ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

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.

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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, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including the summary of material accounting policies (together "the consolidated financial statements").

In our opinion, based on our audits and the reports of the other auditors (please refer to the *Other Matter – Making Reference to the Audits of Other Auditors* 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, 2023 and 2022, and their consolidated financial performance and cash flows for the years ended December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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 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 the other auditors, 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 2023 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, 2023, the Company and its subsidiaries' accounts receivable and allowance for doubtful accounts amounted to NTD 1,518,739 thousand and NTD 14,249 thousand, respectively. Net accounts receivable represented 13% 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, 2023, the net inventories amounted to NTD 1,254,186 thousand accounting for 10% 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 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 the other auditors. These associates and joint ventures under equity method amounted to NT$27,316 thousand and NT$30,438 thousand, representing 0.23% and 0.24% of consolidated total assets as of December 31, 2023 and 2022, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT$6,628 thousand and NT$2,599 thousand, representing 0.94% and 0.32% of the consolidated net income before tax for the years ended December 31 2023 and 2022, 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.

Auditors’ 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 auditors’ 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 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 auditors' 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 2023 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' 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 2023 and 2022.

Chen, Ming Hung
Huang, Ching Ya
Ernst & Young, Taiwan
March 8, 2024

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 2023 and 2022
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As at 31 December 2023	As at 31 December 2022
Current Assets			
Cash and cash equivalents	4, 6(1), 12	$2,845,230	$3,047,053
Financial assets measured at amortized cost, current	4, 8, 12	179,591	170,950
Accounts receivable, net	4, 6(2), 6(12), 12	1,504,490	2,028,943
Other receivables	12	89,031	110,169
Inventories, net	4, 6(3)	1,254,186	1,598,106
Prepayment		44,869	32,296
Other current assets		120,352	102,002
Total current assets		6,037,749	7,089,519
Non-current assets			
Investments accounted for under the equity method	4	111,099	101,995
Property, plant and equipment	4, 6(4), 8	3,710,655	3,525,829
Right of use assets	4, 6(13)	248,005	319,560
Intangible assets	4,6(5)	1,590,148	1,650,447
Deferred tax assets	4, 6(17)	31,340	38,116
Other non-current assets	4, 8, 12	266,158	519,210
Total non-current assets		5,957,405	6,155,157
Total assets		$11,995,154	$13,244,676

(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 2023 and 2022
(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As at 31 December 2023	As at 31 December 2021
Current liabilities			
Short-term loans	4, 6(6), 12	$393,000	$1,438,492
Contract liabilities, current	6(11)	69,573	69,984
Notes payable	12	144,735	113,157
Accounts payable	12	738,279	605,059
Other payables	12	464,149	554,894
Current tax liabilities	4	140,633	307,332
Long-term borrowings (including current portion with maturity less than 1 year)	4, 6(7), 12	132,525	152,454
Other current liabilities	4, 6(13), 12	116,185	98,332
Total current liabilities		2,199,079	3,339,704
Non-current liabilities			
Long-term loans	4, 6(7), 12	723,702	613,905
Deferred tax liabilities	4, 6(17)	408,157	452,667
Net defined benefit liabilities, non-current	4, 6(8)	19,672	29,340
Other non-current liabilities	4, 6(13), 12	33,056	61,444
Total non-current liabilities		1,184,587	1,157,356
Total liabilities		3,383,666	4,497,060
Equity attributable to the parent company	4, 6(9)		
Capital			
Common stock		665,356	665,356
Capital surplus		1,890,261	1,890,261
Retained earnings			
Legal reserve		730,563	730,563
Special reserve		202,396	326,214
Unappropriated earnings		2,125,301	2,118,459
Total Retained earnings		3,058,260	3,175,236
Other components of equity			
Exchange differences on translation of foreign operations - the parent company		(265,978)	(200,974)
Equity attributable to owners of the parent		5,347,899	5,529,879
Non-controlling interests	6(10)	3,263,589	3,217,737
Total equity		8,611,488	8,747,616
Total liabilities and equity		$11,995,154	$13,244,676

(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 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the years ended 31 December 2023	2022
Net Sales	4, 6(11)	$7,558,277	$7,198,245
Cost of Sales	6(3), 6(14)	(5,640,723)	(5,743,805)
Gross Profit		1,917,554	1,454,440
Operating Expenses	6(13), 6(14)		
Selling and marketing		(368,068)	(273,102)
Management and administrative		(736,738)	(606,976)
Research and development		(327,139)	(185,152)
Expected credit gains (losses)	4, 6(12)	32,740	(28,468)
Total Operating Expenses		(1,399,205)	(1,093,698)
Operating Income		518,349	360,742
Non-operating income and expenses	6(15)		
Other income		141,942	89,642
Other gains and losses		55,668	362,838
Financial costs		(21,309)	(27,635)
Share of profit or loss of associates and joint ventures		8,034	4,962
Subtotal		184,335	429,807
Income before income tax		702,684	790,549
Income tax expense	4, 6(17)	(73,134)	(179,608)
Income, net of tax		629,550	610,941
Other comprehensive income	6(16), 6(17)		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		10,966	(6,442)
Income tax related to items that may not be reclassified subsequently		(2,193)	1,288
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(111,861)	147,131
Income tax related to items that may be reclassified subsequently		22,111	(28,636)
Total other comprehensive (loss) income, net of tax		(80,977)	113,341
Total comprehensive income		$548,573	$724,282
Net income attributable to:			
Stockholders of the parent		$253,276	$491,321
Non-controlling interests		376,274	119,620
		$629,550	$610,941
Comprehensive income attributable to:			
Stockholder of the parent		$197,039	$611,407
Non-controlling interests		351,534	112,875
		$548,573	$724,282
Earnings per share (NTD)	6(18)		
Earnings per share-basic		$3.81	$8.03
Earnings per share-diluted		$3.80	$8.01

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Notes	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Total	Non-Controlling Interests	Total Equity
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)
Due to business combination									3,123,016	3,123,016
Issue of shares		60,000	478,098					538,098		538,098
Share-based payment			22,536					22,536		22,536
Net income for the year ended 31 December 2022						491,321		491,321	119,620	610,941
Other comprehensive income, net of tax for the year ended 31 December 2022						(5,154)	125,240	120,086	(6,745)	113,341
Total comprehensive income		-	-	-	-	486,167	125,240	611,407	112,875	724,282
Cash dividends of subsidiary	6(10)								(10,998)	(10,998)
Difference between the actual acquisition or disposal price and carrying amounts of subsidiaries						(35,716)		(35,716)	(75,077)	(110,793)
Balance as of 31 December 2022	6(9)	$665,356	$1,890,261	$730,563	$326,214	$2,118,459	$(200,974)	$5,529,879	$3,217,737	$8,747,616
Balance as of 1 January 2023	6(9)	$665,356	$1,890,261	$730,563	$326,214	$2,118,459	$(200,974)	$5,529,879	$3,217,737	$8,747,616
Appropriations of earnings, 2022:										
Special reserve					(123,818)	123,818		-		-
Cash dividends						(365,945)		(365,945)		(365,945)
Net income for the year ended 31 December 2023						253,276		253,276	376,274	629,550
Other comprehensive income, net of tax for the year ended 31 December 2023						8,773	(65,010)	(56,237)	($24,740)	(80,977)
Total comprehensive income		-	-	-	-	262,049	(65,010)	197,039	351,534	548,573
Cash dividends of subsidiary	6(10)								(282,949)	(282,949)
Difference between the actual acquisition or disposal price and carrying amounts of subsidiaries						(13,080)	6	(13,074)	(22,733)	(35,807)
Balance as of 31 December 2023	6(9)	$665,356	$1,890,261	$730,563	$202,396	$2,125,301	$(265,978)	$5,347,899	$3,263,589	$8,611,488

(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 2023 and 2022

(Expressed in Thousand New Taiwan Dollars)

	For the years ended 31 December	
	2023	2022
Cash flows from operating activities:		
Net income before tax	$702,684	$790,549
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Share-based payment transactions	-	22,536
Depreciation	602,008	409,507
Amortization	98,529	62,724
Gain on disposal of property, plant and equipment	(5,630)	(3,662)
Gain on disposal of right of use asset	(671)	(745)
Net gain of financial assets at fair value through profit or loss	(8,775)	(58,054)
(Gain) loss from market value decline, obsolete and slow-moving of inventories	(4,467)	18,729
Share of profit or loss of associates and joint ventures	(8,034)	(4,962)
Expected credit (profit) loss	(32,740)	28,468
Other losses	-	663
Interest income	(62,278)	(21,790)
Interest expense	21,309	27,635
Profit from lease modification	-	(34)
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	7,460	165,955
Decrease (increase) in accounts receivable	543,658	(219,090)
Decrease in inventories, net	328,301	802,326
Dncrease (increase) in other receivables	28,388	(35,741)
Increase in prepayments	(14,127)	(1,178)
(Increase) decrease in other current assets	(19,115)	52,005
Decrease in contract liabilities	(411)	(4,613)
Increase (decrease) in notes payable	111,713	(16,715)
Increase (decrease) in accounts payable	141,256	(571,252)
Decrease in other payables	(80,620)	(105,376)
Increase (decrease) in other current liabilities	49,495	(8,303)
Increase (decrease) in net defined benefit liabilities	1,298	(908)
Increase in other non-current liabilities	3,779	-
Cash generated from operations	2,403,010	1,328,674
Interest received	62,278	21,790
Income tax paid	(261,225)	(155,402)
Net cash provided by operating activities	2,204,063	1,195,062

