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ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS**

**FOR THE THREE-MONTH PERIODS ENDED
31 MARCH 2025 AND 2024**

Notice to readers:

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

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INDEPENDENT AUDITORS' REVIEW REPORT

☐ Review Report of Independent Accountants Translated from Chinese

To ZENG HSING INDUSTRIAL CO., LTD.

Introduction

We have reviewed the accompanying consolidated balance sheets of Zeng Hsing Industrial Co., Ltd. (the "Company") and its subsidiaries as of 31 March 2025 and 2024, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended 31 March 2025 and 2024, and notes to the consolidated financial statements, including the summary of material accounting policies (together "the consolidated financial statements"). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements of certain insignificant subsidiaries were not reviewed by independent auditors. Those statements reflected total assets of NTD 825,163 thousand and NTD 811,906 thousand, constituting 6.20% and 6.48% of the consolidated total assets, and total liabilities of NTD 169,918 thousand and NTD 192,819 thousand, constituting 3.90% and 5.38% of the consolidated total liabilities as of 31 March 2025 and 2024, respectively; and total comprehensive income of NTD (55,320) thousand and NTD (61,288) thousand, constituting (27.73)% and (18.37)% of the consolidated comprehensive income for the three-month periods ended 31 March 2025 and 2024, respectively. The financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent auditors. Those associates' and joint ventures' investments under equity method amounted to NTD 114,766 thousand and NTD 111,460 thousand as of 31 March 2025 and 2024, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NTD 173 thousand and NTD (395) thousand for the three-month periods ended 31 March 2025 and 2024, respectively. The information related to the above subsidiaries, and associates and joint ventures accounted for under the equity method disclosed in Note 13 was also not reviewed by independent auditors.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant subsidiaries, associates and joint ventures accounted for using equity method been reviewed by independent auditors described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at 31 March 2025 and 2024, and their consolidated financial performance and cash flows for the three-month periods ended 31 March 2025 and 2024, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Huang, Ching Ya

Lo, Wen Chen

Ernst & Young, Taiwan
9 May 2025

Notice to Readers

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 March 2025, 31 December 2024 and 31 March 2024

(Expressed in Thousands of New Taiwan Dollars)

| Assets | Notes | As of | | | | | |
|--|--------------------|---------------|-----|------------------|-----|---------------|-----|
| | | 31 March 2025 | | 31 December 2024 | | 31 March 2024 | |
| | | Amount | % | Amount | % | Amount | % |
| Current Assets | | | | | | | |
| Cash and cash equivalents | 4, 6(1), 12 | \$2,454,036 | 19 | \$2,279,804 | 17 | \$2,986,277 | 24 |
| Financial assets measured at amortized cost, current | 4, 6(2), 8, 12 | 719,162 | 5 | 551,236 | 4 | 413,744 | 3 |
| Accounts receivable, net | 4, 6(3), 6(13), 12 | 1,651,402 | 12 | 1,767,318 | 14 | 1,437,481 | 12 |
| Other receivables | 12 | 91,546 | 1 | 82,464 | 1 | 91,740 | 1 |
| Inventories, net | 4, 6(4) | 1,563,988 | 12 | 1,621,789 | 12 | 1,302,719 | 10 |
| Prepayments | | 51,944 | - | 50,710 | - | 56,517 | - |
| Other current assets | | 171,406 | 1 | 140,838 | 1 | 132,022 | 1 |
| Total current assets | | 6,703,484 | 50 | 6,494,159 | 49 | 6,420,500 | 51 |
| Non-current assets | | | | | | | |
| Financial assets measured at amortized cost, non-current | 6(2), 8 | 596,515 | 4 | 588,479 | 4 | 200 | - |
| Investments accounted for under the equity method | 4 | 114,766 | 1 | 114,157 | 1 | 111,460 | 1 |
| Property, plant and equipment | 4, 6(5), 8 | 3,898,785 | 29 | 3,907,309 | 30 | 3,628,978 | 29 |
| Right of use assets | 4, 6(14) | 347,602 | 3 | 356,176 | 3 | 395,454 | 3 |
| Intangible assets | 4, 6(6) | 1,519,532 | 12 | 1,534,238 | 12 | 1,574,596 | 13 |
| Deferred tax assets | 4 | 39,424 | - | 38,414 | - | 30,059 | - |
| Net defined benefit assets, non-current | | 3,258 | - | 2,689 | - | - | - |
| Other non-current assets | 4, 12 | 95,426 | 1 | 105,083 | 1 | 365,219 | 3 |
| Total non-current assets | | 6,615,308 | 50 | 6,646,545 | 51 | 6,105,966 | 49 |
| Total assets | | \$13,318,792 | 100 | \$13,140,704 | 100 | \$12,526,466 | 100 |

