

**1558**

**ZENG HSING INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT ACCOUNTANTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2024 AND 2023**

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Notice to readers:

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

## **Independent Auditors' Report Translated from Chinese**

To ZENG HSING INDUSTRIAL CO., LTD.

### **Opinion**

We have audited the accompanying parent company only balance sheets of Zeng Hsing Industrial Co., Ltd. (the “Company”) as of December 31, 2024 and 2023, and the parent company only statements of comprehensive income, the parent company only changes in equity and the parent company only cash flows for the years ended December 31, 2024 and 2023, and notes to the parent company only financial statements, including the summary of material accounting policies.

In our opinion, based on our audits and the reports of the other auditors (please refer to the *Other Matter – Making Reference to the Audit of Other Auditors* section of our report), the accompanying parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2024 and 2023, and its parent company only financial performance and the parent company only cash flows for the years ended December 31, 2024 and 2023, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing 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 Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of 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 2024 the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Impairment of accounts receivable**

As of December 31, 2024, the Company's accounts receivable and allowance for doubtful accounts amounted to NTD 952,410 thousand and NTD 41,949 thousand, respectively. Net accounts receivable represented 13% of the parent company only total assets and have significant impacts on the Company. The collection of accounts receivable is a key factor in the working capital management of the Company, and the adoption of provision policy requires significant management judgement whose the measurement results affect the net amount of accounts receivable, we therefore determined the issue as a key audit matter.

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

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

### **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 NTD 31,027 thousand and NTD 27,316 thousand, representing 0.41% and 0.37% of the parent company only total assets as of December 31, 2024 and 2023, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NTD 7,261 thousand and NTD 6,628 thousand, representing 1.38% and 2.42% of the parent company only net income before tax for the years ended December 31, 2024 and 2023, respectively.

## **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

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

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

## **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2024 parent company only 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.

Chen, Ming Hung

Huang, Ching Ya

Ernst & Young, Taiwan

March 7, 2025

**Notice to Readers :**

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

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

**ZENG HSING INDUSTRIAL CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**31 December 2024 and 2023**  
**(Expressed in Thousand New Taiwan Dollars)**

Assets	Notes	As of			
		31 December 2024		31 December 2023	
		Amount	%	Amount	%
<b>Current Assets</b>					
Cash and cash equivalents	4, 6(1), 12	\$762,820	10	\$989,375	14
Accounts receivable, net	4, 6(2), 6(12), 12	791,344	11	622,728	8
Accounts receivable-related parties, net	4, 6(2), 6(12), 7, 12	119,117	2	70,686	1
Other receivables	12	12,375	-	17,685	-
Inventories, net	4, 6(3)	16,413	-	42,625	1
Prepayment		129	-	301	-
Other current assets		3,238	-	1,501	-
<b>Total current assets</b>		<b>1,705,436</b>	<b>23</b>	<b>1,744,901</b>	<b>24</b>
<b>Non-current assets</b>					
Financial assets measured at amortized cost, non-current	4, 8, 12	200	-	200	-
Investments accounted for under the equity method	4, 6(4)	5,165,711	68	4,833,641	66
Property, plant and equipment	4, 6(5), 8	599,717	8	650,204	9
Investment property	4, 6(6)	61,212	1	62,442	1
Intangible assets	4	16,563	-	19,502	-
Deferred tax assets	4, 6(17)	19,576	-	14,184	-
Net defined benefit assets, non-current	4, 6(9)	2,689	-	-	-
Other non-current assets	4, 6(13)	6,583	-	7,588	-
<b>Total non-current assets</b>		<b>5,872,251</b>	<b>77</b>	<b>5,587,761</b>	<b>76</b>
<b>Total assets</b>		<b>\$7,577,687</b>	<b>100</b>	<b>\$7,332,662</b>	<b>100</b>

(The accompanying notes are an integral part of the parent company only financial statements)

(continued)

**ZENG HSING INDUSTRIAL CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**31 December 2024 and 2023**  
**(Expressed in Thousand New Taiwan Dollars)**

Liabilities and Equity	Notes	As of			
		31 December 2024		31 December 2023	
		Amount	%	Amount	%
<b>Current liabilities</b>					
Short-term loans	4, 6(7), 12	\$450,000	6	\$370,000	5
Contract liabilities, current	6(11)	66,955	1	58,066	1
Notes payable	12	657	-	259	-
Accounts payable	12	82,282	1	89,512	1
Accounts payable-related parties	7, 12	797,232	11	869,281	12
Other payables	12	110,771	2	94,563	1
Current tax liabilities	4	31,424	-	40,058	1
Long-term borrowings (including current portion with maturity less than 1 year)	4, 6(8), 12	24,000	-	24,000	-
Other current liabilities	4, 6(13), 12	18,003	-	19,760	-
Total current liabilities		1,581,324	21	1,565,499	21
<b>Non-current liabilities</b>					
Long-term loans	4, 6(8), 12	168,000	2	192,000	3
Deferred tax liabilities	4, 6(17)	258,039	4	202,121	3
Net defined benefit liabilities, non-current	4, 6(9)	-	-	19,672	-
Other non-current liabilities	4, 6(13), 12	5,219	-	5,471	-
Total non-current liabilities		431,258	6	419,264	6
Total liabilities		2,012,582	27	1,984,763	27
<b>Equity attributable to the parent company</b>					
Capital	4, 6(10)				
Common stock		665,356	9	665,356	9
Capital surplus		1,890,261	25	1,890,261	26
Retained earnings					
Legal reserve		730,563	10	730,563	10
Special reserve		265,979	3	202,396	3
Unappropriated earnings		2,213,091	29	2,125,301	29
Total Retained earnings		3,209,633	42	3,058,260	42
Other components of equity					
Exchange differences on translation of foreign operations - the parent company		(200,145)	(3)	(265,978)	(4)
Total equity		5,565,105	73	5,347,899	73
Total liabilities and equity		\$7,577,687	100	\$7,332,662	100

(The accompanying notes are an integral part of the parent company only financial statements)

**ZENG HSING INDUSTRIAL CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
For the Years Ended 31 December 2024 and 2023  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the Years Ended 31 December			
		2024		2023	
		Amount	%	Amount	%
Net Sales	4, 6(11), 7	\$3,878,276	100	\$3,423,569	100
Cost of Sales	6(3), 6(14), 7	(3,326,690)	(86)	(2,996,970)	(88)
Gross Profit		551,586	14	426,599	12
Unrealized Intercompany Profit	7	(4,589)	-	(2,545)	-
Realized Intercompany Profit		2,545	-	4,472	-
Gross Profit		549,542	14	428,526	12
Operating Expenses	7				
Selling and marketing		(97,885)	(2)	(171,479)	(5)
Management and administrative		(231,322)	(6)	(218,207)	(6)
Research and development		(114,766)	(3)	(102,543)	(3)
Expected credit (losses) gains	4, 6(12)	(37,112)	(1)	33,258	1
Total Operating Expenses		(481,085)	(12)	(458,971)	(13)
Operating income (loss), net		68,457	2	(30,445)	(1)
Non-operating income and expenses	6(15)				
Other income		65,812	2	69,558	2
Other gains and losses		49,002	1	11,328	-
Financial costs		(10,747)	-	(16,147)	-
Share of profit or loss of associates and joint ventures	4, 6(4)	352,925	9	239,417	7
Subtotal		456,992	12	304,156	9
Income before income tax		525,449	14	273,711	8
Income tax expense	4, 6(17)	(72,261)	(2)	(20,435)	-
Income, net of tax		453,188	12	253,276	8
Other comprehensive income	6(16), 6(17)				
Items that may not be reclassified subsequently to profit or loss					
Remeasurements of defined benefit plans		14,196	-	10,966	-
Income tax related to items that may not be reclassified subsequently		(2,839)	-	(2,193)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		81,084	2	(80,906)	(2)
Income tax related to items that may be reclassified subsequently		(16,458)	-	15,896	-
Total other comprehensive loss, net of tax		75,983	2	(56,237)	(2)
Total comprehensive income		\$529,171	14	\$197,039	6
Earnings per share (NTD)	6(18)				
Earnings per share-basic		\$6.81		\$3.81	
Earnings per share-diluted		\$6.79		\$3.80	

(The accompanying notes are an integral part of the parent company only financial statements)

**ZENG HSING INDUSTRIAL CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**For the Years Ended 31 December 2024 and 2023**  
**(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 Equity
Balance as of 1 January 2023	6(11)	\$665,356	\$1,890,261	\$730,563	\$326,214	\$2,118,459	(\$200,974)	\$5,529,879
Appropriations of earnings, 2022:								
Reversal of special reserve					(123,818)	123,818		-
Cash dividends						(365,945)		(365,945)
Net income for the year ended 31 December 2023						253,276		253,276
Other comprehensive income, net of tax for the year ended 31 December 2023						8,773	(65,010)	(56,237)
Total comprehensive income		-	-	-	-	262,049	(65,010)	197,039
Difference between the actual acquisition or disposal price and carrying amounts of subsidiaries			-			(13,080)	6	(13,074)
Balance as of 31 December 2023	6(11)	<u>\$665,356</u>	<u>\$1,890,261</u>	<u>\$730,563</u>	<u>\$202,396</u>	<u>\$2,125,301</u>	<u>\$(265,978)</u>	<u>\$5,347,899</u>
Balance as of 1 January 2024	6(11)	\$665,356	\$1,890,261	\$730,563	\$202,396	\$2,125,301	\$(265,978)	\$5,347,899
Appropriations of earnings, 2023:								
Special reserve					63,583	(63,583)		-
Cash dividends						(252,836)		(252,836)
Net income for the year ended 31 December 2024						453,188		453,188
Other comprehensive income, net of tax for the years ended 31 December 2024						11,357	64,626	75,983
Total comprehensive income		-	-	-	-	464,545	64,626	529,171
Difference between the actual acquisition or disposal price and carrying amounts of subsidiaries			-			(60,336)	1,207	(59,129)
Balance as of 31 December 2024	6(11)	<u>\$665,356</u>	<u>\$1,890,261</u>	<u>\$730,563</u>	<u>\$265,979</u>	<u>\$2,213,091</u>	<u>\$(200,145)</u>	<u>\$5,565,105</u>

(The accompanying notes are an integral part of the parent company only financial statements)

**ZENG HSING INDUSTRIAL CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
For the Years Ended 31 December 2024 and 2023  
(Expressed in Thousand New Taiwan Dollars)

	For the Years Ended 31 December	
	2024	2023
<b>Cash flows from operating activities:</b>		
Net income before tax	\$525,449	\$273,711
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	52,216	60,935
Amortization	16,884	18,919
Gain on disposal of property, plant and equipment	(122)	(551)
Net gain of financial assets at fair value through profit or loss	-	(8,775)
(Gain) loss from market value decline, obsolete and slow-moving of inventories	(2,913)	3,604
Share of profit or loss of associates and joint ventures	(352,925)	(239,417)
Expected credit losses (gains)	37,112	(33,258)
Unrealized intercompany loss	4,589	2,545
Realized intercompany profit	(2,545)	(4,472)
Interest income	(24,344)	(22,832)
Interest expense	10,747	16,147
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets at fair value through profit or loss	-	7,460
(Increase) decrease in accounts receivable	(205,728)	679,750
(Increase) decrease in accounts receivable-related parties	(48,431)	10,655
Decrease in inventories, net	29,125	4,084
Decrease (increase) in other receivables	5,310	(8,541)
Decrease (increase) in prepayments	172	(100)
(Increase) decrease in other current assets	(1,737)	429
Increase in net defined benefit assets	(2,689)	-
Increase in other non-current assets	(9,795)	(8,151)
Increase in contract liabilities	8,889	1,670
Increase (decrease) in notes payable	398	(232)
(Decrease) increase in accounts payable	(7,230)	36,366
(Decrease) increase in accounts payable-related parties	(72,049)	436,128
Increase (decrease) in other payables	16,208	(39,479)
(Decrease) increase in other current liabilities	(36)	1,620
(Decrease) increase in net defined benefit liabilities	(5,476)	1,298
Cash (used in) generated from operations	<u>(28,921)</u>	<u>1,189,513</u>
Interest received	24,344	22,832
Income tax paid	<u>(49,666)</u>	<u>(77,070)</u>
Net cash (used in) provided by operating activities	<u>(54,243)</u>	<u>1,135,275</u>

