including understanding related information to evaluate expected credit loss ratio; investigating accounts receivable details at end of the period, recalculating the reasonableness of loss allowance based on the expected credit loss ratio of each group; analyzing the receivable turnover to evaluate recoverability based on individual customers with significant sales amount; evaluating the reasonableness of the allowance for doubtful accounts based on individual customers with significant overdue accounts or longer aging, reviewing the collection in subsequent period.

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

Valuation for inventories

As of December 31, 2022, the net inventories amounted to NTD 1,598,106 thousand accounting for 13% of the total consolidated assets that could have significant impacts on the Company and its subsidiaries. The Company and its subsidiaries starts manufacturing after receiving orders from customers, so we mainly assessed the allowance for inventory valuation and slow-moving losses for raw materials, supply and parts. Due to diversity of products and uncertainty arising from rapid changes in products, allowance for obsolete and slow-moving inventory valuation requires significant management judgement, we therefore determined the issue as a key audit matter.

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

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

Other Matter – Making Reference to the Audit of Component Auditor

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NTD 30,438 thousand and NTD 30,339 thousand, representing 0.24% and 0.38% of consolidated total assets as of December 31, 2022 and 2021, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NTD 2,599 thousand and NTD 2,896 thousand, representing 0.32% and 0.43% of the consolidated net income before tax for the years ended December 31, 2022 and 2021, respectively.

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended December 31 2022 and 2021.

Chen, Ming Hung
Yen, Wen Bi
Ernst & Young, Taiwan
March 10, 2023

Notice to Readers :

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

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2022 and 2021
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As at	
		31 December 2022	31 December 2021
Current Assets			
Cash and cash equivalents	4, 6(1), 12	\$3,047,053	\$2,634,448
Financial assets at fair value through profit or loss, current	4, 12	-	108,131
Financial assets measured at amortized cost, current	4, 8, 12	170,950	10,201
Accounts receivable, net	4, 6(2), 6(12), 12	2,028,943	1,003,194
Other receivables	12	110,169	67,479
Inventories, net	4, 6(3)	1,598,106	1,587,574
Prepayment		32,296	18,760
Other current assets		102,002	115,065
Total current assets		7,089,519	5,544,852
Non-current assets			
Investments accounted for under the equity method	4	101,995	98,647
Property, plant and equipment	4, 6(4), 8	3,525,829	1,922,444
Right of use assets	4, 6(13)	319,560	217,305
Intangible assets	4,6(5)	960,552	37,636
Deferred tax assets	4, 6(17)	38,116	27,264
Other non-current assets	4, 8, 12	519,210	117,926
Total non-current assets		5,465,262	2,421,222
Total assets		\$12,554,781	\$7,966,074

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2022 and 2021
(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As at	
		31 December 2022	31 December 2021
Current liabilities			
Short-term loans	4, 6(6), 12	\$1,438,492	\$946,501
Short-term notes and bills payable	4, 12	-	130,000
Contract liabilities, current	6(11)	69,984	73,715
Notes payable	12	113,157	19,918
Accounts payable	12	605,059	872,335
Other payables	12	554,894	320,397
Current tax liabilities	4	307,332	110,217
Long-term borrowings (including current portion with maturity less than 1 year)	4, 6(7), 12	152,454	64,000
Other current liabilities	4, 6(13), 12	98,332	31,453
Total current liabilities		3,339,704	2,568,536
Non-current liabilities			
Long-term loans	4, 6(7), 12	613,905	240,000
Deferred tax liabilities	4, 6(17)	285,187	151,294
Accrued pension liabilities	4, 6(8)	29,340	23,806
Other non-current liabilities	4, 6(13), 12	61,444	6,410
Total non-current liabilities		989,876	421,510
Total liabilities		4,329,580	2,990,046
Equity attributable to the parent company	4, 6(9)		
Capital			
Common stock		665,356	605,356
Additional paid-in capital		1,890,261	1,389,627
Retained earnings			
Legal reserve		730,563	730,563
Special reserve		326,214	295,491
Retained earnings		2,108,562	2,213,284
Total Retained earnings		3,165,339	3,239,338
Other components of equity			
Exchange differences on translation of foreign operations - the parent company		(202,396)	(326,214)
Equity attributable to owners of the parent		5,518,560	4,908,107
Non-controlling interests	6(10)	2,706,641	67,921
Total equity		8,225,201	4,976,028
Total liabilities and equity		\$12,554,781	\$7,966,074

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the years ended 31 December	
		2022	2021
Net Sales	4, 6(11)	\$7,198,245	\$7,719,932
Cost of Sales	6(3), 6(14)	(5,743,805)	(6,128,581)
Gross Profit		1,454,440	1,591,351
Operating Expenses	6(13), 6(14)		
Selling and marketing		(273,102)	(277,341)
Management and administrative		(589,159)	(487,715)
Research and development		(185,152)	(114,310)
Expected credit (loss) gains	4, 6(12)	(28,468)	932
Total Operating Expenses		(1,075,881)	(878,434)
Operating Income		378,559	712,917
Non-operating income and expenses	6(15)		
Other income		89,642	38,055
Other gain and loss		362,838	(66,550)
Financial costs		(27,635)	(8,944)
Share of profit or loss of associates and joint ventures		4,962	1,879
Subtotal		429,807	(35,560)
Income before income tax		808,366	677,357
Income tax expense	4, 6(17)	(183,171)	(149,014)
Income, net of tax		625,195	528,343
Other comprehensive income	6(16), 6(17)		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(6,442)	11,757
Income tax related to items that may not be reclassified subsequently		1,288	(2,351)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		145,709	(38,404)
Income tax related to items that may be reclassified subsequently		(28,636)	7,681
Total other comprehensive income (loss), net of tax		111,919	(21,317)
Total comprehensive income		\$737,114	\$507,026
Net income attributable to:			
Stockholders of the parent		\$494,472	\$525,148
Non-controlling interests		130,723	3,195
		\$625,195	\$528,343
Comprehensive income attributable to:			
Stockholder of the parent		\$613,136	\$503,831
Non-controlling interests		123,978	3,195
		\$737,114	\$507,026
Earnings per share (NTD)	6(18)		
Earnings per share-basic		\$8.08	\$8.68
Earnings per share-diluted		\$8.06	\$8.65

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

ZENG HSIANG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Total	Non-Controlling Interests	Total Equity
Balance as of 1 January 2021	6(9)	\$605,356	\$1,393,097	\$730,563	\$211,385	\$2,337,924	\$(295,491)	\$4,982,834	\$71,644	\$5,054,478
Appropriations of earnings, 2020:										
Special reserve					84,106	(84,106)		-		-
Cash dividends						(575,088)		(575,088)		(575,088)
Net income for the year ended 31 December 2021						525,148		525,148	3,195	528,343
Other comprehensive income, net of tax for the year ended 31 December 2021						9,406	(30,723)	(21,317)		(21,317)
Total comprehensive income						534,554	(30,723)	503,831	3,195	507,026
Cash dividends of subsidiary	6(10)								(10,998)	(10,998)
From share of changes in equity of subsidiaries			(3,470)					(3,470)		(3,470)
Increase in non-controlling interests	6(10)								4,080	4,080
Balance as of 31 December 2021	6(9)	\$605,356	\$1,389,627	\$730,563	\$295,491	\$2,213,284	\$(326,214)	\$4,908,107	\$67,921	\$4,976,028
Balance as of 1 January 2022	6(9)	\$605,356	\$1,389,627	\$730,563	\$295,491	\$2,213,284	\$(326,214)	\$4,908,107	\$67,921	\$4,976,028
Appropriations of earnings, 2021:										
Special reserve					30,723	(30,723)		-		-
Cash dividends						(514,553)		(514,553)		(514,553)
Additions through business combination									2,586,348	2,586,348
Cash capital increase		60,000	478,098					538,098		538,098
Share-based payment transactions			22,536					22,536		22,536
Net income for the year ended 31 December 2022						494,472		494,472	130,723	625,195
Other comprehensive income, net of tax for the year ended 31 December 2022						(5,154)	123,818	118,664	(\$6,745)	111,919
Total comprehensive income						489,318	123,818	613,136	123,978	737,114
Cash dividends of subsidiary	6(10)								(10,998)	(10,998)
Difference between the actual acquisition or disposal price and carrying amounts of subsidiaries						(48,764)		(48,764)	(60,608)	(109,372)
Balance as of 31 December 2022	6(9)	\$665,356	\$1,890,261	\$730,563	\$326,214	\$2,108,562	\$(202,396)	\$5,518,560	\$2,706,641	\$8,225,201

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended 31 December 2022 and 2021
(Expressed in Thousand New Taiwan Dollars)

	For the years ended 31 December	
	2022	2021
Cash flows from operating activities:		
Net income before tax	\$808,366	\$677,357
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Share-based payment transactions	22,536	-
Depreciation	409,507	269,979
Amortization	44,907	53,932
Gain on disposal of property, plant and equipment	(3,662)	(843)
Gain on disposal of right of use asset	(745)	(26)
Net (gain) loss of financial assets at fair value through profit or loss	(58,054)	2,140
Loss from market value decline, obsolete and slow-moving of inventories	18,729	7,344
Share of profit or loss of associates and joint ventures	(4,962)	(1,879)
Expected credit loss (profit)	28,468	(932)
Other loss (gain)	663	(741)
Interest income	(21,790)	(10,198)
Interest expense	27,635	8,944
Profit from lease modification	(34)	-
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	165,955	1,475
(Increase) decrease in accounts receivable	(219,090)	212,907
Decrease (increase) in inventories, net	802,326	(283,605)
Increase in other receivables	(35,741)	(52,339)
(Increase) decrease in prepayments	(1,178)	7,574
Decrease in other current assets	52,005	75,117
Decrease in contract liabilities	(4,613)	(9,098)
Decrease in notes payable	(16,715)	(3,124)
Decrease in accounts payable	(571,252)	(175,095)
Decrease in other payables	(105,376)	(20,383)
Decrease in other current liabilities	(8,303)	(52)
(Decrease) increase in accrued pension liabilities	(908)	41
Cash generated from operations	<u>1,328,674</u>	<u>758,495</u>
Interest received	21,790	10,198
Income tax paid	(155,402)	(200,461)
Net cash provided by operating activities	<u>1,195,062</u>	<u>568,232</u>

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

(continued)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(Expressed in Thousand New Taiwan Dollars)

	For the years ended 31 December	
	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets at measured at amortized cost	79,442	(1)
Acquisition of investments accounted for under the equity method	-	(43,217)
Acquisition of property, plant and equipment	(250,643)	(363,632)
Acquisition of subsidiaries	(1,619,800)	-
Proceeds from disposal of property, plant and equipment	23,726	1,631
Proceeds from disposal of right-of-use asset	8,976	2,203
(Increase) decrease in refundable deposits	(2,221)	494
Dividends receive	2,500	5,000
Acquisition of intangible assets	(10,182)	(10,234)
Proceeds from disposal of intangible assets	28	-
Increase in other non-current assets	(202,319)	(65,142)
Cash inflow from business combination	1,075,853	0
Net cash used in investing activities	<u>(894,640)</u>	<u>(472,898)</u>
Cash flows from financing activities:		
Increase in short-term loans	8,590,210	3,094,134
Decrease in short-term loans	(8,291,420)	(2,687,802)
Increase in short-term notes and bills payable	1,700,000	200,000
Decrease in short-term notes and bills payable	(1,830,000)	(105,000)
Increase in long-term loans	217,510	-
Decrease in long-term loans	(195,850)	(66,151)
Lease principal repayment	(25,193)	(11,415)
Cash dividends	(514,553)	(575,088)
Interest paid	(27,635)	(8,944)
Cash dividends of subsidiary	(10,998)	(10,998)
Cash capital increase	538,098	-
Acquisition of ownership interests in subsidiaries	(103,097)	610
Net cash provided by (used in) financing activities	<u>47,072</u>	<u>(170,654)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>65,111</u>	<u>(18,567)</u>
Net increase (decrease) in cash and cash equivalents	412,605	(93,887)
Cash and cash equivalents at beginning of period	<u>2,634,448</u>	<u>2,728,335</u>
Cash and cash equivalents at end of period	<u><u>\$3,047,053</u></u>	<u><u>\$2,634,448</u></u>

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Years Ended 31 December 2022 and 2021

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

1. ORGANIZATION AND OPERATIONS

Zeng Hsing Industrial Co., Ltd. (the Company) was incorporated in 1968 to manufacture and market household sewing machines, vacuum cleaners, and the spare parts used on these products. The Company applied to be listed on the GreTai Securities Market on April 2004, and was authorized for trading over the counter on 28 December 2007. On 23 December 2014, the Company was authorized to be listed on Taiwan Stock Exchange.

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

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

Shinco Technologies Limited (VN) is controlled by the Company, which was incorporated in 2007 to die-cast metal alloy of aluminum, zinc and magnesium in BinhDuong Province, Vietnam.

Turvo International Co., Ltd. is controlled by the Company, which was incorporated on 29 December 1987 to manufacture pneumatic tools, mechanical parts, hardware parts, woodworking lathes, wood planer, etc., processing, manufacturing, trading of optical parts and import and export trade of the aforesaid products.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and subsidiaries (hereinafter referred to as “the Group”) for the years ended 31 December 2022 and 2021 were authorized for issue in accordance with the resolution of the board of directors’ meeting held on 10 March 2023.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

(a) The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by the Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2022. The adoption of these new standards and amendments had no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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

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

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

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
d	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

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

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

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

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

(d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”), IFRSs, IASs, IFRIC and SIC, which are endorsed by the FSC (collectively referred to as “TIFRSs”).

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group's voting rights and potential voting rights

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

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

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

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

If the Group loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The consolidated entities are as follows:

Investor	Subsidiary	Business nature	Percentage of ownership (%) as of	
			31 December 2022	31 December 2021
the Company	Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Trading and holding company	100.00%	100.00%
the Company	Zeng Hsing Industrial Co., Ltd. (VN) [Zeng Hsing (VN)]	Manufacturing household sewing machines	100.00%	100.00%
the Company	Shinco Technologies Limited (VN) [Shinco (VN)]	Material die-casting of metal of aluminum, zinc and magnesium alloy	100.00%	100.00%
the Company	Mitsumichi Industrial Co., Ltd. [Mitsumichi]	Manufacturing household overlock machines	53.00%	53.00%
the Company	Turvo International Co., Ltd. (Turvo)	Manufacture of precision parts for automobiles and industrial applications	23.41% (Note1)	-
Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. [Zhangjiagang]	Manufacturing household sewing machines	100.00%	100.00%
Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Arcoris Pte Ltd.	Holding company	100.00%	100.00%
Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)]	Jetsun Technology Co., Ltd (Seychelles)	Holding company	100.00%	100.00%
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. [Zhangjiagang]	Zhangjiagang Zenghsing Trading Co., Ltd. [Zhangjiagang trading]	Selling household sewing machines and spare parts	100.00%	100.00%
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. [Zhangjiagang]	Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	Selling household sewing machines and spare parts	100.00%	100.00%
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	Shanghai Debra Trading Company Limited	Selling household sewing machines and spare parts	100.00%	100.00%

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Investor	Subsidiary	Business nature	Percentage of ownership (%) as of	
			31 December 2022	31 December 2021
Jetsun Technology Co., Ltd (Seychelles)	Jetsun Technology Company Limited	Research and design of filtration equipment	100.00%	100.00%
Arcoris Pte Ltd.	Zorca Worldwide Ltd.	Holding company	100.00%	100.00%
Zorca Worldwide Ltd.	Taiwan Cheer Champ Co., Ltd.	Selling household sewing machines	85.68% (Note2)	68.53%
Zeng Hsing Industrial Co., Ltd. (VN) [Zeng Hsing (VN)]	Beauty Lady Co., Ltd. (VN)	Distribution, purchasing and selling	100.00% (note3)	-
Turvo International Co., Ltd. (Turvo)	TIPO INTERNATIONAL CO., LTD.(SAMOA) [TIPO]	Financial investment, import and export trading	100.00%	100.00%
Turvo International Co., Ltd. (Turvo)	T&M Joint (Cayman) Holding Co., Ltd. [T&M]	Holding company	35.71%	35.71%
TIPO INTERNATIONAL CO., LTD.(SAMOA) [TIPO]	HONG KONG XINFENG ENTERPRISE LIMITED [HK XINFENG]	Holding company	100.00%	100.00%
TIPO INTERNATIONAL CO., LTD.(SAMOA) [TIPO]	Turvo International Co., Ltd. (Zhejiang)	Production and sales of computers, medical equipment, optics, automobiles, optoelectronics, precision hardware and other parts and products	100.00%	100.00%
HONG KONG XINFENG ENTERPRISE LIMITED [HK XINFENG]	Dongguan Xin Feng Hardware Machinery & Plastics Industry Ltd.	Producing and selling computers, medical equipment, optics, automobile, photoelectric, precision hardware and other parts	100.00%	100.00%
T&M Joint (Cayman) Holding Co., Ltd. [T&M]	Matec Southeast Asia (Thailand) Co., Ltd.	Manufacturing forging spare parts	99.9991% (Note 4)	99.9991%

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Note 1: The Company acquired 21.56% equity of Turvo International Co., Ltd., and became the largest shareholder of Turvo International Co., Ltd. On 31 August 2022, Turvo International Co., Ltd. held an extraordinary meeting of shareholders to reelect all directors and independent directors. The Company has obtained a majority of the directors' seats, and the legal representative of the Company has been appointed as the chairman by the board directors of Turvo International Co., Ltd. The Company leads and controls the major activities of Turvo International Co., Ltd., which have been included in the consolidated statements since the date of acquisition of control. From November to December, 2022 the company acquired an additional 1.85% equity of Turvo International Co., Ltd. (Turvo), holding total 23.41% equity of Turvo International Co., Ltd.. Please refer to Note 6(19) for details.

Note 2: On 1 November 2021, the Company participated in the cash capital increase of Taiwan Cheer Champ Co., Ltd., increasing the investment amount by \$99,390. However the Company did not increase the capital according to the shareholding ratio, its shareholding ratio in the company increased from 68.53% to 85.68%, and the capital reserve was reduced by \$3,470.

Note 3: On 6 December 2022, Zeng Hsing Industrial Co., Ltd. (VN) invested one million US dollars to establish Beauty Lady CO., Ltd. (VN). Therefore, Beauty Lady Co., Ltd. (VN) is included in the preparation of consolidated financial statements.

Note 4: On 1 January 2018, T&M has been included in the preparation of consolidated financial statements by Turvo International Co., Ltd. because Turvo International Co., Ltd. became the major shareholder of T&M, and the remaining equity of T&M are held by many other shareholders. In the absence of contractual rights, Turvo International Co., Ltd. has obtained the authorization for a relative majority of the voting rights, and has the right to appoint key management personnel capable of leading the relevant activities of T&M. Therefore, Turvo International Co., Ltd. determines that it has control over T&M even if Turvo International Co., Ltd. holds less than 50% of T&M's voting rights.

(4) Foreign currency transactions

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of foreign currency financial statements

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as a current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

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(8) Financial Instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

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

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

- (A) the Group's business model for managing the financial assets
- (B) the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

- (A) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (B) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (C) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - a. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

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- b. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

Financial asset measured at fair value through profit or loss

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

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

B. Impairment of financial assets

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

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

- (A) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (B) the time value of money

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- (C) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

- (A) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (B) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (C) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- (D) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss. A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative instruments

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

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either a non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(10) Fair value measurement

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

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

(11) Inventories

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

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

Materials	— Purchase cost under weighted average cost method.
Work in process and finished goods	— Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Finished goods and work in process are accounted for under the weighted average method.

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

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

(12) Investments accounted for under the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

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

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

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

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

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

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- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

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

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

Items	Useful Lives
Buildings and facilities	5~50 years
Machinery and equipment	3~17 years
Tooling equipment	2~ 4 years
Transportation equipment	3~10 years
Furniture, fixtures and equipment	3~11 years
Miscellaneous equipment	3~15 years
Leasehold improvements	The shorter of lease terms or economic useful lives

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

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

(14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

Group as a lessor

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

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

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

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(15) Intangible Assets

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

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

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Accounting policies of the Group's intangible assets is summarized as follows:

	<u>Software</u>	<u>Trademarks</u>	<u>Patents</u>	<u>Others</u>	<u>Goodwill</u>
Useful lives	1~10 years	1~10 years	1~25 years	40 years	Indefinite
Method of amortization	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Not amortized
Sources	Outside	Outside	Outside	Outside	Outside

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(16) Impairment of non-financial assets

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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

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

(17) Provisions

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

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Notes to Consolidated Financial Statements (Continued)

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

(18) Revenue recognition

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

Sale of goods

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

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

(19) Borrowing cost

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

(20) Post-employment benefits

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

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Group recognizes restructuring-related costs

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

(21) Share-based payment transactions

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

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

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

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

(22) Income Tax

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

Current income tax

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

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

Deferred tax

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

(23) Business combinations and goodwill

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

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

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

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

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

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Notes to Consolidated Financial Statements (Continued)

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

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

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

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

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

A. Accounts receivables – estimation of impairment loss

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

B. Inventories

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

C. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

D. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, and changes of the future salary etc.