(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, 2023 and 2022

(Expressed in Thousand New Taiwan Dollars)

	For the years ended 31 December	
	2023	2022
Cash flows from investing activities:		
(Increase) decrease in financial assets at measured at amortized cost	(8,641)	79,442
Acquisition of investments accounted for under the equity method	(12,499)	-
Acquisition of property, plant and equipment	(118,606)	(250,643)
Acquisition of subsidiaries	-	(1,619,800)
Proceeds from disposal of property, plant and equipment	29,115	23,726
Proceeds from disposal of right-of-use asset	3,477	8,976
Decrease (increase) in refundable deposits	218	(2,221)
Dividends receive	2,500	2,500
Acquisition of intangible assets	(6,162)	(10,182)
Proceeds from disposal of intangible assets	-	28
Increase in other non-current assets	(517,558)	(202,319)
Cash inflow from business combination	-	1,075,853
Net cash used in investing activities	(628,156)	(894,640)
Cash flows from financing activities:		
Increase in short-term loans	2,262,000	8,590,210
Decrease in short-term loans	(3,307,839)	(8,291,420)
Increase in short-term notes and bills payable	110,000	1,700,000
Decrease in short-term notes and bills payable	(110,000)	(1,830,000)
Increase in long-term loans	245,655	217,510
Decrease in long-term loans	(155,787)	(195,850)
Lease principal repayment	(71,309)	(25,193)
Cash dividends	(365,945)	(514,553)
Interest paid	(21,470)	(27,635)
Cash dividends of subsidiary	(282,949)	(10,998)
Cash capital increase	-	538,098
Acquisition of ownership interests in subsidiaries	(35,807)	(103,097)
Net cash (used in) provided by financing activities	(1,733,451)	47,072
Effect of exchange rate changes on cash and cash equivalents	(44,279)	65,111
Net (decrease) increase in cash and cash equivalents	(201,823)	412,605
Cash and cash equivalents at beginning of period	3,047,053	2,634,448
Cash and cash equivalents at end of period	$2,845,230	$3,047,053

(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 2023 and 2022

(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 March 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 December 2004 to manufacture household sewing machines in BinhDuong Province, Vietnam.

Shinco Technologies Limited (VN) is controlled by the Company, which was incorporated in December 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 2023 and 2022 were authorized for issue in accordance with the resolution of the board of directors’ meeting held on 8 March 2024.

(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

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 2023. The adoption of these new standards and amendments had no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

(a) 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.

(b) 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.

(c) 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.

(d) Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

The amendments introduced additional information of supplier finance arrangements and added disclosure requirements for such arrangements.

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 2024. The Group assessed that the new or amended standards and interpretations have no material impact on the Group.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

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

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

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

(b) IFRS 17 "Insurance Contracts"

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

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

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

(c) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

The abovementioned standards and interpretations issued by IASB have not yet been 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 of time.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRSs, 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:

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

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

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

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

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

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

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

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

If the Group loses control of a subsidiary, it:

A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
B. derecognizes the carrying amount of any non-controlling interest;
C. recognizes the fair value of the consideration received;
D. recognizes the fair value of any investment retained;
E. reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
F. recognizes any resulting difference in profit or loss.

The consolidated entities are as follows:

Investor	Subsidiary	Business nature	Percentage of ownership (%) 31 December 2023	Percentage of ownership (%) 31 December 2022
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]	Manufacturing precision parts for automotive and industrial applications	23.96% (Note1)	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%

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

			Percentage of ownership (%)	
Investor	Subsidiary	Business nature	31 December 2023	31 December 2022
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%
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% (Note 2)	85.68% (Note 2)
Zeng Hsing Industrial Co., Ltd. (VN) [Zeng Hsing (VN)]	Beauty Lady Co., Ltd. (VN)	Import and export trading, wholesale, and retail	100.00% (Note 3)	100.00% (Note 3)
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] (Note 4)	Holding company	35.71%	35.71%
Turvo International Co., Ltd. [Turvo]	TUF Technology CO., LTD. [TUF]	Import and export trading	100.00%	(Note 5)

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

			Percentage of ownership (%)	
Investor	Subsidiary	Business nature	31 December 2023	31 December 2022
TIPO INTERNATIONAL CO., LTD.(SAMOA) [TIPO]	Hong-Kong Xin-Feng Co., Ltd. [HK Xin-Feng]	Holding company	100.00%	100.00%
TIPO INTERNATIONAL CO., LTD.(SAMOA) [TIPO]	Zhejiang Yu-Zuan Precision Component Co., Ltd.	Producing and selling computers, medical equipment, optics, automobile, photoelectric, precision hardware and other parts	100.00%	100.00%
Hong-Kong Xin-Feng Co., Ltd. [HK Xin-Feng]	Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., 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%	99.9991%

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 the date of acquisition to 31 December 2023, the company acquired an additional 2.4% equity of Turvo International Co., Ltd. (Turvo), holding total 23.96% equity of Turvo International Co., Ltd. Please refer to Note 6(20) 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.

Note 5. TUF Technology CO., LTD. was incorporated on 25 July 2023.

(4) Foreign currency transactions

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

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

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

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

B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Translation of foreign currency financial statements

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

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

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

(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as a current when:

A. The Group expects to settle the liability in normal operating cycle
B. The Group holds the liability primarily for the purpose of trading
C. The liability is due to be settled within twelve months after the reporting period

D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Term of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

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

(8) Financial Instruments

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

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

A. Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

(B) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
(C) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

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

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

Financial asset measured at fair value through profit or loss

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

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

B. Impairment of financial assets

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

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

(A) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
(B) the time value of money
(C) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

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

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

C. Derecognition of financial assets

A financial asset is derecognized when:

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

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

D. Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

E. Offsetting of financial instruments

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

(9) Derivative instruments

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

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

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

(10) Fair value measurement

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

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

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

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

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

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

(11) Inventories

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

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

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

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

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

(12) Investments accounted for under the equity method

The Group’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence.

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

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

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

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

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

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

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

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

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

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

Items	Useful Lives
Buildings and facilities	5～50 years
Machinery and equipment	2～15 years
Tooling equipment	2～ 5 years
Transportation equipment	4～10 years
Furniture, fixtures and equipment	3～10 years
Miscellaneous equipment	2～30 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 residual values, useful lives and methods of depreciation of property, plant and equipment 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, maximizing the use of observable information.

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

<u>Group as a lessor</u>

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

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

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

(15) Intangible assets

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

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

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Accounting policies of the Group's intangible assets is summarized as follows:

	Software	Trademarks	Patents	Others	Goodwill
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	No amortization
Sources	Outside	Outside	Outside	Outside	Outside

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

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

(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(18) Revenue recognition

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

<u>Sale of goods</u>

The Group manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group are sewing machines and vacuum cleaners and spare parts and revenue is recognized based on the consideration stated in the contract.

The credit period of the Group's sale of goods is from 45 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

(19) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

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

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

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

A. the date of the plan amendment or curtailment, and
B. the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21) Share-based payment transactions

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

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

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

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

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

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

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

(22) Income Tax

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

Current income tax

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

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

Deferred tax

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

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

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

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; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

According to the temporary exception in the “International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)”, deferred tax assets and liabilities related to Pillar Two income tax will not be recognized nor disclosed.

(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.

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A. Accounts receivables – estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

B. Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

C. Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

D. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary etc.

E. Income tax

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

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

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.

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.

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of	
	31 December 2023	31 December 2022
Cash on hand	$2,034	$2,400
Checking and savings accounts	2,130,685	2,079,337
Time deposits	402,557	748,692
Repurchase agreements	308,592	215,140
Cash equivalents	1,362	1,484
Total	$2,845,230	$3,047,053

Cash and cash equivalents were not pledged.

(2) Accounts receivables, net

	As of	
	31 December 2023	31 December 2022
Accounts receivable - nonrelated parties	$1,518,739	$2,073,237
Lease payments receivable	-	3,354
Less: unearned finance income	-	(596)
Less: loss allowance	(14,249)	(47,052)
Accounts receivable, net	$1,504,490	$2,028,943

Trade receivables are generally on 45–90 day terms. The total carrying amount as of 31 December 2023 and 31 December 2022 were $1,518,739 and $2,075,995, respectively. Please refer to Note 6 (12) for more details on loss allowance of trade receivables for the years ended 31 December 2023 and 2022. Please refer to Note 12 for more details on credit risk management.

No accounts receivables were pledged.