(The accompanying notes are an integral part of the parent company only financial statements)

(Continued)

ZENG HSING INDUSTRIAL CO., LTD.  
 PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
 For the Years Ended 31 December 2024 and 2023  
 (Expressed in Thousand New Taiwan Dollars)

	For the Years Ended 31 December	
	2024	2023
(Continued)		
Cash flows from investing activities:		
Acquisition of investments accounted for under the equity method	(88,631)	(164,324)
Acquisition of property, plant and equipment	(5,489)	(3,722)
Proceeds from disposal of property, plant and equipment	7,049	551
Increase in refundable deposits	(92)	(31)
Acquisition of intangible assets	(4,990)	(2,096)
Proceeds from capital reduction or investments accounted for under the equity method	103,892	-
Dividends received	154,783	194,138
Net cash provided by investing activities	<u>166,522</u>	<u>24,516</u>
Cash flows from financing activities:		
Increase in guarantee deposits received	-	4,830
Increase in short-term loans	1,835,000	2,069,000
Decrease in short-term loans	(1,755,000)	(3,047,000)
Increase in short-term notes and bills payable	-	110,000
Decrease in short-term notes and bills payable	-	(110,000)
Decrease in long-term loans	(24,000)	(24,000)
Lease principal repayment	(1,973)	(1,827)
Interest paid	(10,747)	(16,147)
Cash dividends	(252,836)	(365,945)
Acquisition of ownership interests in subsidiaries	(129,278)	(35,807)
Net cash used in financing activities	<u>(338,834)</u>	<u>(1,416,896)</u>
Net decrease in cash and cash equivalents	<u>(226,555)</u>	<u>(257,105)</u>
Cash and cash equivalents at beginning of period	<u>989,375</u>	<u>1,246,480</u>
Cash and cash equivalents at end of period	<u>\$762,820</u>	<u>\$989,375</u>

(The accompanying notes are an integral part of the parent company only financial statements)

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements**  
**For the Years Ended 31 December 2024 and 2023**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

**1. ORGANIZATION AND OPERATIONS**

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

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

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

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

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

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

The financial statements of the Company for the years ended 31 December 2024 and 2023 were authorized for issue in accordance with the resolution of the board of directors' meeting held on 7 March 2025.

**ZENG HSING INDUSTRIAL CO., LTD.**  
 Notes to Financial Statements (Continued)  
 (Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

**3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS**

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by the Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2024. The adoption of these new standards and amendments had no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

(a) 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 abovementioned amendments are applicable for annual periods beginning on or after 1 January 2025 and have no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	IFRS 18 “Presentation and Disclosure in Financial Statements”	1 January 2027
d	Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures (IFRS 19)	1 January 2027
e	Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026
f	Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
g	Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	1 January 2026

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

(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.

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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) IFRS 18 “Presentation and Disclosure in Financial Statements”**

IFRS 18 replaces IAS 1 Presentation of Financial Statements. The main changes are as below:

**(1) Improved comparability in the statement of profit or loss (income statement)**

IFRS 18 requires entities to classify all income and expenses within their statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. The first three categories are new, to improve the structure of the income statement, and requires all entities to provide new defined subtotals, including operating profit or loss. The improved structure and new subtotals will give investors a consistent starting point for analyzing entities' performance and make it easier to compare entities.

**(2) Enhanced transparency of management-defined performance measures**

IFRS 18 requires entities to disclose explanations of those entity-specific measures that are related to the income statement, referred to as management-defined performance measures.

**(3) Useful grouping of information in the financial statements**

IFRS 18 sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires entities to provide more transparency about operating expenses, helping investors to find and understand the information they need.

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**(d) Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures (IFRS 19)**

This standard permits subsidiaries without public accountability to provide reduced disclosures when applying IFRS Accounting Standards in their financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

**(d) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7**

The amendments include:

- (1) Clarify that a financial liability is derecognised on the settlement date and describe the accounting treatment for settlement of financial liabilities using an electronic payment system before the settlement date.
- (2) Clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.
- (3) Clarify the treatment of non-recourse assets and contractually linked instruments.
- (4) Require additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

**(f) Annual Improvements to IFRS Accounting Standards – Volume 11**

- (1) Amendments to IFRS 1
- (2) Amendments to IFRS 7
- (3) Amendments to Guidance on implementing IFRS 7
- (4) Amendments to IFRS 9
- (5) Amendments to IFRS 10
- (6) Amendments to IAS 7

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Notes to Financial Statements (Continued)  
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(g) Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

The amendments include:

- (1) Clarify the application of the ‘own-use’ requirements.
- (2) Permit hedge accounting if these contracts are used as hedging instruments.
- (3) Add new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (c) and (e), it is not practicable to estimate their impact on the Company at this point in time. The remaining new or amended standards and interpretations have no material impact on the Company.

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

(1) Statement of Compliance

The Company’s financial statements for the years ended 31 December 2024 and 2023 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

(2) Basis of Preparation

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

**(3) Foreign Currency Transactions**

The Company’s financial statements are presented in New Taiwan Dollars (NTD).

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

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

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

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

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Notes to Financial Statements (Continued)  
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**(4) Translation of financial statements in foreign currency**

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average 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 reattributed to the non-controlling interests in that foreign operation. In the partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

**(5) Current and Non-current Distinction**

An asset is classified as current when:

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

All other assets are classified as non-current.

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A liability is classified as a current when:

- A. The Company expects to settle the liability in normal operating cycle
- B. The Company holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

**(6) 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.

**(7) Financial instruments**

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

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

**A. Financial instruments: Recognition and Measurement**

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

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

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

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*Financial assets measured at amortized cost*

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

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

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

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

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

*Financial asset measured at fair value through other comprehensive income*

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

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

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

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

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

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

The loss allowance is measured as follows:

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

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

**C. Derecognition of financial assets**

A financial asset is derecognized when:

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

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

**D. Financial liabilities and equity**

**Classification between liabilities or equity**

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

**Equity instruments**

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

**Financial liabilities**

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

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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 company is provided internally on that basis to the key management personnel.

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

Financial liabilities at amortized cost

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

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

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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 or payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

**E. Offsetting of financial instruments**

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

**(8) Derivative instruments**

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

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

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

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**(9) Fair value measurement**

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

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

**(10) Inventories**

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

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

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

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

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

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**(11) Investments accounted for under the equity method**

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The adjustments took into consideration how the subsidiaries should be accounted for in accordance with IFRS 10 and the different extent to each reporting entity IFRS applies. The adjustments are made by debiting or crediting “Investments accounted for under the equity method”, “share of profit or loss of associates and joint ventures accounted for under equity method”, and “share of other comprehensive income of associates and joint ventures accounted for using the equity method”.

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

Under the equity method, the investment in the associate 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 Company’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 Company 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 Company and the associate or joint venture are eliminated to the extent of the Company’s related interest in the associate or joint venture.

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

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

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

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

- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate 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*.

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Upon loss of significant influence over the associate or joint venture, the Company 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.

**(12) Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes 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	5~15 years
Tooling equipment	2~7 years
Transportation equipment	5~10 years
Furniture, fixtures and equipment	3~10 years
Miscellaneous equipment	3~15 years
Leasehold improvements	The shorter of lease terms or economic useful lives

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

The 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.

**(13) Investment property**

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal Company that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

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

Buildings	25 years
Right-of-use assets	1~5 years

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers properties to or from investment properties according to the actual use of the properties.

The Company transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

ZENG HSING INDUSTRIAL CO., LTD.  
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**(14) Leases**

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

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

**Company as a lessee**

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

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

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

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Notes to Financial Statements (Continued)  
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After the commencement date, the Company 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 Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

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

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

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

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

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

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

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Company as a lessor

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

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

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

**(15) Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, 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 assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each 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.

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

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

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

	<u>Software</u>	<u>Trademarks</u>	<u>Patents</u>
Useful lives	1~6 years	7~10 years	5~25 years
Method of amortization	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Sources	Outside	Outside	Outside

(16) Impairment of non-financial assets

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

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

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

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

**(18) Revenue recognition**

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

**Sale of goods**

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers(i.e. when the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from the goods). The main product of the Company are sewing machines and vacuum cleaners and spare parts and revenue is recognized based on the consideration stated in the contract.

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

**(19) Borrowing cost**

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

**(20) Post-employment benefits**

All regular employees of the Company 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. Therefore, fund assets are not included in the Company's financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

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 Company recognizes restructuring-related costs

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

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Notes to Financial Statements (Continued)  
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**(21) Share-based payment transactions**

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

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

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

**(22) Income Taxes**

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

**Current income tax**

Current income tax assets and liabilities for the current period and prior periods are measured 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 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.

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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 interest in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; 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 interest in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

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Notes to Financial Statements (Continued)  
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**5. SIGNIFICANT ACCOUNTING JUDGEMENT, ESTIMATES AND ASSUMPTIONS**

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

**(1) Judgement**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

**A. Operating lease commitment – Company as the lessor**

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

**(2) Estimates and assumptions**

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

**A. Accounts receivables – estimation of impairment loss**

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

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**Notes to Financial Statements (Continued)**  
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**B. 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.

**C. Pension benefits**

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, and changes of the future salary etc. Please refer to Note 6 for more details.

**D. Income tax**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries 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 company's domicile.

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

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**6. CONTENTS OF SIGNIFICANT ACCOUNTS**

**(1) Cash and cash equivalents**

	As of	
	31 December	31 December
	2024	2023
Cash on hand	\$423	\$434
Checking and savings accounts	597,138	618,879
Time deposits	-	61,470
Repurchase agreements	165,259	308,592
<b>Total</b>	<b>\$762,820</b>	<b>\$989,375</b>

No cash and cash equivalents were pledged.

**(2) Accounts receivables, net**

	As of	
	31 December	31 December
	2024	2023
Accounts receivable - non related parties	\$833,293	\$627,565
Less: loss allowance	(41,949)	(4,837)
<b>Subtotal</b>	<b>791,344</b>	<b>622,728</b>
Accounts receivable - related parties	119,117	70,686
<b>Accounts receivable, net</b>	<b>\$910,461</b>	<b>\$693,414</b>

Trade receivables are generally on 45-90 day terms. The total carrying amount as of 31 December 2024 and 2023 were \$952,410 and \$698,251, respectively. Please refer to Note 6 (12) for more details on loss allowance of trade receivables for the years ended 31 December 2024 and 2023. Please refer to Note 12 for more details on credit risk management.

No accounts receivables were pledged.

**ZENG HSING INDUSTRIAL CO., LTD.**  
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**(3) Inventories, net**

a. Details as follows

	As of	
	31 December 2024	31 December 2023
Raw materials	\$11,722	\$31,371
Finished goods	2,597	8,156
Semi-manufactured goods	2,094	2,926
Work in progress	-	172
<b>Total</b>	<b>\$16,413</b>	<b>\$42,625</b>

- b. The Group cost of inventories recognized in cost of sales amounts to \$3,326,690 for the year ended 31 December 2024, including the gain from price recovery of inventories in the amount of \$2,913. The gains from inventory price recovery were recognized due to the fact that the inventory that has been established a valuation loss earlier has been scrapped and the sluggish inventory has been consumed.
- c. The Company cost of inventories recognized in cost of sales amounts to \$2,996,970 for the years ended 31 December 2023, including the loss from market value decline, obsolete and slow-moving of inventories \$3,604.
- d. No inventories were pledged.