E. Income tax

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

F. Measure lease liabilities and right-of-use assets

The Group is required to measure lease liabilities and estimated right-of-use assets in accordance with IFRS 16. This includes: determining the duration of the lease and determining the implied interest rate of the lease.

The Group has decided that the lease period shall be the non-cancellable period of the lease, and the following:

- (A) For the period covered by the lease extension option, if the Group can reasonably determine that it will exercise such right; and
- (B) The period covered by the option to terminate the lease will not be exercised if the Group reasonably determines that the option will not be exercised.

The lease liability is to estimate the present value of the lease payment according to the implied lease interest rate, which is not easy to determine. The Group uses the increased borrowing rate as the discount rate.

The assumptions used to measure lease liabilities. Please refer to Note 3 and 6 for more details

G. Impairment of goodwill

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of	
	31 December 2022	31 December 2021
Cash on hand	\$2,400	\$1,138
Checking and savings accounts	2,079,337	1,111,369
Time deposits	748,692	715,895
Repurchase agreements	215,140	805,309
Cash equivalents	1,484	737
Total	<u>\$3,047,053</u>	<u>\$2,634,448</u>

(2) Accounts receivable, net

	As of	
	31 December 2022	31 December 2021
Accounts receivable – non-related parties	\$2,073,237	\$1,008,324
Lease payments receivable	3,354	-
Unearned finance income	(596)	-
Less: loss allowance	(47,052)	(5,130)
Accounts receivable, net	<u>\$2,028,943</u>	<u>\$1,003,194</u>

Trade receivables are generally on 45-90 day terms. The total carrying amount as of 31 December 2022 and 2021 were \$2,075,995 and \$1,008,324, respectively. Please refer to Note 6 (12) for more details on loss allowance of trade receivables for the years ended 31 December 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

No accounts receivables were pledged.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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(3) Inventories, net

A. Details as follows

	As of	
	31 December 2022	31 December 2021
Raw materials	\$770,053	\$812,193
Work in progress	172,863	10,704
Semi-manufactured goods	52,266	52,727
Finished goods	602,924	711,950
Total	\$1,598,106	\$1,587,574

B. The Group cost of inventories recognized in cost of sales amounts to \$5,743,805 for the year ended 31 December 2022, including the loss from market value decline, obsolete and slow-moving of inventories \$18,729.

C. The Group cost of inventories recognized in cost of sales amounts to \$6,128,581 for the years ended 31 December 2021, including the loss from market value decline, obsolete and slow-moving of inventories \$7,344.

D. No inventories were pledged.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Property, plant and equipment

	As of	
	31 December 2022	31 December 2021
Owner occupied property, plant and equipment	\$3,525,829	\$1,922,444

A. Details as follows

	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvements	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Cost:										
As of 1 January 2022	\$79,467	\$1,126,247	\$1,083,021	\$491,873	\$30,103	\$30,806	\$31,068	\$597,802	\$65,091	\$3,535,478
Additions	-	3,310	49,334	59,460	-	2,112	7,683	17,731	116,432	256,062
Additions through business combination	10,785	177,155	1,172,643	1,620	4,623	1,220	54,491	128,084	24,891	1,575,512
Disposals	-	(848)	(70,539)	(40,608)	(1,485)	(1,393)	(3,744)	(14,932)	-	(133,549)
Transfers	-	21,288	79,523	48,593	1,154	454	470	21,265	(81,265)	91,482
Exchange differences	322	37,780	69,432	27,105	1,617	524	(193)	18,217	5,734	160,538
As of 31 December 2022	\$90,574	\$1,364,932	\$2,383,414	\$588,043	\$36,012	\$33,723	\$89,775	\$768,167	\$130,883	\$5,485,523
As of 1 January 2021	\$79,467	\$1,120,627	\$951,232	\$461,691	\$30,241	\$38,763	\$35,076	\$501,414	\$50,144	\$3,268,655
Additions	-	11,165	46,636	24,192	2,090	1,018	1,027	64,072	213,432	363,632
Disposals	-	-	(3,578)	(18,656)	(2,209)	(935)	(5,035)	(651)	-	(31,064)
Transfers	-	2,368	104,112	30,442	352	(7,840)	-	37,041	(197,838)	(31,363)
Exchange differences	-	(7,913)	(15,381)	(5,796)	(371)	(200)	-	(4,074)	(647)	(34,382)
As of 31 December 2021	\$79,467	\$1,126,247	\$1,083,021	\$491,873	\$30,103	\$30,806	\$31,068	\$597,802	\$65,091	\$3,535,478

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Notes to Consolidated Financial Statements (Continued)

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

	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvements	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
As of 1 January 2022										
Depreciation	\$-	\$280,475	\$618,265	\$398,336	\$20,849	\$22,217	\$27,300	\$245,592	\$-	\$1,613,034
Disposals	-	47,627	162,010	80,095	2,781	3,046	7,059	70,984	-	373,602
Transfers	-	(848)	(57,660)	(35,387)	(1,267)	(1,338)	(3,340)	(13,645)	-	(113,485)
Exchange differences	-	4,387	46,974	21,185	1,140	445	(123)	12,535	-	86,543
As of 31 December 2022	\$-	\$331,641	\$769,589	\$464,229	\$23,503	\$24,370	\$30,896	\$315,466	\$-	\$1,959,694
As of 1 January 2021	\$-	\$247,727	\$551,487	\$339,129	\$19,807	\$27,224	\$30,430	\$192,117	\$-	\$1,407,921
Depreciation	-	35,094	78,710	82,001	2,899	2,545	1,905	49,608	-	252,762
Disposals	-	-	(3,475)	(18,656)	(1,613)	(903)	(5,035)	(594)	-	(30,276)
Transfers	-	-	-	-	-	(6,484)	-	6,484	-	-
Exchange differences	-	(2,346)	(8,457)	(4,138)	(244)	(165)	-	(2,023)	-	(17,373)
As of 31 December 2021	\$-	\$280,475	\$618,265	\$398,336	\$20,849	\$22,217	\$27,300	\$245,592	\$-	\$1,613,034
Net carrying amount as of:										
31 December 2022	\$90,574	\$1,033,291	\$1,613,825	\$123,814	\$12,509	\$9,353	\$58,879	\$452,701	\$130,883	\$3,525,829
31 December 2021	\$79,467	\$845,772	\$464,756	\$93,537	\$9,254	\$8,589	\$3,768	\$352,210	\$65,091	\$1,922,444

- B. The major components of the Group's buildings are main buildings、factory buildings and are depreciated according to their useful life of 50 and 35 years, respectively.
- C. Please refer to Note 8 for property, plant and equipment pledged as collateral.
- D. There is no capitalization of interest due to purchase property, plant and equipment in 2022 and 2021.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(5) Intangible assets

	Patents	Trademarks	Software	Goodwill	Others	Total
Cost:						
As at 1 January 2022	\$6,371	\$2,309	\$146,656	\$1,181	\$8,932	\$165,449
Addition-acquired separately	228	181	9,773	-	-	10,182
Additions through business combinations	173	398	7,223	913,485	-	921,279
Disposal	(28)	-	-	-	-	(28)
Reclassification	-	-	4,311	-	-	4,311
Exchange differences	-	-	943	-	326	1,269
As of 31 December 2022	<u>\$6,744</u>	<u>\$2,888</u>	<u>\$168,906</u>	<u>\$914,666</u>	<u>\$9,258</u>	<u>\$1,102,462</u>
As at 1 January 2021	\$6,036	\$2,292	\$136,970	\$1,181	\$10,494	\$156,973
Addition-acquired separately	335	17	9,882	-	-	10,234
Reclassification	-	-	45	-	(1,468)	(1,423)
Exchange differences	-	-	(241)	-	(94)	(335)
As of 31 December 2021	<u>\$6,371</u>	<u>\$2,309</u>	<u>\$146,656</u>	<u>\$1,181</u>	<u>\$8,932</u>	<u>\$165,449</u>
Amortization and impairment						
As at 1 January 2022	\$2,466	\$1,690	\$123,657	\$-	\$-	\$127,813
Amortization	381	149	12,900	-	140	13,570
Exchange differences	-	-	527	-	-	527
As of 31 December 2022	<u>\$2,847</u>	<u>\$1,839</u>	<u>\$137,084</u>	<u>\$-</u>	<u>\$140</u>	<u>\$141,910</u>
As at 1 January 2021	\$2,096	\$1,562	\$112,314	\$-	\$-	\$115,972
Amortization	370	128	11,466	-	-	11,964
Reclassification	-	-	-	-	-	-
Exchange differences	-	-	(123)	-	-	(123)
As of 31 December 2021	<u>\$2,466</u>	<u>\$1,690</u>	<u>\$123,657</u>	<u>\$-</u>	<u>\$-</u>	<u>\$127,813</u>
31 December 2022	<u>\$3,897</u>	<u>\$1,049</u>	<u>\$31,822</u>	<u>\$914,666</u>	<u>\$9,118</u>	<u>\$960,552</u>
31 December 2021	<u>\$3,905</u>	<u>\$619</u>	<u>\$22,999</u>	<u>\$1,181</u>	<u>\$8,932</u>	<u>\$37,636</u>

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Amortization expense of intangible assets under the statement of comprehensive income:

	<u>For the years ended 31 December</u>	
	<u>2022</u>	<u>2021</u>
Operating expenses	<u>\$13,570</u>	<u>\$11,964</u>

(6) Short-term borrowings

	<u>Interest Rates (%)</u>	<u>As of</u>	
		<u>31 December 2022</u>	<u>31 December 2021</u>
Unsecured bank loans	1.40%-5.80%	\$1,138,492	\$946,501
Secured bank loans	1.955%	300,000	-
Total		<u>\$1,438,492</u>	<u>\$946,501</u>

The Group's unused short-term lines of credits amounted to \$1,553,054 and \$653,122 as of 31 December 2022 and 2021, respectively.

Please refer to Note 8 for more details of the secured bank loans.

(7) Long-term loans

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

<u>Creditor</u>	<u>31 December 2022</u>	<u>Rate (%)</u>	<u>Repayment period and methods</u>
Bank of Taiwan (Secured)	\$269,418	1.470%	The term of the loan is 10 years and it could be appropriated separately. The loan is not a revolving loan. The grace period starts on the first drawdown date until the expiration of 3 years, during which time the interest is repaid monthly. The principals are repaid in 84 installments from the fourth year with each month as one installment. The loan shall be repaid equally by installments and repay the principal on the 15th day of each month.
Bank of Taiwan (Secured)	240,000	1.43%	Interests are paid monthly from 2 September 2020 through 7 December 2032. Principals are paid in 144 installments.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Creditor	31 December		Repayment period and methods
	2022	Rate (%)	
Bank of Taiwan (Secured)	181,941	1.470%	The term of the loan is 7 years and it could be appropriated separately. The loan is not a revolving loan. Each month is deemed as one installment starting from the first drawdown date. The principals are paid in 84 installments and interests are repaid monthly. The principal shall be repaid on the 15th day of each month.
Bank of Taiwan (Unsecured)	75,000	1.470%	The term of loan is 5 years and it could be appropriated separately. The loan is not a revolving loan. The grace period starts on the first drawdown date until the expiration of 3 years, during which time the interest is repaid monthly. The principals are paid in 24 installments from the fourth year with one month as one installment and interests are repaid monthly. The loan shall be repaid equally in installments and repay the principal on the 15th day of each month.
Subtotal	<u>766,359</u>		
Less: current portion	<u>(152,454)</u>		
Total	<u>\$613,905</u>		

Creditor	31 December		Repayment period and methods
	2021	Rate (%)	
Bank of Taiwan (Secured)	\$264,000	0.73%	Interests are paid monthly from 2 September 2020 through 7 December 2032. Principal is repaid monthly with 144 installments.
Bank of Taiwan (Secured)	40,000	0.89%	Interests are paid monthly from 7 December 2017 through 7 December 2022. Principals are paid in 48 installments starting from the second year.
Subtotal	<u>304,000</u>		
Less: current portion	<u>(64,000)</u>		
Total	<u>\$240,000</u>		

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(8) Post-employment benefits

Defined contribution plan

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

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

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

Pension expenses under the defined contribution plan were \$21,641 and \$17,689 for the years ended 31 December 2022 and 2021, respectively.

Defined benefits plan

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

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Notes to Consolidated Financial Statements (Continued)

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The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure to risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute \$12,319 to its defined benefit plan during the 12 months beginning after 31 December 2022.

The expected weighted average duration of the Group's defined benefits plan obligation as of 31 December 2022 and 2021 were both maturity in 2035.

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

	For the years ended 31 December	
	2022	2021
Current period service costs	\$577	\$766
Interest income or expense	(17)	89
Total	\$560	\$855

The Group recognized pension cost for high-ranking officers amounting to \$13,850 and \$11,800 for the years ended 31 December 2022 and 2021, respectively. As of 31 December 2022 and 2021, accrued pension liabilities non-current amounted to \$35,658 and \$24,807, respectively.

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Notes to Consolidated Financial Statements (Continued)

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

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

	As of		
	31 December 2022	31 December 2021	1 January 2021
Defined benefit obligation	\$84,922	\$83,778	\$93,386
Plan assets at fair value	(92,478)	(86,017)	(72,109)
Other non-current liabilities - accrued pension liabilities recognized on the consolidated balance sheets	<u>\$ (7,556)</u>	<u>\$ (2,239)</u>	<u>\$ 21,277</u>

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

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of 1 January 2021	\$93,386	\$(72,109)	\$21,277
Current period service costs	766	-	766
Net interest expense (income)	392	(303)	89
Subtotal	94,544	(72,412)	22,132
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(16,974)	-	(16,974)
Experience adjustments	6,208	-	6,208
Remeasurements of benefit assets	-	(991)	(991)
Subtotal	(10,766)	(991)	(11,757)
Contributions by employer	-	(12,614)	(12,614)
As of 31 December 2021	83,778	(86,017)	(2,239)
Current period service costs	577	-	577
Net interest expense (income)	628	(645)	(17)
Subtotal	84,983	(86,662)	(1,679)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(3)	-	(3)
Actuarial gains and losses arising from changes in financial assumptions	14,169	-	14,169
Experience adjustments	(1,662)	-	(1,662)
Remeasurements of benefit assets	-	(6,062)	(6,062)
Subtotal	12,504	(6,062)	6,442
Payments from the plan	(12,565)	12,565	-
Contributions by employer	-	(12,319)	(12,319)
As of 31 December 2022	<u>\$84,922</u>	<u>\$(92,478)</u>	<u>\$(7,556)</u>

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Notes to Consolidated Financial Statements (Continued)

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

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

	As of	
	31 December 2022	31 December 2021
Discount rate	1.43%	0.75%
Expected rate of salary increases	4.00%	2.00%

A sensitivity analysis for significant assumption as of 31 December 2022 and 2021 is as shown below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase	Decrease	Increase	Decrease
Discount rate increase by 0.50%	\$-	\$5,832	\$-	\$5,576
Discount rate decrease by 0.50%	6,343	-	6,062	-
Future salary increase by 0.50%	6,149	-	5,954	-
Future salary decrease by 0.50%	-	5,720	-	5,536

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

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

(9) Equities

A. Common stock

The Group's authorized and issued capital amounted to \$850,000 and \$605,356 as of 31 December 2021, respectively, with a par value of \$10 (in dollar) per share, which were divided into 85,000,000 shares and 60,535,631 shares. Each share has one voting right and right to receive dividends.

In order to repay bank loans, the Group intended to issue common shares through cash capital increase to improve the financial structure. On 2 September 2022, the Board of Directors resolved to issue 6,000,000 common shares through cash capital increase, increasing the paid-in capital in the amount of NT \$60,000, and completed the registration of change on 6 December 2022.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The Group's authorized and issued capital amounted to \$850,000 and \$665,356 as of 31 December 2022, respectively, at a par value of \$10 (in dollar) per share, which were divided into 85,000,000 shares and 66,535,631 shares.

B. Capital surplus

	As of	
	31 December 2022	31 December 2021
Premium from common stock issuance	\$1,784,638	\$1,306,540
Employee stock option	92,101	69,565
Increase through changes in ownership interests in subsidiaries	4,275	4,275
Other	9,247	9,247
Total	<u>\$1,890,261</u>	<u>\$1,389,627</u>

According to the Company Act, the capital reserve shall not be used except when offsetting the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

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

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Notes to Consolidated Financial Statements (Continued)

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

The Company operates in a traditional industry and is currently at its mature stage of business life cycle, with a relatively well established financial structure and fairly consistent earnings year-over-year. In addition to complying with the Company Act and the Company's Articles of Association, the dividend distribution will be determined based on the Company's capital planning and operating results. However, the principle of dividend stability and balance is adopted in principle. Before the annual shareholders' meeting, the board of directors formulates the method of surplus distribution based on the financial situation, and at least 50% of the surplus is distributed as shareholders' dividends. The cash dividend ratio is not less than 30% of the total dividend. However, the Company shall not distribute dividends if there is no surplus earning.

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

According to existing regulations, when the Company distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve in the first-time adoption of the IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

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

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Notes to Consolidated Financial Statements (Continued)

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

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution.

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

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on 10 March 2023 and 15 June 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2022	2021	2022	2021
Special reserve	\$-	\$30,723		
Cash dividends-common stock	365,946	514,553	\$5.5	\$8.5

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

(10) Non-controlling interests

	For the years ended 31 December	
	2022	2021
Balance as of 1 January	\$67,921	\$71,644
Additions through business combinations	2,586,348	-
Profit attributable to non-controlling interests	130,723	3,195
Other comprehensive income attributable to non-controlling interests	(6,745)	-
Cash dividends	(10,998)	(10,998)
Acquisition of additional shares issued by subsidiary	(60,608)	-
Acquisition of new shares in a subsidiary not in proportionate to ownership interest	-	4,080
Balance as of 31 December	\$2,706,641	\$67,921

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Notes to Consolidated Financial Statements (Continued)

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

(11) Operating Revenue

	For the years ended 31 December	
	2022	2021
Revenue from contracts with customers		
Sale of goods	\$7,196,537	\$7,718,985
Commissions	1,708	947
Net sales	<u>\$7,198,245</u>	<u>\$7,719,932</u>

Analysis of revenue from contracts with customers during the years ended 31 December 2022 and 2021 are as follows:

A. Disaggregation of revenue

For the year ended 31 December 2022

	Sewing machine division	Precision metal parts processing division	Total
Sale of goods	\$6,180,720	\$1,015,817	\$7,196,537
Commissions	1,708	-	1,708
Total	<u>\$6,182,428</u>	<u>\$1,015,817</u>	<u>\$7,198,245</u>

For the year ended 31 December 2021

	Sewing machine division	Precision metal parts processing division	Total
Sale of goods	\$7,718,985	\$-	\$7,718,985
Commissions	947	-	947
Total	<u>\$7,719,932</u>	<u>\$-</u>	<u>\$7,719,932</u>

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

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B. Contract balances

Contract liabilities - current

	As of		
	31 December 2022	31 December 2021	1 January 2021
Sales of goods	\$69,984	\$73,715	\$82,813

During the year ended 31 December 2022 and 2021, contract liabilities decreased as performance obligations were satisfied.

The significant changes in the Group's balances of contract liabilities during the years ended 31 December 2022 and 2021 are as follows:

	For the years ended 31 December	
	2022	2021
The opening balance transferred to revenue	\$(69,789)	\$(82,813)
Business combinations	882	-
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	65,176	73,715

C. Transaction price allocated to unsatisfied performance obligations

None.

D. Assets recognized from costs to fulfil a contract

None.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(12) Expected credit losses / (gains)

	For the years ended 31 December	
	2022	2021
Operating expenses – Expected credit losses (gains)		
Trade receivables	\$28,468	\$(932)

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

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of 31 December 2022 and 2021 is as follows:

31 December 2022

	Not yet due (Note 1)	Overdue					Total
		<=30 days	31-60 days (Note 2)	61-90 days (Note 2)	91-360 days (Note 2)	>=361 days (Note 2)	
Gross carrying amount	\$1,244,940	\$201,706	\$56,810	\$284,484	\$282,221	\$5,834	\$2,075,995
Loss ratio	-%	-%	10%	20%	50%	100%	
Lifetime expected credit losses	-	-	(358)	(1,192)	(39,668)	(5,834)	(47,052)
Carrying amount	\$1,244,940	\$201,706	\$56,452	\$283,292	\$242,553	\$-	\$2,028,943

31 December 2021

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

Note 1: The Group's note receivables are not overdue.