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

(continued)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 March 2025, 31 December 2024 and 31 March 2024
(Expressed in Thousands of New Taiwan Dollars)

| Liabilities and Equity | Notes | As of | | | | | |
|---|--------------|---------------|-----|------------------|-----|---------------|-----|
| | | 31 March 2025 | | 31 December 2024 | | 31 March 2024 | |
| | | Amount | % | Amount | % | Amount | % |
| Current liabilities | | | | | | | |
| Short-term loans | 4, 6(7), 12 | \$1,116,000 | 8 | \$906,000 | 7 | \$488,000 | 4 |
| Contract liabilities, current | 6(12) | 61,658 | - | 74,357 | 1 | 69,921 | 1 |
| Notes payable | 12 | 87,007 | 1 | 74,174 | 1 | 207,094 | 2 |
| Accounts payable | 12 | 758,869 | 6 | 820,247 | 6 | 698,048 | 6 |
| Other payables | 12 | 783,113 | 6 | 638,861 | 4 | 432,214 | 3 |
| Current tax liabilities | 4 | 110,148 | 1 | 142,779 | 1 | 150,956 | 1 |
| Long-term borrowings (including current portion with maturity less than 1 year) | 4, 6(8), 12 | 110,078 | 1 | 107,525 | 1 | 120,025 | 1 |
| Other current liabilities | 4, 6(14), 12 | 116,434 | 1 | 117,288 | 1 | 130,950 | 1 |
| Total current liabilities | | 3,143,307 | 24 | 2,881,231 | 22 | 2,297,208 | 19 |
| Non-current liabilities | | | | | | | |
| Long-term loans | 4, 6(8), 12 | 586,743 | 4 | 616,177 | 5 | 696,821 | 6 |
| Deferred tax liabilities | 4 | 519,913 | 4 | 454,210 | 3 | 431,542 | 3 |
| Net defined benefit liabilities, non-current | 4 | - | - | - | - | 18,409 | - |
| Other non-current liabilities | 4, 6(14), 12 | 105,696 | 1 | 110,975 | 1 | 137,338 | 1 |
| Total non-current liabilities | | 1,212,352 | 9 | 1,181,362 | 9 | 1,284,110 | 10 |
| Total liabilities | | 4,355,659 | 33 | 4,062,593 | 31 | 3,581,318 | 29 |
| Equity attributable to the parent company | 4, 6(10) | | | | | | |
| Capital | | | | | | | |
| Common stock | | 665,356 | 5 | 665,356 | 5 | 665,356 | 6 |
| Capital surplus | | 1,890,261 | 14 | 1,890,261 | 14 | 1,890,261 | 15 |
| Retained earnings | | | | | | | |
| Legal reserve | | 730,563 | 5 | 730,563 | 6 | 730,563 | 6 |
| Special reserve | | 265,979 | 2 | 265,979 | 2 | 202,396 | 2 |
| Unappropriated earnings | | 2,296,155 | 17 | 2,213,091 | 17 | 2,219,886 | 17 |
| Total retained earnings | | 3,292,697 | 24 | 3,209,633 | 25 | 3,152,845 | 25 |
| Other components of equity | | | | | | | |
| Exchange differences on translation of foreign operations - the parent company | | (172,739) | (1) | (200,145) | (2) | (207,626) | (2) |
| Equity attributable to owners of the parent | | 5,675,575 | 42 | 5,565,105 | 42 | 5,500,836 | 44 |
| Non-controlling interests | 6(11) | 3,287,558 | 25 | 3,513,006 | 27 | 3,444,312 | 27 |
| Total equity | | 8,963,133 | 67 | 9,078,111 | 69 | 8,945,148 | 71 |
| Total liabilities and equity | | \$13,318,792 | 100 | \$13,140,704 | 100 | \$12,526,466 | 100 |

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-month periods ended 31 March 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

| | Notes | For the three-month periods ended 31 March | | | |
|---|--------------|--|------|-------------|------|
| | | 2025 | | 2024 | |
| Net Sales | 4, 6(12) | \$2,044,322 | 100 | \$1,804,511 | 100 |
| Cost of Sales | 6(4), 6(15) | (1,526,941) | (75) | (1,302,313) | (72) |
| Gross Profit | | 517,381 | 25 | 502,198 | 28 |
| Operating Expenses | 6(14), 6(15) | | | | |
| Selling and marketing | | (69,953) | (3) | (69,128) | (4) |
| Management and administrative | | (199,245) | (10) | (182,214) | (10) |
| Research and development | | (89,897) | (4) | (85,170) | (5) |
| Expected credit (losses) gains | 6(13) | (811) | - | 716 | - |
| Total Operating Expenses | | (359,906) | (17) | (335,796) | (19) |
| Operating Income | | 157,475 | 8 | 166,402 | 9 |
| Non-operating income and expenses | 6(16) | | | | |
| Other income | | 23,952 | 1 | 27,049 | 2 |
| Other gains and losses | | 34,571 | 1 | 61,284 | 3 |
| Financial costs | | (8,506) | - | (4,160) | - |
| Share of profit or loss of associates and joint ventures | | 173 | - | (395) | - |
| Subtotal | | 50,190 | 2 | 83,778 | 5 |
| Income before income tax | | 207,665 | 10 | 250,180 | 14 |
| Income tax expense | 4, 6(18) | (42,031) | (2) | (50,093) | (3) |
| Income, net of tax | | 165,634 | 8 | 200,087 | 11 |
| Other comprehensive income | 6(17), 6(18) | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Exchange differences on translation of foreign operations | | 86,984 | 4 | 148,161 | 8 |
| Income tax related to items that may be reclassified subsequently | | (53,152) | (2) | (14,588) | (1) |
| Total other comprehensive income, net of tax | | 33,832 | 2 | 133,573 | 7 |
| Total comprehensive income | | \$199,466 | 10 | \$333,660 | 18 |
| Net income attributable to: | | | | | |
| Stockholders of the parent | | \$83,064 | | \$94,585 | |
| Non-controlling interests | | 82,570 | | 105,502 | |
| | | \$165,634 | | \$200,087 | |
| Comprehensive income attributable to: | | | | | |
| Stockholder of the parent | | \$110,470 | | \$152,937 | |
| Non-controlling interests | | 88,996 | | 180,723 | |
| | | \$199,466 | | \$333,660 | |
| Earnings per share (NTD) | 6(19) | | | | |
| Earnings per share-basic | | \$1.25 | | \$1.42 | |
| Earnings per share-diluted | | \$1.25 | | \$1.42 | |