**(4) Investments accounted for using the equity method**

A. The following table lists the investments accounted for using the equity method of the Company:

	31 December 2024		31 December 2023	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
<b>Subsidiaries:</b>				
Zeng Hsing Industrial Co., Ltd. (VN)	\$2,229,798	100.00%	\$2,057,738	100.00%
Turvo International Co., Ltd. (Turvo)	1,946,558	25.49%	1,772,396	23.96%
Zeng Hsing Industrial Co., Ltd. (BVI)	470,081	100.00%	535,781	100.00%
Shinco Technologies Limited (VN)	305,039	100.00%	333,540	100.00%
Taiwan Cheer Champ Co., Ltd.	83,841	85.68%	(Note)	(Note)
Mitsumichi Industrial Co., Ltd.	46,393	53.00%	51,750	53.00%
<b>Subtotal</b>	<b>5,081,710</b>		<b>4,751,205</b>	
<b>Associates:</b>				
FOREMOST GULF INTERNATIONAL CO., LTD. (BVI)	52,974	30.00%	55,120	30.00%
Taiwan Carbon Technology Co., Ltd.	31,027	19.53%	27,316	19.53%
<b>Subtotal</b>	<b>84,001</b>		<b>82,436</b>	
<b>Total</b>	<b>\$5,165,711</b>		<b>\$4,833,641</b>	

Note: The Company acquired a total of 85.68% equity in Taiwan Cheer Champ Co., Ltd. in 2024.

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**Notes to Financial Statements (Continued)**  
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B. The Company's investment in its associate is accounted for using the equity method.

C. For the years ended 31 December 2024 and 2023, the Company recognized share of profit or loss of associates and joint ventures and exchange differences on translation of foreign operations with report of independent accountants, the details as follows:

Investee companies	31 December 2024		31 December 2023	
	Share of profit or loss of associates and joint ventures	Exchange differences on translation of foreign operations	Share of profit or loss of associates and joint ventures	Exchange differences on translation of foreign operations
<b>Subsidiaries:</b>				
Turvo International Co., Ltd. (Turvo)	\$152,561	\$31,901	\$117,029	\$(7,892)
Zeng Hsing Industrial Co., Ltd. (VN)	144,556	29,807	87,640	(56,244)
Shinco Technologies Limited (VN)	27,129	4,130	11,806	(9,252)
Zeng Hsing Industrial Co., Ltd. (BVI)	18,239	14,605	6,803	(5,838)
Mitsumichi Industrial Co., Ltd.	5,667	-	11,070	-
Taiwan Cheer Champ Co., Ltd.	299	-	-	-
<b>Subtotal</b>	<b>348,451</b>	<b>80,443</b>	<b>234,348</b>	<b>(79,226)</b>
<b>Associates:</b>				
Taiwan Carbon Technology Co., Ltd.	7,261	-	6,628	-
FOREMOST GULF INTERNATIONAL CO., LTD. (BVI)	(2,787)	641	(1,559)	(1,680)
<b>Subtotal</b>	<b>4,474</b>	<b>641</b>	<b>5,069</b>	<b>(1,680)</b>
<b>Total</b>	<b>\$352,925</b>	<b>\$81,084</b>	<b>\$239,417</b>	<b>\$(80,906)</b>

**D. Investments in associates**

The following table illustrates summarized financial information of the Company's investment in the associates:

Company: Taiwan Carbon Technology Co., Ltd.

	As of	
	31 December	31 December
	2024	2023
Total assets (100%)	\$179,195	\$196,814
Total liabilities (100%)	20,325	56,946
 For the years ended		
	31 December	31 December
	2024	2023
Total revenue (100%)	\$117,522	\$88,551
Income, net of tax (100%)	37,178	33,934

**ZENG HSING INDUSTRIAL CO., LTD.**  
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Company: FOREMOST GULF INTERNATIONAL CO., LTD. (BVI).

	As of	
	31 December	31 December
	2024	2023
Total assets (100%)	\$188,392	\$195,656
Total liabilities (100%)	11,811	11,811
For the years ended		
	31 December	31 December
	2024	2023
Total revenue (100%)	\$-	\$-
Income, net of tax (100%)	(9,401)	(5,199)

No investments were pledged.

**E. Other investments**

(A) For the years ended 31 December 2024 and 2023, the details of the Company invested to subsidiaries by cash as follows:

Subsidiaries	For the years ended 31 December	
	2024	2023
Turvo International Co., Ltd. (Turvo)	\$129,278	\$35,807
Taiwan Cheer Champ Co., Ltd.	88,631	-
FOREMOST GULF INTERNATIONAL CO., LTD. (BVI)	-	12,499
Zeng Hsing Industrial Co., Ltd. (VN)	-	151,825

(B) For the years ended 31 December 2024 and 2023 the details of the Company received dividends from subsidiaries by cash as follows:

Subsidiaries	For the years ended 31 December	
	2024	2023
Turvo International Co., Ltd. (Turvo)	\$80,449	\$86,112
Shinco Technologies Limited (VN)	59,760	-
Mitsumichi Industrial Co., Ltd.	11,024	8,268
Taiwan Carbon Technology Co., Ltd.	3,550	2,500
Zeng Hsing Industrial Co., Ltd. (BVI)	-	97,258
<b>Total</b>	<b>\$154,783</b>	<b>\$194,138</b>

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

**(5) Property, plant and equipment**

Owner occupied property, plant and equipment

	Buildings		Machinery		Furniture,		Miscellaneous	Total
	Land	and Facilities	and equipment	Tooling equipment	Transportation equipment	fixtures and equipment		
<b>Cost:</b>								
As of 1 January 2024	\$21,075	\$509,836	\$11,059	\$79,443	\$4,306	\$7,570	\$319,116	\$952,405
Additions	-	-	-	175	-	-	5,314	5,489
Disposals	-	-	-	(37,207)	(260)	(340)	(71)	(37,878)
Transfers	-	-	-	-	-	-	-	-
As of 31 December 2024	<u>\$21,075</u>	<u>\$509,836</u>	<u>\$11,059</u>	<u>\$42,411</u>	<u>\$4,046</u>	<u>\$7,230</u>	<u>\$324,359</u>	<u>\$920,016</u>
 As of 1 January 2023								
As of 1 January 2023	\$21,075	\$509,836	\$11,059	\$92,016	\$3,457	\$7,570	\$317,667	\$962,680
Additions	-	-	-	699	849	-	2,174	3,722
Disposals	-	-	-	(13,698)	-	-	(854)	(14,552)
Transfers	-	-	-	426	-	-	129	555
As of 31 December 2023	<u>\$21,075</u>	<u>\$509,836</u>	<u>\$11,059</u>	<u>\$79,443</u>	<u>\$4,306</u>	<u>\$7,570</u>	<u>\$319,116</u>	<u>\$952,405</u>

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

	Buildings		Machinery		Furniture, fixtures and Miscellaneous			Total
	Land	and Facilities	and equipment	Tooling equipment	Transportation equipment	equipment	equipment	
<b>Depreciation and impairment:</b>								
As of 1 January 2024	\$-	\$65,004	\$8,028	\$69,655	\$2,749	\$4,055	\$152,710	\$302,201
Depreciation	-	13,427	1,021	2,332	437	1,205	30,627	49,049
Disposals	-	-	-	(30,280)	(260)	(340)	(71)	(30,951)
As of 31 December 2024	<u>\$-</u>	<u>\$78,431</u>	<u>\$9,049</u>	<u>\$41,707</u>	<u>\$2,926</u>	<u>\$4,920</u>	<u>\$183,266</u>	<u>\$320,299</u>
As of 1 January 2023	\$-	\$51,576	\$6,918	\$76,745	\$2,411	\$2,850	\$118,377	\$258,877
Depreciation	-	13,428	1,110	6,608	338	1,205	35,187	57,876
Disposals	-	-	-	(13,698)	-	-	(854)	(14,552)
31 December 2023	<u>\$-</u>	<u>\$65,004</u>	<u>\$8,028</u>	<u>\$69,655</u>	<u>\$2,749</u>	<u>\$4,055</u>	<u>\$152,710</u>	<u>\$302,201</u>
<b>Net carrying amount as of:</b>								
31 December 2024	<u><u>\$21,075</u></u>	<u><u>\$431,405</u></u>	<u><u>\$2,010</u></u>	<u><u>\$704</u></u>	<u><u>\$1,120</u></u>	<u><u>\$2,310</u></u>	<u><u>\$141,093</u></u>	<u><u>\$599,717</u></u>
31 December 2023	<u><u>\$21,075</u></u>	<u><u>\$444,832</u></u>	<u><u>\$3,031</u></u>	<u><u>\$9,788</u></u>	<u><u>\$1,557</u></u>	<u><u>\$3,515</u></u>	<u><u>\$166,406</u></u>	<u><u>\$650,204</u></u>

(A) The major components of the Company's buildings are main buildings, reconstruction works, new construction works and decoration works, etc., are depreciated according to their useful life of 5~50 years.

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

(C) There is no capitalization of interest due to purchase property, plant and equipment in 2024 and 2023.

**ZENG HSING INDUSTRIAL CO., LTD.**  
 Notes to Financial Statements (Continued)  
 (Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

**(6) Investment property**

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b>Cost:</b>			
As of 1 January 2024	\$41,124	\$30,747	\$71,871
Additions	-	-	-
As of 31 December 2024	<u>\$41,124</u>	<u>\$30,747</u>	<u>\$71,871</u>
As of 1 January 2023			
Additions	-	-	-
As of 31 December 2023	<u>\$41,124</u>	<u>\$30,747</u>	<u>\$71,871</u>
<b>Depreciation and impairment:</b>			
As of 1 January 2024	\$-	\$9,429	\$9,429
Depreciation	-	1,230	1,230
As of 31 December 2024	<u>\$-</u>	<u>\$10,659</u>	<u>\$10,659</u>
As of 1 January 2023	\$-	\$8,199	\$8,199
Depreciation	-	1,230	1,230
As of 31 December 2023	<u>\$-</u>	<u>\$9,429</u>	<u>\$9,429</u>
Net carrying amount:			
As of 31 December 2024	<u>\$41,124</u>	<u>\$20,088</u>	<u>\$61,212</u>
As of 31 December 2023	<u>\$41,124</u>	<u>\$21,318</u>	<u>\$62,442</u>
For the years ended 31 December			
	<u>2024</u>	<u>2023</u>	
Rental income from investment property	\$2,057	\$2,057	
Less: Direct operating expenses from investment property generating rental income	-	-	
Total	<u>\$2,057</u>	<u>\$2,057</u>	

No investment property was pledged.

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

Investment properties held by the Company are not measured at fair value but for which the fair value is disclosed. The fair value measurements of the investment properties are categorized within Level 3. The fair value of the Company's investment properties was \$86,482 determined based on valuations performed by an independent valuer appointed on 31 December 2024, respectively. The determination of fair value was based on market evidence, utilizing the sales comparison approach and the direct capitalization method. In the direct capitalization method, the primary long-term operating net income used was \$5,489, with a capitalization rate of 2.60%.

**(7) Short-term borrowings**

	Interest Rates (%)	As of	
		31 December 2024	31 December 2023
Unsecured bank loans	1.725%-1.825%	\$450,000	\$370,000
Secured bank loans	-	-	-
		<b>\$450,000</b>	<b>\$370,000</b>

The Company's unused short-term lines of credits amounted to \$2,149,597 and \$2,361,203 as of 31 December 2024 and 2023, respectively.