Note 2: After the reporting period, the Company received accounts receivable of \$600,191. As there is no risk of expected credit losses, no loss allowance has been measured for losses.

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Notes to Consolidated Financial Statements (Continued)

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The movement in the provision for impairment of note receivables and trade receivables for the years ended 31 December 2022 and 2021 is as follows:

	Note receivables	Trade receivables
Beginning balance at 1 January 2022	\$-	\$5,130
Addition for the current period	-	28,468
Obtained through acquisition of subsidiaries	-	15,058
Effect of exchange rate changes	-	(1,604)
Ending balance at 31 December 2022	\$-	\$47,052
Beginning balance at 1 January 2021	\$-	\$6,062
Reversal for the current period	-	(932)
Ending balance at 31 December 2021	\$-	\$5,130

(13)Lease

A. Group as a lessee

The Group leases various properties, including real estate such as land and buildings, transportation equipment and other equipment. The lease terms range from 1 to 50 years. There are no restrictions placed upon the Group by entering into these leases.

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

(A) Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	As of	
	31 December 2022	31 December 2021
Land	\$176,307	\$162,771
Land improvement	360	-
Buildings	128,859	53,748
Transportation equipment	13,479	215
Other equipment	555	571
Total	\$319,560	\$217,305

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Notes to Consolidated Financial Statements (Continued)

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

During the years ended 31 December 2022 and 2021, the Group's additions to right-of-use assets amounting to \$39,786 and \$3,129, respectively.

b. Lease liabilities

	As of	
	31 December 2022	31 December 2021
Lease liabilities		
Current	\$58,015	\$7,440
Non-current	59,773	6,050
Total	<u>\$117,788</u>	<u>\$13,490</u>

Please refer to Note 6 (15)(c) for the interest on lease liabilities recognized during the years ended 31 December 2022 and 2021 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities.

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

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2022	2021
Land	\$5,838	\$4,677
Land improvement	17	-
Buildings	27,025	11,017
Transportation equipment	2,848	1,360
Other equipment	177	163
Total	<u>\$35,905</u>	<u>\$17,217</u>

(C) Income and costs relating to leasing activities

	For the years ended 31 December	
	2022	2021
The expenses relating to short-term leases	<u>\$5,558</u>	<u>\$4,849</u>

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During the year ended 31 December 2022 and 2021, the rent concessions arising as a direct consequence of the Covid-19 pandemic amounting to \$29 and \$189, respectively, which are recognized in other income to reflect the variable lease payment that arising from the application of the practical expedient.

(D)Cash outflow relating to leasing activities

During the year ended 31 December 2022 and 2021, the Group's total cash outflows for leases amounted to \$30,751 and \$16,264, respectively.

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

Nature \ Function	For the years ended 31 December					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$588,082	\$503,683	\$1,091,765	\$578,614	\$402,961	\$981,575
Labor and health insurance	73,223	43,800	117,023	64,265	36,494	100,759
Pension	4,428	31,623	36,051	2,862	27,482	30,344
Others	41,563	24,196	65,759	48,627	20,245	68,872
Depreciation	297,811	111,696	409,507	185,184	84,795	269,979
Amortization	12,830	32,077	44,907	24,590	29,342	53,932

Note: The number of employees were 4,160 and 3,437 as of 31 December 2022 and 2021.

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

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The Company recognized the employees' compensation and remuneration to directors as employee benefits expense based on profit of current year. If the board of directors resolved to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day prior to the date of resolution. The difference between the estimates and the figures resolved at shareholders' meeting will be recognized in profit or loss of the subsequent year. The details of employees' compensation and remuneration to directors for the years ended 31 December 2022 and 2021 are as follows:

	For the years ended 31 December	
	2022	2021
Employees' compensation	\$20,000	\$23,000
Remuneration to directors	3,792	4,400

A resolution was passed at a board of directors meeting held on 10 March 2023 to distribute \$20,000 and \$3,792 in cash as the employees' compensation and remuneration to directors of 2022, respectively. No material differences existed between the estimated amount and the amount determined at the board meeting for the employees' compensation and remuneration to directors for the year ended 31 December 2022.

No material differences existed between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors for the year ended 31 December 2021.

(15) Non-operating income and expenses

A. Other income

	For the years ended 31 December	
	2022	2021
Interest income	\$21,790	\$10,198
Rental revenue	245	107
Others	67,607	27,750
Total	\$89,642	\$38,055

B. Other gains and losses

	For the years ended 31 December	
	2022	2021
Foreign exchange gains (losses), net	\$306,391	\$(63,918)
Net losses on financial assets at fair value through profit (losses)	58,054	(2,140)
Net gains on disposal of property, plant and equipment	3,662	843
Lease modification gains	34	-
Others	(5,303)	(1,335)
Total	\$362,838	\$(66,550)

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C. Financial costs

	For the years ended 31 December	
	2022	2021
Interest on loans from bank	\$27,212	\$8,520
Interest on lease liabilities	423	424
Total	\$27,635	\$8,944

(16) Components of other comprehensive income

A. For the year ended 31 December 2022

	Arising during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Remeasurements of defined benefit plans	\$(6,442)	\$(6,442)	\$1,288	\$(5,154)
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of a foreign operation	145,709	145,709	(28,636)	117,073
Total of other comprehensive income	\$139,267	\$139,267	\$(27,348)	\$111,919

B. For the year ended 31 December 2021

	Arising during the period	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Remeasurements of defined benefit plans	\$11,757	\$11,757	\$(2,351)	\$9,406
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of a foreign operation	(38,404)	(38,404)	7,681	(30,723)
Total of other comprehensive income	\$(26,647)	\$(26,647)	\$5,330	\$(21,317)

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(17)Income tax

The major components of income tax expense are as follows:

A. Income tax recorded in profit or loss

	For the years ended 31 December	
	2022	2021
Current income tax expense:		
Current income tax charge	\$215,828	\$163,891
Adjustments in respect of current income tax of prior periods	(530)	269
Deferred income tax (income) expense:		
Deferred income tax expense related to origination and reversal of temporary differences	(32,127)	(15,146)
Income tax expense recognized in profit or loss	<u>\$183,171</u>	<u>\$149,014</u>

B.Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2022	2021
Deferred income tax expense (income) :		
Exchange differences on translation of foreign operations	\$28,636	\$(7,681)
Remeasurements of defined benefit plans	(1,288)	2,351
Income tax relating to components of other comprehensive income	<u>\$27,348</u>	<u>\$(5,330)</u>

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

	For the years ended 31 December	
	2022	2021
Accounting profit before tax from continuing operations	<u>\$808,366</u>	<u>\$677,357</u>
The amount of tax at each statutory income tax rate	\$190,872	\$150,357
Tax effect of revenue exempt from taxation	(10,067)	(5,449)
Tax effect of expenses not deductible for tax purposes	813	916
Tax effect of deferred tax assets/liabilities	5,603	(2,428)
Corporate income surtax on undistributed retained earnings	-	5,349
Adjustments in respect of current income tax of prior periods	(4,050)	269
Total income tax expenses recorded in profit or loss	<u>\$183,171</u>	<u>\$149,014</u>

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

(A) For the year ended 31 December 2022

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Due to business combination	Exchange differences	Balance as of 31 December
Temporary difference						
Impairment of accounts receivable	\$17	\$4,150	\$-	\$1,252	\$-	\$5,419
Unrealized intercompany transactions	488	(569)	-	7,973	-	7,892
Unrealized foreign currency exchange gain or loss	3,628	(17,237)	-	(2,104)	32	(15,681)
Provision for allowance to reduce inventories to market value	3,681	496	-	7,057	-	11,234
Revaluations of financial assets at fair value through profit or loss	3,276	(14,207)	-	-	-	(10,931)
Gain recognized in bargain purchase transaction	(148)	132	-	-	-	(16)
Defined benefit Liability	4,352	(2,352)	1,288	-	-	3,288
Reserve for land appreciation tax	(87)	-	-	-	-	(87)
Investment income under equity method	(238,251)	65,499	-	(169,377)	-	(342,129)
Exchange differences on translation of foreign operations	94,367	-	(28,636)	27,235	-	92,966
Accrued expenses	562	272	-	-	4	838
Other deferred tax assets	504	(405)	-	9	28	136
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	3,581	(3,652)	-	-	71	-
Deferred tax income/(expense)		<u>\$32,127</u>	<u>\$(27,348)</u>	<u>\$(127,955)</u>	<u>\$135</u>	
Net deferred tax assets/ (liabilities)	<u>\$(124,030)</u>					<u>\$(247,071)</u>
Reflected in balance sheet as follows:						
Deferred income tax assets	<u>\$27,264</u>					<u>\$38,116</u>
Deferred income tax liabilities	<u>\$(151,294)</u>					<u>\$(285,187)</u>

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(B) For the year ended 31 December 2021

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences	Balance as of 31 December
Temporary difference					
Impairment of accounts receivable	\$40	\$(23)	\$-	\$-	\$17
Unrealized intercompany transactions	(218)	706	-	-	488
Unrealized foreign currency exchange gain or loss	5,215	(1,579)	-	(8)	3,628
Provision for allowance to reduce inventories to market value	2,403	1,278	-	-	3,681
Revaluations of financial assets at fair value through profit or loss	-	3,276	-	-	3,276
Gain recognized in bargain purchase transaction	-	(148)	-	-	(148)
Defined benefit Liability	9,055	(2,352)	(2,351)	-	4,352
Reserve for land appreciation tax	(87)	-	-	-	(87)
Investment income under equity method	(250,300)	12,049	-	-	(238,251)
Exchange differences on translation of foreign operations	86,686	-	7,681	-	94,367
Depreciation	462	(457)	-	(5)	-
Accrued expenses	327	236	-	(1)	562
Other deferred tax assets	1,951	(1,422)	-	(25)	504
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	-	3,582	-	(1)	3,581
Deferred tax income/(expense)		<u>\$15,146</u>	<u>\$5,330</u>	<u>\$(40)</u>	
Net deferred tax assets/ (liabilities)	<u>\$(144,466)</u>				<u>\$(124,030)</u>
Reflected in balance sheet as follows:					
Deferred income tax assets	<u>\$111,743</u>				<u>\$27,264</u>
Deferred income tax liabilities	<u>\$(255,209)</u>				<u>\$(151,294)</u>

(C) As of 31 December 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset taxable profits as follows:

None.

(D) As of 31 December 2022 and 2021, the taxable temporary differences of unrecognized deferred tax liabilities associated with investment in subsidiaries as follows:

None.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

E. The assessment of income tax returns

As of 31 December 2022, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2020
Mitsumichi Industrial Co., Ltd.	Assessed and approved up to 2020
Taiwan Cheer Champ Co., Ltd.	Assessed and approved up to 2020
Turvo International Co., Ltd.	Assessed and approved up to 2020

As of 31 December 2022, the foreign subsidiaries of the Company have been subject to foreign taxation jurisdiction and have been declared in 2021.

(18) Earnings per share

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

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

A. Basic earnings per share

	<u>For the years ended 31 December</u>	
	<u>2022</u>	<u>2021</u>
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	<u>\$494,472</u>	<u>\$525,148</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>61,160</u>	<u>60,536</u>
Basic earnings per share (NTD)	<u>\$8.08</u>	<u>\$8.68</u>

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

B. Diluted earnings per share

	For the years ended 31 December	
	2022	2021
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	\$494,472	\$525,148
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	61,160	60,536
Effect of dilution:		
Employees' compensation – stock (in thousands)	168	158
Weighted average number of ordinary shares outstanding after dilution (in thousands)	61,328	60,694
Diluted earnings per share (NTD)	\$8.06	\$8.65

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

(19) Business combinations

Acquisition of Turvo International Co., Ltd.

The Company acquired 21.56% equity of Turvo International Co., Ltd., and became the largest shareholder of Turvo International Co., Ltd. On 31 August 2022, Turvo International Co., Ltd. held an extraordinary meeting of shareholders to reelect all directors and independent directors. The Company has obtained a majority of the directors' seats, and the legal representative of the Company has been appointed as the chairman by the board directors of Turvo International Co., Ltd. The Company leads and controls the major activities of Turvo International Co., Ltd., which have been included in the consolidated statements since the date of acquisition of control.

Turvo International Co., Ltd. is a listed company to manufacture pneumatic tools, mechanical parts, hardware parts, woodworking lathes, wood planer, etc., processing, manufacturing, trading of optical parts and import and export trade of the aforesaid products in Taiwan. The Company has acquired Turvo International Co., Ltd. because it could diversify risks.

The Company has elected to measure the non-controlling interest in the relative share of the recognized amount of identifiable net assets.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The net assets recognized in the financial statements ended 31 December 2022 were based on a provisional assessment of fair value as the Group had sought an independent valuation for the assets owned by Turvo International Co., Ltd. The results of this valuation had not been received as of the date the financial statements ended 31 December 2022 were approved for issue by management.

Turvo International Co., Ltd. contributed \$163,621 from the date of acquisition (31 August 2022) to 31 December 2022 to the income before tax. If the combination had taken place at the beginning of that year, the revenue for the year and income before tax for the year in 2022 would have been \$9,532,751 and \$1,379,430, respectively.

Transaction costs of \$8,540 have been expensed and included in the management cost.

(20) Changes in ownership interests of subsidiaries of the Company

Acquisition of issued shares of subsidiaries

During November and December 2022, the Group acquired an additional 1.85% of the voting shares of Turvo International Co., Ltd., increasing its ownership to 23.41%. The cash paid to non-controlling shareholders amounted to \$111,434, of which \$8,337 was included in other payables and paid in January 2023. The net identifiable assets of Turvo International Co., Ltd. (originally acquired and excluded goodwill) amounted to \$3,292,663. The additional acquired interests of Turvo International Co., Ltd., including the reduction of non-controlling interests and other cumulative comprehensive profit and loss adjustments, are as follows:

Cash paid by the Group to non-controlling shareholders	\$111,434
Increases (decreases) in noncontrolling interests	(60,608)
Exchange differences on translation of foreign operations	(2,062)
Difference of retained surplus recognized in equity	<u>\$48,764</u>

(21) Subsidiaries that have material non-controlling interests

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

Subsidiary	Country of Incorporation and operation	Percentage of non-controlling interests	
		31 December 2022	31 December 2021
Turvo International Co., Ltd.	Taiwan	76.59%	- (Note1)

Note1: Turvo International Co., Ltd. was incorporated into the Group on August 31, 2022.

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Notes to Consolidated Financial Statements (Continued)

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

The consolidated financial information of the above subsidiary has been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the FSC and has reflected the fair value adjustments made by the Group as of the acquisition date and adjustments for accounting policy differences.

The information of Turvo International Co., Ltd. is summarized as follows:

	31 December 2022
Current assets	\$2,869,473
Non-current assets	2,113,408
Current liabilities	(1,033,194)
Non-current liabilities	(501,678)
Equity	\$3,448,009
The carrying amount of non-controlling interests	\$2,646,174
	1 September to 31 December 2022
Operating revenue	\$1,015,817
Profit from continuing operations	\$163,621
Other comprehensive income	(8,275)
Current comprehensive income	\$155,346
Profits attributable to non-controlling interests	\$(127,178)
Comprehensive income attributable to non-controlling interests	\$(120,433)
	1 September to 31 December 2022
Cash flows from operating activities	\$292,777
Cash flows from investing activities	(184,277)
Cash flows from financing activities	(105,839)
Effect of exchange rate changes	(25,464)
Net increase in cash and cash equivalents	\$(22,803)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

7. RELATED PARTY TRANSACTIONS

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

Name of the related parties	Nature of relationship of the related parties
CHIH-CHENG LIN and other 47 people	Directors and Deputy General Manager of the Company and Turvo International Co., Ltd.

(2) Key management personnel compensation

	For the years ended 31 December	
	2022	2021
Short-term employee benefits	\$69,100	\$64,067
Post-employment Benefits	1,309	879
Total	<u>\$70,409</u>	<u>\$64,946</u>

8. ASSETS PLEDGED AS COLLATERAL

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

	Carrying amount		Secured liabilities
	31 December 2022	31 December 2021	
Property, Plant and Equipment- building	\$575,269	\$470,493	Bank loan
Property, Plant and Equipment- machinery and equipment	229,682	-	Bank loan
Property, Plant and Equipment-land	21,075	21,075	Bank loan
Property, Plant and Equipment- miscellaneous equipment	10,158	-	Bank loan
Financial assets measured at amortized cost, current	11,224	10,201	Product agency and launch
Financial assets measured at amortized cost, non-current	200	200	Customs import customs clearance deposit
Total	<u>\$847,608</u>	<u>\$501,969</u>	

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1)The Company issued guaranty notes as security for borrowings in the sum of \$2,313,099 and \$0 as at 31 December 2022 and 31 December 2021.

(2)The important contract of construction in progress

a.As of 31 December 2022

Contracting parties	Subject matter	Total contract amount	Contract amount paid as of 31 December 2022
Company A	Building	\$586,552	\$386,998
Company B	Building	171,429	14,904
Total		\$757,981	\$401,902

b.As of 31 December 2021

Contracting parties	Subject matter	Total contract amount	Contract amount paid as of 31 December 2022
Company A	Building	\$81,385	\$24,415

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

12. OTHERS

(1) Categories of financial instruments

	As of	
	31 December 2022	31 December 2021
<u>Financial Assets</u>		
Financial assets at fair value through profit or loss:		
Designated at fair value through profit or loss at initial recognition	\$-	\$108,131
Financial assets measured at amortized cost		
Cash and cash equivalents (excluding cash on hand)	3,044,653	2,633,310
Notes and accounts receivable	2,028,943	1,003,194
Other receivables	110,169	67,479
Financial assets measured at amortized cost, current	170,950	10,201
Financial assets measured at amortized cost, non-current	200	200
Total	<u>\$5,354,915</u>	<u>\$3,822,515</u>
<u>Financial Liabilities</u>		
Financial liabilities at amortized cost:		
Short-term loans	\$1,438,492	\$946,501
Long-term loans (Long-term loans due within one year)	766,359	304,000
Notes and accounts payables	718,216	892,253
Other payables	554,894	320,397
Lease liability	117,788	13,490
Short-term notes and bills payable	-	130,000
Subtotal	<u>3,595,749</u>	<u>2,606,641</u>
Financial liabilities at fair value through profit or loss:		
Designated at fair value through profit or loss at initial recognition	1,315	1,545
Total	<u>\$3597,064</u>	<u>\$2,608,186</u>

(2) Financial risk management objectives and policies

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

(3) Market risk

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

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

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

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

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

- A. When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2022 and 2021 is decreased/increased by \$28,862 and \$25,390, respectively; and no impact on the equity.

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Notes to Consolidated Financial Statements (Continued)

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

- B. When NTD strengthens/weakens against RMB by 1%, the profit for the years ended 31 December 2022 and 2021 is decreased/increased by \$5,037 and \$(1,733), respectively; and no impact on the equity.
- C. When NTD strengthens/weakens against VND by 1%, the profit for the years ended 31 December 2022 and 2021 is increased/decreased by \$389 and \$1,691, respectively; and no impact on the equity.
- D. When NTD strengthens/weakens against EUR by 1%, the profit for the years ended 31 December 2022 and 2021 is decreased/increased by \$770 and \$823, respectively; and no impact on the equity.

Interest rate risk

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

The interest rate sensitivity analysis is performed on the borrowings with variable interest rates as of the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate in a reporting period will result in an increase/decrease of \$2,205 and \$1,381 for the years ended 31 December 2022 and 2021, respectively.