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

(3) Inventories, net

a. Details as follows

	As of	
	31 December 2023	31 December 2022
Raw materials	$508,433	$770,053
Work in progress	177,812	172,863
Semi-manufactured goods	77,808	52,266
Finished goods	490,133	602,924
Total	$1,254,186	$1,598,106

b. The Group cost of inventories recognized in cost of sales amounts to $5,640,723 for the year ended 31 December 2023, including the gain from price recovery of inventories in the amount of $4,467. 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 Group cost of inventories recognized in cost of sales amounts to $5,743,805 for the years ended 31 December 2022, including the loss from market value decline, obsolete and slow-moving of inventories $18,729.

d. No inventories were pledged.

(4) Property, plant and equipment

	As of	
	31 December 2023	31 December 2022
Owner occupied property, plant and equipment	$3,710,655	$3,525,829

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

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 2023	$90,574	$1,458,738	$3,599,470	$589,641	$46,247	$40,022	$153,789	$1,005,312	$130,883	$7,114,676
Additions	-	-	26,562	19,811	1,495	1,445	262	9,161	55,863	114,599
Disposals	-	(771)	(83,157)	(41,007)	(1,823)	(2,830)	(6,396)	(16,970)	-	(152,954)
Transfers	-	587,344	67,420	18,270	85	149	4,485	6,017	(25,779)	657,991
Exchange differences	52	(15,007)	(60,367)	(13,014)	(806)	(286)	(1,736)	(13,746)	(3,686)	(108,596)
As of 31 December 2023	$90,626	$2,030,304	$3,549,928	$573,701	$45,198	$38,500	$150,404	$989,774	$157,281	$7,625,716
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 combinations	10,785	270,961	2,388,699	3,218	14,858	7,519	118,505	365,229	24,891	3,204,665
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	$1,458,738	$3,599,470	$589,641	$46,247	$40,022	$153,789	$1,005,312	$130,883	$7,114,676

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

	Land	Buildings and Facilities	Machinery and equipment	Tooling equipment	Transportation equipment	Furniture, fixtures and equipment	Leasehold improvements	Miscellaneous equipment	Construction in progress and equipment awaiting examination	Total
Depreciation and impairment:										
As of 1 January 2023	$-	$425,447	$1,985,645	$465,827	$33,738	$30,669	$94,910	$552,611	$-	$3,588,847
Depreciation	-	46,333	298,741	71,091	3,340	3,028	14,272	92,735	-	529,540
Disposals	-	(141)	(63,140)	(40,027)	(1,642)	(2,830)	(5,926)	(15,763)	-	(129,469)
Transfers	-	-	(739)	-	-	-	-	-	-	(739)
Exchange differences	-	(6,460)	(43,179)	(11,042)	(655)	(242)	(1,155)	(10,385)	-	(73,118)
As of 31 December 2023	$-	$465,179	$2,177,328	$485,849	$34,781	$30,625	$102,101	$619,198	$-	$3,915,061
As of 1 January 2022	$-	$280,475	$618,265	$398,336	$20,849	$22,217	$27,300	$245,592	$-	$1,613,034
Depreciation	-	47,627	162,010	80,095	2,781	3,046	7,059	70,984	-	373,602
Additions through business combinations	-	93,806	1,216,056	1,598	10,235	6,299	64,014	237,145	-	1,629,153
Disposals	-	(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	$-	$425,447	$1,985,645	$465,827	$33,738	$30,669	$94,910	$552,611	$-	$3,588,847
Net carrying amount as of:										
31 December 2023	$90,626	$1,565,125	$1,372,600	$87,852	$10,417	$7,875	$48,303	$370,576	$157,281	$3,710,655
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

B. The major components of the Group's buildings are main buildings and plant, 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.

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

D. The capitalization amount of the borrowing costs of the Group for the years ended 31 December 2023 and 2022., and its interest rates are as follows:

Items	For the years ended 31 December 2023	For the year ended 31 December 2022
Construction in progress	$2,774	$-
Borrowing cost capitalization interest rate interval	1.595%	-%

(5) Intangible assets

	Patents	Trademarks	Software	Goodwill	Others	Customer Relationship	Total
Cost:							
As of 1 January 2023	$6,744	$2,888	$168,906	$767,157	$9,258	$855,221	$1,810,174
Addition-acquired separately	355	615	5,192	-	-	-	6,162
Disposals	-	-	(1,581)	-	-	-	(1,581)
Reclassification	-	104	2,001	-	-	-	2,105
Exchange differences	-	-	(410)	-	(128)	-	(538)
As of 31 December 2023	$7,099	$3,607	$174,108	$767,157	$9,130	$855,221	$1,816,322
As of 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	765,976	-	855,221	1,628,991
Disposals	(28)	-	-	-	-	-	(28)
Reclassification	-	-	4,311	-	-	-	4,311
Exchange differences	-	-	943	-	326	-	1,269
As of 31 December 2022	$6,744	$2,888	$168,906	$767,157	$9,258	$855,221	$1,810,174
Amortization and impairment							
As of 1 January 2023	$2,847	$1,839	$137,084	$-	$140	$17,817	$159,727
Amortization	414	240	14,174	-	140	53,451	68,419
Disposal	-	-	(1,581)	-	-	-	(1,581)
Reclassification	-	104	(190)	-	-	-	(86)
Exchange differences	-	-	(297)	-	(8)	-	(305)
As of 31 December 2023	$3,261	$2,183	$149,190	$-	$272	$71,268	$226,174

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

	Patents	Trademarks	Software	Goodwill	Others	Customer Relationship	Total
As of 1 January 2022	$2,466	$1,690	$123,657	$-	$-	$-	$127,813
Amortization	381	149	12,900	-	140	17,817	31,387
Exchange differences	-	-	527	-	-	-	527
As of 31 December 2022	$2,847	$1,839	$137,084	$-	$140	$17,817	$159,727
31 December 2023	$3,838	$1,424	$24,918	$767,157	$8,858	$783,953	$1,590,148
31 December 2022	$3,897	$1,049	$31,822	$767,157	$9,118	$837,404	$1,650,447

Amortization expense of intangible assets under the statement of comprehensive income:

	For years ended 31 December	
	2023	2022
Operating expenses	$68,419	$31,387

(6) Short-term loans

	Interest Rates (%)	As of 31 December 2023	As of 31 December 2022
Unsecured bank loans	1.60%-1.65%	$370,000	$1,138,492
Secured bank loans	2.35%	23,000	300,000
Total		$393,000	$1,438,492

The Group's unused short-term lines of credits amounted to $4,602,629 and $2,992,455 as of 31 December 2023 and 31 December 2022, respectively.

Please refer to Note 8 for more details of the secured bank loans.

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

(7) Long-term loans

A. Details of long-term loans as of 31 December 2023 and 31 December are as follows:

Creditor	31 December 2023	Rate (%)	Repayment period and methods
Bank of Taiwan (Secured)	$255,857	1.595%	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)	216,000	1.739%	Interests are paid monthly from 2 September 2020 through 7 December 2032. Principals are paid in 144 installments.
Bank of Taiwan (Secured)	214,433	1.595%	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.

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

Creditor	31 December 2023	Rate (%)	Repayment period and methods
Bank of Taiwan (Secured)	144,937	1.595%	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)	25,000	1.595%	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 instalments from the fourth year with one month as one instalment and interests are repaid monthly. The loan shall be repaid equally in instalments and repay the principal on the 15th day of each month.
Subtotal	856,227		
Less: current portion	(132,525)		
Total	$723,702		

Creditor	31 December 2022	Rate (%)	Repayment period and methods
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.

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

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.
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 instalments from the fourth year with one month as one instalment and interests are repaid monthly. The loan shall be repaid equally in instalments and repay the principal on the 15th day of each month.
Subtotal	766,359		
Less: current portion	(152,454)		
Total	$613,905		

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.

(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 $27,751 and $21,641 for the years ended 31 December 2023 and 2022, respectively.

Defined benefits plan

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

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under discretionary accounts, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure to risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute $934 to its defined benefit plan during the 12 months beginning after 31 December 2023.

The expected weighted average duration of the Group’s defined benefits plan obligation as of 31 December 2023 and 2022 were maturity in 2038 and 2036, respectively.

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

	For the years ended 31 December	
	2023	2022
Current period service costs	$542	$577
Interest income or expense	(108)	(17)
Total	$434	$560

The Group recognized pension cost for high-ranking officers amounting to $1,800 and $13,850 for the years ended 31 December 2023 and 2022, respectively. As of 31 December 2023 and 2022, accrued pension liabilities non-current amounted to $37,457 and $35,658, respectively.