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the three-month periods ended 31 March 2025 and 2024
(Expressed in Thousands of New Taiwan Dollars)

| | Notes | Common Stock | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation of Foreign Operations | Total | Non-Controlling Interests | Total Equity |
|--|-------|------------------|--------------------|------------------|------------------|-------------------------|---|--------------------|---------------------------|--------------------|
| Balance as of 1 January 2024 | 6(10) | \$665,356 | \$1,890,261 | \$730,563 | \$202,396 | \$2,125,301 | \$(265,978) | \$5,347,899 | \$3,263,589 | \$8,611,488 |
| Net income for the three-month periods ended 31 March 2024 | | | | | | 94,585 | | 94,585 | 105,502 | 200,087 |
| Other comprehensive income, net of tax for the three-month periods ended 31 March 2024 | | | | | | | 58,352 | 58,352 | 75,221 | 133,573 |
| Total comprehensive income | | - | - | - | - | 94,585 | 58,352 | 152,937 | 180,723 | 333,660 |
| Balance as of 31 March 2024 | 6(10) | <u>\$665,356</u> | <u>\$1,890,261</u> | <u>\$730,563</u> | <u>\$202,396</u> | <u>\$2,219,886</u> | <u>\$(207,626)</u> | <u>\$5,500,836</u> | <u>\$3,444,312</u> | <u>\$8,945,148</u> |
| Balance as of 1 January 2025 | 6(10) | \$665,356 | \$1,890,261 | \$730,563 | \$265,979 | \$2,213,091 | \$(200,145) | \$5,565,105 | \$3,513,006 | \$9,078,111 |
| Net income for the three-month periods ended 31 March 2025 | | | | | | 83,064 | | 83,064 | 82,570 | 165,634 |
| Other comprehensive income, net of tax for the three-month periods ended 31 March 2025 | | | | | | | 27,406 | 27,406 | 6,426 | 33,832 |
| Total comprehensive income | | - | - | - | - | 83,064 | 27,406 | 110,470 | 88,996 | 199,466 |
| Cash dividends of subsidiary | | | | | | | | | (314,444) | (314,444) |
| Balance as of 31 March 2025 | 6(10) | <u>\$665,356</u> | <u>\$1,890,261</u> | <u>\$730,563</u> | <u>\$265,979</u> | <u>\$2,296,155</u> | <u>\$(172,739)</u> | <u>\$5,675,575</u> | <u>\$3,287,558</u> | <u>\$8,963,133</u> |

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three-month periods ended 31 March 2025 and 2024
(Expressed in Thousand New Taiwan Dollars)

| | For the three-month periods ended 31 March | |
|--|--|-------------|
| | 2025 | 2024 |
| Cash flows from operating activities: | | |
| Net income before tax | \$207,665 | \$250,180 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 141,720 | 142,973 |
| Amortization | 24,147 | 22,268 |
| Gain on disposal of property, plant and equipment | (2,589) | (1,271) |
| Loss (gain) from market value decline, obsolete and slow-moving of inventories | 8,519 | (3,541) |
| Share of profit or loss of associates and joint ventures | (173) | 395 |
| Expected credit losses (profit) | 811 | (716) |
| Interest income | (13,116) | (16,783) |
| Interest expense | 8,506 | 4,160 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 121,965 | 85,672 |
| Inventories, net | 56,533 | (25,442) |
| Other receivables | (6,580) | (3,039) |
| Prepayments | (2,255) | (11,780) |
| Other current assets | (30,542) | (11,670) |
| Net defined benefit assets, non-current | (569) | - |
| Contract liabilities | (12,699) | 348 |
| Notes payable | 12,833 | (13,022) |
| Accounts payable | (61,269) | (40,231) |
| Other payables | (177,773) | (36,677) |
| Other current liabilities | (562) | (12,474) |
| Net defined benefit liabilities, non-current | - | (1,263) |
| Cash generated from operations | 274,572 | 328,087 |
| Interest received | 10,614 | 16,453 |
| Income tax paid | (45,333) | (14,914) |
| Net cash provided by operating activities | 239,853 | 329,626 |
| Cash flows from investing activities: | | |
| Acquisition of financial assets measured at amortized cost | (175,962) | (234,153) |
| Acquisition of property, plant and equipment | (79,184) | (13,269) |
| Proceeds from disposal of property, plant and equipment | 2,758 | 6,902 |
| Increase in refundable deposits | (242) | (246) |
| Acquisition of intangible assets | (1,550) | (1,007) |
| Increase in other non-current assets | (5,522) | (30,748) |
| Net cash used in investing activities | (259,702) | (272,521) |
| Cash flows from financing activities: | | |
| Increase in short-term loans | 2,177,200 | 620,000 |
| Decrease in short-term loans | (1,967,200) | (525,000) |
| Decrease in long-term loans | (26,881) | (39,381) |
| Lease principal repayment | (11,371) | (13,052) |
| Interest paid | (8,344) | (4,070) |
| Increase in other non-current liabilities | - | 10 |
| Decrease in other non-current liabilities | (270) | - |
| Net cash provided by financing activities | 163,134 | 38,507 |
| Effect of exchange rate changes on cash and cash equivalents | 30,947 | 45,435 |
| Net increase in cash and cash equivalents | 174,232 | 141,047 |
| Cash and cash equivalents at beginning of period | 2,279,804 | 2,845,230 |
| Cash and cash equivalents at end of period | \$2,454,036 | \$2,986,277 |