(4) Credit risk management

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

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

As of 31 December 2022 and 2021, trade receivables from top ten customers represented 65.49% and 82.49% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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Notes to Consolidated Financial Statements (Continued)

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

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

	<u>< 1 year</u>	<u>2 ~ 3 years</u>	<u>4 ~ 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2022					
Short-term loans	\$1,441,578	\$-	\$-	\$-	\$1,441,578
Payables	718,216	-	-	-	718,216
Long-term loans	154,702	234,042	204,758	185,011	778,513
Lease liability	69,424	53,429	7,973	-	130,826
As of 31 December 2021					
Short-term loans	\$948,852	\$-	\$-	\$-	\$948,852
Payables	892,253	-	-	-	892,253
Short-term notes and bills payable	130,000	-	-	-	130,000
Long-term loans	66,052	51,656	51,091	148,005	316,804
Lease liability	7,598	5,703	436	-	13,737

Derivative financial liabilities

	<u>< 1 year</u>	<u>2 ~ 3 years</u>	<u>4 ~ 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of 31 December 2022					
Inflow	\$-	\$-	\$-	\$-	\$-
Outflow	(1,315)	-	-	-	(1,315)
Net	<u>\$(1,315)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(1,315)</u>
As of 31 December 2021					
Inflow	\$-	\$-	\$-	\$-	\$-
Outflow	(1,545)	-	-	-	(1,545)
Net	<u>\$(1,545)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(1,545)</u>

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

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Notes to Consolidated Financial Statements (Continued)

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Short-term notes and bills payable	Long-term loans	Lease liability	Total liabilities from financing activities
As of 1 January 2022	\$946,501	\$130,000	\$304,000	\$13,490	\$1,393,991
Cash flow	298,790	(130,000)	21,660	(25,193)	165,257
Additions through business combinations	175,494	-	440,699	91,892	708,085
Non-cash changes	-	-	-	37,638	37,638
Foreign exchange movement	17,707	-	-	(39)	17,668
As of 31 December 2022	<u>\$1,438,492</u>	<u>\$-</u>	<u>\$766,359</u>	<u>\$117,788</u>	<u>\$2,322,639</u>

Reconciliation of liabilities for the year ended 31 December 2021:

	Short-term loans	Short-term notes and bills payable	Long-term loans	Lease liability	Total liabilities from financing activities
As of 1 January 2021	\$542,000	\$35,000	\$370,151	\$21,776	\$968,927
Cash flow	406,332	95,000	(66,151)	(11,415)	423,766
Non-cash changes	-	-	-	3,129	3,129
Foreign exchange movement	(1,831)	-	-	-	(1,831)
As of 31 December 2021	<u>\$946,501</u>	<u>\$130,000</u>	<u>\$304,000</u>	<u>\$13,490</u>	<u>\$1,393,991</u>

(7) Fair value of financial instruments

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

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

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

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Notes to Consolidated Financial Statements (Continued)

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

- (B) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures, etc.) at the reporting date.
- (C) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (D) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- (E) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

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

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Notes to Consolidated Financial Statements (Continued)

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(8) Derivative financial instruments

The Group's derivative financial instruments include a foreign exchange swap and a cross currency swap. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2022 and 2021 is as follows:

Foreign Exchange Swap and Cross Currency Swap

The Group entered into a foreign exchange swap and a cross currency swap to manage its exposure to financial risk, but these contracts are not designated as hedging instruments.

The table below lists the information related to these contracts:

<u>Contract</u>	<u>Contract amount</u>	<u>Maturity</u>
As of 31 December 2022		
Foreign Exchange Swap	Sell USD 23,000 thousand	2022/11/28-2023/03/15
As of 31 December 2021		
Foreign Exchange Swap	Sell USD 8,000 thousand	2021/08/09-2022/06/29

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

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

Level 3 – Unobservable inputs for the asset or liability

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

B. Fair value measurement hierarchy of the Group's assets and liabilities

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

As of 31 December 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss	\$-	\$-	\$-	\$-
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap	-	1,315	-	1,315

As of 31 December 2021

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

Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(10) Significant assets and liabilities denominated in foreign currencies

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

Unit: Thousands

	As of					
	31 December 2022			31 December 2021		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary item:</u>						
USD	\$100,030	30.7080	\$3,071,721	\$111,128	27.6900	\$3,077,127
CNY	182,780	4.4175	807,431	42,666	4.3406	185,198
VND	98,983,047	0.001303	128,975	69,879,117	0.001214	84,833
EUR	4,151	32.7086	135,773	2,625	31.3382	82,263
<u>Financial liabilities</u>						
<u>Monetary item:</u>						
USD	\$6,043	\$30.7080	\$185,568	\$19,436	27.6900	\$538,181
CNY	68,753	4.4175	303,716	82,594	4.3406	358,507
VND	128,821,504	0.001303	167,854	209,207,438	0.001214	253,978
EUR	1,797	32.7086	58,777	-	-	-

Due to the large number of functional currencies used in the Group, it's impossible to disclose foreign exchange gains and losses on the basis of each monetary item which has significant impact. The Group recognized \$306,391 and \$63,918 for foreign exchange loss for the years ended 31 December 2022 and 2021, respectively.

(11) Capital management

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

13. ADDITIONAL DISCLOSURES

A. Information on significant transactions

(A)Loans to others:

No. (Note 1)	Lender	Borrower	Related Parties	Financial Statement Account	Maximum Balance for the Period	Ending Balance (By resolution of the Board of Directors) (Note 2)	Amount Actually Drawn	Interest Rate (%)	Nature of loan	Transaction amount	Reasons for short-term financing	Allowance for doubtful account	Collateral		Financing limits for a single borrowing company	Limits on total loans granted
													Item	Value		
1	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Zhangjiagang Zenghsing Trading Co., Ltd.	Yes	Other receivable	\$22,088 (CNY 5,000,000)	\$22,088 (CNY 5,000,000)	\$-	3%	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$87,862 (Note 3)	\$175,725 (Note 3)
2	Turvo International Co.,Ltd.	TIPO INTERNATIONAL CO.,LTD	Yes	Other receivable-related parties	\$177,910	\$120,060	\$-	NA	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$343,371 (Note 4)	\$1,373,485 (Note 4)
2	Turvo International Co.,Ltd.	T&M JOINT (CAYMAN) HOLDING CO., LTD.	Yes	Other receivable-related parties	\$5,179	\$3,732	\$1,639	NA	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$343,371 (Note 4)	\$1,373,485 (Note 4)
2	Turvo International Co.,Ltd.	MATEC SOUTHEAST ASIA (THAILAND) CO., LTD.	Yes	Other receivable-related parties	\$135,609	\$79,041	\$47,330	2-3%	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$343,371 (Note 4)	\$1,373,485 (Note 4)
2	Turvo International Co.,Ltd.	MATEC SOUTHEAST ASIA (THAILAND) CO., LTD.	Yes	Other receivable-related parties	\$8,527	\$8,527	\$-	4%	Short-term loan	Not applicable	Purchase of equipment and materials	\$-	-	\$-	\$343,371 (Note 4)	\$1,373,485 (Note 4)
3	Dongguan Xin Feng Hardware Machinery & Plastics Industry Ltd.	Turvo International Co.,Ltd.(Zhejiang)	Yes	Other receivable-related parties	\$130,066	\$95,647	\$-	4%	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$1,182,551 (Note 5)	\$1,182,551 (Note 5)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The inter-segment transactions have been eliminated on consolidation.

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

Note 4: The amount of financing that Turvo International Co., Ltd. provides to its directly or indirectly wholly-owned subsidiaries individually shall not exceed 10% of Turvo International Co., Ltd.'s net worth; and the total amount of financing shall not exceed 40% of Turvo International Co., Ltd.'s net worth.

Note 5: For Dongguan Xin Feng Hardware Machinery & Plastics Industry Ltd. (hereinafter "Dongguan") to provide financing to Turvo International Co., Ltd.'s directly or indirectly wholly-owned foreign subsidiaries, or Dongguan's directly or indirectly wholly-owned foreign subsidiaries to provide financing to Turvo International Co., Ltd., the amount of financing is not subject to the limit of 40% net worth of the lender; however the amount is limited to 100% of the net worth of the borrower.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(B) Endorsement/guarantee provided:

No. (Note 1)	Endorser/ Guarantor	Endorsee		Limit of guarantee/ endorsement amount to a single entity (Note 3)	Maximum guarantee balance for the period	Ending balance	Actual amount drawn	Amount of collateral guarantee/ endorsement backed by property	Ratio of Accumulated Amount of Guarantee to Net Equity of the most recent Financial Statements	Maximum guarantee limit (Note 4)	Parent company to subsidiary	Subsidiary to parent company	To Mainland China
		Company name	Relationship (Note 2)										
0	Zeng Hsing Industrial CO., LTD.	Zeng Hsing Industrial CO., Ltd. (VN)	(2)	\$1,655,568	\$1,059,426 (USD34,500,000)	\$967,302 (USD31,500,000)	\$89,606	\$-	17.53%	\$2,207,424	Yes	No	No
0	Zeng Hsing Industrial CO., LTD.	Taiwan Cheer Champ Co., Ltd.	(2)	\$1,103,712	\$169,761 (USD5,528,240)	\$- (USD-)	\$-	\$-	0.00%	\$2,207,424	Yes	No	No

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The relationship between the endorser and endorsee is listed as follows:

(1) A company that has a business relationship with the provider.

(2) A subsidiary in which the provider holds directly over 50% of equity interest.

(3) An investee in which the provider and its subsidiaries hold over 50% of equity interest.

(4) An investee in which the provider holds directly and indirectly over 90% of equity interest.

(5) A company that has provided guarantees to the provider, and vice versa, due to contractual requirements.

(6) An investee in which the provider conjunctly invests with other shareholders, and for which the provider has provided endorsement/guarantee in proportion to its shareholding percentage.

(7) Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The amount of guarantees/endorsements to a single corporation shall not exceed 20%, and the amount of guarantees/endorsements to a single overseas affiliate shall not exceed 30% of ZENG HSING INDUSTRIAL CO., LTD's net worth.

Note 4: The total guarantee/endorsement amount shall not exceed 40% of ZENG HSING INDUSTRIAL CO., LTD's net worth of the current period.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(C) Securities held at the end of the period (excluding investment subsidiaries, affiliates and joint-venture controlling interests): none.

(D) Marketable securities acquired or disposed of that cost or amounted to at least \$300 million or 20% of the paid-in capital:

Company	Type and name of securities (Note 1)	Accounting item	Counter party (Note 2)	Relationship (Note 2)	Beginning balance		Addition (Note 3)		Disposal (Note 3)				Ending balance	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Book value	Gain/loss on disposal	Number of shares	Selling price
The Company	Turvo International Co., Ltd.	Investments accounted for using the equity method	Stock Exchange Market	Subsidiary	-	\$-	-	\$-	-	\$-	\$-	\$-	-	\$-

(Note 1): The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items.

(Note 2): Investors who adopt the equity method for securities accounts fill in these columns, the rest are not required.

(Note 3): The accumulated buying and selling amount shall be calculated separately at must market price whether it reaches \$300 million or 20% of the paid-in capital.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

Company Name	Counter Party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	Zeng Hsing Industrial CO., Ltd.	2	Sales	\$611,172	8.49%	There is no difference with other clients	Regular	Regular	Account receivable \$84,558	6.26%	
Zeng Hsing Industrial CO., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	1	Purchases	\$611,172	8.49%	There is no difference with other clients	Regular	Regular	Account payable \$(84,558)	(6.26%)	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Sales	\$3,820,804	53.08%	There is no difference with other clients	Regular	Regular	Account receivable \$339,130	16.71%	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Purchases	\$3,820,804	53.08%	There is no difference with other clients	Regular	Regular	Account payable \$(339,130)	(16.71%)	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Sales (Note2)	\$307,945	4.28%	There is no difference with other clients	Regular	Regular	Account receivable \$46,289	2.28%	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Purchases	\$307,945	4.28%	There is no difference with other clients	Regular	Regular	Account payable \$(46,289)	(2.28%)	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	3	Sales	\$206,636	2.87%	There is no difference with other clients	Regular	Regular	Account receivable \$8,609	0.42%	

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Company Name	Counter Party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	3	Purchases	\$206,636	2.87%	There is no difference with other clients	Regular	Regular	Account payable \$(8,609)	(0.42%)	
Zhangjiagang Zenghsing Trading Co., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	3	Sales	\$109,792	1.53%	There is no difference with other clients	Regular	Regular	Account receivable \$9,673	0.48%	
Zeng Hsing Industrial CO., Ltd. (VN)	Zhangjiagang Zenghsing Trading Co., Ltd.	3	Purchases	\$109,792	1.53%	There is no difference with other clients	Regular	Regular	Account payable and other payable \$(9,673)	(0.48%)	
Shinco Technologies Limited (VN)	Zeng Hsing Industrial CO., Ltd. (VN)	3	Sales	\$111,756	1.55%	There is no difference with other clients	Regular	Regular	Account receivable \$-	0.00%	
Zeng Hsing Industrial CO., Ltd. (VN)	Shinco Technologies Limited (VN)	3	Purchases	\$111,756	1.55%	There is no difference with other clients	Regular	Regular	Account payable \$-	0.00%	

Note 1: "1" represents the transactions from the parent company to a subsidiary.

"2" represents the transactions from a subsidiary to the parent company.

"3" represents the transaction between subsidiaries.

Note2: The Company reported the net sales of triangle trade and recognized commission of \$22,659 for the year ended 31 December 2022.

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

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue receivables		Amounts Received in Subsequent Period	Loss allowance	Note
					Amounts	Action Taken			
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	Subsidiary	\$339,131	13.78	\$-	-	\$189,071	\$-	accounts receivable-customers

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

B. Information on investees

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

(In Yuan of Foreign Currency)

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as at 31 December 2022			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2022	31 December 2021	Shares	Percentage of Ownership	Carrying Value			
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial Co., Ltd. (BVI)	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Trading and holding company	\$451,329 (USD 13,500,000)	\$650,060 (USD 20,000,000)	13,500	100%	\$632,102	\$45,722	\$46,129	Note 1
Zeng Hsing Industrial Co., Ltd. (BVI)	Arcoris Pte Ltd.	8 Cross Street #24-03/04 PwC Building Singapore (048424)	Holding company	218,237 (USD 7,000,000)	218,237 (USD 7,000,000)	7,000,000	100%	148,337	(24,087)	(24,087)	
Arcoris Pte Ltd.	Zorca Worldwide Ltd.	Marcy Building, 2nd Floor, Purcell Estate P.O. Box 2416 Road Town British Virgin Islands	Holding company	191,933 (USD 6,470,000)	191,933 (USD 6,470,000)	64,700	100%	111,139	(25,720)	(25,720)	
Zorca Worldwide Ltd.	Taiwan Cheer Champ Co., Ltd.	New Taipei City, Taiwan	Selling household sewing machines	185,452 (USD 6,365,194)	185,452 (USD 6,365,194)	15,421,630	85.68%	108,341	(30,085)	(25,777)	
Zeng Hsing Industrial Co., Ltd. (BVI)	Jetsun Technology Co., Ltd (Seychelles)	Global Gateway 8, Rue de la Perle Providence Mahe Seychelles	Holding company	33,239 (USD 1,100,000)	33,239 (USD 1,100,000)	1,200,000	100%	28,278	(1,234)	(1,234)	
Jetsun Technology Co., Ltd (Seychelles)	Jetsun Technology Company Limited	Bing Doung, Vietnam	Research and design of filtration equipment	39,494 (USD 1,204,000)	39,494 (USD 1,204,000)	-	100%	28,278	VND (968,852,633)	(1,234)	

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Notes to Consolidated Financial Statements (Continued)

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

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as at 31 December 2022			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2022	31 December 2021	Shares	Percentage of Ownership	Carrying Value			
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	Bing Doung, Vietnam	Manufacturing household sewing machines	1,049,554 (USD 35,000,000)	1,049,554 (USD 35,000,000)	-	100%	1,872,562	VND 35,914,485,795	45,755	
Zeng Hsing Industrial CO., Ltd.	Shinco Technologies Limited (VN)	Bing Doung, Vietnam	Material die-casting of metal of aluminum, zinc and magnesium alloy	347,158 (USD 11,173,331)	347,158 (USD 11,173,331)	-	100%	330,986	VND 28,312,632,839	36,070	
Zeng Hsing Industrial CO., Ltd.	Taiwan Carbon Technology CO., Ltd.	Taichung, Taiwan	Manufacturing carbon fiber, fire resistant fiber and related products	20,566	20,566	2,500,000	19.53%	30,438	13,308	2,599	
Zeng Hsing Industrial CO., Ltd.	Mitsumichi industrial CO. Ltd	Taichung, Taiwan	Manufacturing household sewing machines	31,330	31,330	1,378,000	53%	48,948	16,708	8,855	
Zeng Hsing Industrial CO., Ltd.	FOREMOST GULF INTERNATIONAL CO., LTD. (BVI)	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	Holding company	43,217 (USD 1,550,000)	43,217 (USD 1,550,000)	15,000	30%	45,860	4,596	1,332	
FOREMOST GULF INTERNATIONAL CO., LTD. (BVI)	FOREMOST GULF INTERNATIONAL (Vietnam)	No.21 Vsip II, Street No.6, Vietnam-Singapore II Industrial Park, Hoa Phu Ward, Thu Dau Mot City, Binh Duong Province	Manufacturing electronic components	55,614 (USD 2,000,000)	55,614 (USD 2,000,000)	-	100%	110,152	VND 63,127,748	80	

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

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as at 31 December 2022			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2022	31 December 2021	Shares	Percentage of Ownership	Carrying Value			
Zeng Hsing Industrial CO., Ltd. (VN)	Beauty Lady CO., Ltd. (VN)	Apartment No. 03-08, Binh Duong Province, Thuan An, Binh Hoa Phong, Binh Duong Avenue, Canary Plaza	Distribution, purchase and sell	31,168 (USD 1,000,000)	-	-	100%	30,575	VND (455,160,122)	(580)	
Zeng Hsing Industrial CO., Ltd.	Turvo International Co., Ltd.	Taichung, Taiwan	Manufacturing precision parts for automotive and industrial applications	1,682,469	-	14,113,000	23.41%	1,715,319	163,621	36,443	
Turvo International Co., Ltd.	TIPO INTERNATIONAL CO., LTD. (SAMOA)	Samoa	Financial investment, import and export trading	946,313 (USD31,133,211)	946,313 (USD31,133,211)	31,133,211	100%	2,167,667	105,906 (Note 2)	104,930 (Note 3)	
Turvo International Co., Ltd.	T&M Joint (Cayman) Holding Co., LTD.	Cayman Islands	Holding company	61,760 (USD2,045,753)	61,760 (USD2,045,753)	4,912,749	35.71%	7,941	(5,161) (Note 2)	(1,842) (Note 3)	
TIPO INTERNATIONAL CO., LTD. (SAMOA)	HONG KONG XINFENG ENTERPRISE LIMITED [HK XINFENG]	HONG KONG	Holding company	216,811 (USD7,133,211 HKD220,000)	216,811 (USD7,133,211 HKD220,000)	-	100%	975,220	92,757 (Note 2)	Incorporated into subsidiary (Note 3)	
T&M Joint (Cayman) Holding Co., LTD	Matec Southeast Asia (Thailand) Co., Ltd.	Thailand	Manufacturing forging spare parts	204,635 (USD6,606,203)	204,635 (USD6,606,203)	216,276	99.99%	24,062	(4,905) (Note 2)	Incorporated into subsidiary (Note 3)	

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

Note 2: The investment gains and losses recognized this period incurred by investees included the gains and losses on reinvestment.

Note 3: The investment gains and losses recognized this period included the investment gains and losses from downstream transactions.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

C. Information on investment in Mainland China

(A) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee:

Investee Company	Main Businesses and Products	Total Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Percentage of Ownership	Equity in Earnings (Losses) (Note 1)	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022
					Outflow	Inflow					
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Manufacturing and selling household sewing machines, vacuum cleaners and spare parts	USD 6,500,000	Indirect investments through Zeng Hsing (BVI)	\$304,199 (USD 9,103,039)	\$-	\$201,175 (USD6,500,000)	\$103,024 (USD 2,603,039)	100%	\$72,170	\$439,312	\$518,695 (USD 12,603,654) (RMB 27,000,000)
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	Selling household sewing machines and spare parts	USD 500,000	Indirect investments through Zeng Hsing (BVI)	14,931 (USD 500,000)	\$-	\$-	\$14,931 (USD 500,000)	100%	RMB 3,166,237	RMB 18,622,166	RMB 26,251,891
Zhangjiagang Zenghsing Trading Co., Ltd.	Selling household sewing machines and spare parts	RMB 1,000,000	Indirect investments through Zeng Hsing (BVI)	-	\$-	\$-	\$-	100%	RMB 3,845,147	RMB 3,679,400	RMB 9,197,561
Shanghai Debra Trading Company Limited	Selling household sewing machines and spare parts	RMB 5,000,000	Indirect investments through Zeng Hsing (BVI)	-	\$-	\$-	\$-	100%	RMB (693,808)	RMB 530,328	\$-

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

Investee Company	Main Businesses and Products	Total Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Percentage of Ownership	Equity in Earnings (Losses) (Note 1)	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022
					Outflow	Inflow					
Dongguan Xin Feng Hardware Machinery & Plastics Industry Ltd.	Producing and selling computer, medical equipment, optics, automobile, photoelectric, precision hardware and other parts	HKD 58,385,000 (Note 3)	Indirect investments through Turvo International Co., Ltd.	\$230,289 (USD7,120,536)	\$-	\$-	\$230,289 (USD7,120,536)	100%	\$95,296	\$971,523	\$717,836
Turvo International Co.,Ltd. (Zhejiang)	Producing and selling computer, medical equipment, optics, automobile, photoelectric, precision hardware and other parts	USD 23,000,000	Indirect investments through Turvo International Co., Ltd.	\$686,956 (USD23,000,000)	\$-	\$-	\$686,956 (USD23,000,000)	100%	\$17,152	\$1,182,551	\$-

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Accumulated investment in Mainland China as of 31 December 2022		Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
Zeng Hsing Industrial CO., Ltd.	\$117,955 (USD 3,103,039)	\$258,234(Note 2) (USD 7,348,355)	\$3,311,136
Turvo International Co., Ltd. (Turvo)	\$917,245 (USD30,120,536)	\$917,245 (USD30,120,536)	\$2,060,227

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

Note 2: Investment amounts authorized by the Investment Commission, MOEA were \$258,234(USD7,348,355). The capitalization of retained earnings in China in the amount of USD4,245,316 was exempted to be included in the upper limit on investment.