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

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

	As of		
	31 December 2023	31 December 2022	1 January 2022
Defined benefit obligation	$54,051	$84,922	$83,778
Plan assets at fair value	(73,074)	(92,478)	(86,017)
Other non-current liabilities - accrued pension liabilities recognized on the consolidated balance sheets	$(19,023)	$(7,556)	$(2,239)

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 2022	$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	84,922	(92,478)	(7,556)
Current period service costs	542	-	542
Net interest expense (income)	1,214	(1,322)	(108)
Subtotal	86,678	(93,800)	(7,122)
Remeasurements of the net defined benefit liability (asset):			

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
Actuarial gains and losses arising from changes in financial assumptions	988	-	988
Experience adjustments	(11,360)	-	(11,360)
Remeasurements of benefit assets	-	(595)	(595)
Subtotal	76,306	(94,395)	(18,089)
Payments from the plan	(22,255)	22,255	-
Contributions by employer	-	(934)	(934)
As of 31 December 2023	$54,051	$(73,074)	$(19,023)

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

	As of	
	31 December 2023	31 December 2022
Discount rate	1.31%	1.43%
Expected rate of salary increases	4.00%	4.00%

A sensitivity analysis for significant assumption as of 31 December 2023 and 2022 is as shown below:

	Effect on the defined benefit obligation			
	2023		2022	
	Increase	Decrease	Increase	Decrease
Discount rate increase by 0.50%	$-	$3,983	$-	$5,832
Discount rate decrease by 0.50%	4,347	-	6,343	-
Future salary increase by 0.50%	4,209	-	6,149	-
Future salary decrease by 0.50%	-	3,902	-	5,720

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

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

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

(9) Equities

A. Common stock

The Group’s authorized and issued capital amounted to $850,000 and $605,356 as of 1 January 2022, 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.

The Group’s authorized and issued capital amounted to $850,000 and $665,356 as of 31 December 2023, 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 2023	31 December 2022
Premium from common stock issuance	$1,784,638	$1,784,638
Employee stock option	92,101	92,101
Increase through changes in ownership interests in subsidiaries	4,275	4,275
Other	9,247	9,247
Total	$1,890,261	$1,890,261

According to the Company Act, the capital reserve shall not be used except when offsetting the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policy

Pursuant to the Company’s Articles of Incorporation, current year’s earnings, if any, shall be distributed in the following order: payment of all taxes and dues; offset prior years’ operation losses; set aside 10% of the remaining amount; set aside or reverse special reserve in accordance with relevant rules and regulations. However, when accumulated legal reserve reach to the capital stock, it is not required to set aside or reverse special reserve in accordance with relevant rules and regulations. The distribution of the remaining portion, if any, will be proposed by the board of directors to the shareholders’ meeting for approval.

The Company operates in a traditional industry and is currently at its mature stage of business life cycle, with a relatively well established financial structure and fairly consistent earnings year-over-year. In addition to complying with the Company Act and the Company's Articles of Association, the dividend distribution will be determined based on the Company's capital planning and operating results. However, the principle of dividend stability and balance is adopted in principle. Before the annual shareholders' meeting, the board of directors formulates the method of surplus distribution based on the financial situation, and at least 50% of the surplus is distributed as shareholders’ dividends. The cash dividend ratio is not less than 30% of the total dividend. However, the Company shall not distribute dividends if there is no surplus earning.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

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

According to existing regulations, when the Company distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to “other net deductions from shareholders’ equity for the current fiscal year, provided that if the company has already set aside special reserve in the first-time adoption of the IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

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

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. 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 2023 and 2022 earnings distribution and dividends per share as resolve by the shareholders’ meeting on 8 March 2024 and 20 June 2023, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2023	2022	2023	2022
(Reversal) provision for special reserve	$63,582	$(123,818)		
Cash dividends-common stock	252,835	365,945	$3.8	$5.5

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

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	
	2023	2022
Balance as of 1 January	$3,217,737	$67,921
Additions through business combinations	-	3,123,016
Profits attributable to non-controlling interests	376,274	119,620
Other comprehensive income attributable to non-controlling interests	(24,740)	(6,745)
Cash dividends	(282,949)	(10,998)
Acquisition of additional shares issued by subsidiary	(22,733)	(75,077)
Balance as of 31 December	$3,263,589	$3,217,737

(11) Operating Revenue

	For the years ended 31 December	
	2023	2022
Revenue from contracts with customers		
Sale of goods	$7,557,770	$7,196,537
Commissions	507	1,708
Net sales	$7,558,277	$7,198,245

Analysis of revenue from contracts with customers during the years ended 31 December 2023 and 2022 is as follows:

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

A. Disaggregation of revenue

For the year ended 31 December 2023

	Sewing machine division	Precision metal parts processing division	Total
Sale of goods	$4,220,285	$3,337,485	$7,557,770
Commissions	507	-	507
Total	$4,220,792	$3,337,485	$7,558,277

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	$6,182,428	$1,015,817	$7,198,245

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

B. Contract balances

Contract liabilities – current

	As of		
	31 December 2023	31 December 2022	1 January 2022
Sales of goods	$69,573	$69,984	$73,715

During the year ended 31 December 2023 and 2022, contract liabilities decreased as performance obligations were satisfied.

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

The significant changes in the Group's balances of contract liabilities during the years ended 31 December 2023 and 2022 are as follows:

	For the years ended 31 December	
	2023	2022
The opening balance transferred to revenue	$(62,742)	$(69,789)
Business combinations	-	882
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	62,331	65,176

C. Transaction price allocated to unsatisfied performance obligations

None.

D. Assets recognized from costs to fulfil a contract

None.

(12) Expected credit (reversal) losses

	For the years ended 31 December	
	2023	2022
Operating expenses – Expected credit (reversal) losses		
Trade receivables	$(32,740)	$28,468

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 2023 and 31 December 2022 is as follows:

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

31 December 2023

Sewing machine division

	Not yet due (Note)	Overdue <=30 days	31-60 days	61-90 days	91-360 days	>=361 days	Total
Gross carrying amount	$592,282	$131,040	$2,108	$51	$320	$4,700	$730,501
Loss ratio	-%	-%	0-10%	10-20%	20-50%	100%	
Lifetime expected credit losses	-	-	(128)	(1)	(310)	(4,700)	(5,139)
Carrying amount	$592,282	$131,040	$1,980	$50	$10	$-	$725,362

Precision metal parts processing division

	Not yet due (Note)	Overdue <=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$744,378	$31,530	$-	$-	$3,216	$9,114	$788,238
Loss ratio	-%	-%	-%	-%	-%	100%	
Lifetime expected credit losses	-	-	-	-	-	(9,110)	(9,110)
Carrying amount	$744,378	$31,530	$-	$-	$3,216	$4	$779,128

31 December 2022

Sewing machine division

	Not yet due (Note)	Overdue <=30 days	31-60 days	61-90 days	91-360 days	>=361 days	Total
Gross carrying amount	$611,290	$156,636	$54,781	$284,231	$273,567	$5,834	$1,386,339
Loss ratio	-%	-%	0-10%	10-20%	20-50%	100%	
Lifetime expected credit losses	-	-	(358)	(1,192)	(31,014)	(5,834)	(38,398)
Carrying amount	$611,290	$156,636	$54,423	$283,039	$242,553	$-	$1,347,941

Precision metal parts processing division

	Not yet due (Note)	Overdue <=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$633,650	$45,070	$2,029	$253	$-	$8,654	$689,656
Loss ratio	-%	-%	-%	-%	-%	50-100%	
Lifetime expected credit losses	-	-	-	-	-	(8,654)	(8,654)
Carrying amount	$633,650	$45,070	$2,029	$253	$-	$-	$681,002

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

(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 2023 and 2022 is as follows:

	Note receivables	Trade receivables
Beginning balance as of 1 January 2023	$-	$47,052
Reversal for the current period	-	(32,740)
Effect of exchange rate changes	-	(63)
Ending balance as of 31 December 2023	$-	$14,249
Beginning balance as of 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 as of 31 December 2022	$-	$47,052

(13) Leases

A. Group as a lessee

The Group leases various properties, including real estate such as land and buildings, transportation equipment and other equipment. The lease terms range from 1 to 50 years. There are no restrictions placed upon the Group by entering into these leases.

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

(A) Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

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

	As of	
	31 December 2023	31 December 2022
Land	$165,913	$176,307
Land improvement	274	360
Buildings	73,472	128,859
Transportation equipment	7,884	13,479
Other equipment	462	555
Total	$248,005	$319,560

During the years ended 31 December 2023 and 2022, the Group's additions to right-of-use assets amounting to $9,087 and $39,786, respectively.

b.Lease liabilities

	As of	
	31 December 2023	31 December 2022
Lease liabilities		
Current	$27,804	$58,015
Non-current	27,606	59,773
Total	$55,410	$117,788

Please refer to Note 6 (15)(c) for the interest on lease liabilities recognized during the years ended 31 December 2023 and 2022 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	
	2023	2022
Land	$7,873	$5,838
Land improvement	86	17
Buildings	57,689	27,025
Transportation equipment	6,726	2,848
Other equipment	94	177
Total	$72,468	$35,905

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

(C) Income and costs relating to leasing activities

	For the years ended 31 December	
	2023	2022
The expenses relating to short-term leases	$5,938	$5,558

(D) Cash outflow relating to leasing activities

During the year ended 31 December 2023 and 2022, the Group's total cash outflows for leases amounted to $77,660 and $31,174, respectively.