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Three-month Periods Ended 31 March 2025 and 2024

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

1. ORGANIZATION AND OPERATIONS

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

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

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

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

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

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

The consolidated financial statements of the Company and subsidiaries (hereinafter referred to as “the Group”) for the three-month periods ended 31 March 2025 and 2024 were authorized for issue in accordance with the resolution of the board of directors’ meeting held on 9 May 2025.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The Group 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 2025. The adoption of these new standards and amendments had no material impact on the Group.

- (2) The Q&A related to the early application of certain amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" issued by the FSC, which has not yet been adopted by the Group as at the date when the Group's financial statements were authorized for issue.

In the Q&A, only Section 4.1 (Classification of Financial Assets) of the application guidance is allowed to early adopt from 1 January 2025. Additionally, entities must also comply with the requirements of paragraphs 20B, 20C and 20D of IFRS 7 and disclose the fact of early adoption of these amendments in the financial statements.

- (3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which have not been endorsed by FSC, and not yet adopted by the Group as at the date when the Group's financial statements were authorized for issue, are listed below.

| Item | 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. AND SUBSIDIARIES

Notes to Consolidated 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.

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.

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

(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.

(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.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(e) 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

(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.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended 31 March 2025 and 2024 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 Interim Financial Reporting as endorsed and became effective by the FSC.

(2) Basis of preparation

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

(3) Basis of consolidation

Preparation principle of consolidated financial statement

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

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

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

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

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

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

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
- (f) recognizes any resulting difference in profit or loss.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
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The consolidated entities are as follows:

| Investor | Subsidiary | Business nature | Percentage of ownership (%) | | |
|---|---|--|-----------------------------|---------------------|-------------------|
| | | | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| the Company | Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)] | Trading and holding company | 100.00% | 100.00% | 100.00% |
| the Company | Zeng Hsing Industrial Co., Ltd. (VN) [Zeng Hsing (VN)] | Manufacturing household sewing machines | 100.00% | 100.00% | 100.00% |
| the Company | Shinco Technologies Limited (VN) [Shinco (VN)] | Material die-casting of metal of aluminum, zinc and magnesium alloy | 100.00% | 100.00% | 100.00% |
| the Company | Mitsumichi Industrial Co., Ltd. [Mitsumichi] | Manufacturing household overlock machines | 53.00% | 53.00% | 53.00% |
| the Company | Turvo International Co., Ltd. [Turvo] | Manufacturing precision parts for automotive and industrial applications | 25.49% (Note1) | 25.49% (Note1) | 23.96% (Note1) |
| the Company | Taiwan Cheer Champ Co., Ltd. | Selling household sewing machines | 85.68% (Note2) | 85.68% (Note2) | - |
| Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)] | Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. [Zhangjiagang] | Manufacturing household sewing machines | 100.00% | 100.00% | 100.00% |
| Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)] | Arcoris Pte Ltd. | Holding company | 100.00% | 100.00% | 100.00% |
| Zeng Hsing Industrial Co., Ltd. (BVI) [Zeng Hsing (BVI)] | Jetsun Technology Co., Ltd (Seychelles) | Holding company | 100.00% | 100.00% | 100.00% |
| Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. [Zhangjiagang] | Zhangjiagang Zenghsing Trading Co., Ltd. [Zhangjiagang trading] | Selling household sewing machines and spare parts | 100.00% | 100.00% | 100.00% |

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

| Investor | Subsidiary | Business nature | Percentage of ownership (%) | | |
|--|--|---|-----------------------------|---------------------|------------------|
| | | | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Zhangjiagang Zenghsing Machinery & Electronics Co., Ltd. [Zhangjiagang] | Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing] | Selling household sewing machines and spare parts | 100.00% | 100.00% | 100.00% |
| Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. [Cheau Hsing] | Shanghai Debra Trading Company Limited | Selling household sewing machines and spare parts | - (Note3) | - (Note3) | 100.00% |
| Jetsun Technology Co., Ltd (Seychelles) | Jetsun Technology Company Limited | Research and design of filtration equipment | 100.00% | 100.00% | 100.00% |
| Arcoris Pte Ltd. | Zorca Worldwide Ltd. | Holding company | 100.00% | 100.00% | 100.00% |
| Zorca Worldwide Ltd. | Taiwan Cheer Champ Co., Ltd. | Selling household sewing machines | - (Note2) | - (Note2) | 85.68% |
| Zeng Hsing Industrial Co., Ltd. (VN) [Zeng Hsing (VN)] | Zeng Hsing Vietnam Trading Co., Ltd. (VN) | Import and export trading, wholesale and selling | 100.00% | 100.00% | 100.00% |
| Turvo International Co., Ltd. [Turvo] | TIPO International Co., Ltd.(Samoa) [TIPO] | Financial investment, import and export trading | 100.00% | 100.00% | 100.00% |
| Turvo International Co., Ltd. [Turvo] | T&M Joint (Cayman) Holding Co., Ltd. [T&M](Note4) | Holding company | 35.71% | 35.71% | 35.71% |
| Turvo International Co., Ltd. [Turvo] | TUF Technology Co., Ltd. [TUF] | Import and export trading | 100.00% | 100.00% | 100.00% |
| TIPO International Co., Ltd.(Samoa) [TIPO] | Hong-Kong Xin-Feng Co., Ltd. [HK Xin-Feng] | Holding company | 100.00% | 100.00% | 100.00% |
| TIPO International Co., Ltd.(Samoa) [TIPO],Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd. | Zhejiang Yu-Zuan Precision Component Co., Ltd. | Producing and selling computers, medical equipment, optics, automobile, photoelectric, precision hardware and other parts | 100.00% | 100.00% | 100.00% |