**(8) Long-term loans**

A. Details of long-term loans in 31 December 2024 and 2023 are as follows:

Creditor	31 December		
	2024	Rate (%)	Repayment period and methods
Bank of Taiwan (Secured)	\$192,000	1.871%	Interests are paid monthly from 2 September 2020 through 7 December 2032. Principal is repaid monthly with 144 installments.
Subtotal	192,000		
Less: current portion	(24,000)		
<b>Total</b>	<b>\$168,000</b>		

**ZENG HSING INDUSTRIAL CO., LTD.**  
 Notes to Financial Statements (Continued)  
 (Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

Creditor	2023	Rate (%)	31 December
Bank of Taiwan (Secured)	\$216,000	1.739%	Interests are paid monthly from 2 September 2020 through 7 December 2032. Principal is repaid monthly with 144 installments.
Subtotal	<u>216,000</u>		
Less: current portion	<u>(24,000)</u>		
<b>Total</b>	<b><u>\$192,000</u></b>		

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.

**(9) Post-employment benefits**

**Defined contribution plan**

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. According to the Act, the rate of contributions shall be no lower than 6% of each individual employee's monthly salaries. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension expenses under the defined contribution plan were \$10,478 and \$10,799 for the years ended 31 December 2024 and 2023, 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.

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(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 \$9,977 to its defined benefit plan during the 12 months as of 31 December 2024.

The expected weighted average duration of the Company's defined benefits plan obligation as of 31 December 2024 and 2023 were both maturity in 2038.

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

	For the years ended 31 December	
	2024	2023
Current period service costs	\$262	\$542
Interest income or expense	(249)	(108)
<b>Total</b>	<b>\$13</b>	<b>\$434</b>

The Company recognized pension cost for high-ranking officers amounting to \$1,800 for the years ended 31 December 2024 and 2023. As of 31 December 2024 and 2023, accrued pension liabilities non-current amounted to \$39,257 and \$37,457.

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

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

	As of		
	31 December	31 December	1 January
	2024	2023	2023
Defined benefit obligation	\$46,718	\$54,051	\$84,922
Plan assets at fair value	(89,900)	(73,073)	(92,478)
Other non-current liabilities - accrued pension (asset) liabilities recognized on the balance sheets	<u><u><b>\$(43,182)</b></u></u>	<u><u><b>\$(19,022)</b></u></u>	<u><u><b>\$(7,556)</b></u></u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of 1 January 2023	\$84,922	\$(92,478)	\$(7,556)
Current period service costs	542	-	542
Net interest expense (income)	1,214	(1,322)	(108)
Subtotal	<u><u>86,678</u></u>	<u><u>(93,800)</u></u>	<u><u>(7,122)</u></u>
Remeasurements of the net defined 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	<u><u>-</u></u>	<u><u>(594)</u></u>	<u><u>(594)</u></u>
Subtotal	<u><u>76,306</u></u>	<u><u>(94,394)</u></u>	<u><u>(18,088)</u></u>
Payments from the plan	(22,255)	22,255	-
Contributions by employer	<u><u>-</u></u>	<u><u>(934)</u></u>	<u><u>(934)</u></u>
As of 31 December 2023	54,051	(73,073)	(19,022)
Current period service costs	262	-	262
Net interest expense (income)	708	(957)	(249)
Subtotal	<u><u>55,021</u></u>	<u><u>(74,030)</u></u>	<u><u>(19,009)</u></u>

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
<b>Remeasurements of the net defined benefit liability (asset):</b>			
Actuarial gains and losses arising from changes in demographic assumptions	509	-	509
Actuarial gains and losses arising from changes in financial assumptions	(6,234)	-	(6,234)
Experience adjustments	(317)	-	(317)
Remeasurements of benefit assets	-	(8,154)	(8,154)
<b>Subtotal</b>	<b>48,979</b>	<b>(82,184)</b>	<b>(33,205)</b>
Payments from the plan	(2,261)	2,261	-
Contributions by employer	-	(9,977)	(9,977)
<b>As of 31 December 2024</b>	<b>\$46,718</b>	<b>\$(89,900)</b>	<b>\$(43,182)</b>

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

	As of	
	31 December	31 December
	2024	2023
Discount rate	1.70%	1.31%
Expected rate of salary increases	3.50%	4.00%

A sensitivity analysis for significant assumption as of 31 December 2024 and 2023 are as shown below:

	Effect on the defined benefit obligation			
	2024		2023	
	Increase	Decrease	Increase	Decrease
Discount rate increase by 0.50%	\$-	\$3,216	\$-	\$3,983
Discount rate decrease by 0.50%	3,494	-	4,347	-
Future salary increase by 0.50 %	3,413	-	4,209	-
Future salary decrease by 0.50%	-	3,177	-	3,902

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.

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

**(10) Equities**

**A. Common stock**

The Company's authorized and issued capital amounted to \$850,000 and \$665,356 as of 31 December 2024 and 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, separately.

**B. Capital surplus**

	As of	
	31 December	31 December
	2024	2023
Premium from common stock issuance	\$1,779,549	\$1,784,638
Employee stock option	92,101	92,101
Increase through changes in ownership interests in subsidiaries	9,364	4,275
Other	9,247	9,247
<b>Total</b>	<b>\$1,890,261</b>	<b>\$1,890,261</b>

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.

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

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

According to existing regulations, when the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

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

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

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

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

Details of the 2024 and 2023 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and share-holders' meeting on 7 March 2025 and 21 June 2024, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NTD)	
	2024	2023	2024	2023
	\$ (65,833)	\$ 63,583		
Special reserve				
Cash dividends-common stock	399,214	252,836	\$6	\$3.8

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

**(11) Operating Revenue**

	For the years ended 31 December	
	2024	2023
Revenue from contracts with customers		
Sale of goods	\$ 3,819,445	\$ 3,399,333
Commission income	49,996	15,711
Premium income	8,835	8,525
Net sales	<u><u>\$ 3,878,276</u></u>	<u><u>\$ 3,423,569</u></u>

Analysis of revenue from contracts with customers during the years ended 31 December 2024 and 2023 are as follows:

**A. Disaggregation of revenue**

	For the years ended 31 December	
	2024	2023
	Taiwan	Taiwan
Sale of goods	\$ 3,819,445	\$ 3,399,333
Commissions	49,996	15,711
Premium income	8,835	8,525
Net sales	<u><u>\$ 3,878,276</u></u>	<u><u>\$ 3,423,569</u></u>

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

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

**B. Contract balances**

**Contract liabilities – current**

	As of		
	31 December	31 December	1 January
	2024	2023	2023
Sales of goods	\$66,955	\$58,066	\$56,396

The significant changes in the Company's balances of contract assets during the years ended 31 December 2024 and 2023 are as follows:

	For the years ended 31 December	
	2024	2023
The opening balance transferred to revenue	\$52,083	\$(49,154)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	60,972	50,824

**C. Transaction price allocated to unsatisfied performance obligations**

None.

**D. Assets recognized from costs to fulfil a contract**

None.

**(12) Expected credit losses / (gains)**

	For the years ended 31 December	
	2024	2023
Operating expenses – Expected credit losses (gains)		
Trade receivables	\$37,112	\$(33,258)

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

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

The Company measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as at 31 December 2024 and 2023 are as follows:

31 December 2024

	Overdue						Total
	Not yet due	<=30 days	31-60 days	61-90 days	91-360 days	>=361 days	
Gross carrying amount	\$681,357	\$228,198	\$580	\$-	\$768	\$41,507	\$952,410
Loss ratio	-	-	0-10%	10-20%	20-50%	100%	
Lifetime expected credit losses	-	-	(58)	-	(384)	(41,507)	(41,949)
Carrying amount	<u>\$681,357</u>	<u>\$228,198</u>	<u>\$522</u>	<u>\$-</u>	<u>\$384</u>	<u>\$-</u>	<u>\$910,461</u>

31 December 2023

	Overdue						Total
	Not yet due	<=30 days	31-60 days	61-90 days	91-360 days	>=361 days	
Gross carrying amount	\$563,720	\$128,533	\$1,279	\$3	\$16	\$4,700	\$698,251
Loss ratio	-	-	0-10%	10-20%	20-50%	100%	
Lifetime expected credit losses	-	-	(128)	(1)	(8)	(4,700)	(4,837)
Carrying amount	<u>\$563,720</u>	<u>\$128,533</u>	<u>\$1,151</u>	<u>\$2</u>	<u>\$8</u>	<u>\$-</u>	<u>\$693,414</u>

The movement in the provision for impairment of note receivables and trade receivables for the years ended 31 December 2024 and 2023 are as follows:

	Note receivables	Trade receivables
Beginning balance at 1 January 2024	\$-	\$4,837
Amount increased for the current period	-	37,112
Ending balance at 31 December 2024	<u>\$-</u>	<u>\$41,949</u>
Beginning balance at 1 January 2023	\$-	\$38,095
Reversal for the current period	-	(33,258)
Ending balance at 31 December 2023	<u>\$-</u>	<u>\$4,837</u>

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

**(13) Lease**

**A. Company as a lessee**

The Company leases various properties, including real estate such as land and buildings, machinery and equipment, transportation equipment and other equipment. The lease terms range from 1 to 5 years. There are no restrictions placed upon the Company by entering into these leases.

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

**(A) Amounts recognized in the balance sheet**

**a. Right-of-use assets**

The carrying amount of right-of-use assets

	As of	
	31 December 2024	31 December 2023
Buildings	\$82	\$1,061
Transportation equipment	-	795
Other equipment	190	353
<b>Total</b>	<b>\$272</b>	<b>\$2,209</b>

During the year ended 31 December 2024 and 2023, the Company's did not increase right-of-use assets.

**b. Lease liabilities**

	As of	
	31 December 2024	31 December 2023
Lease liabilities		
Current	\$253	\$1,974
Non-current	29	281
<b>Total</b>	<b>\$282</b>	<b>\$2,255</b>

Please refer to Note 6 (15)(c) for the interest on lease liabilities recognized during the ended 31 December 2024 and 2023, and refer to Note 12 (5) Liquidity Risk Management for the maturity analysis for lease liabilities.

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

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

Depreciation charge for right-of-use assets

	For the years ended 31 December	
	2024	2023
Buildings	\$979	\$980
Transportation equipment	795	795
Other equipment	163	54
<b>Total</b>	<b>\$1,937</b>	<b>\$1,829</b>

Income and costs relating to leasing activities

	For the years ended 31 December	
	2024	2023
The expenses relating to short-term leases	\$560	\$493

**(C) Cash outflow relating to leasing activities**

During the year ended 31 December 2024 and 2023, the Company's total cash outflows for leases amounted to \$2,561 and \$2,380, respectively.

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

Nature	Function	For the years ended 31 December					
		2024			2023		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense							
Salaries		\$21,025	\$242,104	\$263,129	\$43,288	\$230,230	\$273,518
Labor and health insurance		1,612	20,103	21,715	2,744	21,576	24,320
Pension		778	11,513	12,291	1,342	11,691	13,033
Director's remuneration		-	10,665	10,665	-	6,091	6,091
Others		1,014	5,647	6,661	789	5,694	6,483
Depreciation		3,076	49,140	52,216	7,989	52,946	60,935
Amortization		-	16,884	16,884	-	18,919	18,919

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
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Note 1: The number of employees were 279 and 271 as of 31 December 2024 and 2023, respectively, the number of directors who do not concurrently serve as employees were 8 and 9 people.

Note 2: Average labor cost for the years ended 31 December 2024 and 2023 were \$1,121 and \$1,211, respectively; average salary and bonus for the years ended 31 December 2024 and 2023 were \$971 and \$1,044, respectively; the average salary and bonus decreased by 7% year over year.

The Company's policy for compensation of directors, managers and employees is as follows:

The Company set the policy for directors and employees' compensation in the Company's Articles of Incorporation and established the Remuneration Committee to evaluate and monitor the Company's remuneration system for its directors and executive officers. The Company shall assess the performance of directors and executive officers according to the Rules for Performance Assessment of the Board of Directors and the Performance Appraisal for employees of the Company, in order to determine their compensation. An adequate compensation scheme will be calculated by referencing the Company's operation results, future risks, corporate strategies, industry trends and also individual contribution.