Note 3: Part of the equity is acquired through equity transfer.

Note 4: Investment amounts in mainland China authorized by the Investment Commission, MOEA are capped at 60% of the net value of the investment company.

(B) As of 31 December 2022, for information on significant transactions and prices, payments, etc. between the parent company and subsidiaries, please refer to Note 13 (1)G.

D. Information of major shareholders

The company has no shareholders with a shareholding ratio of more than 5% on 31 December 2022.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

14. OPERATING SEGMENT INFORMATION

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

Sewing machine division produces computerized and electronic sewing machines.

Precision metal parts processing division manufacture precision parts for automotive and industrial applications.

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

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

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

(A) For the year ended 31 December 2022

	Sewing machine division	Precision metal parts processing division	Adjustments and eliminations (Note)	Consolidated
Revenue				
External customers				
Inter-segment	\$6,182,428	\$1,015,817	\$-	\$7,198,245
Total revenue	<u>\$6,182,428</u>	<u>\$1,015,817</u>	<u>\$-</u>	<u>\$7,198,245</u>
Interest expense	25,193	2,442	-	\$27,635
Depreciation and amortization	346,265	108,149	-	454,414
Investment income	4,962	-	-	4,962
Segment profit and loss (Note 2)	<u>\$604,618</u>	<u>\$203,748</u>	<u>\$-</u>	<u>\$808,366</u>
Asset				
Investments using the equity method	101,995	-	-	101,995
Capital expenditures of non-current assets	207,320	43,323	-	250,643
Operating segment assets	<u>\$7,571,900</u>	<u>\$4,982,881</u>	<u>\$-</u>	<u>\$12,554,781</u>
Operating segment liabilities	<u>\$2,794,707</u>	<u>\$1,534,872</u>	<u>\$-</u>	<u>\$4,329,580</u>

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(B) For the year ended 31 December 2021

	Sewing machine division	Precision metal parts processing division	Adjustments and eliminations (Note 1)	Consolidated
Revenue				
External customers				
Inter-segment	\$7,719,932	\$-	\$-	\$7,719,932
Total revenue	<u>\$7,719,932</u>	<u>\$-</u>	<u>\$-</u>	<u>\$7,719,932</u>
Interest expense	8,944	-	-	8,944
Depreciation and amortization	323,911	-	-	323,911
Investment income	1,879	-	-	1,879
Segment profit (Note 2)	<u>\$677,357</u>	<u>\$-</u>	<u>\$-</u>	<u>\$677,357</u>
Asset				
Investments using the equity method	98,647	-	-	98,647
Capital expenditures of non-current assets	<u>363,632</u>	<u>-</u>	<u>-</u>	<u>363,632</u>
Operating segment assets	<u>\$7,966,074</u>	<u>\$-</u>	<u>\$-</u>	<u>\$7,966,074</u>
Operating segment liabilities	<u>\$2,990,046</u>	<u>\$-</u>	<u>\$-</u>	<u>\$2,990,046</u>

Note 1: Inter-segment transactions are eliminated on consolidation and recorded under the “adjustment and elimination” column.

Note 2: The profit and loss of each operating unit in 2022 and 2021 excluding income tax expense was \$183,171 and \$149,014, respectively.

B. Reconciliation of revenue, profit and loss, assets, liabilities and other major items to be reported

The Group has no reconciliation of segment revenue, profit and loss, assets, liabilities and other major items in 2022 and 2021.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

C. Geographic information

(A) Revenue from external customers:

Country	For the years ended 31 December	
	2022	2021
USA	\$1,294,152	\$1,364,160
Switzerland	620,356	407,798
China	561,369	57,904
Germany	350,739	792,904
Brazil	342,886	286,415
Russia	231,514	222,352
Italy	193,373	363,742
Other countries	3,603,856	4,224,657
Total	<u>\$7,198,245</u>	<u>\$7,719,932</u>

(B) Non-current assets:

Country	As of 31 December	
	2022	2021
Taiwan	\$3,028,680	\$1,026,733
Vietnam	1,357,262	1,310,188
China	1,079,320	84,301
Total	<u>\$5,465,262</u>	<u>\$2,421,222</u>

D. Important customer information

Country	For the years ended 31 December	
	2022	2021
Customer A from the Taiwan operating segment	<u>\$3,324,398</u>	<u>\$4,271,273</u>

ZENG HSING INDUSTRIAL CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Notice to readers:

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

Address: NO. 78, Yong Cheng Rd., Taiping Dist., Taichung City, Taiwan, R.O.C.

Telephone: 886-4-22785177

Independent Auditors' Report Translated from Chinese

To ZENG HSING INDUSTRIAL CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of Zeng Hsing Industrial Co., Ltd. (the "Company") as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, the parent company only changes in equity and the parent company only cash flows for the years ended December 31, 2022 and 2021, and notes to the parent company only financial statements, including the summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditor(s) (please refer to the Other Matter – Making Reference to the Audit of Component Auditor section of our report), the accompanying parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2022 and 2021, and the parent company only financial performance and the parent company only cash flows for the years ended December 31, 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2022 the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of accounts receivable

As of December 31, 2022, the Company's accounts receivable and allowance for doubtful accounts amounted to NTD 1,388,656 thousand and NTD 38,095 thousand, respectively. Net accounts receivable represented 17% of the parent company only total assets and have significant impacts on the Company. The collection of accounts receivable is a key factor in the working capital management of the Company, and the adoption of provision policy requires significant management judgement whose the measurement results affect the net amount of accounts receivable, we therefore determined the issue as a key audit mater.

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

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

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

As of December 31, 2022, inventories of the Company and the investees accounted for under the equity method that could have significant impacts on the financial statements. The Company starts manufacturing after receiving orders from customers, so we mainly assessed the allowance for inventory valuation losses for raw materials, supply and parts. Due to diversity of products and uncertainty arising from rapid changes in products, allowance for obsolete and slow-moving inventory valuation requires significant management judgement, we therefore determined the issue as a key audit mater.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control system with respect to obsolete and slow-moving inventory; understanding the allowance for inventory loss and slow-moving inventory policies; sampling important storage locations to observe inventory counts; testing the correctness of the inventory aging schedule to make sure that the inventory aging schedule was appropriate. In addition, we also obtained the current year's reports on inventory movement and sample tested to check whether purchases and sales were supported by appropriate vouchers and to re-calculate the unit cost of inventories to evaluate the reasonableness of the net realizable value of inventory.

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

Other Matter – Making Reference to the Audit of Component Auditor

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NTD 30,438 thousand and NTD 30,339 thousand, representing 0.37% and 0.43% of the parent company only total assets as of December 31, 2022 and 2021, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NTD 2,599 thousand and NTD 2,896 thousand, representing 0.43% and 0.44% of the parent company only net income before tax for the years ended December 31, 2022 and 2021, respectively.

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chen, Ming Hung
Yen, Wen Bi
Ernst & Young, Taiwan
March 10, 2023

Notice to Readers :

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

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
31 December 2022 and 2021
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As of	
		31 December 2022	31 December 2021
Current Assets			
Cash and cash equivalents	4, 6(1), 12	\$1,246,480	\$1,917,641
Financial assets at fair value through profit or loss, current	12	-	108,131
Accounts receivable, net	4, 6(2), 6(13), 12	1,269,220	861,457
Accounts receivable-related parties, net	4, 6(2), 6(13), 7, 12	81,341	260,013
Other receivables	12	1,894	4,389
Inventories, net	4, 6(3)	50,313	151,396
Prepayment		201	4,346
Other current assets		1,930	2,660
Total current assets		2,651,379	3,310,033
Non-current assets			
Financial assets measured at amortized cost, non-current	4, 8, 12	200	200
Investments accounted for under the equity method	4, 6(4)	4,676,215	2,916,538
Property, plant and equipment	4, 6(5), 8	703,803	736,693
Investment property	4, 6(6)	63,672	64,902
Intangible assets	4	26,757	24,525
Deferred tax assets	4, 6(18)	19,938	19,411
Other non-current assets	4, 6(14)	11,358	14,467
Total non-current assets		5,501,943	3,776,736
Total assets		\$8,153,322	\$7,086,769

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

(continued)

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
31 December 2022 and 2021
(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As of	
		31 December 2022	31 December 2021
Current liabilities			
Short-term loans	4, 6(7), 12	\$1,348,000	\$629,000
Short-term notes and bills payable	4, 6(8), 12	-	130,000
Financial liabilities at fair value through profit or loss, current	12	1,315	1,545
Contract liabilities, current	6(12)	56,396	62,441
Notes payable	12	491	501
Accounts payable	12	53,146	127,256
Accounts payable-related parties	7, 12	433,153	484,357
Other payables	12	134,042	156,212
Current tax liabilities	4	91,240	89,034
Long-term borrowings (including current portion with maturity less than 1 year)	4, 6(9), 12	24,000	64,000
Other current liabilities	4, 6(14), 12	18,103	18,439
Total current liabilities		<u>2,159,886</u>	<u>1,762,785</u>
Non-current liabilities			
Long-term loans	4, 6(9), 12	216,000	240,000
Deferred tax liabilities	4, 6(18)	227,031	151,294
Accrued pension liabilities	4, 6(10)	29,340	23,806
Other non-current liabilities	4, 6(14), 12	2,505	777
Total non-current liabilities		<u>474,876</u>	<u>415,877</u>
Total liabilities		<u>2,634,762</u>	<u>2,178,662</u>
Equity attributable to the parent company	4, 6(11)		
Capital			
Common stock		665,356	605,356
Additional paid-in capital		1,890,261	1,389,627
Retained earnings			
Legal reserve		730,563	730,563
Special reserve		326,214	295,491
Retained earnings		2,108,562	2,213,284
Total Retained earnings		<u>3,165,339</u>	<u>3,239,338</u>
Other components of equity			
Exchange differences on translation of foreign operations - the parent company		(202,396)	(326,214)
Total equity		<u>5,518,560</u>	<u>4,908,107</u>
Total liabilities and equity		<u>\$8,153,322</u>	<u>\$7,086,769</u>

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

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the Years Ended 31 December	
		2022	2021
Net Sales	4, 6(12), 7	\$5,336,553	\$6,798,275
Cost of Sales	6(3), 6(15), 7	(4,657,303)	(5,539,998)
Gross Profit		679,250	1,258,277
Unrealized Intercompany Profit	7	(4,472)	(2,440)
Realized Intercompany Profit		2,440	(1,086)
Gross Profit		677,218	1,254,751
Operating Expenses	6(14), 6(15), 7		
Selling and marketing		(104,269)	(116,192)
Management and administrative		(284,008)	(258,591)
Research and development		(118,224)	(114,325)
Expected credit (loss) gains	4, 6(13)	(33,267)	807
Total Operating Expenses		(539,768)	(488,301)
Operating Income		137,450	766,450
Non-operating income and expenses	6(16)		
Other income		45,524	19,378
Other gain and loss		258,579	(79,848)
Financial costs		(16,614)	(5,601)
Share of profit or loss of associates and joint ventures	4, 6(4)	177,183	(42,924)
Subtotal		464,672	(108,995)
Income before income tax		602,122	657,455
Income tax expense	4, 6(18)	(107,650)	(132,307)
Income, net of tax		494,472	525,148
Other comprehensive income	6(17), 6(18)		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(6,442)	11,757
Income tax related to items that may not be reclassified subsequently		1,288	(2,351)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		154,772	(38,404)
Income tax related to items that may be reclassified subsequently		(30,954)	7,681
Total other comprehensive loss, net of tax		118,664	(21,317)
Total comprehensive income		\$613,136	\$503,831
Earnings per share (NTD)	6(19)		
Earnings per share-basic		\$8.08	\$8.68
Earnings per share-diluted		\$8.06	\$8.65

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

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Total Equity
Balance as of 1 January 2021	6(11)	\$605,356	\$1,393,097	\$730,563	\$211,385	\$2,337,924	\$(295,491)	\$4,982,834
Appropriations of earnings, 2020:								
Special reserve					84,106	(84,106)		-
Cash dividends						(575,088)		(575,088)
Net income for the year ended 31 December 2021						525,148		525,148
Other comprehensive income, net of tax for the year ended 31 December 2021						9,406	(30,723)	(21,317)
Total comprehensive income		-	-	-	-	534,554	(30,723)	503,831
From share of changes in equity of subsidiaries			(3,470)					(3,470)
Balance as of 31 December 2021	6(11)	\$605,356	\$1,389,627	\$730,563	\$295,491	\$2,213,284	\$(326,214)	\$4,908,107
Balance as of 1 January 2022	6(11)	\$605,356	\$1,389,627	\$730,563	\$295,491	\$2,213,284	\$(326,214)	\$4,908,107
Appropriations of earnings, 2021:								
Special reserve					30,723	(30,723)		-
Cash dividends						(514,553)		(514,553)
Cash capital increase		60,000	478,098					538,098
Share-based payment transactions			22,536					22,536
Net income for the year ended 31 December 2022						494,472		494,472
Other comprehensive income, net of tax for the years ended 31 December 2022						(5,154)	123,818	118,664
Total comprehensive income		-	-	-	-	489,318	123,818	613,136
Difference between the actual acquisition or disposal price and carrying amounts of subsidiaries						(48,764)		(48,764)
Balance as of 31 December 2022	6(11)	\$665,356	\$1,890,261	\$730,563	\$326,214	\$2,108,562	\$(202,396)	\$5,518,560

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

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended 31 December 2022 and 2021
(Expressed in Thousand New Taiwan Dollars)

	For the Years Ended 31 December	
	2022	2021
Cash flows from operating activities:		
Net income before tax	\$602,122	\$657,455
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Share-based payment transactions	22,536	-
Depreciation	59,909	52,334
Amortization	18,280	17,113
Gain on disposal of property, plant and equipment	-	(199)
Net (gain) loss of financial assets at fair value through profit or loss	(58,054)	2,381
(Gain) loss from market value decline, obsolete and slow-moving of inventories	(416)	5,717
Share of profit or loss of associates and joint ventures	(177,183)	42,924
Expected credit loss (profit)	33,267	(807)
Unrealized intercompany loss	4,472	2,440
Realized intercompany (profit) loss	(2,440)	1,086
Other loss (gain)	663	(741)
Interest income	(5,391)	(2,951)
Interest expense	16,614	5,601
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	165,955	1,234
(Increase) decrease in accounts receivable	(441,030)	267,301
Decrease in accounts receivable-related parties	178,672	9,375
Decrease (increase) in inventories, net	101,499	(86,788)
Decrease in other receivables	2,495	153
Decrease in prepayments	4,145	7,304
Decrease in other current assets	730	858
Increase in other non-current assets	(10,481)	(18,299)
(Decrease) increase in contract liabilities	(6,045)	8,743
(Decrease) increase in notes payable	(10)	9
Decrease in accounts payable	(74,110)	(92,672)
Decrease in accounts payable-related parties	(51,204)	(34,647)
Decrease in other payables	(30,506)	(7,166)
Decrease in other current liabilities	(2,031)	(384)
(Decrease) increase in accrued pension liabilities	(908)	41
Cash generated from operations	<u>351,550</u>	<u>837,415</u>
Interest received	5,391	2,951
Income tax paid	(59,900)	(167,420)
Net cash provided by operating activities	<u>297,041</u>	<u>672,946</u>

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

(Continued)

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended 31 December 2022 and 2021
(Expressed in Thousand New Taiwan Dollars)

	For the Years Ended 31 December	
	2022	2021
(Continued)		
Cash flows from investing activities:		
Acquisition of investments accounted for under the equity method	(1,619,800)	(43,217)
Acquisition of property, plant and equipment	(19,028)	(63,896)
Proceeds from disposal of property, plant and equipment	1,416	791
(Increase) decrease in refundable deposits	(43)	807
Proceeds from disposal of intangible assets	(9,761)	(8,701)
Disposition of intangible assets	28	-
Dividends received	53,321	17,402
Net cash used in investing activities	<u>(1,593,867)</u>	<u>(96,814)</u>
Cash flows from financing activities:		
Increase in short-term loans	7,864,000	2,098,000
Decrease in short-term loans	(7,145,000)	(1,959,000)
Increase in short-term notes and bills payable	1,700,000	200,000
Decrease in short-term notes and bills payable	(1,830,000)	(105,000)
Increase in long-term loans	144,000	-
Decrease in long-term loans	(208,000)	(64,000)
Lease principal repayment	(1,900)	(1,982)
Interest paid	(16,614)	(5,601)
Cash capital increase	538,098	-
Cash dividends	(514,553)	(575,088)
Proceeds from capital reduction of investments accounted for under the equity method	198,731	-
Acquisition of ownership interests in subsidiaries	(103,097)	-
Net cash provided by (used in) financing activities	<u>625,665</u>	<u>(412,671)</u>
Net (decrease) increase in cash and cash equivalents	(671,161)	163,461
Cash and cash equivalents at beginning of period	1,917,641	1,754,180
Cash and cash equivalents at end of period	<u>\$1,246,480</u>	<u>\$1,917,641</u>

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

ZENG HSING INDUSTRIAL CO., LTD.
Notes to Financial Statements
For the Years Ended 31 December 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

1. ORGANIZATION AND OPERATIONS

Zeng Hsing Industrial Co., Ltd. (the Company) was incorporated in 1968 to manufacture and market household sewing machines, vacuum cleaners, and the spare parts used on these products. The Company applied to be listed on the GreTai Securities Market in April 2004, and was authorized for trading over the counter on 28 December 2007. On 23 December 2014, the Company was authorized to be listed on Taiwan Stock Exchange.

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

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

Shinco Technologies Limited (VN) is controlled by the Company, which was incorporated in 2007 to die-cast metal alloy of aluminum, zinc and magnesium in BinhDuong Province, Vietnam.

Turvo International Co., Ltd. is controlled by the Company, which was incorporated on 29 December 1987 to manufacture pneumatic tools, mechanical parts, hardware parts, woodworking lathes, wood planer, etc., processing, manufacturing, trading of optical parts and import and export trade of the aforesaid products.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements of the Company for the years ended 31 December 2022 and 2021 were authorized for issue in accordance with the resolution of the board of directors' meeting held on 10 March 2023.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by the Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2022. The adoption of these new standards and amendments had no material impact on the Company.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
c	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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

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

- (b) Definition of Accounting Estimates – Amendments to IAS 8

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

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

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

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
d	Lease Liabilities in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
e	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

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

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

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

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

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

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

- (d) Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendments add seller-lessees additional requirements for the sale and leaseback transactions in IFRS 16, thereby supporting the consistent application of the standard.

- (e) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

The Company's financial statements for the years ended 31 December 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of Preparation

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

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

(3) Foreign Currency Transactions

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

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

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of Foreign Currency Financial Statements

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

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

(5) Current and Non-current Distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as a current when:

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

All other liabilities are classified as non-current.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(6) Cash and cash equivalents

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

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

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

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

- (A) the Company's business model for managing the financial assets
- (B) the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

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

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

- (B) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (C) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - a. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - b. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

Financial asset measured at fair value through profit or loss

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

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

B. Impairment of financial assets

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

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

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

The loss allowance is measured as follows:

- (A) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (B) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (C) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (D) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss. A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Derivative instruments

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

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(9) Fair value measurement

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

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

(10) Inventories

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

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

- | | |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Materials | – Purchase cost under weighted average cost method. |
| Work in process and finished goods | – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Finished goods and work in process are accounted for under the weighted average method. |

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

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(11) Investments accounted for under the equity method

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

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

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

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

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

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

- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment;
or
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(12) Property, plant and equipment

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

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

Items	Useful Lives
Buildings and facilities	5~50 years
Machinery and equipment	8~11 years
Tooling equipment	2~ 7 years
Transportation equipment	5~10 years
Furniture, fixtures and equipment	5~ 6 years
Miscellaneous equipment	3~15 years
Leasehold improvements	The shorter of lease terms or economic useful lives

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

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

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Notes to Financial Statements (Continued)

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

(13) Investment property

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

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

Buildings	25 years
Right-of-use assets	1~5 years

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

The Company transfers properties to or from investment properties according to the actual use of the properties.