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Notes to Consolidated Financial Statements (Continued)
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| Investor | Subsidiary | Business nature | Percentage of ownership (%) | | |
|--|---|---|-----------------------------|---------------------|------------------|
| | | | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Hong-Kong Xin-Feng Co., Ltd. [HK Xin-Feng] | Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd. | Producing and selling computers, medical equipment, optics, automobile, photoelectric, precision hardware and other parts | 100.00% | 100.00% | 100.00% |
| T&M Joint (Cayman) Holding Co., Ltd. [T&M] | Matec Southeast Asia (Thailand) Co., Ltd. | Manufacturing forging spare parts | 99.9991% | 99.9991% | 99.9991% |

Note 1. The Company acquired 21.56% equity of Turvo International Co., Ltd., and became the largest shareholder of Turvo International Co., Ltd. On 31 August 2022, Turvo International Co., Ltd. held an extraordinary meeting of shareholders to reelect all directors and independent directors. The Company has obtained a majority of the directors' seats, and the legal representative of the Company has been appointed as the chairman by the board directors of Turvo International Co., Ltd. The Company leads and controls the major activities of Turvo International Co., Ltd., which have been included in the consolidated statements since the date of acquisition of control. From the date of acquisition to 31 March 2025, the company acquired an additional 3.93% equity of Turvo International Co., Ltd. (Turvo), holding total 25.49% equity of Turvo International Co., Ltd. Please refer to Note 6(20) for details.

Note 2. For the three-month period ended 30 June 2024, the Company adjusted the investment structure for operational purposes by transferring 85.68% ownership of the subsidiary, Taiwan Cheer Champ Co., Ltd. from Zorca Worldwide Ltd. to the Company. Therefore, the Company acquired 85.68% ownership of the subsidiary and gained control over Taiwan Cheer Champ Co., Ltd.

Note 3. Shanghai Debra Trading Company Limited was dissolved on 21 May 2024.

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Notes to Consolidated Financial Statements (Continued)

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

Except for Zeng Hsing Industrial Co., Ltd.(VN), Shinco Technologies Limited(VN), and Turvo International Co., Ltd., the financial statements of the remaining consolidated subsidiaries listed above have not been reviewed by independent accountants. As at 31 March 2025 and 31 March 2024, the related assets of the subsidiaries which were unreviewed by auditors amounted to \$825,163 and \$811,906, respectively; and the related liabilities amounted to \$169,918 and \$192,819, respectively. The comprehensive income of these subsidiaries amounted to \$(55,320) and \$(61,288) for the three-month periods ended 31 March 2025 and 2024, respectively.

(4) Foreign currency transactions

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

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

(5) Translation of foreign currency financial statements

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

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

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

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Notes to Consolidated Financial Statements (Continued)
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(6) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as a current when:

- (a) The Group expects to settle the liability in normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have 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.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of 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.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(1) Financial instruments: Recognition and Measurement

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

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

- (a) the Group's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

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

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

Financial asset measured at fair value through profit or loss

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

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

(2) Impairment of financial assets

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

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Notes to Consolidated Financial Statements (Continued)

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

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

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

The loss allowance is measured as follows:

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

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(3)Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

(4)Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Financial liabilities at fair value through profit or loss

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

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. 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
- iii. 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:

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

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

Financial liabilities at amortized cost

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial instruments

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

(9) Derivative instruments

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

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

(10) Fair value measurement

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

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

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

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

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

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

(11) Inventories

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

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Notes to Consolidated Financial Statements (Continued)

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

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

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

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

(12) Investments accounted for under the equity method

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

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

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

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

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

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

- (1) 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
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

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

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

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(13) Property, plant and equipment

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

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

| Items | Useful Lives |
|-----------------------------------|---|
| Buildings and facilities | 5~50 years |
| Machinery and equipment | 2~15 years |
| Tooling equipment | 2~ 5 years |
| Transportation equipment | 2~10 years |
| Furniture, fixtures and equipment | 3~10 years |
| Miscellaneous equipment | 2~30 years |
| Leasehold improvements | The shorter of lease terms or economic useful lives |

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

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

(14) Leases

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

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

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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Group as a lessor

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

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

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

(15) Intangible assets

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

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

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

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If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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

| | <u>Software</u> | <u>Trademarks</u> | <u>Patents</u> | <u>Others</u> | <u>Goodwill</u> |
|------------------------|---|---|---|---|-----------------|
| Useful lives | 1~10 years | 1~10 years | 1~25 years | 40 years | Indefinite |
| Method of amortization | Amortized on a straight-line basis over the estimated useful life | Amortized on a straight-line basis over the estimated useful life | Amortized on a straight-line basis over the estimated useful life | Amortized on a straight-line basis over the estimated useful life | No amortization |
| Sources | Outside | Outside | Outside | Outside | Outside |

(16) Impairment of non-financial assets

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

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

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

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

(18) Revenue recognition

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

Sale of goods

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

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

(19) Borrowing cost

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

(20) Post-employment benefits

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

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

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

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- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs or termination benefits

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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(21) Share-based payment transactions

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

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

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

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

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

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

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

(22) Income Tax

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

Current income tax

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

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

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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 at the reporting date.