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

Function / Nature	For the years ended 31 December					
	2023			2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	$838,834	$639,461	$1,478,295	$588,082	$503,683	$1,091,765
Labor and health insurance	99,732	57,058	156,790	73,223	43,800	117,023
Pension	6,886	23,099	29,985	4,428	31,623	36,051
Others	46,437	32,983	79,420	41,563	24,196	65,759
Depreciation	453,364	148,644	602,008	297,811	111,696	409,507
Amortization	9,814	88,715	98,529	12,830	49,894	62,724

Note: The number of employees were 4,042 and 4,160 as of 31 December 2023 and 2022.

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.

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

The Company recognized the employees’ compensation and remuneration to directors as employee benefits expense based on profit of current year. If the board of directors resolved to distribute employees’ compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day prior to the date of resolution. The difference between the estimates and the figures resolved at shareholders’ meeting will be recognized in profit or loss of the subsequent year. The details of employees’ compensation and remuneration to directors for the three-month and nine-month periods ended 2023 and 2022 are as follows:

	For the years ended 31 December	
	2023	2022
Employees’ compensation	$12,000	$20,000
Remuneration to directors	4,000	3,792

A resolution was passed at a board of directors meeting held on 8 March 2024 to distribute $12,000 and $4,000 in cash as the employees’ compensation and remuneration to directors of 2023, 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 2023.

No material differences existed between the estimated employees’ compensation and remuneration to directors booked as expense for the year ended 31 December 2022 and the actual amounts distributed for the year ended 31 December 2022.

(15) Non-operating income and expenses

A. Other income

	For the years ended 31 December	
	2023	2022
Interest income	$62,278	$21,790
Rental revenue	382	245
Others	79,282	67,607
Total	$141,942	$89,642

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

B. Other gains and losses

	For the years ended 31 December	
	2023	2022
Foreign exchange gains (losses), net	$62,736	$306,391
Net losses on financial assets at fair value through profit (losses)	8,775	58,054
Net gains on disposal of property, plant and equipment	6,301	3,662
Lease modification gains	-	34
Others	(22,144)	(5,303)
Total	$55,668	$362,838

C. Finance costs

	For the years ended 31 December	
	2023	2022
Interest on loans from bank	$20,896	$27,212
Interest on lease liabilities	413	423
Total	$21,309	$27,635

(16) Components of other comprehensive income

A. For the year ended 31 December 2023

	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	$10,966	$10,966	$(2,193)	$8,773
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of a foreign operation	(111,861)	(111,861)	22,111	(89,750)
Total of other comprehensive income	$(100,895)	$(100,895)	$19,918	$(80,977)

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

B. 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	147,131	147,131	(28,636)	118,495
Total of other comprehensive income	$140,689	$140,689	$(27,348)	$113,341

(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	
	2023	2022
Current income tax expense:		
Current income tax charge	$154,244	$215,828
Adjustments in respect of current income tax of prior periods	(84,246)	(530)
5% surtax on undistributed retained earnings	18,893	-
Deferred income tax (income) expense:		
Deferred income tax expense related to origination and reversal of temporary differences	(15,816)	(35,690)
Others	59	-
Income tax expense recognized in profit or loss	$73,134	$179,608

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

B. Income tax relating to components of other comprehensive income

	For the years ended 31 December	
	2023	2022
Deferred income tax (income) expense:		
Exchange differences on translation of foreign operations	$(22,111)	$28,636
Remeasurements of defined benefit plans	2,193	(1,288)
Income tax relating to components of other comprehensive income	$(19,918)	$27,348

C. 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	
	2023	2022
Accounting profit before tax from continuing operations	$702,684	$790,549
The amount of tax at each statutory income tax rate	$254,334	$190,872
Tax effect of revenue exempt from taxation	(109,965)	(10,067)
Tax effect of expenses not deductible for tax purposes	688	813
Tax effect of deferred tax assets/liabilities	683	2,040
Corporate income surtax on undistributed retained earnings	18,893	-
Adjustments in respect of current income tax of prior periods	(84,246)	(4,050)
Profit-Seeking enterprise controlled by foreign enterprises (CFC)	5,689	-
Income tax effects adjusted according to other tax laws	(12,942)	-
Total income tax expenses recorded in profit or loss	$73,134	$179,608

(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 2023

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	$5,419	$(4,819)	$-	$-	$-	$600
Unrealized intercompany transactions	7,892	(1,068)	-	-	-	6,824
Unrealized foreign currency exchange gain or loss	(15,681)	336	-	-	39	(15,306)
Provision for allowance to reduce inventories to market value	11,234	417	-	-	-	11,651
Revaluations of financial assets at fair value through profit or loss	(10,931)	11,473	-	-	-	542
Defined benefit liability	3,288	(100)	(2,193)	-	-	995
Investments income under equity method	(342,129)	(1,564)	-	-	-	(343,693)
Exchange differences on translation of foreign operations	92,966	-	22,111	1,973	-	117,050
Other deferred tax assets	871	451	-	-	(12)	1,310
Customer Relationship	(167,480)	10,690	-	-	-	(156,790)
Deferred tax income/(expense)		$15,816	$19,918	$1,973	$27	
Net deferred tax assets/ (liabilities)	$(414,551)					$(376,817)
Reflected in balance sheet as follows:						
Deferred income tax assets	$38,116					$31,340
Deferred income tax liabilities	$(452,667)					$(408,157)

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

(b) 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)
Defined benefit liability	4,352	(2,352)	1,288	-	-	3,288
Investments 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
Other deferred tax assets	831	(1)	-	9	32	871
Unused tax loss	3,581	(3,652)	-	-	71	-
Customer Relationship	-	3,563	-	(171,043)	-	(167,480)
Deferred tax income/(expense)		$35,690	$(27,348)	$(298,998)	$135	
Net deferred tax assets/ (liabilities)	$(124,030)					$(414,551)
Reflected in balance sheet as follows:						
Deferred income tax assets	$27,264					$38,116
Deferred income tax liabilities	$(151,294)					$(452,667)

(c) As of 31 December 2023 and 2022, deferred tax assets that have not been recognized as they may not be used to offset taxable profits as follows:

None.

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

(d) As of 31 December 2023 and 2022, the taxable temporary differences of unrecognized deferred tax liabilities associated with investment in subsidiaries as follows:

None.

(e) The assessment of income tax returns

As of 31 December 2023, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	The assessment of income tax returns
The Company	Assessed and approved up to 2021
Mitsumichi Industrial Co., Ltd.	Assessed and approved up to 2021
Taiwan Cheer Champ Co., Ltd.	Assessed and approved up to 2021
Turvo International Co., Ltd.	Assessed and approved up to 2021

As of 31 December 2023, the foreign subsidiaries of the Company have been subject to foreign taxation jurisdiction and have been declared in 2022.

(18) Earnings per share

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

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

a. Basic earnings per share

	For the years ended 31 December	
	2023	2022
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	$253,276	$491,321
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	66,536	61,160
Basic earnings per share (NTD)	$3.81	$8.03

b. Diluted earnings per share

	For the years ended 31 December	
	2023	2022
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	$253,276	$491,321
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	66,536	61,160
Effect of dilution:		
Employees' compensation – stock (in thousands)	112	168
Weighted average number of ordinary shares outstanding after dilution (in thousands)	66,648	61,328
Diluted earnings per share (NTD)	$3.80	$8.01

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

a. 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.

The fair value of the identifiable assets and liabilities of Turvo International Co., Ltd. as at the date of acquisition were:

(NTD in thousands)

	Fair value recognized on the acquisition date
Assets	
Cash and cash equivalents	$1,075,854
Accounts receivable	823,221
Inventory	834,516
Property, plant and equipment	1,575,512
Intangible assets	863,015
Other non-current assets	313,543
Others	428,003
	$5,913,664
Liabilities	
Accounts payable	311,759
Other payables	331,665
Long-term loans	440,699
Deferred tax liabilities	315,423
Others	537,278
	1,936,824
Non-controlling interests	16,619
Net identifiable assets	$3,960,221

The goodwill of Turvo International Co., Ltd. amounted to:

	(NTD in thousands)
Purchase consideration	$1,619,800
Add: non-controlling interests in the relative share of the recognized amount of identifiable net assets	3,106,397
Less: identifiable net assets at fair value	(3,960,221)
Goodwill	$765,976

Analysis of cash flows on acquisition:	
Transaction costs of the acquisition	$(1,619,800)
Net cash acquired with the subsidiary	1,075,853
Net cash of acquisition	$(543,947)

Turvo International Co., Ltd. contributed $145,804 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 $1,361,613, respectively.