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

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Notes to Financial Statements (Continued)

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

(14) Leases

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

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

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

Company as a lessee

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

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

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Notes to Financial Statements (Continued)

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

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

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

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

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

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

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

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Notes to Financial Statements (Continued)

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

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

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

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

Company as a lessor

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

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

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

(15) Intangible Assets

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

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Accounting policies of the Company's intangible assets is summarized as follows:

	<u>Software</u>	<u>Trademarks</u>	<u>Patents</u>
Useful lives	1~6 years	7~10 years	5~25 years
Method of amortization	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Sources	Outside	Outside	Outside

(16) Impairment of Non-financial Assets

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

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Notes to Financial Statements (Continued)

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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

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

(17) Provisions

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

(18) Revenue recognition

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

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Notes to Financial Statements (Continued)

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

Sale of goods

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

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

(19) Borrowing cost

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

(20) Post-employment benefits

All regular employees of the Company is entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company's financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

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Notes to Financial Statements (Continued)

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

- A. the date of the plan amendment or curtailment, and
- B. the date that the Company recognizes restructuring-related costs

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

(21) Share-based payment transactions

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

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

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

(22) Income Taxes

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

Current income tax

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

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Notes to Financial Statements (Continued)

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

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

Deferred tax

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

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

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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

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Notes to Financial Statements (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(1) Judgement

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

A. Operating lease commitment – Company as the lessor

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

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Notes to Financial Statements (Continued)

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

(2) Estimates and assumptions

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

A. Accounts receivables – estimation of impairment loss

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

B. Inventories

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

C. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

D. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, and changes of the future salary etc. Please refer to Note 6 for more details.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

E. Income tax

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

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of	
	31 December 2022	31 December 2021
Cash on hand	\$362	\$335
Checking and savings accounts	908,146	752,027
Time deposits	122,832	359,970
Repurchase agreements	215,140	805,309
Total	<u>\$1,246,480</u>	<u>\$1,917,641</u>

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Notes to Financial Statements (Continued)

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

(2) Accounts receivables, net

	As of	
	31 December 2022	31 December 2021
Accounts receivable - non related parties	\$1,307,315	\$866,285
Less: loss allowance	(38,095)	(4,828)
Subtotal	1,269,220	861,457
Accounts receivable - related parties	81,341	260,013
Accounts receivable, net	<u>\$1,350,561</u>	<u>\$1,121,470</u>

Trade receivables are generally on 45-90 day terms. The total carrying amount as of 31 December 2022 and 2021 were \$1,388,656 and \$1,126,298, respectively. Please refer to Note 6 (13) for more details on loss allowance of trade receivables for the years ended 31 December 2022 and 2021. Please refer to Note 12 for more details on credit risk management.

No accounts receivables were pledged.

(3) Inventories, net

a. Details as follows

	As of	
	31 December 2022	31 December 2021
Raw materials	\$40,933	\$73,812
Work in progress	53	1,454
Semi-manufactured goods	4,142	8,462
Finished goods	5,185	67,668
Total	<u>\$50,313</u>	<u>\$151,396</u>

b. The Company cost of inventories recognized in cost of sales amounts to \$4,657,303 for the years ended 31 December 2022, including the gain from inventory price recovery \$416. The gains from inventory price recovery were recognized due to the fact that the inventory that has been established a valuation loss earlier has been scrapped and the sluggish inventory has been consumed.

c. The Company cost of inventories recognized in cost of sales amounts to \$5,539,998 for the year ended 31 December 2021, including the loss from market value decline, obsolete and slow-moving of inventories \$5,717.

d. No inventories were pledged.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(4) Investments accounted for using the equity method

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

	31 December 2022		31 December 2021	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Subsidiaries:				
Zeng Hsing Industrial Co., Ltd. (VN)	\$1,872,562	100.00%	\$1,703,190	100.00%
Turvo International Co., Ltd. (Turvo)	1,715,319	23.41%	(Note 1)	(Note 1)
Zeng Hsing Industrial Co., Ltd. (BVI)	632,102	100.00%	776,971	100.00%
Shinco Technologies Limited (VN)	330,986	100.00%	309,901	100.00%
Mitsumichi Industrial Co., Ltd.	48,948	53.00%	52,495	53.00%
Subtotal	<u>4,599,917</u>		<u>2,842,557</u>	
Associates:				
Taiwan Carbon Technology Co., Ltd.	30,438	19.53%	30,339	19.53%
FOREMOST GULF INTERNATIONAL CO., LTD. (BVI).	45,860	30.00%	43,642	30.00%
Subtotal	<u>76,298</u>		<u>73,981</u>	
Total	<u>\$4,676,215</u>		<u>\$2,916,538</u>	

Note 1: The company has acquired 23.41% equity of Turvo International Co., Ltd. (Turvo) since 2022.

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

C. For the years ended 31 December 2022 and 2021, the Company recognized share of profit or loss of associates and joint ventures and exchange differences on translation of foreign operations with report of independent accountants, the details as follows:

Investee companies	31 December 2022		31 December 2021	
	Share of profit or loss of associates and joint ventures	Exchange differences on translation of foreign operations	Share of profit or loss of associates and joint ventures	Exchange differences on translation of foreign operations
Subsidiaries:				
Zeng Hsing Industrial Co., Ltd. (BVI)	\$46,129	\$7,344	\$(22,471)	\$(2,885)
Zeng Hsing Industrial Co., Ltd. (VN)	45,755	126,038	(56,474)	(30,140)
Turvo International Co., Ltd. (Turvo)	36,443	(3,593)	-	-
Shinco Technologies Limited (VN)	36,070	23,434	19,486	(5,138)
Mitsumichi Industrial Co., Ltd.	8,855	-	13,714	-
Subtotal	<u>173,252</u>	<u>153,223</u>	<u>(45,745)</u>	<u>(38,163)</u>
Associates:				
Taiwan Carbon Technology Co., Ltd.	2,599	-	2,896	-
FOREMOST GULFINTERNATIONAL CO., LTD. (BVI)	1,332	1,549	(75)	(241)
Subtotal	<u>3,931</u>	<u>1,549</u>	<u>2,821</u>	<u>(241)</u>
Total	<u>\$177,183</u>	<u>\$154,772</u>	<u>\$(42,924)</u>	<u>\$(38,404)</u>

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

D. Investments in associates

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

Company: Taiwan Carbon Technology Co., Ltd.

	As of	
	31 December 2022	31 December 2021
Total assets (100%)	\$165,779	\$171,274
Total liabilities (100%)	9,924	15,927
	For the years ended	
	31 December 2022	31 December 2021
Total revenue (100%)	\$52,591	\$64,114
Total expense (100%)	13,308	14,828

Company: FOREMOST GULF INTERNATIONAL CO., LTD. (BVI).

	As of	
	31 December 2022	31 December 2021
Total assets (100%)	\$164,677	\$113,535
Total liabilities (100%)	11,811	-
	For the years ended	
	31 December 2022	31 December 2021
Total revenue (100%)	\$-	\$-
Total expense (100%)	4,596	(693)

No investments were pledged.

E. Other investments

(A) For the years ended 31 December 2022 and 2021, the details of the Company invested to subsidiaries by cash as follows:

Subsidiaries	For the years ended 31 December	
	2022	2021
Turvo International Co., Ltd. (Turvo)	\$1,731,233	\$-

(B) For the years ended 31 December 2022 and 2021, the details of the Company received dividends from subsidiaries by cash as follows:

Subsidiaries	For the years ended 31 December	
	2022	2021
Shinco Technologies Limited (VN)	\$38,419	\$-
Mitsumichi Industrial Co., Ltd.	12,402	12,402
Taiwan Carbon Technology Co., Ltd.	2,500	5,000
Total	\$53,321	\$17,402

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Property, plant and equipment

Owner occupied property, plant and equipment

	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Miscellaneous equipment	Construction in progress	Total
Cost:									
As of 1 January 2022	\$21,075	\$508,704	\$11,327	\$75,604	\$3,457	\$8,018	\$314,532	\$-	\$942,717
Additions	-	1,132	140	12,727	-	-	5,029	-	19,028
Disposals	-	-	(408)	(2,558)	-	(448)	(1,894)	-	(5,308)
Transfers	-	-	-	6,243	-	-	-	-	6,243
As of 31 December 2022	<u>\$21,075</u>	<u>\$509,836</u>	<u>\$11,059</u>	<u>\$92,016</u>	<u>\$3,457</u>	<u>\$7,570</u>	<u>\$317,667</u>	<u>\$-</u>	<u>\$962,680</u>
As of 1 January 2021	\$21,075	\$499,072	\$10,900	\$74,440	\$4,106	\$8,018	\$236,344	\$26,210	\$880,165
Additions	-	9,632	388	1,107	791	-	51,978	-	63,896
Disposals	-	-	-	-	(1,440)	-	-	-	(1,440)
Transfers	-	-	39	57	-	-	26,210	(26,210)	96
As of 31 December 2021	<u>\$21,075</u>	<u>\$508,704</u>	<u>\$11,327</u>	<u>\$75,604</u>	<u>\$3,457</u>	<u>\$8,018</u>	<u>\$314,532</u>	<u>\$-</u>	<u>\$942,717</u>

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Miscellaneous equipment	Construction in progress	Total
Depreciation and impairment:									
As of 1 January 2022	\$-	\$38,211	\$6,224	\$73,452	\$2,136	\$2,093	\$83,908	\$-	\$206,024
Depreciation	-	13,365	1,102	4,435	275	1,205	36,363	-	56,745
Disposals	-	-	(408)	(1,142)	-	(448)	(1,894)	-	(3,892)
As of 31 December 2022	\$-	\$51,576	\$6,918	\$76,745	\$2,411	\$2,850	\$118,377	\$-	\$258,877
As of 1 January 2021	\$-	\$25,049	\$5,171	\$70,213	\$2,311	\$889	\$54,087	\$-	\$157,720
Depreciation	-	13,162	1,053	3,239	673	1,204	29,821	-	49,152
Disposals	-	-	-	-	(848)	-	-	-	(848)
31 December 2021	\$-	\$38,211	\$6,224	\$73,452	\$2,136	\$2,093	\$83,908	\$-	\$206,024
Net carrying amount as of:									
31 December 2022	\$21,075	\$458,260	\$4,141	\$15,271	\$1,046	\$4,720	\$199,290	\$-	\$703,803
31 December 2021	\$21,075	\$470,493	\$5,103	\$2,152	\$1,321	\$5,925	\$230,624	\$-	\$736,693

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

(B) There is no capitalization of interest due to purchase property, plant and equipment in 2022 and 2021.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(6) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
As of 1 January 2022	\$41,124	\$30,747	\$71,871
Additions	-	-	-
As of 31 December 2022	<u>\$41,124</u>	<u>\$30,747</u>	<u>\$71,871</u>
As of 1 January 2021	\$41,124	\$30,747	\$71,871
Additions	-	-	-
As of 31 December 2021	<u>\$41,124</u>	<u>\$30,747</u>	<u>\$71,871</u>
Depreciation and impairment:			
As of 1 January 2022	\$-	\$6,969	\$6,969
Depreciation	-	1,230	1,230
As of 31 December 2022	<u>\$-</u>	<u>\$8,199</u>	<u>\$8,199</u>
As of 1 January 2021	\$-	\$5,739	\$5,739
Depreciation	-	1,230	1,230
As of 31 December 2021	<u>\$-</u>	<u>\$6,969</u>	<u>\$6,969</u>
Net carrying amount:			
As of 31 December 2022	<u>\$41,124</u>	<u>\$22,548</u>	<u>\$63,672</u>
As of 31 December 2021	<u>\$41,124</u>	<u>\$23,778</u>	<u>\$64,902</u>
		<u>For the years ended 31 December</u>	
		<u>2022</u>	<u>2021</u>
Rental income from investment property		\$2,057	\$1,954
Less: Direct operating expenses from investment property generating rental income		-	-
Total		<u>\$2,057</u>	<u>\$1,954</u>

No investment property was pledged.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of the Company's investment properties was \$84,485 determined based on valuations performed by an independent valuer appointed on 31 December 2022, respectively. The fair value has been supported by prices in the active market. The valuation methods used are comparison approach and direct capitalization method, and the inputs values and quantitative information used in the direct method are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Net profit	\$5,210	\$-
Capitalization rate	2.54%	-%

(7) Short-term borrowings

	Interest Rates (%)	As of	
		<u>31 December 2022</u>	<u>31 December 2021</u>
Unsecured bank loans	1.40%~1.848%	\$1,048,000	\$629,000
Secured bank loans	1.955%	300,000	-
		<u>\$1,348,000</u>	<u>\$629,000</u>

The Company's unused short-term lines of credits amounted to \$1,082,938 and \$450,985 as of 31 December 2022 and 2021, respectively.

(8) Short-term notes and bills payable

Accounting title	Guarantee	As of	
		<u>31 December 2022</u>	<u>31 December 2021</u>
Commercial paper payable	Mega Bills	\$-	\$100,000
Commercial paper payable	Daqing Bills	-	30,000
Net short-term notes and bills payable		<u>-</u>	<u>\$130,000</u>
		As of	
		<u>31 December 2022</u>	<u>31 December 2021</u>
Interest rates		-	0.84%-0.85%

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(9) Long-term loans

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

Creditor	31 December 2022	Rate (%)	Repayment period and methods
Bank of Taiwan (Secured)	\$240,000	1.43%	Interests are paid monthly from 2 September 2020 through 7 December 2032. Principal is repaid monthly with 144 installments.
Subtotal	240,000		
Less: current portion	(24,000)		
Total	\$216,000		

Creditor	31 December 2021	Rate (%)	Repayment period and methods
Bank of Taiwan (Secured)	\$40,000	0.89%	Interests are paid monthly from 7 December 2017 through 7 December 2022. Principals are paid in 48 installments starting from the second year.
Bank of Taiwan (Secured)	264,000	0.73%	Interests are paid monthly from 2 September 2020 through 7 December 2032. Principal is repaid monthly with 144 installments.
Subtotal	304,000		
Less: current portion	(64,000)		
Total	\$240,000		

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

(10) Post-employment benefits

Defined contribution plan

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

Pension expenses under the defined contribution plan were \$11,166 and \$10,983 for the years ended 31 December 2022 and 2021, respectively.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure to risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute \$12,319 to its defined benefit plan during the 12 months as of 31 December 2022.

The expected weighted average duration of the Company's defined benefits plan obligation as of 31 December 2022 and 2021 were both maturity in 2035.

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

	For the years ended 31 December	
	2022	2021
Current period service costs	\$577	\$766
Interest income or expense	(17)	89
Total	\$560	\$855

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

The Company recognized pension cost for high-ranking officers amounting to \$13,850 and \$11,800 for the years ended 31 December 2022 and 2021, respectively. As of 31 December 2022 and 2021, accrued pension liabilities non-current amounted to \$35,658 and \$24,807, respectively.

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

	As of		
	31 December 2022	31 December 2021	1 January 2021
Defined benefit obligation	\$84,922	\$83,778	\$93,386
Plan assets at fair value	(92,478)	(86,017)	(72,109)
Other non-current liabilities - accrued pension liabilities recognized on the balance sheets	<u>\$(7,556)</u>	<u>\$(2,239)</u>	<u>\$21,277</u>

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

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of 1 January 2021	\$93,386	\$(72,109)	\$21,277
Current period service costs	766	-	766
Net interest expense (income)	392	(303)	89
Subtotal	94,544	(72,412)	22,132
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	(16,974)	-	(16,974)
Experience adjustments	6,208	-	6,208
Remeasurements of benefit assets	-	(991)	(991)
Subtotal	(10,766)	(991)	(11,757)
Contributions by employer	-	(12,614)	(12,614)
As of 31 December 2021	83,778	(86,017)	(2,239)
Current period service costs	577	-	577
Net interest expense (income)	628	(645)	(17)
Subtotal	84,983	(86,662)	(1,679)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	(3)	-	(3)
Actuarial gains and losses arising from changes in financial assumptions	14,169	-	14,169
Experience adjustments	(1,662)	-	(1,662)
Remeasurements of benefit assets	-	(6,062)	(6,062)
Subtotal	12,504	(6,062)	6,442
Payments from the plan	(12,565)	12,565	-
Contributions by employer	-	(12,319)	(12,319)
As of 31 December 2022	<u>\$84,922</u>	<u>\$(92,478)</u>	<u>\$(7,556)</u>

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

	As of	
	31 December 2022	31 December 2021
Discount rate	1.43%	0.75%
Expected rate of salary increases	4.00%	2.00%

A sensitivity analysis for significant assumption as of 31 December 2022 and 2021 are as shown below:

	Effect on the defined benefit obligation			
	2022		2021	
	Increase	Decrease	Increase	Decrease
Discount rate increase by 0.50%	\$-	\$5,832	\$-	\$5,576
Discount rate decrease by 0.50%	6,343	-	6,062	-
Future salary increase by 0.50 %	6,149	-	5,954	-
Future salary decrease by 0.50%	-	5,720	-	5,536

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

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

(11) Equities

A. Common stock

The Company's authorized and issued capital amounted to \$850,000 and \$605,356 as of 31 December 2021, respectively, with a par value of \$10 (in dollar) per share, which were divided into 85,000,000 shares and 60,535,631 shares. Each share has one voting right and right to receive dividends.

In order to repay bank loans, the Company intended to issue common shares through cash capital increase to improve the financial structure. On 2 September 2022, the Board of Directors resolved to issue 6,000,000 common shares through cash capital increase, increasing the paid-in capital in the amount of NT \$60,000, and completed the registration of change on 6 December 2022.

The Company's authorized and issued capital amounted to \$850,000 and \$665,356 as of 31 December 2022, respectively, at a par value of \$10 (in dollar) per share, which were divided into 85,000,000 shares and 66,535,631 shares.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

B. Capital surplus

	As of	
	31 December 2022	31 December 2021
Premium from common stock issuance	\$1,784,638	\$1,306,540
Employee stock option	92,101	69,565
Increase through changes in ownership interests in subsidiaries	4,275	4,275
Other	9,247	9,247
Total	<u>\$1,890,261</u>	<u>\$1,389,627</u>

According to the Company Act, the capital reserve shall not be used except when offsetting the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

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

The Company operates in a traditional industry and is currently at its mature stage of business life cycle, with a relatively well established financial structure and fairly consistent earnings year-over-year. In addition to complying with the Company Act and the Company's Articles of Association, the dividend distribution will be determined based on the Company's capital planning and operating results. However, the principle of dividend stability and balance is adopted in principle. Before the annual shareholders' meeting, the board of directors formulates the method of surplus distribution based on the financial situation, and at least 50% of the surplus is distributed as shareholders' dividends. The cash dividend ratio is not less than 30% of the total dividend. However, the Company shall not distribute dividends if there is no surplus earning.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

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

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

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

Details of the 2022 and 2021 earnings distribution and dividends per share as approved and resolved by the board of directors’ meeting and share-holders’ meeting on 10 March 2023 and 15 June 2022, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2022	2021	2022	2021
Special reserve	\$-	\$30,723		
Cash dividends-common stock	365,946	514,553	\$5.5	\$8.5

The Company estimated the amounts of the employees’ compensation and remuneration to directors and supervisors, please refer to Note 6 (15) for more details.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(12) Operating Revenue

	For the years ended 31 December	
	2022	2021
Revenue from contracts with customers		
Sale of goods	\$5,299,325	\$6,765,249
Commission income	29,304	21,622
Premium income	7,924	11,404
Net sales	<u>\$5,336,553</u>	<u>\$6,798,275</u>

Analysis of revenue from contracts with customers during the years ended 31 December 2022 and 2021 are as follows:

A. Disaggregation of revenue

	For the years ended 31 December	
	2022	2021
	Taiwan	Taiwan
Sale of goods	\$5,299,325	\$6,765,249
Commissions	29,304	21,622
Premium income	7,924	11,404
Net sales	<u>\$5,336,553</u>	<u>\$6,798,275</u>

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

B. Contract balances

Contract liabilities – current

	As of		
	31 December	31 December	1 January
	2022	2021	2021
Sales of goods	<u>\$56,396</u>	<u>\$62,441</u>	<u>\$53,698</u>

The significant changes in the Company's balances of contract assets during the years ended 31 December 2022 and 2021 are as follows:

	For the years ended 31 December	
	2022	2021
The opening balance transferred to revenue	\$(59,421)	\$(53,698)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	53,376	62,441

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

C. Transaction price allocated to unsatisfied performance obligations

None.

D. Assets recognized from costs to fulfil a contract

None.