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

- i. 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.
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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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.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

(23) Business combinations and goodwill

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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Estimates and assumptions

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

A. Accounts receivables – estimation of impairment loss

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

B. Inventories

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

C. Fair value of financial instruments

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

D. Pension benefits

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

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E. Income tax

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

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

F. Measure lease liabilities and right-of-use assets

The Group is required to measure lease liabilities and estimated right-of-use assets in accordance with IFRS 16. This includes: determining the duration of the lease and determining the implied interest rate of the lease.

The Group has decided that the lease period shall be the non-cancellable period of the lease. and the following:

- (A) For the period covered by the lease extension option, if the Group can reasonably determine that it will exercise such right; and
- (B) The period covered by the option to terminate the lease will not be exercised if the Group reasonably determines that the option will not be exercised.

The lease liability is to estimate the present value of the lease payment according to the implied lease interest rate, which is not easy to determine. The Group uses the increased borrowing rate as the discount rate.

The assumptions used to measure lease liabilities. Please refer to Note 3 and 6 for more details

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

G. Impairment of goodwill

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | As of | | |
|-------------------------------|--------------------|---------------------|--------------------|
| | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Cash on hand | \$2,975 | \$3,115 | \$1,883 |
| Checking and savings accounts | 1,853,936 | 1,825,319 | 2,017,449 |
| Time deposits | 225,958 | 285,541 | 575,659 |
| Repurchase agreements | 368,856 | 165,259 | 390,055 |
| Cash equivalents | 2,311 | 570 | 1,231 |
| Total | <u>\$2,454,036</u> | <u>\$2,279,804</u> | <u>\$2,986,277</u> |

No cash and cash equivalents were pledged.

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

(2) Financial assets measured at amortized cost

| | As of | | |
|--------------------------|--------------------|---------------------|------------------|
| | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Time deposits | \$1,305,072 | \$1,129,110 | \$402,318 |
| Restricted bank deposits | 10,605 | 10,605 | 11,626 |
| Total | <u>\$1,315,677</u> | <u>\$1,139,715</u> | <u>\$413,944</u> |
| Current | \$719,162 | \$551,236 | \$413,744 |
| Non-current | 596,515 | 588,479 | 200 |
| Total | <u>\$1,315,677</u> | <u>\$1,139,715</u> | <u>\$413,944</u> |

For details on the pledged restricted bank deposits, please refer to Note (8).

(3) Accounts receivables, net

| | As of | | |
|---|--------------------|---------------------|--------------------|
| | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Accounts receivable - non related parties | \$1,705,799 | \$1,820,808 | \$1,451,134 |
| Accounts receivable - related parties | - | - | 69 |
| Less: loss allowance | (54,397) | (53,490) | (13,722) |
| Accounts receivable, net | <u>\$1,651,402</u> | <u>\$1,767,318</u> | <u>\$1,437,481</u> |

Trade receivables are generally on 45-90 day terms. The total carrying amount as of 31 March 2025, 31 December 2024 and 31 March 2024 were \$1,705,799, \$1,820,808 and \$1,451,203, respectively. Please refer to Note 6(13) for more details on loss allowance of trade receivables for the three-month periods ended 31 March 2025 and 2024. Please refer to Note 12 for more details on credit risk management.

No accounts receivables were pledged.

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Notes to Consolidated Financial Statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Inventories, net

A. Details as follows

| | As of | | |
|-------------------------|--------------------|---------------------|--------------------|
| | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Finished goods | \$607,456 | \$653,750 | \$460,352 |
| Raw materials | 594,611 | 660,148 | 550,148 |
| Work in progress | 225,162 | 173,777 | 205,768 |
| Semi-manufactured goods | 136,759 | 134,114 | 86,451 |
| Total | <u>\$1,563,988</u> | <u>\$1,621,789</u> | <u>\$1,302,719</u> |

B. The Group cost of inventories recognized in cost of sales amounts to \$1,526,941 for the three-month periods ended 31 March 2025, including the loss from market value decline, obsolete and slow-moving of inventories \$8,519.

C. The Group cost of inventories recognized in cost of sales amounts to \$1,302,313 for the three-month periods ended 31 March 2024, including the gain from price recovery of inventories in the amount of \$3,541. 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.