The Company developed a comprehensive employee welfare system in accordance with laws, government regulations and regional needs to provide employees with competitive salary and welfare conditions. Employees' compensation includes monthly salary, bonus based on operation performance, and the compensation based on the Company's earnings performance as provided in the Articles of Incorporation. The Company conducts a performance evaluation of all employees every year to understand their job performance and uses such information as a reference for promotions, training and compensation distribution.

According to the Articles of Incorporation, 2% to 6% of profit of the current year is distributable as employees' compensation and no more than 4% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the board of directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
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The Company recognized the employees' compensation and remuneration to directors as employee benefits expense based on profit of current year. If the board of directors resolved to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day prior to the date of resolution. The difference between the estimates and the figures resolved at shareholders' meeting will be recognized in profit or loss of the subsequent year. The details of employees' compensation and remuneration to directors for the years ended 31 December 2024 and 2023 are as follows:

	For the years ended 31 December	
	2024	2023
Employees' compensation	\$20,000	\$12,000
Remuneration to directors	8,250	4,000

A resolution was passed at a board of directors meeting held on 7 March 2025 to distribute \$20,000 and \$8,250 in cash as the employee's compensation and remuneration to directors of 2024, 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 2024.

No material differences existed between the estimated amount and the actual distribution of the employees' compensation and remuneration to directors for the year ended 31 December 2023.

**(15) Non-operating income and expenses**

**A. Other income**

	For the years ended 31 December	
	2024	2023
Interest income	\$24,344	\$22,832
Rental revenue	2,057	2,057
Others	39,411	44,669
<b>Total</b>	<b>\$65,812</b>	<b>\$69,558</b>

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
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**B. Other gains and losses**

	<u>For the years ended 31 December</u>	
	<u>2024</u>	<u>2023</u>
Foreign exchange gains, net	\$48,880	\$2,131
Gains on disposal of property, plant and equipment	122	551
Net gains on financial assets at fair value through loss or profit	-	8,775
Others	-	(129)
<b>Total</b>	<b>\$49,002</b>	<b>\$11,328</b>

**C. Financial costs**

	<u>For the years ended 31 December</u>	
	<u>2024</u>	<u>2023</u>
Interest on loans from bank	\$10,719	\$16,087
Interest on lease liabilities	28	60
<b>Total</b>	<b>\$10,747</b>	<b>\$16,147</b>

**(16) Components of other comprehensive income**

**A. For the year ended 31 December 2024**

	Arising during the period	Current reclassification adjustment	comprehensive income, net of tax	Income tax effect	Other comprehensiv e income, net of tax
<b>Not to be reclassified to profit or loss in subsequent periods:</b>					
Remeasurements of defined benefit plans	\$14,196	\$-	\$14,196	\$(2,839)	\$11,357
<b>To be reclassified to profit or loss in subsequent periods:</b>					
Exchange differences resulting from translating the financial statements of a foreign operation	81,084	-	81,084	(16,458)	64,626
<b>Total of other comprehensive income</b>	<b>\$95,280</b>	<b>\$-</b>	<b>\$95,280</b>	<b>\$(19,297)</b>	<b>\$75,983</b>

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

**B. For the year ended 31 December 2023**

	Arising during the period	Current reclassification adjustment	comprehensive income, net of tax	Other comprehensive income, net of tax	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					
	<u>(80,906)</u>	<u>-</u>	<u>(80,906)</u>	<u>15,896</u>	<u>(65,010)</u>
Total of other comprehensive income					
	<u><u>\$69,940</u></u>	<u><u>\$-</u></u>	<u><u>\$69,940</u></u>	<u><u>\$13,703</u></u>	<u><u>\$(56,237)</u></u>

**(17) Income tax**

The major components of income tax expense are as follows:

**A. Income tax recorded in profit or loss**

	<u>For the years ended 31 December</u>	
	<u>2024</u>	<u>2023</u>
Current income tax expense:		
Current income tax charge	\$41,032	\$25,888
Deferred income tax expense (income):		
Deferred income tax expense (income) related to origination and reversal of temporary differences	31,229	(5,453)
Income tax expense recognized in profit or loss	<u><u>\$72,261</u></u>	<u><u>\$20,435</u></u>

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
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**B. Income tax relating to components of other comprehensive income**

	<u>For the years ended 31 December</u>	
	<u>2024</u>	<u>2023</u>
Deferred income tax expense (income):		
Remeasurements of defined benefit plans	\$2,839	\$2,193
Exchange differences on translation of foreign operations	<u>16,458</u>	<u>(15,896)</u>
Income tax relating to components of other comprehensive income	<u>\$19,297</u>	<u>\$(13,703)</u>

**C. A reconciliation between tax expense and the product of accounting profit multiplied by the Company's applicable tax rate is as follows:**

	<u>For the years ended 31 December</u>	
	<u>2024</u>	<u>2023</u>
Accounting profit before tax from continuing operations	<u>\$525,449</u>	<u>\$273,711</u>
The amount of tax at each statutory income tax rate	\$105,090	\$54,742
Adjustments in respect of current income tax of prior periods	-	(15,000)
Tax effect of revenue exempt from taxation	(33,667)	(27,840)
Tax effect of expenses not deductible for tax purposes	838	586
Corporate income surtax on undistributed retained earnings	-	7,947
Total income tax expenses recorded in profit or loss	<u>\$72,261</u>	<u>\$20,435</u>

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
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**D. Significant components of deferred income tax assets and liabilities are as follows:**

**(A) For the year ended 31 December 2024**

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
<b>Temporary difference</b>				
Unrealized foreign currency exchange gain or loss	\$(13,775)	\$(9,234)	\$-	\$(23,009)
Impairment of accounts receivable	-	6,517	-	6,517
Provision for allowance to reduce inventories to market value	3,003	(583)	-	2,420
Defined benefit liability	995	(1,993)	(2,839)	(3,837)
Reserve for land appreciation tax	(87)	-	-	(87)
Investment income under equity method	(257,908)	(25,394)	-	(283,302)
Revaluations of financial assets at fair value through profit or loss	542	(542)	-	-
Gain recognized in bargain purchase transaction	(16)	-	-	(16)
Exchange differences on translation of foreign operations	<u>79,309</u>	<u>-</u>	<u>(16,458)</u>	<u>62,851</u>
Deferred income tax expense (income)		<u>\$(31,229)</u>	<u>\$(19,297)</u>	
Deferred income tax assets (liabilities)	<u>\$(187,937)</u>			<u>\$(238,463)</u>
<b>The information presented in balance statement</b>				
Deferred income tax assets	<u>\$14,184</u>			<u>\$19,576</u>
Deferred income tax liabilities	<u>\$(202,121)</u>			<u>\$(258,039)</u>

**(B) For the year ended 31 December 2023**

Items	Balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of 31 December
<b>Temporary difference</b>				
Unrealized foreign currency exchange gain or loss	\$(13,540)	\$(235)	\$-	\$(13,775)
Impairment of accounts receivable	4,842	(4,842)	-	-
Provision for allowance to reduce inventories to market value	2,282	721	-	3,003
Defined benefit liability	3,288	(100)	(2,193)	995
Reserve for land appreciation tax	(87)	-	-	(87)
Investment income under equity method	(256,344)	(1,564)	-	(257,908)
Revaluations of financial assets at fair value through profit or loss	(10,931)	11,473	-	542
Gain recognized in bargain purchase transaction	(16)	-	-	(16)
Exchange differences on translation of foreign operations	<u>63,413</u>	<u>-</u>	<u>15,896</u>	<u>79,309</u>
Deferred income tax expense (income)		<u>\$5,453</u>	<u>\$13,703</u>	
Deferred income tax assets (liabilities)	<u>\$(207,093)</u>			<u>\$(187,937)</u>
<b>The information presented in balance statement</b>				
Deferred income tax assets	<u>\$19,938</u>			<u>\$14,184</u>
Deferred income tax liabilities	<u>\$(227,031)</u>			<u>\$(202,121)</u>

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
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(C) As of 31 December 2024 and 2023, deferred tax assets that have not been recognized as they may not be used to offset taxable profits as follows:

None.

(D) As of 31 December 2024 and 2023, the taxable temporary differences of unrecognized deferred tax liabilities associated with investment in subsidiaries as follows:

None.

**E. The assessment of income tax returns**

The tax authorities have assessed income tax returns of the Company through 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 Company by the weighted average number of ordinary shares outstanding during the year.

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

**A. Basic earnings per share**

	<u>For the years ended 31 December</u>	
	<u>2024</u>	<u>2023</u>
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	<u><u>\$453,188</u></u>	<u><u>\$253,276</u></u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u><u>66,536</u></u>	<u><u>66,536</u></u>
Basic earnings per share (NTD)	<u><u>\$6.81</u></u>	<u><u>\$3.81</u></u>

**ZENG HSING INDUSTRIAL CO., LTD.**  
 Notes to Financial Statements (Continued)  
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**B. Diluted earnings per share**

	For the years ended 31 December	
	2024	2023
Profit attributable to ordinary equity holders of the Company (in thousand NTD)	<u><u>\$453,188</u></u>	<u><u>\$253,276</u></u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	66,536	66,536
Effect of dilution:		
Employees' compensation – stock (in thousands)	<u><u>202</u></u>	<u><u>112</u></u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u><u>66,738</u></u>	<u><u>66,648</u></u>
Diluted earnings per share (NTD)	<u><u>\$6.79</u></u>	<u><u>\$3.80</u></u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

**7. RELATED PARTY TRANSACTIONS**

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

Name of the related parties	Nature of relationship of the related parties
Zeng Hsing Industrial Co., Ltd. (VN)	Subsidiary
Shinco Technologies Limited (VN)	Subsidiary
Mitsumichi Industrial Co., Ltd.	Subsidiary
Turvo International Co., Ltd. (Turvo)	Subsidiary
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	Subsidiary
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	Subsidiary
Zhangjiagang Zenghsing Trading Co., Ltd.	Subsidiary
Taiwan Cheer Champ Co., Ltd.	Subsidiary
CHIH-CHENG LIN And Other 20 People	Directors and Deputy General Manager of the Company

**ZENG HSING INDUSTRIAL CO., LTD.**  
 Notes to Financial Statements (Continued)  
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**(2) The Company's significant transactions with related parties**

**A. Sales**

**(A) Commission income**

Transactions of materials and supplies sold to related parties for the years ended 31 December 2024 and 2023 are summarized as follows:

**a. For the year ended 31 December 2024**

Name of Related Parties	Price	Cost	Commission income
Zeng Hsing Industrial Co., Ltd. (VN)	\$476,668	\$432,110	\$44,558
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	47,125	42,454	4,671
Mitsumichi Industrial Co., Ltd.	5,378	5,595	(217)
Taiwan Cheer Champ Co., Ltd.	2,627	2,069	558
	<u>\$531,798</u>	<u>\$482,228</u>	<u>\$49,570</u>

**b. For the year ended 31 December 2023**

Name of Related Parties	Price	Cost	Commission income
Zeng Hsing Industrial Co., Ltd. (VN)	\$245,332	\$228,770	\$16,562
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	46,374	43,074	3,300
Mitsumichi Industrial Co., Ltd.	23,686	28,811	(5,125)
Taiwan Cheer Champ Co., Ltd.	2,434	1,974	460
	<u>\$317,826</u>	<u>\$302,629</u>	<u>\$15,197</u>

Unrealized intercompany profit resulted from the abovementioned transactions amounted to \$4,589 and \$2,545 during 2024 and 2023, respectively. Sales prices and the terms between related parties are not significantly different from any third parties.