(13) Expected credit losses / (gains)

	For the years ended 31 December	
	2022	2021
Operating expenses – Expected credit (gains) losses		
Trade receivables	\$33,267	\$(807)

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

The Company measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at 31 December 2022 and 2021 are as follows:

31 December 2022

	Not yet due (Note1)	Overdue					Total
		<=30 days (Note2)	31-60 days (Note2)	61-90 days (Note2)	91-360 days (Note2)	>=361 days (Note2)	
Gross carrying amount	\$614,000	\$156,284	\$54,769	\$284,231	\$273,538	\$5,834	\$1,388,656
Loss ratio	-	-	10%	20%	50%	100%	
Lifetime expected credit losses	-	-	(358)	(1,192)	(30,711)	(5,834)	(38,095)
Carrying amount	\$614,000	\$156,284	\$54,411	\$283,039	\$242,827	\$-	\$1,350,561

31 December 2021

	Not yet due (Note1)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-360 days	>=361 days	
Gross carrying amount	\$1,057,696	\$62,970	\$74	\$250	\$1,075	\$4,233	\$1,126,298
Loss ratio	-	-	10%	20%	50%	100%	
Lifetime expected credit losses	-	-	(7)	(50)	(538)	(4,233)	(4,828)
Carrying amount	\$1,057,696	\$62,970	\$67	\$200	\$537	\$-	\$1,121,470

Note 1: The Company's note receivables are not overdue.

Note 2: After the reporting period, the Company received accounts receivable of \$600,191. As there is no risk of expected credit losses, no loss allowance has been measured for losses.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

The movement in the provision for impairment of note receivables and trade receivables for the years ended 31 December 2022 and 2021 are as follows:

	Note receivables	Trade receivables
Beginning balance at 1 January 2022	\$-	\$4,828
Reversal for the current period	-	33,267
Ending balance at 31 December 2022	\$-	\$38,095
Beginning balance at 1 January 2021	\$-	\$5,635
Reversal for the current period	-	(807)
Ending balance at 31 December 2021	\$-	\$4,828

(14) Lease

A. Company as a lessee

The Company leases various properties, including real estate such as land and buildings, machinery and equipment, transportation equipment and other equipment. The lease terms range from 1 to 5 years. There are no restrictions placed upon the Company by entering into these leases.

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

(A) Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

	As of	
	31 December 2022	31 December 2021
Buildings	\$2,041	\$79
Transportation equipment	1,589	-
Other equipment	408	570
Total	\$4,038	\$649

During the year ended 31 December 2022 and 2021, the Company's z

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

b. Lease liabilities

	As of	
	31 December 2022	31 December 2021
Lease liabilities		
Current	\$1,937	\$242
Non-current	2,146	417
Total	<u>\$4,083</u>	<u>\$659</u>

Please refer to Note 6 (16)(c) for the interest on lease liabilities recognized during the ended 31 December 2022 and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2022.

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

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2022	2021
Buildings	\$977	\$945
Transportation equipment	794	844
Other equipment	163	163
Total	<u>\$1,934</u>	<u>\$1,952</u>

Income and costs relating to leasing activities

	For the years ended 31 December	
	2022	2021
The expenses relating to short-term leases	<u>\$1,465</u>	<u>\$1,575</u>

(C) Cash outflow relating to leasing activities

During the year ended 31 December 2022 and 2021, the Company's total cash outflows for leases amounted to \$3,365 and \$3,557, respectively.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

Nature \ Function	For the years ended 31 December					
	2022			2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$35,819	\$274,407	\$310,226	\$47,358	\$262,990	\$310,348
Labor and health insurance	3,459	22,384	25,843	4,308	21,790	26,098
Pension	1,671	23,905	25,576	2,095	21,543	23,638
Director's remuneration	-	5,816	5,816	-	5,085	5,085
Others	1,481	7,094	8,575	3,639	7,978	11,617
Depreciation	6,068	53,841	59,909	4,703	47,631	52,334
Amortization	-	18,280	18,280	-	17,113	17,113

Note 1: The number of employees were 343 and 363 as of 31 December 2022 and 2021, respectively, the number of directors who do not concurrently serve as employees were 7 and 8 people.

Note 2: Average labor cost for the years ended 31 December 2022 and 2021 were \$1,102 and \$1,047, respectively; average salary and bonus for the years ended 31 December 2022 and 2021 were \$923 and \$874, respectively; the average salary and bonus increased by 5.61% year over year.

The Company has set up an audit committee to replace the supervisor in accordance with the regulations, so the remuneration of the supervisor has not been recognized.

The Company's policy for compensation of directors, managers and employees is as follows:

The Company set the policy for directors and employees' compensation in the Company's Articles of Incorporation and established the Remuneration Committee to evaluate and monitor the Company's remuneration system for its directors and executive officers. The Company shall assess the performance of directors and executive officers according to the Rules for Performance Assessment of the Board of Directors and the Performance Appraisal for employees of the Company, in order to determine their compensation. An adequate compensation scheme will be calculated by referencing the Company's operation results, future risks, corporate strategies, industry trends and also individual contribution.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

The Company developed a comprehensive employee welfare system in accordance with laws, government regulations and regional needs to provide employees with competitive salary and welfare conditions. Employees' compensation includes monthly salary, bonus based on operation performance, and the compensation based on the Company's earnings performance as provided in the Articles of Incorporation. The Company conducts a performance evaluation of all employees every year to understand their job performance and uses such information as a reference for promotions, training and compensation distribution.

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

The Company recognized the employees' compensation and remuneration to directors as employee benefits expense based on profit of current year. If the board of directors resolved to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day prior to the date of resolution. The difference between the estimates and the figures resolved at shareholders' meeting will be recognized in profit or loss of the subsequent year. The details of employees' compensation and remuneration to directors for the years ended 31 December 2022 and 2021 are as follows:

	For the years ended 31 December	
	2022	2021
Employees' compensation	\$20,000	\$23,000
Remuneration to directors	3,792	4,400

A resolution was passed at a board of directors meeting held on 10 March 2023 to distribute \$20,000 and \$3,792 in cash as the employee's compensation and remuneration to directors of 2022, respectively. No material differences existed between the estimated amount and the amount determined at the board meeting for the employees' compensation and remuneration to directors for the year ended 31 December 2022.

No material differences existed between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors for the year ended 31 December 2021.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(16) Non-operating income and expenses

A. Other income

	For the years ended 31 December	
	2022	2021
Interest income	\$5,391	\$2,951
Rental revenue	2,057	1,954
Others	38,076	14,473
Total	\$45,524	\$19,378

B. Other gains and losses

	For the years ended 31 December	
	2022	2021
Foreign exchange gains (losses), net	\$200,525	\$(76,766)
Net gains (losses) on financial assets at fair value through loss or profit	58,054	(2,381)
Gains on disposal of property, plant and equipment	-	199
Others	-	(900)
Total	\$258,579	\$(79,848)

C. Financial costs

	For the years ended 31 December	
	2022	2021
Interest on loans from bank	\$16,517	\$5,570
Interest on lease liabilities	97	31
Total	\$16,614	\$5,601

(17) COMPONENTS OF OTHER COMPREHENSIVE INCOME

A. For the year ended 31 December 2022

	Arising during the period	Current reclassification adjustment	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(6,442)	\$-	\$(6,442)	\$1,288	\$(5,154)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	154,772	-	154,772	(30,954)	123,818
Total of other comprehensive income	\$148,330	\$-	\$148,330	\$(29,666)	\$118,664

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

B. For the year ended 31 December 2021

	Arising during the period	Current reclassification adjustment	Other comprehensive income, net of tax	Income tax effect	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$11,757	\$-	\$11,757	\$(2,351)	\$9,406
Financial assets unrealized profit or loss measured at fair value through other comprehensive income	-	-	-	-	-
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(38,404)	-	(38,404)	7,681	(30,723)
Total of other comprehensive income	\$(26,647)	\$-	\$(26,647)	\$5,330	\$(21,317)

(18) Income tax

The major components of income tax expense are as follows:

A. Income tax recorded in profit or loss

	For the years ended 31 December	
	2022	2021
Current income tax expense:		
Current income tax charge	\$62,106	\$143,950
Deferred income tax expense (income):		
Deferred income tax expense (income) related to origination and reversal of temporary differences	45,544	(11,643)
Income tax expense recognized in profit or loss	\$107,650	\$132,307

B. Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2022	2021
Deferred income tax expense (income):		
Remeasurements of defined benefit plans	\$(1,288)	\$2,351
Exchange differences on translation of foreign operations	30,954	(7,681)
Income tax relating to components of other comprehensive income	\$29,666	\$(5,330)

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

	For the years ended 31 December	
	2022	2021
Accounting profit before tax from continuing operations	\$602,122	\$657,455
The amount of tax at each statutory income tax rate	\$120,424	\$131,491
Adjustments in respect of current income tax of prior periods	(3,520)	-
Tax effect of revenue exempt from taxation	(9,579)	(5,449)
Tax effect of expenses not deductible for tax purposes	325	916
Corporate income surtax on undistributed retained earnings	-	5,349
Total income tax expenses recorded in profit or loss	\$107,650	\$132,307

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

(A) For the year ended 31 December 2022

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Unrealized foreign currency exchange gain or loss	\$2,243	\$(15,783)	\$-	\$(13,540)
Impairment of accounts receivable	-	4,842	-	4,842
Provision for allowance to reduce inventories to market value	2,365	(83)	-	2,282
Defined benefit Liability	4,352	(2,352)	1,288	3,288
Reserve for land appreciation tax	(87)	-	-	(87)
Investment income under equity method	(238,251)	(18,093)	-	(256,344)
Revaluations of financial assets at fair value through profit or loss	3,276	(14,207)	-	(10,931)
Gain recognized in bargain purchase transaction	(148)	132	-	(16)
Exchange differences on translation of foreign operations	94,367	-	(30,954)	63,413
Deferred income tax expense (benefit)		\$ (45,544)	\$ (29,666)	
Deferred income tax assets (liabilities)	\$ (131,883)			\$ (207,093)
The information presented in balance statement				
Deferred income tax assets	\$19,411			\$19,938
Deferred income tax liabilities	\$(151,294)			\$(227,031)

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(B) For the year ended 31 December 2021

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
Temporary difference				
Unrealized foreign currency exchange gain or loss	\$4,568	\$(2,325)	\$-	\$2,243
Provision for allowance to reduce inventories to market value	1,222	1,143	-	2,365
Defined benefit Liability	9,055	(2,352)	(2,351)	4,352
Reserve for land appreciation tax	(87)	-	-	(87)
Investment income under equity method	(250,300)	12,049	-	(238,251)
Revaluations of financial assets at fair value through profit or loss	-	3,276	-	3,276
Gain recognized in bargain purchase transaction	-	(148)	-	(148)
Exchange differences on translation of foreign operations	86,686	-	7,681	94,367
Deferred income tax expense (benefit)		\$11,643	\$5,330	
Deferred income tax assets (liabilities)	\$(148,856)			\$(131,883)
The information presented in balance statement				
Deferred income tax assets	\$106,353			\$19,411
Deferred income tax liabilities	\$(255,209)			\$(151,294)

(C) As of 31 December 2022 and 2021, deferred tax assets that have not been recognized as they may not be used to offset taxable profits as follows:

None.

(D) As of 31 December 2022 and 2021, the taxable temporary differences of unrecognized deferred tax liabilities associated with investment in subsidiaries as follows:

None.

E. The assessment of income tax returns

The tax authorities have assessed income tax returns of the Company through 2020.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(19) Earnings per share

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

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

A. Basic earnings per share

	For the years ended 31 December	
	2022	2021
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	\$494,472	\$525,148
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	61,160	60,536
Basic earnings per share (NTD)	\$8.08	\$8.68

B. Diluted earnings per share

	For the years ended 31 December	
	2022	2021
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	\$494,472	\$525,148
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	61,160	60,536
Effect of dilution:		
Employees' compensation – stock (in thousands)	168	158
Weighted average number of ordinary shares outstanding after dilution (in thousands)	61,328	60,694
Diluted earnings per share (NTD)	\$8.06	\$8.65

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

7. RELATED PARTY TRANSACTIONS

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

Name of the related parties	Nature of relationship of the related parties
Zeng Hsing Industrial Co., Ltd. (VN)	Subsidiary
Shinco Technologies Limited (VN)	Subsidiary
Mitsumichi Industrial Co., Ltd.	Subsidiary
Turvo International Co., Ltd. (Turvo)	Subsidiary
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	Subsidiary
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	Subsidiary
Zhangjiagang Zenghsing Trading Co., Ltd.	Subsidiary
Taiwan Cheer Champ Co., Ltd.	Subsidiary
CHIH-CHENG LIN And Other 18 People	Directors and Deputy General Manager of the Company

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

A. Sales

(A) Commission income

Transactions of materials and supplies sold to related parties for the years ended 31 December 2022 and 2021 are summarized as follows:

a. For the year ended 31 December 2022

Name of Related Parties	Price	Cost	Commission income
Zeng Hsing Industrial Co., Ltd. (VN)	\$305,178	\$282,519	\$22,659
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	70,281	63,780	6,501
Mitsumichi Industrial Co., Ltd.	23,488	26,472	(2,984)
Taiwan Cheer Champ Co., Ltd.	6,333	5,215	1,118
	\$405,280	\$377,986	\$27,294

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

b. For the year ended 31 December 2021

Name of Related Parties	Price	Cost	Commission income
Zeng Hsing Industrial Co., Ltd. (VN)	\$668,984	\$653,274	\$15,710
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	142,003	136,662	5,341
Mitsumichi Industrial Co., Ltd.	7,675	9,982	(2,307)
Taiwan Cheer Champ Co., Ltd.	7,285	5,354	1,931
	\$825,947	\$805,272	\$20,675

Unrealized intercompany profit resulted from the abovementioned transactions amounted to \$4,472 and \$2,440 during 2022 and 2021, respectively. Sales prices and the terms between related parties are not significantly different from any third parties.

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for domestic sales to related parties was month-end 30 to 60 days, while the terms for overseas sales were 90 days from FOB shipping point. The collection period for third party domestic sales was month-end 30 to 60 days, while the terms for overseas sales were 60 to 120 days from FOB shipping point. The outstanding amounts at the end of the year were unsecured, interest-free and must be settled in cash. Accounts receivable from related parties did not have any guarantees.

B. Purchase

Name of Related Parties	For the years ended 31 December	
	2022	2021
Zeng Hsing Industrial Co., Ltd. (VN)	\$3,820,804	\$4,492,600
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	611,464	794,547
Mitsumichi Industrial Co., Ltd.	36,082	46,591
Zhangjiagang Zenghsing Trading Co., Ltd.	13,012	39,790
Total	\$4,481,362	\$5,373,528

For the years ended 31 December 2022 and 2021, the payment terms for related parties were same as general supplies, from one to three months.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

C. Accounts receivable

Name of Related Parties	As of	
	31 December 2022	31 December 2021
Zeng Hsing Industrial Co., Ltd. (VN)	\$46,289	\$180,741
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	31,857	57,200
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	2,329	16,269
Mitsumichi Industrial Co., Ltd.	848	5,742
Shinco Technologies Limited (VN)	-	49
Taiwan Cheer Champ Co., Ltd.	18	12
Total	<u>\$81,341</u>	<u>\$260,013</u>

D. Accounts payable

Name of Related Parties	As of	
	31 December 2022	31 December 2021
Zeng Hsing Industrial Co., Ltd. (VN)	\$339,131	\$215,215
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	84,558	255,115
Zhangjiagang Zenghsing Trading Co., Ltd.	1,722	10,175
Mitsumichi Industrial Co., Ltd.	7,742	3,852
Total	<u>\$433,153</u>	<u>\$484,357</u>

E. Premium income

Name of Related Parties	For the years ended 31 December	
	2022	2021
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	<u>\$7,924</u>	<u>\$11,404</u>

F. Premium expenses (established as other selling expense)

	For the years ended 31 December	
	2022	2021
Mitsumichi Industrial Co., Ltd.	<u>\$1,202</u>	<u>\$977</u>

G. Key management personnel compensation

	For the years ended 31 December	
	2022	2021
Short-term employee benefits	\$31,691	\$47,712
Post-employment Benefits	672	642
Total	<u>\$32,363</u>	<u>\$48,354</u>

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

8. ASSETS PLEDGED AS COLLATERAL

The following assets were pledged:

	As of		Secured liabilities
	31 December 2022	31 December 2021	
Property, Plant and Equipment- land	\$21,075	\$21,075	Bank loan
Property, Plant and Equipment- building	456,682	470,493	Bank loan
Financial assets measured at amortized cost, non-current	200	200	Customs import customs clearance deposit
Total	<u>\$477,957</u>	<u>\$491,768</u>	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

	As of	
	31 December 2022	31 December 2021
<u>Financial Assets</u>		
Financial assets at fair value through profit or loss:		
Designated at fair value through profit or loss at initial recognition	\$-	\$108,131
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	1,246,118	1,917,306
Notes and accounts receivable (includes related party)	1,350,561	1,121,470
Other receivables	1,894	4,389
Financial assets measured at amortized cost, non-current	200	200
Total	<u>\$2,598,773</u>	<u>\$3,151,496</u>

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

	As of	
	31 December 2022	31 December 2021
<u>Financial Liabilities</u>		
Financial liabilities carried at amortized cost:		
Short-term loans	\$1,348,000	\$629,000
Short-term notes and bills payable	-	130,000
Notes and accounts payables (includes related party)	486,790	612,114
Other payables	134,042	156,212
Long-term loans (including long-term loans due within one year)	240,000	304,000
Lease liability	4,083	659
Subtotal	<u>2,212,915</u>	<u>1,831,985</u>
Financial liabilities at fair value through profit or loss:		
Held for trading	1,315	1,545
Total	<u>\$2,214,230</u>	<u>\$1,833,530</u>

(2) Financial risk management objectives and policies

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

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

(3) Market risk

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

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

Foreign currency risk

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

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

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

- A. When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2022 and 2021 is decreased/increased by \$19,268 and \$23,981 respectively; and no impact on the equity.
- B. When NTD strengthens/weakens against VND by 1%, there is no impact on the profit for the years ended 31 December 2022 and 2021; and the equity is decreased/increased by \$22,063 and \$20,149, respectively.

Interest rate risk

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

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

The interest rate sensitivity analysis is performed on the borrowings with variable interest rates as of the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate will result in a increase/decrease of \$1,588 and \$1,063 for the years ended 31 December 2022 and 2021, respectively.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(4) Credit risk management

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

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

As of 31 December 2022 and 2021, trade receivables from top ten customers represented 91.46% and 70.59% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

(5) Liquidity risk management

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

Non-derivative financial liabilities

	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of 31 December 2022					
Short-term loans	\$1,349,050	\$-	\$-	\$-	\$1,349,050
Payables	486,790	-	-	-	486,790
Long-term loans	25,781	51,530	50,652	122,789	250,752
Lease liability	2,001	2,171	-	-	4,172
As of 31 December 2021					
Short-term loans	\$629,337	\$-	\$-	\$-	\$629,337
Short-term notes and bills payable	130,000	-	-	-	130,000
Payables	612,114	-	-	-	612,114
Long-term loans	66,052	51,656	51,091	148,005	316,804
Lease liability	252	343	86	-	681

Derivative financial liabilities

	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of 31 December 2022					
Inflow	\$-	\$-	\$-	\$-	\$-
Outflow	(1,315)	-	-	-	(1,315)
Net	<u>\$(1,315)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(1,315)</u>
As of 31 December 2021					
Inflow	\$-	\$-	\$-	\$-	\$-
Outflow	(1,545)	-	-	-	(1,545)
Net	<u>\$(1,545)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(1,545)</u>

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term loans	Short-term notes and bills payable	Long-term loans	Lease liability	Total liabilities from financing activities
As of 1 January 2022	\$629,000	\$130,000	\$304,000	\$659	\$1,063,659
Cash flow	719,000	(130,000)	(64,000)	(1,900)	523,100
Non-cash changes	-	-	-	5,323	5,323
As of 31 December 2022	<u>\$1,348,000</u>	<u>\$-</u>	<u>\$240,000</u>	<u>\$4,082</u>	<u>\$1,592,082</u>

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

Reconciliation of liabilities for the year ended 31 December 2021:

	Short-term loans	Short-term notes and bills payable	Long-term loans	Lease liability	Total liabilities from financing activities
As of 1 January 2021	\$490,000	\$35,000	\$368,000	\$2,641	\$895,641
Cash flow	139,000	95,000	(64,000)	(1,982)	168,018
As of 31 December 2021	<u>\$629,000</u>	<u>\$130,000</u>	<u>\$304,000</u>	<u>\$659</u>	<u>\$1,063,659</u>

(7) Fair value of financial instruments

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

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

- (A) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (B) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures, etc.) at the reporting date.
- (C) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (D) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

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

(8) Derivative financial instruments

The Company's derivative financial instruments include a foreign exchange swap and a cross currency swap. The related information for derivative instruments not qualified for hedge accounting and not yet settled as of 31 December 2022 and 2021 is as follows:

Foreign Exchange Swap and Cross Currency Swap

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

Contract	Contract amount	Maturity
As of 31 December 2022		
Foreign Exchange Swap	Sell USD 23,000 thousand	2022/11/28-2023/03/15
As of 31 December 2021		
Foreign Exchange Swap	Sell USD 8,000 thousand	2021/08/09-2022/06/29

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

B. Fair value measurement hierarchy of the Company's assets and liabilities

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

As of 31 December 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss	\$-	\$-	\$-	\$-
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap	-	1,315	-	1,315

As of 31 December 2021

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

Transfers between Level 1 and Level 2 during the period

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

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

As of 31 December 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6. (6))	\$-	\$-	\$84,485	\$84,485

As of 31 December 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6. (6))	\$-	\$-	\$78,294	\$78,294

(10) Significant assets and liabilities denominated in foreign currencies

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

Unit: Thousands

	<u>31 December 2022</u>			<u>31 December 2021</u>		
	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary item:</u>						
USD	\$76,965	30.708	\$2,363,434	\$104,731	27.690	\$2,900,001
<u>Investment using the equity method</u>						
VND	1,693,268,460	0.001303	2,206,329	1,659,727,420	0.001214	2,014,909
<u>Financial liabilities</u>						
<u>Monetary item:</u>						
USD	14,219	30.708	436,628	18,125	27.690	501,881

Due to the large number of functional currencies used in the Company, it's impossible to disclose foreign exchange gains and losses on the basis of each monetary item which has significant impact. The Company recognized \$200,525 and \$76,766 for foreign exchange gains and losses for the years ended 31 December 2022 and 2021, respectively.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(11) Capital management

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided: none.