D. No inventories were pledged.

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

(5) Property, plant and equipment

| | As of | | |
|--|--------------------|--------------------|--------------------|
| | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Owner occupied property, plant and equipment | <u>\$3,898,785</u> | <u>\$3,907,309</u> | <u>\$3,628,978</u> |

A. Owner occupied property, plant and equipment

| | Land | Buildings and Facilities | Machinery and equipment | Tooling equipment | Transportation equipment | Furniture, fixtures and equipment | Leasehold improvements | Miscellaneous equipment | Construction in progress and equipment awaiting examination | Total |
|----------------------|-----------------|--------------------------------|-------------------------------|----------------------|-----------------------------|---|---------------------------|----------------------------|--|--------------------|
| Cost: | | | | | | | | | | |
| As of 1 January 2025 | \$90,975 | \$2,296,110 | \$3,675,695 | \$594,701 | \$47,790 | \$46,260 | \$145,472 | \$1,161,600 | \$134,811 | \$8,193,414 |
| Additions | - | 2,004 | 24,455 | 7,481 | 217 | 76 | 665 | 8,173 | 42,365 | 85,436 |
| Disposals | - | - | (31,488) | (1,341) | (895) | (451) | - | (994) | - | (35,169) |
| Transfers | - | 2,897 | 4,179 | 20,395 | 104 | - | - | 3,323 | (21,116) | 9,782 |
| Exchange differences | 128 | 8,938 | 37,611 | 6,304 | 434 | 173 | 1,559 | 7,793 | 1,230 | 64,170 |
| As of 31 March 2025 | <u>\$91,103</u> | <u>\$2,309,949</u> | <u>\$3,710,452</u> | <u>\$627,540</u> | <u>\$47,650</u> | <u>\$46,058</u> | <u>\$147,696</u> | <u>\$1,179,895</u> | <u>\$157,290</u> | <u>\$8,317,633</u> |
| As of 1 January 2024 | \$90,626 | \$2,030,304 | \$3,549,928 | \$573,701 | \$45,198 | \$38,500 | \$150,404 | \$989,774 | \$157,281 | \$7,625,716 |
| Additions | - | - | 1,770 | 701 | - | 514 | - | 3,033 | 10,898 | 16,916 |
| Disposals | - | (390) | (33,017) | (16,201) | (930) | (286) | (10,669) | (8,437) | - | (69,930) |
| Transfers | - | - | 6,292 | 8,760 | - | 186 | - | 4,140 | (33,423) | (14,045) |
| Exchange differences | (113) | 9,522 | 87,505 | 8,510 | 759 | 320 | 4,206 | 16,506 | 2,151 | 129,366 |
| As of 31 March 2024 | <u>\$90,513</u> | <u>\$2,039,436</u> | <u>\$3,612,478</u> | <u>\$575,471</u> | <u>\$45,027</u> | <u>\$39,234</u> | <u>\$143,941</u> | <u>\$1,005,016</u> | <u>\$136,907</u> | <u>\$7,688,023</u> |

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| | Land | Buildings and Facilities | Machinery and equipment | Tooling equipment | Transportation equipment | Furniture, fixtures and equipment | Leasehold improvements | Miscellaneous equipment | Construction in progress and equipment awaiting examination | Total |
|------------------------------|-----------------|--------------------------------|-------------------------------|----------------------|-----------------------------|---|---------------------------|----------------------------|--|--------------------|
| Depreciation and impairment: | | | | | | | | | | |
| As of 1 January 2025 | \$- | \$531,850 | \$2,373,636 | \$508,081 | \$35,610 | \$32,500 | \$105,916 | \$698,512 | \$- | \$4,286,105 |
| Depreciation | - | 17,226 | 65,808 | 14,798 | 790 | 1,003 | 2,628 | 22,639 | - | 124,892 |
| Disposals | - | - | (31,335) | (1,340) | (880) | (451) | - | (994) | - | (35,000) |
| Exchange differences | - | 4,734 | 25,578 | 5,347 | 338 | 150 | 1,138 | 5,566 | - | 42,851 |
| As of 31 March 2025 | <u>\$-</u> | <u>\$553,810</u> | <u>\$2,433,687</u> | <u>\$526,886</u> | <u>\$35,858</u> | <u>\$33,202</u> | <u>\$109,682</u> | <u>\$725,723</u> | <u>\$-</u> | <u>\$4,418,848</u> |
| As of 1 January 2024 | \$- | \$465,179 | \$2,177,328 | \$485,849 | \$34,781 | \$30,625 | \$102,101 | \$619,198 | \$- | \$3,915,061 |
| Depreciation | - | 14,162 | 70,354 | 15,310 | 826 | 776 | 3,041 | 20,236 | - | 124,705 |
| Disposals | - | (303) | (32,345) | (13,304) | (931) | (195) | (9,964) | (7,257) | - | (64,299) |
| Exchange differences | - | 4,765 | 55,892 | 7,259 | 629 | 275 | 2,767 | 11,991 | - | 83,578 |
| As of 31 March 2024 | <u>\$-</u> | <u>\$483,803</u> | <u>\$2,271,229</u> | <u>\$495,114</u> | <u>\$35,305</u> | <u>\$31,481</u> | <u>\$97,945</u> | <u>\$644,168</u> | <u>\$-</u> | <u>\$4,059,045</u> |
| Net carrying amount as of: | | | | | | | | | | |
| 31 March 2025 | <u>\$91,103</u> | <u>\$1,756,139</u> | <u>\$1,276,765</u> | <u>\$100,654</u> | <u>\$11,792</u> | <u>\$12,856</u> | <u>\$38,014</u> | <u>\$454,172</u> | <u>\$157,290</u> | <u>\$3,898,785</u> |
| 31 December 2024 | <u>\$90,975</u> | <u>\$1,764,260</u> | <u>\$1,302,059</u> | <u>\$86,620</u> | <u>\$12,180</u> | <u>\$13,760</u> | <u>\$39,556</u> | <u>\$463,088</u> | <u>\$134,811</u> | <u>\$3,907,309</u> |
| 31 March 2024 | <u>\$90,513</u> | <u>\$1,555,633</u> | <u>\$1,341,249</u> | <u>\$80,357</u> | <u>\$9,722</u> | <u>\$7,753</u> | <u>\$45,996</u> | <u>\$360,848</u> | <u>\$136,907</u> | <u>\$3,628,978</u> |

B. The major components of the Group's buildings are main buildings and plant, and are depreciated according to their useful life of 50 and 35 years, respectively.