Transaction costs of $8,540 have been expensed and included in the management cost.

b. When the Group’s consolidated financial statements for the nine-month period ended 30 September 2022, for the year ended 31 December 2022, for the three-month period ended 31 March 2023, and for the six-month period ended 30 June 2023 were approved and released, the original accounting treatment for specific assets, liabilities, and non-controlling interests in the consolidated financial statements was incomplete because the valuation of the fair value related to business combination has not yet been completed. Therefore, provisional amounts were determined based on the best estimates from the management. During the subsequent measurement periods, in accordance with “IFRS 3 “Business Combinations,” the provisional values in prior periods have been adjusted and recognized in the financial statements for the nine-month period ended 30 September 2023. Therefore, the comparative information for the nine-month period ended 30 September 2022, for the year ended 31 December 2022, for the three-month period ended 31 March 2023, and for the six-month period ended 30 June 2023 was retrospectively restated. The restated comparative information is explained as follows:

For the nine-month period ended 30 September 2022

Unit: NTD in thousands

Consolidated Balance Sheet	Reported Amount before restatement	Retrospective Restatement	Reported Amount after restatement
Intangible assets	$957,779	$703,258	$1,661,037
Deferred tax liabilities	403,601	170,153	573,754
Unappropriated earnings	2,155,656	(768)	2,154,888
Non-controlling interests	2,713,395	533,873	3,247,268

Consolidated Statement of Comprehensive Income	Reported Amount before restatement	Retrospective Restatement	Reported Amount after restatement
Income before income tax	$709,881	$(4,454)	$705,427
Income tax expense	171,222	(891)	170,331
Income, net of tax	538,659	(3,563)	535,096

For the year ended 31 December 2022

Unit: NTD in thousands

Consolidated Balance Sheet	Reported Amount before restatement	Retrospective Restatement	Reported Amount after restatement
Intangible assets	$960,552	$689,895	$1,650,447
Deferred tax liabilities	285,187	167,480	452,667
Unappropriated earnings	2,108,562	9,897	2,118,459
Non-controlling interests	2,706,641	511,096	3,217,737

Consolidated Statement of Comprehensive Income	Reported Amount before restatement	Retrospective Restatement	Reported Amount after restatement
Income before income tax	$808,366	$(17,817)	$790,549
Income tax expense	183,171	(3,563)	179,608
Income, net of tax	625,195	(14,254)	610,941

For the three-month period ended 31 March 2023

Unit: NTD in thousands

Consolidated Balance Sheet	Reported Amount before restatement	Retrospective Restatement	Reported Amount after restatement
Intangible assets	$958,194	$676,533	$1,634,727
Deferred tax liabilities	264,908	164,809	429,717
Unappropriated earnings	2,110,350	9,814	2,120,164
Non-controlling interests	2,771,863	500,013	3,271,876

Consolidated Statement of Comprehensive Income	Reported Amount before restatement	Retrospective Restatement	Reported Amount after restatement
Income before income tax	$88,406	$(13,363)	$75,043
Income tax expense	3,499	(2,673)	826
Income, net of tax	84,907	(10,690)	74,217

For the six-month period ended 30 June 2023

Unit: NTD in thousands

Consolidated Balance Sheet	Reported Amount before restatement	Retrospective Restatement	Reported Amount after restatement
Intangible assets	$955,897	$663,170	$1,619,067
Deferred tax liabilities	267,446	162,136	429,582
Unappropriated earnings	1,966,219	5,487	1,971,706
Non-controlling interests	2,552,666	494,125	3,046,791

Consolidated Statement of Comprehensive Income	Reported Amount before restatement	Retrospective Restatement	Reported Amount after restatement
Income before income tax	$300,940	$(26,725)	$274,215
Income tax expense	14,699	(5,345)	9,354
Income, net of tax	286,241	(21,380)	264,861

(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.

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

During January to December 2023, the Group acquired an additional 0.55% of the voting shares of Turvo International Co., Ltd., increasing its ownership to 23.96%. The cash paid to non-controlling shareholders amounted to $35,807. The net identifiable assets of Turvo International Co., Ltd. (originally acquired and excluded goodwill) amounted to $3,960,221. 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:

	As of	
	31 December 2023	31 December 2022
Cash paid by the Group to non-controlling shareholders	$35,807	$111,434
Increases (decreases) in noncontrolling interests	(22,733)	(75,077)
Exchange differences on translation of foreign operations	6	(641)
Difference of retained surplus recognized in equity	$13,080	$35,716

(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:

		Percentage of non-controlling interests	
Subsidiary	Country of Incorporation and operation	31 December 2023	31 December 2022
Turvo International Co., Ltd.	Taiwan	76.04%	76.59%

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.

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

The information of Turvo International Co., Ltd. is summarized as follows:

	As of	
	31 December 2023	31 December 2022
Current assets	$2,942,940	$2,869,473
Non-current assets	2,224,143	2,113,408
Current liabilities	(983,865)	(1,033,194)
Non-current liabilities	(599,640)	(501,678)
Equity	$3,583,578	$3,448,009
The carrying amount of non-controlling interests	$3,204,320	$3,157,271

	For the years ended 31 December 2023	1 September to 31 December 2022
Operating revenue	$3,337,485	$1,015,817
Profit from continuing operations	$529,930	$163,621
Other comprehensive income	(32,632)	(8,275)
Current comprehensive income	$497,298	$155,346
Profits attributable to non-controlling interests	$(370,139)	$(116,076)
Comprehensive income attributable to non-controlling interests	$(345,399)	$(109,331)

	For the years ended 31 December 2023	1 September to 31 December 2022
Cash flows from operating activities	$894,653	$292,777
Cash flows from investing activities	(495,621)	(184,277)
Cash flows from financing activities	(311,347)	(105,839)
Effect of exchange rate changes	(13,735)	(25,464)
Net increase (decrease) in cash and cash equivalents	$73,950	$(22,803)

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

7. RELATED PARTY TRANSACTIONS

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

(1) Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
CHIH-CHENG LIN and other 42 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	
	2023	2022
Short-term employee benefits	$100,886	$69,100
Post-employment Benefits	1,865	1,309
Total	$102,751	$70,409

8. ASSETS PLEDGED AS COLLATERAL

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

	As of		
	31 December 2023	31 December 2022	Secured liabilities
Property, Plant and Equipment-building	$571,277	$575,269	Bank loan
Property, Plant and Equipment-machinery and equipment	202,889	229,682	Bank loan
Property, Plant and Equipment-land	38,343	21,075	Bank loan
Property, Plant and Equipment-miscellaneous equipment	8,770	10,158	Bank loan
Financial assets measured at amortized cost, current	11,426	11,224	Product agency and launch
Financial assets measured at amortized cost, non-current	200	200	Customs import customs clearance deposit
Total	$832,905	$847,608	

(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 $2,580,058 and $2,313,099 as at 31 December 2023 and 31 December 2022.

(2)The important contract of construction in progress

a. As of 31 December 2023

Contracting parties	Subject matter	Total contract amount	Contract amount paid as of 31 December 2023
Company A	Building	$76,190	$61,577

b. As of 31 December 2022

Contracting parties	Subject matter	Total contract amount	Contract amount paid as of 31 December 2022
Company C	Building	$586,552	$386,998
Company B	Building	171,429	14,904
Total		$757,981	$401,902

(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.

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

12. OTHERS

(1) Categories of financial instruments

	As of	
	31 December 2023	31 December 2022
Financial Assets		
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	$2,843,196	$3,044,653
Notes and accounts receivable	1,504,490	2,028,943
Other receivables	89,031	110,169
Financial assets measured at amortized cost, current	179,591	170,950
Financial assets measured at amortized cost, non-current	200	200
Financial Liabilities		
Financial liabilities at amortized cost:		
Short-term loans	$393,000	$1,438,492
Long-term loans (including current portion)	856,227	766,359
Notes and accounts payables	883,014	718,216
Other payables	464,149	554,894
Lease liabilities	55,410	117,788
Financial liabilities at fair value through profit or loss:		
Designated at fair value through profit or loss at initial recognition	-	1,315

(2) Financial risk management objectives and policies

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

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

(3) Market risk

The market risk of the Group is the risk that the financial instruments will be subject to fluctuations in fair value or cash flows due to changes in market prices. Market risks mainly include exchange rate risk, interest rate risk and other price risks (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

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

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

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

a. When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2023 and 2022 is decreased by $18,933 and $28,862, respectively; and no impact on the equity.

b. When NTD strengthens/weakens against RMB by 1%, the profit for the years ended 31 December 2023 and 2022 is decreased by $12,488 and $5,037, respectively; and no impact on the equity.

c. When NTD strengthens/weakens against VND by 1%, the profit for the years ended 31 December 2023 and 2022 is decreased /increased by $1,029 and $389, respectively; and no impact on the equity.

Interest rate risk

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

The interest rate sensitivity analysis is performed on the borrowings with variable interest rates as of the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate in a reporting period will result in a increase/decrease of $1,249 and $2,205 for the years ended 31 December 2023 and 2022, 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 notes receivables) and from its financing activities, including bank deposits and other financial instruments.

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

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As of 31 December 2023 and 2022, trade receivables from top ten customers represented 71.07% and 65.49% of the total trade receivables of the Group, 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 Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies, and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

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

Non-derivative financial liabilities	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of 31 December 2023					
Short-term loans	$394,601	$-	$-	$-	$394,601
Notes and accounts payable	883,014	-	-	-	883,014
Long-term loans (including current portion)	141,129	254,960	245,711	254,008	895,808
Lease liabilities	37,266	23,780	3,408	942	65,396
As of 31 December 2022					
Short-term loans	$1,441,578	$-	$-	$-	$1,441,578
Notes and accounts payable	718,216	-	-	-	718,216
Long-term loans (including current portion)	154,702	234,042	204,758	185,011	778,513
Lease liabilities	69,424	53,429	7,973	-	130,826

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

Derivative financial liabilities

As of 31 December 2023
None.