B. Endorsement/guarantee provided:

No. (Note 1)	Endorser/ Guarantor	Endorsee		Limit of guarantee/ endorsement amount to a single entity (Note 3)	Maximum guarantee balance for the period	Ending balance	Actual amount drawn	Amount of collateral guarantee/ endorsement backed by property	Ratio of accumulated amount of guarantee to net equity of the most recent financial statements	Maximum guarantee limit (Note 4)	Parent company to subsidiary	Subsidiary to parent company	To Mainland China
		Company nam	Relationship (Note 2)										
0	Zeng Hsing Industrial CO., LTD.	Zeng Hsing Industrial CO., Ltd. (VN)	(2)	\$1,655,568	\$1,059,426 (USD34,500,000)	\$967,302 (USD31,500,000)	\$89,606	\$-	17.53%	\$2,207,424	Yes	No	No
0	Zeng Hsing Industrial CO., LTD.	Taiwan Cheer Champ Co., Ltd.	(2)	\$1,103,712	\$169,761 (USD5,528,240)	\$- (USD-)	\$-	\$-	0.00%	\$2,207,424	Yes	No	No

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The relationship between the endorser and endorsee is listed as follows:

(1) A company that has a business relationship with the provider.

(2) A subsidiary in which the provider holds directly over 50% of equity interest.

(3) An investee in which the provider and its subsidiaries hold over 50% of equity interest.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

- (4) An investee in which the provider holds directly and indirectly over 90% of equity interest.
- (5) A company that has provided guarantees to the provider, and vice versa, due to contractual requirements.
- (6) An investee in which the provider conjunctly invests with other shareholders, and for which the provider has provided endorsement/guarantee in proportion to its shareholding percentage.
- (7) Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The amount of endorsements/guarantees to a single corporation shall not exceed 20%, and the amount of guarantees/endorsements to a single overseas affiliate shall not exceed 30% of ZENG HSING INDUSTRIAL CO., LTD's net worth.

Note 4: The total guarantee/endorsement amount shall not exceed 40% of ZENG HSING INDUSTRIAL CO., LTD's net worth of the current period.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

D. Marketable securities acquired or disposed of that cost or amounted to at least \$300 million or 20% of the paid-in capital:

Company	Type and name of securities (Note 1)	Accounting item	Counter party (Note 2)	Relationship (Note 2)	Beginning balance		Addition (Note 3)		Disposal (Note 3)				Ending balance	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Book value	Gain/loss on disposal	Number of shares	Selling price
The Company	Turvo International Co., Ltd.	Investments accounted for using the equity method	Stock Exchange Market	Subsidiary	-	\$-	-	\$-	-	\$-	\$-	\$-	-	\$-

(Note 1): The securities mentioned in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items.

(Note 2): Investors who adopt the equity method for securities accounts fill in these columns, the rest are not required.

(Note 3): The accumulated buying and selling amount shall be calculated separately at must market price whether it reaches \$300 million or 20% of the paid-in capital.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

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

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

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

Company Name	Counter-party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
Zeng Hsing Industrial CO., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	1	Purchases	\$611,172	8.49%	There is no difference with other clients	Regular	Regular	Account payable \$(84,558)	(6.26%)	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Purchases	\$3,820,804	53.08%	There is no difference with other clients	Regular	Regular	Account payable \$(339,130)	(16.71%)	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Sales (Note 1)	\$307,945	4.28%	There is no difference with other clients	Regular	Regular	Account receivable \$46,289	2.28%	

Note 1: "1" represents the transactions from the parent company to a subsidiary.

"2" represents the transactions from a subsidiary to the parent company.

"3" represents the transaction between subsidiaries.

Note 2: The Company reported the net sales of triangle trade and recognized commission of \$22,659 for the year ended 31 December 2022.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital:none.

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

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

(2) Information on investees

A. Names, locations, and related information of investees on which the Company exercises significant influence:

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as at 31 December 2022			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2022	31 December 2021	Shares	Percentage of Ownership	Carrying Value			
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial Co., Ltd. (BVI)	P.O . Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Trading and holding company	\$451,329 (USD 13,500,000)	\$650,060 (USD 20,000,000)	13,500	100%	\$632,102	\$45,722	\$46,129	Note 1
Zeng Hsing Industrial Co., Ltd. (BVI)	Arcoris Pte Ltd.	8 Cross Street #24-03/04 Pwc Building Singapore (048424)	Holding company	218,237 (USD 7,000,000)	218,237 (USD 7,000,000)	7,000,000	100%	148,337	(24,087)	(24,087)	
Arcoris Pte Ltd.	Zorca Worldwide Ltd.	Marcy Building, 2nd Floor, Purcell Estate P.O. Box 2416 Road Town British Virgin Islands	Holding company	191,933 (USD 6,470,000)	191,933 (USD 6,470,000)	64,700	100%	111,139	(25,720)	(25,720)	
Zorca Worldwide Ltd.	Taiwan Cheer Champ Co., Ltd.	New Taipei City, Taiwan	Selling household sewing machines	185,452 (USD 6,365,194)	185,452 (USD 6,365,194)	15,421,630	85.68%	108,341	(30,085)	(25,777)	
Zeng Hsing Industrial Co., Ltd. (BVI)	Jetsun Technology Co., Ltd (Seychelles)	Global Gateway 8, Rue de la Perle Providence Mahe Seychelles	Holding company	33,239 (USD 1,100,000)	33,239 (USD 1,100,000)	1,200,000	100%	28,278	(1,234)	(1,234)	
Jetsun Technology Co., Ltd (Seychelles)	Jetsun Technology Company Limited	Bing Doung, Vietnam	Research and design of filtration equipment	39,494 (USD 1,204,000)	39,494 (USD 1,204,000)	-	100%	28,278	VND (968,852,633)	(1,234)	

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as at 31 December 2022			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2022	31 December 2021	Shares	Percentage of Ownership	Carrying Value			
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	Bing Doung, Vietnam	Manufacturing household sewing machines	1,049,7554 (USD 35,000,000)	1,049,554 (USD 35,000,000)	-	100%	1,872,562	VND 35,914,485,795	45,755	
Zeng Hsing Industrial CO., Ltd.	Shinco Technologies Limited (VN)	Bing Doung, Vietnam	Material diecasting of metal of aluminum, zinc and magnesium alloy.	347,158 (USD 11,173,331)	347,158 (USD 11,173,331)	-	100%	330,986	VND 28,312,632,839	36,070	
Zeng Hsing Industrial CO., Ltd.	Taiwan Carbon Technology CO., Ltd.	Taichung, Taiwan	Manufacturing carbon fiber, fire resistant fiber and related products.	20,566	20,566	2,500,000	19.53%	30,438	13,308	2,599	
Zeng Hsing Industrial CO., Ltd.	Mitsumichi industrial CO. Ltd	Taichung, Taiwan	Manufacturing household sewing machines	31,330	31,330	1,378,000	53.00%	48,948	16,708	8,855	
Zeng Hsing Industrial CO., Ltd	FOREMOST GULF INTERNATIONAL CO., LTD. (BVI)	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	Holding company	43,217 (USD 1,550,000)	43,217 (USD 1,550,000)	15,000	30%	45,860	4,596	1,332	
FOREMOST GULF INTERNATIONAL CO., LTD. (BVI)	FOREMOST GULF INTERNATIONAL AL (Vietnam)	No.21 Vsip II, Street No.6, Vietnam-Singapore II Industrial Park, Hoa Phu Ward, Thu Dau Mot City, Binh Duong Province	Manufacturing electronic component	55,614 (USD 2,000,000)	55,614 (USD 2,000,000)	-	100%	110,152	VND 63,127,748	80	
Zeng Hsing Industrial CO., Ltd. (VN)	Beauty Lady CO., Ltd. (VN)	Apartment No. 03-08, Binh Duong Province, Thuan An, Binh Hoa Phong, Binh Duong Avenue, Canary Plaza	Distribution, purchase and selling	31,168 (USD 1,000,000)	-	-	100%	30,575	VND (455,160,122)	(580)	

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as at 31 December 2022			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2022	31 December 2021	Shares	Percentage of Ownership	Carrying Value			
Zeng Hsing Industrial CO., Ltd.	Turvo International Co., Ltd.	Taichung ,Taiwan	Manufacturing precision parts for automotive and industrial applications	1,682,469	-	14,113,000	23.41%	1,715,319	163,621	36,443	
Turvo International Co., Ltd. (Turvo)	TIPO INTERNATIONAL CO., LTD.	Samoa	Financial investment, import and export trading	946,313 (USD31,133,211)	946,313 (USD31,133,211)	31,133,211	100%	2,167,667	105,906 (Note2)	104,930 (Note 3)	
Turvo International Co., Ltd. (Turvo)	T&M Joint (Cayman) Holding Co., LTD.	Cayman Islands	Holding company	61,760 (USD2,045,753)	61,760 (USD2,045,753)	4,912,749	35.71%	7,941	(5,161) (Note2)	(1,842) (Note 3)	
TIPO INTERNATIONAL CO., LTD.	HONG KONG XINFENG ENTERPRISE LIMITED [HK XINFENG]	Hong Kong	Holding company	216,811 (USD7,133,211 HKD220,000)	216,811 (USD7,133,211 HKD220,000)	-	100%	975,220	92,757 (Note2)	merged with subsidiaries (Note3)	
T&M Joint (Cayman) Holding Co., LTD	Matec Southeast Asia (Thailand) Co., Ltd.	Tailand	Manufacturing Electronic component	204,635 (USD6,606,203)	204,635 (USD6,606,203)	216,276	99.99%	24,062	(4,905) (note2)	merged with subsidiaries (Note3)	

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

Note 2: The investment gains and losses recognized this period incurred by investees included the gains and losses on reinvestment.

Note 3: The investment gains and losses recognized this period included the investment gains and losses from down-stream transactions.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

B. Information about major transactions of investee companies with controlling power

(A) Financing provided:

No. (Note 1)	Lender	Borrower	Related Parties	Financial Statement Account	Maximum Balance for the Period	Ending Balance (By resolution of the Board of Directors) (Note 2)	Amount Actually Drawn	Interest Rate (%)	Nature of loan	Transaction amount	Reasons for short-term financing	Allowance for doubtful accoun	Collateral		Financing limits for a single borrowing company	Limits on total loans granted
													Item	Value		
1	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Zhangjiagang Zenghsing Trading Co., Ltd.	Yes	Other receivable	\$22,088 (CNY 5,000,000)	\$22,088 (CNY 5,000,000)	\$-	3%	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$87,862 (Note3)	\$175,725 (Note3)
2	Turvo International Co.,Ltd.	TIPO INTERNATIONAL CO.,LTD	Yes	Other receivable-related parties	\$177,910	\$120,060	\$-	NA	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$343,371 (Note4)	\$1,373,485 (Note4)
2	Turvo International Co.,Ltd.	T&M JOINT (CAYMAN) HOLDING CO., LTD.	Yes	Other receivable-related parties	\$5,179	\$3,732	\$1,639	NA	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$343,371 (Note4)	\$1,373,485 (Note4)
2	Turvo International Co.,Ltd.	MATEC SOUTHEAST ASIA (THAILAND) CO., LTD.	Yes	Other receivable-related parties	\$135,609	\$79,041	\$47,330	2%-3%	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$343,371 (Note4)	\$1,373,485 (Note4)

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

No. (Note 1)	Lender	Borrower	Related Parties	Financial Statement Account	Maximum Balance for the Period	Ending Balance (By resolution of the Board of Directors) (Note 2)	Amount Actually Drawn	Interest Rate (%)	Nature of loan	Transaction amount	Reasons for short-term financing	Allowance for doubtful account	Collateral		Financing limits for a single borrowing company	Limits on total loans granted
													Item	Value		
2	Turvo International Co.,Ltd.	MATEC SOUTHEAST ASIA (THAILAND) CO., LTD.	Yes	Other receivable-related parties	\$8,527	\$8,527	\$-	4%	Short-term loan	Not applicable	Purchase of equipment and materials	\$-	-	\$-	\$343,371 (Note4)	\$1,373,485 (Note4)
3	Dongguan Xin Feng Hardware Machinery & Plastics Industry Ltd.	Turvo International Co.,Ltd.(Zhejiang)	Yes	Other receivable-related parties	\$130,066	\$95,647	\$-	4%	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$1,182,551 (Note5)	\$1,182,551 (Note5)

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The inter-segment transactions have been eliminated on consolidation.

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

Note 4: The amount of financing that Turvo International Co., Ltd. provides to its directly or indirectly wholly-owned subsidiaries individually shall not exceed 10% of Turvo International Co., Ltd.'s net worth; and the total amount of financing shall not exceed 40% of Turvo International Co., Ltd.'s net worth.

Note 5: For Dongguan Xin Feng Hardware Machinery & Plastics Industry Ltd. (hereinafter "Dongguan") to provide financing to Turvo International Co., Ltd.'s directly or indirectly wholly-owned foreign subsidiaries, or Dongguan's directly or indirectly wholly-owned foreign subsidiaries to provide financing to Turvo International Co., Ltd., the amount of financing is not subject to the limit of 40% net worth of the lender; however the amount is limited to 100% of the net worth of the borrower.

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(B) Endorsement/guarantee provided: none.

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

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

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

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

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

Company Name	Counter-party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	Zeng Hsing Industrial CO., Ltd.	2	Sales	\$611,172	8.49%	There is no difference with other clients	Regular	Regular	Account receivable \$84,558	6.26%	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Sales	\$3,820,804	53.08%	There is no difference with other clients	Regular	Regular	Account receivable \$339,130	16.71%	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Purchases	\$307,945	4.28%	There is no difference with other clients	Regular	Regular	Account payable \$(46,289)	(2.28%)	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	3	Sales	\$206,636	2.87%	There is no difference with other clients	Regular	Regular	Account receivable \$8,609	0.42%	

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

Company Name	Counter-party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	3	Purchases	\$206,636	2.87%	There is no difference with other clients	Regular	Regular	Account payable \$(8,609)	(0.42%)	
Zhangjiagang Zenghsing Trading Co., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	3	Sales	\$109,792	1.53%	There is no difference with other clients	Regular	Regular	Account receivable \$9,673	0.48%	
Zeng Hsing Industrial CO., Ltd. (VN)	Zhangjiagang Zenghsing Trading Co., Ltd.	3	Purchases	\$109,792	1.53%	There is no difference with other clients	Regular	Regular	Account payable and other payable \$(9,673)	(0.48%)	
Shinco Technologies Limited(VN) [Shinco (VN)]	Zeng Hsing Industrial CO., Ltd. (VN)	3	Sales	\$111,756	1.55%	There is no difference with other clients	Regular	Regular	Account receivable \$-	0.00%	
Zeng Hsing Industrial CO., Ltd. (VN)	Shinco Technologies Limited(VN) [Shinco (VN)]	3	Purchases	\$111,756	1.55%	There is no difference with other clients	Regular	Regular	Account payable \$-	0.00%	

Note 1: "1" represents the transactions from the parent company to a subsidiary.

"2" represents the transactions from a subsidiary to the parent company.

"3" represents the transaction between subsidiaries.

(H) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital:

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue receivables		Amounts Received in Subsequent Period	Loss allowance	Note
					Amount	Action Taken			
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	Subsidiary	\$339,131	13.78	\$-	-	\$189,071	\$-	accounts receivable-customers

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

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

(3) Information on investment in Mainland China

A. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Percentage of Ownership	Equity in Earnings (Losses) (Note 1)	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022
					Outflow	Inflow					
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Manufacturing and selling household sewing machines, vacuum cleaners and spare parts	USD 6,500,000	Indirect investments through Zeng Hsing (BVI)	\$304,199 (USD 9,103,039)	\$-	\$201,175 (USD 6,500,000)	\$103,024 (USD 2,603,039)	100%	\$72,170	\$439,312	\$518,695 (USD 12,603,654) (RMB 27,000,000)
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	Selling household sewing machines and spare parts.	USD 500,000	Indirect investments through Zeng Hsing (BVI)	14,931 (USD 500,000)	\$-	\$-	14,931 (USD 500,000)	100%	RMB 3,166,237	RMB 18,622,166	RMB 26,251,891
Zhangjiagang Zenghsing Trading Co., Ltd.	Selling household sewing machines and spare parts	RMB 1,000,000	Indirect investments through Zeng Hsing (BVI)	-	\$-	\$-	\$-	100%	RMB 3,845,147	RMB 3,679,400	RMB 9,197,561

ZENG HSING INDUSTRIAL CO., LTD.

Notes to Financial Statements (Continued)

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Percentage of Ownership	Equity in Earnings (Losses) (Note 1)	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022
					Outflow	Inflow					
Shanghai Debra Trading Company Limited	Selling household sewing machines and spare parts	RMB 5,000,000	Indirect investments through Zeng Hsing (BVI)	-	\$-	\$-	\$-	100%	RMB (693,808)	RMB 530,328	\$-
Dongguan Xin Feng Hardware Machinery & Plastics Industry Ltd.	Producing and selling computer, medical equipment, optics, automobile, photoelectric, precision hardware and other parts	HKD 58,385,000 (Note 3)	Indirect investments through Turvo International Co., Ltd.	\$230,289 (USD 7,120,536)	\$-	\$-	\$230,289 (USD 7,120,536)	100%	95,296	971,523	\$717,836
Turvo International Co.,Ltd. (Zhejiang)	Producing and selling computer, medical equipment, optics, automobile, photoelectric, precision hardware and other parts	USD 23,000,000	Indirect investments through Turvo International Co., Ltd.	\$686,956 (USD 23,000,000)	\$-	\$-	\$686,956 (USD 23,000,000)	100%	17,152	1,182,551	\$-

ZENG HSING INDUSTRIAL CO., LTD.
Notes to Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

Accumulated investment in Mainland China as of 31 December 2022		Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
Zeng Hsing Industrial CO., Ltd.	\$117,955 (USD 3,103,039)	\$258,234(Note2) (USD 7,348,355)	\$3,311,136
Turvo International Co., Ltd. (Turvo)	\$917,245 (USD 30,120,536)	\$917,245 (USD 30,120,536)	\$2,060,227

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

Note 2: Investment amounts authorized by the Investment Commission, MOEA were \$258,234 (USD 7,348,355). The capitalization of retained earnings in China in the amount of USD 4,245,316 was exempted to be included in the upper limit on investment.

Note 3: Part of the equity is acquired through equity transfer.

Note 4: Investment amounts in mainland China authorized by the Investment Commission, MOEA are capped at 60% of the net value of the investment company.

B. As of 31 December 2022, for information on significant transactions and prices, payments, etc. between the parent company and subsidiaries, please refer to Note 13(1)G.

(4) Information of major shareholders

The company has no shareholders with a shareholding ratio of more than 5% on 31 December 2022.

Thank you for joining the shareholders' meeting,

Any suggestions and insights are welcome!

MEMO

Zeng Hsing Industrial Co., Ltd.

Chairman: CHIH-CHENG LIN