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for domestic sales to related parties was month-end 30 to 60 days, while the terms for overseas sales were 90 days from FOB shipping point. The collection period for third party domestic sales was month-end 30 to 60 days, while the terms for overseas sales were 60 to 120 days from FOB shipping point. The outstanding amounts at the end of the year were unsecured, interest-free and must be settled in cash. Accounts receivable from related parties did not have any guarantees.

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 Notes to Financial Statements (Continued)  
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**B. Purchase**

Name of Related Parties	For the years ended 31 December	
	2024	2023
Zeng Hsing Industrial Co., Ltd. (VN)	\$3,105,189	\$2,586,055
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	152,218	242,637
Mitsumichi Industrial Co., Ltd.	30,109	41,362
Zhangjiagang Zenghsing Trading Co., Ltd.	15,194	12,536
Taiwan Cheer Champ Co., Ltd.	5	-
<b>Total</b>	<b>\$3,302,715</b>	<b>\$2,882,590</b>

For the years ended 31 December 2024 and 2023, the payment terms for related parties were same as general supplies, from one to three months.

**C. Accounts receivable**

Name of Related Parties	As of	
	31 December 2024	31 December 2023
Zeng Hsing Industrial Co., Ltd. (VN)	\$85,326	\$55,099
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd.	20,155	4,337
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	12,422	9,653
Mitsumichi Industrial Co., Ltd.	778	363
Taiwan Cheer Champ Co., Ltd.	404	1,188
Shinco Technologies Limited (VN)	32	46
<b>Total</b>	<b>\$119,117</b>	<b>\$70,686</b>

**D. Accounts payable**

Name of Related Parties	As of	
	31 December 2024	31 December 2023
Zeng Hsing Industrial Co., Ltd. (VN)	\$764,288	\$833,300
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	23,515	26,336
Mitsumichi Industrial Co., Ltd.	8,434	7,329
Zhangjiagang Zenghsing Trading Co., Ltd.	995	2,235
Taiwan Cheer Champ Co., Ltd.	-	81
<b>Total</b>	<b>\$797,232</b>	<b>\$869,281</b>

**ZENG HSING INDUSTRIAL CO., LTD.**  
 Notes to Financial Statements (Continued)  
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**E. Premium income**

Name of Related Parties	For the years ended 31 December	
	2024	2023
Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd.	<u>\$8,835</u>	<u>\$8,525</u>

**F. Premium expenses (established as other selling expense)**

	For the years ended 31 December	
	2024	2023
Mitsumichi Industrial Co., Ltd.	<u>\$229</u>	<u>\$785</u>

**G. Key management personnel compensation**

	For the years ended 31 December	
	2024	2023
Short-term employee benefits	\$31,309	\$29,579
Post-employment benefits	472	472
Total	<u>\$31,781</u>	<u>\$30,051</u>

**8. ASSETS PLEDGED AS COLLATERAL**

The following assets were pledged:

	As of		
	31 December	31 December	Secured liabilities
	2024	2023	
Property, Plant and Equipment- building	\$430,216	\$443,449	Bank loan
Property, Plant and Equipment- land	21,075	21,075	Bank loan
Financial assets measured at amortized cost, non-current	200	200	Customs import customs clearance deposit
<b>Total</b>	<b><u>\$451,491</u></b>	<b><u>\$464,724</u></b>	

ZENG HSING INDUSTRIAL CO., LTD.  
 Notes to Financial Statements (Continued)  
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**9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS**

(1) The Company entered into the financial guarantees to related parties: refer to Note 13(1)(b).

**10. SIGNIFICANT DISASTER LOSS**

None.

**11. SIGNIFICANT SUBSEQUENT EVENTS**

None.

**12. OTHERS**

(1) Categories of financial instruments

	As of	
	31 December 2024	31 December 2023
<b><u>Financial Assets</u></b>		
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	\$762,397	\$988,941
Notes and accounts receivable (includes related party)	910,461	693,414
Other receivables	12,375	17,685
Financial assets measured at amortized cost, non-current	200	200
<b><u>Financial Liabilities</u></b>		
Financial liabilities carried at amortized cost:		
Short-term loans	\$450,000	\$370,000
Notes and accounts payables (includes related party)	880,171	959,052
Other payables	110,771	94,563
Long-term loans (including long-term loans due within one year)	192,000	216,000
Lease liability	282	2,255

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Notes to Financial Statements (Continued)  
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**(2) Financial risk management objectives and policies**

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

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

**(3) Market risk**

The market risk of the Company is the risk that the financial instruments will be subject to fluctuations in fair value or cash flows due to changes in market price. 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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

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

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

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Notes to Financial Statements (Continued)  
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- A. When NTD strengthens/weakened against USD by 1%, the profit for the years ended 31 December 2024 and 2023 is decreased/increased by \$7,924 and \$6,516 respectively; and no impact on the equity.
- B. When NTD strengthens/weakened against VND by 1%, there is no impact on the profit for the years ended 31 December 2024 and 2023; and the equity is decreased/increased by \$25,394 and \$23,936, respectively.

Interest rate risk

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

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

The interest rate sensitivity analysis is performed on the borrowings with variable interest rates as of the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate will result in a decrease/increase of \$642 and \$586 for the years ended 31 December 2024 and 2023, 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 Company is exposed to credit risk from operating activities (primarily for trade and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company'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 Company's internal rating criteria, etc. Certain counterparties' credit risk will also be managed by taking credit enhancement procedures, such as requesting for prepayment.

As of 31 December 2024 and 2023, trade receivables from top ten customers represented 77.82% and 85.43% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

**(5) Liquidity risk management**

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

**Non-derivative financial liabilities**

	<u>&lt; 1 year</u>	<u>2 ~ 3 years</u>	<u>4 ~ 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<b>As of 31 December 2024</b>					
Short-term loans	\$451,609	\$-	\$-	\$-	\$451,609
Notes and accounts payables	880,171	-	-	-	880,171
Long-term loans(including current portion)	27,387	53,426	51,630	74,077	206,520
Lease liability	253	29	-	-	282
<b>As of 31 December 2023</b>					
Short-term loans	\$371,336	\$-	\$-	\$-	\$371,336
Notes and accounts payables	959,052	-	-	-	959,052
Long-term loans(including current portion)	27,565	53,877	52,208	99,408	233,058
Lease liability	2,001	284	-	-	2,285

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

**(6) Reconciliation of liabilities arising from financing activities**

Reconciliation of liabilities for the year ended 31 December 2024:

	Short-term				Total liabilities from financing activities
	Short-term loans	notes and bills payable	Long-term loans	Lease liability	
As of 1 January 2024	\$370,000	\$-	\$216,000	\$2,255	\$588,255
Cash flow	80,000	-	(24,000)	(1,973)	54,027
Non-cash changes	-	-	-	-	-
As of 31 December 2024	<u><u>\$450,000</u></u>	<u><u>\$-</u></u>	<u><u>\$192,000</u></u>	<u><u>\$282</u></u>	<u><u>\$642,282</u></u>

Reconciliation of liabilities for the year ended 31 December 2023:

	Short-term				Total liabilities from financing activities
	Short-term loans	notes and bills payable	Long-term loans	Lease liability	
As of 1 January 2023	\$1,348,000	\$-	\$240,000	\$4,082	\$1,592,082
Cash flow	(978,000)	-	(24,000)	(1,827)	(1,003,827)
Non-cash changes	-	-	-	-	-
As of 31 December 2023	<u><u>\$370,000</u></u>	<u><u>\$-</u></u>	<u><u>\$216,000</u></u>	<u><u>\$2,255</u></u>	<u><u>\$588,255</u></u>

**(7) Fair value of financial instruments**

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

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

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

**ZENG HSING INDUSTRIAL CO., LTD.**  
Notes to Financial Statements (Continued)  
(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

- (B) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures, etc.) at the reporting date.
- (C) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (D) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- (E) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

**B. Fair value of financial instruments measured at amortized cost**

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

**C. Fair value measurement hierarchy for financial instruments**

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

**(8) Fair value measurement hierarchy**

**(a) Fair value measurement hierarchy**

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

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

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

**Level 3 – Unobservable inputs for the asset or liability**

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

**(b) Fair value measurement hierarchy of the Company's assets and liabilities**

The Company does not have assets that are measured at fair value on a non-recurring basis.

**(c) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed.**

As of 31 December 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6. (6))	\$-	\$-	\$86,482	\$86,482

As of 31 December 2023

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets not measured at fair value but for which the fair value is disclosed:				
Investment property (Note 6. (6))	\$-	\$-	\$84,485	\$84,485

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

**(9) Significant assets and liabilities denominated in foreign currencies**

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

	31 December 2024			31 December 2023			Unit: Thousands
	Exchange			Exchange			
	Foreign Currency	rate	NTD	Foreign Currency	rate	NTD	
<b>Financial assets</b>							
<b>Monetary item:</b>							
USD	\$48,504	32.781	\$1,590,010	\$50,408	30.735	\$1,549,290	
 <b>Investment using the equity method</b>							
VND	1,974,668,522	0.001286	2,539,424	1,887,733,118	0.001268	2,393,646	
 <b>Financial liabilities</b>							
<b>Monetary item:</b>							
USD	24,331	32.781	797,595	29,207	30.735	897,677	

Due to the large number of functional currencies used in the Company, it's impossible to disclose foreign exchange gains and losses on the basis of each monetary item which has significant impact. The Company recognized \$48,880 and \$2,131 for foreign exchange gains for the years ended 31 December 2024 and 2023, respectively.

**(10) Capital management**

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

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

**13. ADDITIONAL DISCLOSURES**

**(1) Information on significant transactions**

- A. Financing provided: none.
- B. Endorsement/guarantee provided:

(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 drawn	Amount of collateral guarantee/ endorsement backed by property	Ratio of accumulated amount of guarantee to net equity of the most recent financial statements	Maximum guarantee limit (Note 4)	Parent company to subsidiary	Subsidiary to parent company	To Mainland China
		Company nam	Relationship (Note 2)										
0	Zeng Hsing Industrial CO., LTD. (VN)	Zeng Hsing Industrial CO., Ltd.	(2)	\$1,669,531	\$1,245,678 (USD38,000,000)	\$967,040 (USD29,500,000)	\$-	\$-	17.38%	\$2,226,042	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.

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

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.

- C. Securities held at the end of the period (excluding investment subsidiaries, affiliates and joint-venture controlling interests):  
none.
- D. Marketable securities acquired or disposed of that cost or amounted to at least \$300 million or 20% of the paid-in capital: 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.

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

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

Company Name	Counter-party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)	Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Purchases	\$3,105,189	37.24%	There is no difference with other clients	Regular	Regular	Accounts payable \$(764,288)	(43.25%)
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	1	Sales (Note 1)	\$476,668	5.72%	There is no difference with other clients	Regular	Regular	Accounts receivable \$85,326	4.83%
Zeng Hsing Industrial CO., Ltd.	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	1	Purchases	\$152,218	1.83%	There is no difference with other clients	Regular	Regular	Accounts payable \$(23,515)	(1.33%)

Note 1: The Company reported the net sales of triangle trade and recognized commission of \$44,558 for the year ended 31 December 2024.