	< 1 year	2 ~ 3 years	4 ~ 5 years	> 5 years	Total
As of 31 December 2022					
Inflow	$-	$-	$-	$-	$-
Outflow	(1,315)	-	-	-	(1,315)
Net	$(1,315)	$-	$-	$-	$(1,315)

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the years ended 31 December 2023:

	Short-term loans	Short-term notes and bills payable	Long-term loans (including current portion)	Lease liabilities	Total liabilities from financing activities
As of 1 January 2023	$1,438,492	$-	$766,359	$117,788	$2,322,639
Cash flow	(1,045,839)	-	89,868	(71,309)	(1,027,280)
Non-cash changes	-	-	-	9,087	9,087
Foreign exchange movement	347	-	-	(156)	191
As of 31 December 2023	$393,000	$-	$856,227	$55,410	$1,304,637

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Reconciliation of liabilities for the years ended 31 December 2022:

	Short-term loans	Short-term notes and bills payable	Long-term loans (including current portion)	Lease liabilities	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 change	-	-	-	37,638	37,638
Foreign exchange movement	17,707	-	-	(39)	17,668
As of 31 December 2022	$1,438,492	$-	$766,359	$117,788	$2,322,639

(7) Fair value of financial instruments

A.The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

(A) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

(B) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

(C) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

(D) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(E) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

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

(8) Derivative financial instruments

The Group's derivative financial instruments include a foreign exchange swap. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of 31 December 2023 and 31 December 2022 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.

As of 31 December 2023
None.

Contract	Contract amount	Maturity
As of 31 December 2022		
Zeng Hsing Industrial Co., Ltd.		
Foreign Exchange Swap	Sell USD 23,000 thousand	2022/11/28-2023/03/15

With regard to the forward exchange contracts and cross currency swaps, as they have been entered into to hedge the foreign currency risk of net assets or net liabilities, and there will be corresponding cash inflow or outflows upon maturity and the Group has sufficient operating funds, the cash flow risk is insignificant.

(9)Fair value measurement hierarchy

(a)Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b)Fair value measurement hierarchy of the Group’s assets and liabilities

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

As of 31 December 2023
None.

As of 31 December 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss	$-	$-	$-	$-
Financial liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap	-	1,315	-	1,315

(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 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements.

(10) Significant assets and liabilities denominated in foreign currencies

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

Unit: Thousands

	As of					
	31 December 2023			31 December 2022		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
Financial assets						
Monetary item:						
USD	$65,840	30.735	$2,023,592	$100,030	30.7080	$3,071,721
CNY	363,227	4.3338	1,574,153	182,780	4.4175	807,431
VND	245,875,113	0.001268	311,770	98,983,047	0.001303	128,975
Financial liabilities						
Monetary item:						
USD	$4,239	30.735	$130,286	$6,043	30.7080	$185,568
CNY	75,065	4.3338	325,317	68,753	4.4175	303,716
VND	164,747,645	0.001268	208,900	128,821,504	0.001303	167,854

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 $62,736 and $306,391 for foreign exchange gain for the years ended 31 December 2023 and 2022, respectively.

(11) Capital management

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

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

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Loans to others: (In Yuan of Foreign Currency)

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 receivables	$21,669 (CNY 5,000,000)	$-	$-	-%	Short-term loan	Not applicable	Operating purposes	$-	-	$-	$73,093 (Note 3)	$146,186 (Note 3)
2	Turvo International Co.,Ltd.	TIPO INTERNATIONAL CO.,LTD	Yes	Other receivables-related parties	$184,410	$122,940	$-	NA	Short-term loan	Not applicable	Operating purposes	$-	-	$-	$357,318 (Note 4)	$1,429,275 (Note 4)
2	Turvo International Co.,Ltd.	T&M JOINT (CAYMAN) HOLDING CO., LTD.	Yes	Other receivables-related parties	$6,547	$2,612	$2,164	NA	Short-term loan	Not applicable	Operating purposes	$-	-	$-	$357,318 (Note 4)	$1,429,275 (Note 4)
2	Turvo International Co.,Ltd.	MATEC SOUTHEAST ASIA (THAILAND) CO., LTD.	Yes	Other receivables-related parties	$134,670	$80,802	$35,912	3%	Short-term loan	Not applicable	Operating purposes	$-	-	$-	$357,318 (Note 4)	$1,429,275 (Note 4)
2	Turvo International Co.,Ltd.	MATEC SOUTHEAST ASIA (THAILAND) CO., LTD.	Yes	Other receivables-related parties	$8,136	$-	$-	-%	Short-term loan	Not applicable	Purchasing equipment and materials	$-	-	$-	$357,318 (Note 4)	$1,429,275 (Note 4)

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		
3	Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd.	Zhejiang Yu-Zuan Precision Component Co., Ltd.	Yes	Other receivables-related parties	$43,394	$-	$-	-%	Short-term loan	Not applicable	Operating purposes	$-	-	$-	$1,399,488 (Note 5)	$1,399,488 (Note 5)
4	Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	Shanghai Debra Trading Company Limited	Yes	Other receivables	$21,669	$-	$-	-%	Short-term loan	Not applicable	Operating purposes	$-	-	$-	$73,093 (Note 6)	$146,186 (Note 6)

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 Dong-Guan 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.

Note 6: The amount of loan that Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. provides to Zeng Hsing Industrial Co., Ltd.’s directly or indirectly wholly- owned subsidiaries is capped at a limited amount. The amount of loans to a single subsidiary mentioned above shall not exceed 20% of Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.'s net worth; and the total amount of loans shall not exceed 40% of Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.'s net worth.

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B. Endorsement/guarantee provided:

(In Yuan of Foreign Currency)

No. (Note 1)	Endorser/ Guarantor	Endorsee		Limit of guarantee/ endorsement amount to a single entity (Note 3)	Maximum guarantee balance for the period	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement backed by property	Ratio of Accumulated Amount of Guarantee to Net Equity of the most recent Financial Statements	Maximum guarantee limit (Note 4)	Parent company to subsidiary	Subsidiary to parent company	To Mainland China
		Company name	Relationship (Note 2)										
0	Zeng Hsing Industrial CO., LTD.	Zeng Hsing Industrial CO., Ltd. (VN)	(2)	$1,604,369	$1,167,930 (USD38,000,000)	$783,743 (USD25,500,000)	$-	$-	14.66%	$2,139,159	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 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.

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C. Marketable securities held (excluding investment subsidiaries, associates, and controlling interest in joint ventures): none.

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	Counterparty	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. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Sales	$2,586,055	34.21%	There is no difference with other clients	Regular	Regular	Accounts receivable $833,300	55.39%	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Purchases	$2,586,055	34.21%	There is no difference with other clients	Regular	Regular	Accounts payable $(833,300)	(55.39%)	
Turvo International Co., Ltd.	Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd.	3	Purchases	$583,168	7.72%	There is no difference with other clients	Regular	Regular	Other payables $(165,974)	(11.03%)	

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Company Name	Counterparty	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	
Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd.	Turvo International Co., Ltd.	3	Sales	$583,168	7.72%	There is no difference with other clients	Regular	Regular	Other receivables $165,974	11.03%	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Sales	$245,332	3.25%	There is no difference with other clients	Regular	Regular	Accounts receivables $55,099	3.66%	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Purchase	$245,332	3.25%	There is no difference with other clients	Regular	Regular	Accounts payable $(55,099)	(3.66%)	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	Zeng Hsing Industrial CO., Ltd.	2	Sales	$242,637	3.21%	There is no difference with other clients	Regular	Regular	Accounts receivables $26,336	1.75%	
Zeng Hsing Industrial CO., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	1	Purchases	$242,637	3.21%	There is no difference with other clients	Regular	Regular	Accounts payable $(26,336)	(1.75%)	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	3	Sales	$217,258	2.87%	There is no difference with other clients	Regular	Regular	Accounts receivable $14,297	0.95%	

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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Company Name	Counterparty	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	$217,258	2.87%	There is no difference with other clients	Regular	Regular	Accounts payable $(14,297)	(0.95%)	
Turvo International Co., Ltd.	Zhejiang Yu-Zuan Precision Component Co.,Ltd	3	Purchase	$141,806	1.88%	There is no difference with other clients	Regular	Regular	Accounts payable $(35,381)	(2.23%)	
Zhejiang Yu-Zuan Precision Component Co.,Ltd	Turvo International Co., Ltd.	3	Sales	$141,806	1.88%	There is no difference with other clients	Regular	Regular	Accounts receivable $35,381	2.23%	
Zhangjiagang Zenghsing Trading Co., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	3	Sales	$105,466	1.40%	There is no difference with other clients	Regular	Regular	Accounts receivable $22,772	1.51%	
Zeng Hsing Industrial CO., Ltd. (VN)	Zhangjiagang Zenghsing Trading Co., Ltd.	3	Purchase	$105,466	1.40%	There is no difference with other clients	Regular	Regular	Accounts payable $(22,772)	(1.51%)	

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 $16,562 for the years ended 31 December 2023.