**H. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: none.**

**I. Information about derivatives of investees over which the Company has a controlling interest: none.**

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

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

**(2) Information on investees**

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

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as at 31 December 2024			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2024	31 December 2023	Shares	Percentage of Ownership	Carrying Value			
Zeng Hsing Industrial CO., Ltd.	Zeng Hsing Industrial Co., Ltd. (BVI)	P.O . Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Trading and holding company	\$347,437 (USD 10,250,000)	\$451,329 (USD 13,500,000)	10,250	100%	\$470,081	\$17,830	\$18,239	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%	\$132,736	\$(735)	\$(735)	
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)	64,700	100%	\$-	\$(3,639)	\$(3,639)	
Zorca Worldwide Ltd.	Taiwan Cheer Champ Co., Ltd.	New Taipei City, Taiwan	Selling household sewing machines	\$-	\$185,452 (USD 6,365,194)	-	-%	\$-	\$(2,881)	\$(2,965)	
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%	\$24,873	\$(1,565)	\$(1,565)	
Jetsun Technology Co., Ltd (Seychelles)	Jetsun Technology Company Limited	Bing Doung, Vietnam	Research and design of filtration equipment	\$39,494 (USD 1,204,000)	\$39,494 (USD 1,204,000)	-	100%	\$24,873	VND (1,221,461,922)	\$(1,565)	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	Bing Doung, Vietnam	Manufacturing household sewing machines	\$1,201,379 (USD 40,000,000)	\$1,201,379 (USD 40,000,000)	-	100%	\$2,229,798	VND 112,846,434,065	\$144,556	
Zeng Hsing Industrial CO., Ltd.	Shinco Technologies Limited (VN)	Bing Doung, Vietnam	Material diecasting of metal of aluminum, zinc and magnesium alloy.	\$347,158 (USD 11,173,331)	\$347,158 (USD 11,173,331)	-	100%	\$305,039	VND 21,177,539,425	\$27,129	
Zeng Hsing Industrial CO., Ltd.	Taiwan Carbon Technology CO., Ltd.	Taichung, Taiwan	Manufacturing carbon fiber, fire resistant fiber and related products.	\$13,317	\$13,317	1,774,999	19.53%	\$31,027	\$37,178	\$7,261	
Zeng Hsing Industrial CO., Ltd.	Mitsumichi industrial CO. Ltd	Taichung, Taiwan	Manufacturing household sewing machines	\$31,330	\$31,330	1,378,000	53.00%	\$46,393	\$10,692	\$5,667	
Zeng Hsing Industrial CO., Ltd.	Taiwan Cheer Champ Co., Ltd.	New Taipei City, Taiwan	Selling household sewing machines	\$88,631 (USD2,740,000)	-15,421,630	85.68%	\$83,841	\$(2,881)	\$299		

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

Investor Company	Investee Company	Location	Main businesses and products	Original investment amount		Balance as at 31 December 2024			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Notes
				31 December 2024	31 December 2023	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)	\$55,716 (USD 1,950,000)	15,000	30%	\$52,974	\$(9,401)	\$(2,787)	
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 component	\$140,404 (USD 4,700,000)	\$140,404 (USD 4,700,000)	-	100%	\$174,484	VND (7,554,537,646)	\$(9,677)	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Vietnam Trading 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%	\$27,489	VND (1,251,504,701)	\$(1,603)	
Zeng Hsing Industrial CO., Ltd.	Turvo International Co., Ltd.	Taichung, Taiwan	Manufacturing precision parts for automotive and industrial applications	\$1,966,518	\$1,837,240	15,367,000	25.49%	\$1,946,558	\$657,896	\$152,561	
Turvo International Co., Ltd.	TIPO International Co., Ltd. (Samoa)	Samoa	Merchandising-sector	\$946,313 (USD31,133,211)	\$946,313 (USD31,133,211)	31,133,211	100%	\$3,212,101	\$536,545 (Note2)	\$540,520 (Note 3)	subsidiary
Turvo International Co., Ltd.	T&M Joint (Cayman) Holding Co., LTD.	Cayman Islands	Financial investment	\$61,760 (USD2,045,753)	\$61,760 (USD2,045,753)	4,912,749	35.71%	\$4,406	\$(4,872) (Note2)	\$(1,741) (Note 3)	subsidiary
Turvo International Co., Ltd.	TUF Technology CO., LTD.	Taiwan	Merchandising-sector	\$900	\$900	90,000	100%	\$867	\$1 (Note2)	\$1 (Note 3)	subsidiary
TIPO INTERNATIONAL CO., LTD. (SAMOA)	Hong-Kong Xin-Feng Co., Ltd [HK Xin-Feng]	Hong Kong	Financial investment	216,811 (USD7,133,211 HKD220,000)	216,811 (USD7,133,211 HKD220,000)	-	100%	\$1,804,720	\$382,879 (Note2)	Incorporated into subsidiary (Note 3)	Second-tier subsidiary
T&M Joint (Cayman) Holding Co., LTD	Matec Southeast Asia (Thailand) Co., Ltd.	Thailand	Manufacturing forging spare parts	204,635 (USD6,606,203)	204,635 (USD6,606,203)	216,276	99.99%	\$15,121	\$(4,258) (Note2)	Incorporated into subsidiary (Note 3)	Second-tier subsidiary

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

Note 2: The investment gains and losses recognized this period incurred by investees included the gains and losses on reinvestment.

Note 3: The investment gains and losses recognized this period included the investment gains and losses from downstream transactions.

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

**B. Information about major transactions of investee companies with controlling power**

**(A) Financing provided:**

No. (Note 1)	Lender	Borrower	Related Parties	Financial Statement Account	Maximum Balance for the Period	Ending Balance (By resolution of the Board of Directors) (Note 2)	Amount Actually Drawn	Interest Rate (%)	Nature of loan	Transaction amount	Reasons for short-term financing	Allowance for doubtful accoun	Collateral		Financing limits for a single borrowing company	Limits on total loans granted
													Item	Value		
1	Turvo International Co., Ltd.	TIPO International Co., Ltd.	Yes	Other receivable-related parties	\$196,686	\$131,124	\$-	NA	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$404,714 (Note 3)	\$1,618,859 (Note 3)
1	Turvo International Co., Ltd.	T&M Joint (Cayman) Holding Co., LTD.	Yes	Other receivable-related parties	\$5,737	\$2,950	\$2,786	NA	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$404,714 (Note 3)	\$1,618,859 (Note 3)
2	Turvo International Co., Ltd.	Matec Southeast Asia (Thailand) Co., Ltd.	Yes	Other receivable-related parties	\$129,168	\$71,760	\$28,704	3.0%~3.5%	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$404,714 (Note 3)	\$1,618,859 (Note 3)
2	Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd.	Turvo International Co., Ltd.	Yes	Other receivables-related parties	\$319,221	\$319,221	\$-	NA	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$4,047,148 (Note 4)	\$4,047,148 (Note 4)
3	Zhejiang Yu-Zuan Precision Component Co., Ltd.	Turvo International Co., Ltd.	Yes	Other receivables-related parties	\$319,221	\$319,221	\$-	NA	Short-term loan	Not applicable	Operating purposes	\$-	-	\$-	\$4,047,148 (Note 4)	\$4,047,148 (Note 4)

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 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 4: Turvo International Co., Ltd. direct or indirect holds 100% voting shares of a foreign company and engages in financing with Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd. and Zhejiang Yu-Zuan Precision Component Co., Ltd., or where the foreign company in which Turvo International Co., Ltd. direct or indirect holds 100% voting shares engages in financing with Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd. and Zhejiang Yu-Zuan Precision Component Co., Ltd., the financing amount is not exceed 40% of the net equity of the lender but is exceed 100% of the net equity of the borrower.

**ZENG HSING INDUSTRIAL CO., LTD.**

Notes to Financial Statements (Continued)

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

(B) Endorsement/guarantee provided: none.

(C) Securities held at the end of the period (excluding investment subsidiaries, affiliates and joint-venture controlling interests) : 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	Counter-party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Sales	\$3,105,189	37.24%	There is no difference with other clients	Regular	Regular	Accounts receivable \$764,288	43.25%	
Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd.	Turvo International Co., Ltd.	3	Sales	\$601,147	7.21%	There is no difference with other clients	Regular	Regular	Other receivables \$105,723	5.98%	
Turvo International Co., Ltd.	Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd.	3	Purchases	\$601,147	7.21%	There is no difference with other clients	Regular	Regular	Other payables \$(105,723)	(5.98%)	
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	2	Purchases	\$476,668	5.72%	There is no difference with other clients	Regular	Regular	Accounts payable \$(85,326)	(4.83%)	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	3	Sales	\$223,125	2.68%	There is no difference with other clients	Regular	Regular	Accounts receivable \$24,843	1.41%	
Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing]	Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	3	Purchases	\$223,125	2.68%	There is no difference with other clients	Regular	Regular	Accounts payable \$(24,843)	(1.41%)	

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

Company Name	Counter-party	Nature of Relationship (Note 1)	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	% to Total	Term	Unit price	Term	Balance	% to Total	
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd. [Zhangjiagang]	Zeng Hsing Industrial CO., Ltd.	2	Sales	\$152,218	1.83%	There is no difference with other clients	Regular	Regular	Accounts receivable \$23,515	1.33%	
Zhejiang Yu-Zuan Precision Component Co., Ltd.	Turvo International Co., Ltd.	3	Sales	\$195,761	2.35%	There is no difference with other clients	Regular	Regular	Accounts receivable \$48,328	2.73%	
Turvo International Co., Ltd.	Zhejiang Yu-Zuan Precision Component Co., Ltd.	3	Purchases	\$195,761	2.35%	There is no difference with other clients	Regular	Regular	Accounts payable \$(48,328)	(2.73%)	
Zhangjiagang Zenghsing Trading Co., Ltd.	Zeng Hsing Industrial CO., Ltd. (VN)	3	Sales	\$148,314	1.78%	There is no difference with other clients	Regular	Regular	Accounts receivable \$23,394	1.32%	
Zeng Hsing Industrial CO., Ltd. (VN)	Zhangjiagang Zenghsing Trading Co., Ltd.	3	Purchases	\$148,314	1.78%	There is no difference with other clients	Regular	Regular	Accounts payable and other payables \$(23,394)	(1.32%)	

Note 1: "1" represents the transactions from the parent company to a subsidiary.

"2" represents the transactions from a subsidiary to the parent company.

"3" represents the transaction between subsidiaries.

**(H) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital:**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue receivables		Amounts Received in Subsequent Period	Loss allowance	Note
					Amount	Action Taken			
Zeng Hsing Industrial CO., Ltd. (VN)	Zeng Hsing Industrial CO., Ltd.	Subsidiary	\$764,288	3.89	\$-	-	\$222,987	\$-	accounts receivable-customers

**(I) Information about derivatives of investees over which the Company has a controlling interest: none.**

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

**(3) Information on investment in Mainland China**

**A. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee:**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2024	Percentage of Ownership	Equity in Earnings (Losses) (Note 1)	Carrying Value as of 31 December 2024	Accumulated Inward Remittance of Earnings as of 31 December 2024
					Outflow	Inflow					
Zhangjiagang Zenghsing Machinery & Electronics CO., Ltd.	Manufacturing and selling household sewing machines, vacuum cleaners and spare parts	USD 3,250,000	Indirect investments through Zeng Hsing (BVI)	\$103,024 (USD 2,603,039)	\$-	\$103,024 (USD 2,603,039) (Note 5)	\$-	100%	\$19,949	\$294,721	\$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 4,521,310	RMB 26,885,992	RMB 26,251,891
Zhangjiagang Zenghsing Trading Co., Ltd.	Selling household sewing machines and spare parts	RMB 1,000,000	Indirect investments through Zeng Hsing (BVI)	\$-	\$-	\$-	\$-	100%	RMB 2,581,717	RMB 8,106,348	RMB 9,197,561

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of 1 January 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2024	Percentage of Ownership	Equity in Earnings (Losses) (Note 1)	Carrying Value as of 31 December 2024	Accumulated Inward Remittance of Earnings as of 31 December 2024
					Outflow	Inflow					
Shanghai Debra Trading Company Limited	Selling household sewing machines and spare parts	Unregister for this period	Indirect investments through Zeng Hsing (BVI)	\$-	\$-	\$-	\$-	100%	RMB 9,653	\$-	\$-
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)	Turvo International Co., LTD.	\$230,289 (USD 7,120,536)	\$-	\$-	\$230,289 (USD 7,120,536)	100%	\$382,645	\$1,800,850	\$717,836
Zhejiang Yu-Zuan Precision Component Co., Ltd.	Producing and selling computer, medical equipment, optics, automobile, photoelectric, precision hardware and other parts	USD 28,000,000 (Note 6)	Turvo International Co., LTD.	\$686,956 (USD 23,000,000)	\$-	\$-	\$686,956 (USD 23,000,000)	100% (Note 6)	\$119,665	\$1,328,954	\$-

**ZENG HSING INDUSTRIAL CO., LTD.**  
**Notes to Financial Statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)**

Accumulated investment in Mainland China as of 31 December 2024		Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment(Note4)
Zeng Hsing Industrial CO., Ltd.	\$14,931 (USD 500,000)	\$153,298 (Note2) (USD 4,098,355)	\$3,339,063
Turvo International Co., Ltd. (Turvo)	\$917,245 (USD 30,120,536)	\$917,245 (USD 30,120,536)	\$2,428,288

Note 1: The financial statement was recognized based on the financial statements of the investee company reviewed by independent accountants.