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

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H. Receivable from related parties amounting to at least $100 million or 20% of the paid-in capital:

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue receivables		Amounts Received in Subsequent Period	Loss allowance	Note
					Amount	Action Taken			
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	Subsidiary	$833,300	4.41	$-	-	$291,779	$-	accounts receivable-customers

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

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

(2) Information on investees

A. Names, locations, and related information of investees on which the Company exercises significant influence:

(In Yuan of Foreign Currency)

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as of 30 September 2023			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2023	31 December 2022	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	Investing and holding subsidiaries in mainland China	$451,329 (USD 13,500,000)	$451,329 (USD 13,500,000)	13,500	100%	$535,781	$7,189	$6,803	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%	128,383	(19,954)	(19,954)	

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Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as of 30 September 2023			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2023	31 December 2022	Shares	Percentage of Ownership	Carrying Value			
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%	88,913	(22,227)	(22,227)	
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%	86,310	(25,713)	(22,031)	
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%	26,073	(1,491)	(1,491)	
Jetsun Technology Co., Ltd (Seychelles)	Jetsun Technology Company Limited	Bing Doung, Vietnam	Research, design, and manufacturing of filtration equipment	39,494 (USD 1,204,000)	39,494 (USD 1,204,000)	-	100%	26,073	VND (1,139,837,392)	(1,491)	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	Bing Doung, Vietnam	Manufacturing household sewing machines	1,201,379 (USD 40,000,000)	1,049,554 (USD 35,000,000)	-	100%	2,057,738	VND 67,003,320,429	87,640	
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%	333,540	VND 9,026,101,404	11,806	
Zeng Hsing Industrial CO., Ltd.	Taiwan Carbon Technology CO., Ltd.	Taichung, Taiwan	Manufacturing carbon fiber, fire resistant fiber and related products	13,317	20,566	1,774,999	19.53%	27,316	33,934	6,628	
Zeng Hsing Industrial CO., Ltd.	Mitsumichi Industrial CO., Ltd.	Taichung, Taiwan	Manufacturing household sewing machines	31,330	31,330	1,378,000	53%	51,750	20,887	11,070	

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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 of 30 September 2023			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2023	31 December 2022	Shares	Percentage of Ownership	Carrying Value			
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	55,716 (USD 1,950,000)	43,217 (USD 1,550,000)	15,000	30%	55,120	(5,199)	(1,559)	
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	140,040 (USD 4,700,000)	55,614 (USD 2,000,000)	-	100%	182,960	VND (4,165,370,155)	(5,448)	
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	Import and export trading, wholesale and selling	$31,168 (USD 1,000,000)	$31,168 (USD 1,000,000)	-	100%	28,691	VND (837,709,408)	(1,096)	
Zeng Hsing Industrial CO., Ltd.	Turvo International Co. ,Ltd.	Taichung, Taiwan	Manufacturing precision parts for automotive and industrial applications	1,837,240	1,801,433	14,444,000	23.96%	1,772,396	533,958	117,029	

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

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as of 30 September 2023			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2023	31 December 2022	Shares	Percentage of Ownership	Carrying Value			
Turvo International Co. ,Ltd.	TIPO INTERNATIONAL CO., LTD.(SAMOA)	Samoa	Merchandising-sector	946,313 (USD 31,133,211)	946,313 (USD 31,133,211)	31,133,211	100%	2,539,499	410,793 (Note 2)	410,111 (Note 3)	
Turvo International Co., Ltd.	T&M Joint (Cayman) Holding Co., LTD.	Cayman Islands	Financial investment	61,760 (USD 2,045,753)	61,760 (USD 2,045,753)	4,912,749	35.71%	5,770	(6,266) (Note 2)	(2,237) (Note 3)	
Turvo International Co., Ltd.	TUF Technology CO., LTD.	Taiwan	Merchandising-sector	900	-	90,000	100%	866	(34) (Note 2)	(34) (Note 3)	
TIPO INTERNATIONAL CO., LTD. (SAMOA)	Hong-Kong Xin-Feng Co., Ltd. [HK Xin-Feng]	HONG KONG	Financial investment	216,811 (USD 7,133,211 HKD 220,000)	216,811 (USD 7,133,211 HKD 220,000)	-	100%	1,349,468	313,562 (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 (USD 6,606,203)	204,635 (USD 6,606,203)	216,276	99.99%	18,327	(5,922) (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.

(3) Information on investment in Mainland China

A. Information on investments in Mainland China from the Company:

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

(In Yuan of Foreign Currency)

Investee Company	Main Businesses and Products	Total Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2023	Percentage of Ownership	Equity in Earnings (Losses) (Note 1)	Carrying Value as of 30 September 2023	Accumulated Inward Remittance of Earnings as of 30 September 2023
					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)	$103,024 (USD 2,603,039)	$-	$-	$103,024 (USD 2,603,039)	100%	$28,370	$365,466	$606,227 (USD 15,307,341) (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 3,742,516	RMB 22,364,682	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 1,845,231	RMB 5,524,631	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 11,904	RMB 542,232	$-

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(In Yuan of Foreign Currency)

Investee Company	Main Businesses and Products	Total Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2023	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2023	Percentage of Ownership	Equity in Earnings (Losses) (Note 1)	Carrying Value as of 30 September 2023	Accumulated Inward Remittance of Earnings as of 30 September 2023
					Outflow	Inflow					
Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., 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%	$313,624	$1,345,832	$717,836
Zhejiang Yu-Zuan Precision Component Co., Ltd.	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% (Note 5)	$68,723	$1,149,581	$-

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Accumulated investment in Mainland China as of 31 December 2023		Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment (Note 4)
Zeng Hsing Industrial CO., Ltd.	$117,955 (USD 3,103,039)	$285,234 (Note 2) (USD 7,348,355)	$3,208,739
Turvo International Co., Ltd. (Turvo)	$917,245 (USD 30,120,536)	$917,245 (USD 30,120,536)	$2,143,913

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 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.

Note 5: Funds of US$5,000,000 were injected into Zhejiang Yu-Zuan Precision Component Co., Ltd. by Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd. on 10 July 2023; therefore Dong-Guan Xin-Feng Hardware Machinery Plastic Industry Co., Ltd. acquired 17.86% ownership in Zhejiang Yu-Zuan Precision Component Co., Ltd. The Company holds a 100% ownership via TIPO INTERNATIONAL CO., LTD.(SAMOA).

B. As of 31 December 2023, 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 2023.

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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.

(1) The information of the reportable segments' profit and loss is listed as follows:

A. For the years ended 31 December 2023

	Sewing machine division	Precision metal parts processing division	Adjustments and eliminations (Note1)	Consolidated
Revenue				
External customers	$4,220,792	$3,337,485	$-	$7,558,277
Total revenue	$4,220,792	$3,337,485	$-	$7,558,277
Interest expense	18,406	2,903	-	21,309
Depreciation and amortization	329,202	371,335	-	700,537
Investment income	8,034	-	-	8,034
Segment profit and loss (Note 2)	$184,896	$517,788	$-	$702,684
Asset				
Investments using the equity method	111,099	-	-	111,099
Capital expenditures of non-current assets	70,156	48,450	-	118,606
Operating segment assets	$6,044,118	$5,951,036	$-	$11,995,154
Operating segment liabilities	$1,643,370	$1,740,296	$-	$3,383,666

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

B. For the years ended 31 December 2022

	Sewing machine division	Precision metal parts processing division	Adjustments and eliminations (Note 1)	Consolidated
Revenue				
External customers	$6,182,428	$1,015,817	$-	$7,198,245
Total revenue	$6,182,428	$1,015,817	$-	$7,198,245
Interest expense	25,193	2,442	-	$27,635
Depreciation and amortization	346,265	125,966	-	472,231
Investment income	4,962	-	-	4,962
Segment profit (Note 2)	$604,618	$185,931	$-	$790,549
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	$7,424,391	$5,820,285	$-	$13,244,676
Operating segment liabilities	$2,794,708	$1,702,352	$-	$4,497,060

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 2023 and 2022 excluding income tax expense was $73,134 and $179,608, respectively.

A. 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 2023 and 2022.

B. Geographic information

(A) Revenue from external customers:

Country	For the years ended 31 December 2023	2022
China	$2,088,633	$847,055
USA	779,270	1,472,095
Germany	527,980	353,142
Turkey	493,558	210,907
Russia	390,991	232,571
Taiwan	345,141	185,883
India	287,597	159,723
Other countries	2,645,107	3,736,869
Total	$7,558,277	$7,198,245

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

(B) Non-current assets:

	As of 31 December	
Country	2023	2022
Taiwan	$3,655,714	$3,718,575
Vietnam	1,188,681	1,357,262
China	1,113,010	1,079,320
Total	$5,957,405	$6,155,157

C. Important customer information

	For the years ended 31 December	
Country	2023	2022
Customer A from the Taiwan operating segment	$2,076,034	$3,324,398