Note 2: Investment amounts authorized by the Investment Commission, MOEA were \$153,298 (USD 4,098,355). 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: Capital reduction amounts authorized by the Investment Commission, MOEA were \$104,936 (USD 3,250,000), which includes retained earnings reinvested as capital from China investment enterprises amounting to \$1,912 (USD 646,961).

Note 6: 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 2024, 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 2024.

**Zeng Hsing Industrial Co., Ltd**

**Statements of Major Accounting Item**

**For the year ended 31 December 2024**

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Zeng Hsing Industrial Co., Ltd.

1. Statement of cash and cash equivalents

31 December 2024

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

Item	Abstract	Amount	Note
Petty cash		\$423	
Cash in banks			
Checking account deposits		4,399	
Demand deposits - New Taiwan dollars		114,671	
Demand deposits - Foreign currency	USD 14,483,351 JPY 10,996 CNY 355,735 EUR 48,235 USD 5,041,305	478,068 165,259	Period: 2024/12/20-2025/02/07 Rate: 4.70% -4.75%
Repurchase agreements			
Total		<u><u>\$762,820</u></u>	

Zeng Hsing Industrial Co., Ltd.

2. Statement of accounts receivable

31 December 2024

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

Client	Description	Amount	Note
Related parties			
Zeng Hsing Industrial Co., Ltd. (VN)	\$85,326		
Others (Note)	<u>33,791</u>	\$119,117	
Non-related parties			
A company	\$624,767		
Others (Note)	208,526		
Less: Loss allowance	<u>(41,949)</u>	791,344	
Total		<u>\$910,461</u>	

(Note) The amount of individual client included in others does not exceed 5% of the account balance.

Zeng Hsing Industrial Co., Ltd.

3. Statement of inventories, net

31 December 2024

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

Item	Cost	Net Realizable Value	Note
Raw materials	\$20,363	\$23,661	
Work in progress	-	-	
Semi-finished goods	3,638	4,683	
Finished goods	4,512	7,883	
Total	28,513	<u>\$36,227</u>	
Less: Allowance for inventory valuation	<u>(12,100)</u>		
Net	<u>\$16,413</u>		

Zeng Hsing Industrial Co., Ltd.

4. Statement of changes in investments accounted for using equity method

31 December 2024

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

Name of Company	Balance as of 1 January 2023		Dividend Repatriation	Additions (Note 1)		Decrease (Note 1)		Unrealized Gross Profit on Intercompany Sales Among Affiliates	Investment Income Recognized for the Current Period	cumulative translation adjustments	Others	Balance as of 31 December 2024			Net equity worth	Method of valuation	Guarantee
				Shares	Amount	Shares	Amount					Shares	%	Amount			
	Shares	Amount		Shares	Amount	Shares	Amount					Shares	%	Amount			
Zeng Hsing Industrial Co., Ltd. (VN)	-	\$2,057,738	\$-	-	\$-	-	\$-	\$(2,303)	\$144,556	\$29,807	\$-	-	100%	\$2,229,798	\$2,234,385	Equity method	None
Turvo International Co., Ltd.	14,444,000	1,772,396	(80,449)	923,000	129,278	-	-	-	152,561	31,901	(59,129)	15,367,000	25.49%	1,946,558	4,047,148	Equity method	None
ZENG HSING INDUSTRIAL CO., LTD. (BVI)	20,000	535,781	-	-	-	(9,750)	(103,892)	259	18,239	14,605	5,089	10,250	100%	470,081	469,084	Equity method	None
Shinco Technologies Limited (VN)	-	333,540	(59,760)	-	-	-	-	-	27,129	4,130	-	-	100%	305,039	305,039	Equity method	None
FOREMOST GULF INTERNATIONA LTD. (BVI)	15,000	55,120	-	-	-	-	-	-	(2,787)	641	-	15,000	30%	52,974	176,581	Equity method	None
Mitsumichi Industrial Co., Ltd.	1,378,000	51,750	(11,024)	-	-	-	-	-	5,667	-	-	1,378,000	53%	46,393	85,305	Equity method	None
Taiwan Carbon Technology Co., Ltd.	1,774,999	27,316	(3,550)	-	-	-	-	-	7,261	-	-	1,774,999	19.53%	31,027	158,870	Equity method	None
Cheer Champ Co., Ltd.	-	-	-	15,421,630	88,631	-	-	-	299	-	(5,089)	15,421,630	85.68%	83,841	97,854	Equity method	None
Total		\$4,833,641	\$(154,783)		\$217,909										\$5,165,711		

Please refer to Note 6.4 of the financial statements for details on the changes during the period regarding investments accounted for using the equity method.

Zeng Hsing Industrial Co., Ltd.

5. Statement of short-term loans

31 December 2024

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Type	Lenders	Ending balance	Contract Period	Range of Interest Rates (%)	Credit limit	Guarantee	Remark
Unsecured loan	Chang Hwa Bank - Business Department	\$125,000	2024.09.27-2025.05.29	1.725%	\$250,000	None	
Unsecured loan	Citibank	170,000	2024.12.12-2025.03.12	1.78%	USD12,800 thousand	None	
Unsecured loan	Taishin Bank	125,000	2024.12.25-2025.01.24	1.78%	300,000	None	
Unsecured loan	Bank of Taiwan - Taichung Branch	20,000	2024.11.29-2025.02.27	1.78%	300,000	None	
Unsecured loan	Bank Sinopac	10,000	2024.12.31-2025.02.20	1.825%	300,000	None	
Total		<u><u>\$450,000</u></u>					

Zeng Hsing Industrial Co., Ltd.

6. Statement of accounts payable

31 December 2024

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Client	Description	Amount	Note
Company A	Payment for raw materials	\$21,939	
Company B	Payment for raw materials	7,757	
Company C	Payment for raw materials	4,528	
Company D	Payment for raw materials	4,504	
Company E	Payment for raw materials	4,387	
Others (Note)	Payment for raw materials	39,167	
Total		<u>\$82,282</u>	

(Note) The amount of individual client included in others does not exceed 5% of the account balance.

Zeng Hsing Industrial Co., Ltd.

7. Statement of current income tax liabilities

31 December 2024

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Description	Amount	Note
Beginning balance of income taxes payable	\$40,058	
Add: Current income tax	41,032	
Less: Payment for the current period	(49,666)	
Income tax payable at the end of the period	<u><u>\$31,424</u></u>	

Zeng Hsing Industrial Co., Ltd.

8. Statement of other accounts payable

31 December 2024

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Description	Amount	Note
Salaries and bonuses payable	\$59,030	
Employee and director remuneration payable	28,250	
Insurance premiums payable	1,746	
Service fees payable	2,975	
Commissions payable	2,286	
Others	<u>16,484</u>	
Total	<u><u>\$110,771</u></u>	

Zeng Hsing Industrial Co., Ltd.

9. Statement of net operating income

For the year ended 31 December 2024

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Item	Number of units	Amount	Note
Sewing machines	1,743,574	\$3,584,391	The number of units has been reflected in the net sales returns amount.
Vacuum cleaners	32,543	93,539	
Spare parts		79,786	
Commission income		49,996	
Premium income		8,835	
Others		<u>64,624</u>	
Total		3,881,171	
Less: Sales returns		(2,536)	
Sales allowances		<u>(359)</u>	
Net operating revenue		<u><u>\$3,878,276</u></u>	

Zeng Hsing Industrial Co., Ltd.

10. Statement of operating cost

For the year ended 31 December 2024

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Item	Amount
<b>A. Cost of sales of goods manufactured</b>	
Direct materials: Beginning balance of raw material	\$42,421
Add: Raw material purchased	400,454
Miscellaneous inventory	311
Less: Sale of raw materials	(353,989)
Transferred to sample expenses	(95)
Scraps	(1,394)
Inventory loss	(4)
Raw materials, end of the year	(20,363)
	<hr/>
Raw material consumption	67,341
Beginning inventory of semi-finished goods	3,956
Add: Net purchases of semi-finished goods during the period	66,167
Inventory gain	1
Less: Sale of semi-finished goods	(63,991)
Miscellaneous usage	(96)
Scraps	(195)
Ending inventory of semi-finished goods	(3,638)
	<hr/>
Cost of finished goods	2,204
Raw materials consumed during the period	69,545
Add: Beginning work in progress	232
Direct labor	15,475
Manufacturing expenses (Statement 11)	16,118
Outsourcing processing costs	8,212
Less: Ending work in progress	-
	<hr/>
Manufacturing costs	109,582
Add: Beginning finished goods	86
Purchases during the period	1,142
Less: Transferred to sample expenses	(15)
Miscellaneous usage	(90)
Scraps	(4)
Ending inventory of semi-finished goods	-
	<hr/>
Cost of sales of goods manufactured	110,701

Zeng Hsing Industrial Co., Ltd.

10. Statement of operating cost(Continued)

For the year ended 31 December 2024

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Item	Amount
<b>B. Cost of goods sold for purchased goods</b>	
Add: Beginning inventory of purchased goods	10,943
Purchases during the period	3,276,818
Less: Transferred to sample expenses	(35)
Miscellaneous usage	(1,636)
Scraps	-
Ending inventory	(4,512)
Cost of goods sold for purchased goods	<u>3,281,578</u>
<b>C. Other costs</b>	
Cost of raw materials and semi-finished goods sold	417,980
Sales cost deductions (Note)	(482,228)
Sales cost – Scrap revenue	(24)
Sales cost – Scrap	1,593
Sales cost – Inventory valuation	(2,913)
Inventory gain	(1)
Inventory loss	4
Operating costs	<u><u>\$3,326,690</u></u>

Note: Cost of raw materials sold that were purchased from related parties.

Zeng Hsing Industrial Co., Ltd.

11. Statement of manufacturing expenses

For the year ended 31 December 2024

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Item	Amount	Note
Indirect labor	\$6,328	
Depreciation	3,076	
Insurance premiums	1,612	
Entertainment expenses	1,499	
Taxes	1,108	
Utilities expense	1,065	
Other expenses (Note)	1,430	
Total	<u><u>\$16,118</u></u>	

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

Zeng Hsing Industrial Co., Ltd.

12. Statement of operating expenses

For the year ended 31 December 2024

(Expressed in Thousands of New Taiwan Dollars unless otherwise specified)

Item	Sells and marketing expenses	Management and administrative expense	Research and development expense	Expected credit loss impairment	Total	Note
Salary	\$55,656	\$105,802	\$80,646	\$-	\$242,104	
Depreciation	1,674	46,125	1,341	-	49,140	
Amortization	1,089	13,484	2,311	-	16,884	
Commissions	11,761	-	-	-	11,761	
Insurance	5,507	9,646	7,234	-	22,387	
Service fees	1,619	11,534	3,408	-	16,561	
Others (Note)	20,579	44,731	19,826	37,112	122,248	
Total	<u>\$97,885</u>	<u>\$231,322</u>	<u>\$114,766</u>	<u>\$37,112</u>	<u>\$481,085</u>	

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