C. Please refer to Note 8 for property, plant and equipment pledged as collateral.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

D. The capitalization amount of the borrowing costs of the Group for the three-month periods ended 31 March 2025 and 2024, and its interest rates are as follows:

| Items | For the three-month periods ended 31 March 2025 | For the three-month periods ended 31 March 2024 |
|---|--|--|
| Construction in progress | \$187 | \$1,322 |
| Borrowing cost capitalization interest rate interval | 1.720% | 1.720% |

(6) Intangible assets

| | Patents | Trademarks | Software | Goodwill | Others | Customer Relationship | Total |
|------------------------------|----------------|----------------|------------------|------------------|----------------|--------------------------|--------------------|
| Cost: | | | | | | | |
| As of 1 January 2025 | \$8,274 | \$3,844 | \$183,404 | \$767,157 | \$9,195 | \$855,221 | \$1,827,095 |
| Addition-acquired separately | - | 192 | 1,358 | - | - | - | 1,550 |
| Reclassification | - | - | 175 | - | - | - | 175 |
| Exchange differences | - | - | 186 | - | 48 | - | 234 |
| As of 31 March 2025 | <u>\$8,274</u> | <u>\$4,036</u> | <u>\$185,123</u> | <u>\$767,157</u> | <u>\$9,243</u> | <u>\$855,221</u> | <u>\$1,829,054</u> |
| As of 1 January 2024 | \$7,099 | \$3,607 | \$174,108 | \$767,157 | \$9,130 | \$855,221 | \$1,816,322 |
| Addition-acquired separately | 43 | 71 | 893 | - | - | - | 1,007 |
| Exchange differences | 70 | - | 284 | - | 76 | - | 430 |
| As of 31 March 2024 | <u>\$7,212</u> | <u>\$3,678</u> | <u>\$175,285</u> | <u>\$767,157</u> | <u>\$9,206</u> | <u>\$855,221</u> | <u>\$1,817,759</u> |
| Amortization and impairment | | | | | | | |
| As of 1 January 2025 | \$3,726 | \$2,451 | \$161,548 | \$- | \$413 | \$124,719 | \$292,857 |
| Amortization | 128 | 48 | 2,941 | - | 35 | 13,363 | 16,515 |
| Exchange differences | - | - | 146 | - | 4 | - | 150 |
| As of 31 March 2025 | <u>\$3,854</u> | <u>\$2,499</u> | <u>\$164,635</u> | <u>\$-</u> | <u>\$452</u> | <u>\$138,082</u> | <u>\$309,522</u> |
| As of 1 January 2024 | \$3,261 | \$2,183 | \$149,190 | \$- | \$272 | \$71,268 | \$226,174 |
| Amortization | 109 | 43 | 3,243 | - | 34 | 13,363 | 16,792 |
| Exchange differences | - | - | 193 | - | 4 | - | 197 |
| As of 31 March 2024 | <u>\$3,370</u> | <u>\$2,226</u> | <u>\$152,626</u> | <u>\$-</u> | <u>\$310</u> | <u>\$84,631</u> | <u>\$243,163</u> |

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

| | Patents | Trademarks | Software | Goodwill | Others | Customer Relationship | Total |
|------------------|---------|------------|----------|-----------|---------|-----------------------|-------------|
| 31 March 2025 | \$4,420 | \$1,537 | \$20,488 | \$767,157 | \$8,791 | \$717,139 | \$1,519,532 |
| 31 December 2024 | \$4,548 | \$1,393 | \$21,856 | \$767,157 | \$8,782 | \$730,502 | \$1,534,238 |
| 31 March 2024 | \$3,842 | \$1,452 | \$22,659 | \$767,157 | \$8,896 | \$770,590 | \$1,574,596 |

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

| | For three-month periods ended 31 March | |
|--------------------|--|----------|
| | 2025 | 2024 |
| Operating expenses | \$16,515 | \$16,792 |

(7) Short-term loans

| | | As of | | |
|----------------------|--------------------|---------------|------------------|---------------|
| | Interest Rates (%) | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Unsecured bank loans | 1.725%-1.78% | \$1,108,000 | \$898,000 | \$470,000 |
| Secured bank loans | 2.7% | 8,000 | 8,000 | 18,000 |
| Total | | \$1,116,000 | \$906,000 | \$488,000 |

The Group's unused short-term lines of credits amounted to \$4,209,238, \$4,142,743 and \$4,652,932 as of 31 March 2025, 31 December 2024 and 31 March 2024, respectively.

(8) Long-term loans

(A) Details of long-term loans as of 31 March 2025, 31 December 2024 and 31 March 2024 are as follows:

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

| Creditor | 31 March 2025 | Rate (%) | Repayment period and methods |
|-----------------------------|------------------|----------|--|
| Bank of Taiwan (Secured) | \$214,433 | 1.720% | The term of the loan is 10 years, and it could be appropriated separately. The loan is not a revolving loan. The grace period starts on the first drawdown date until the expiration of 3 years, during which time the interest is repaid monthly. The principals are repaid in 84 installments from the fourth year with each month as one installment. The loan shall be repaid equally by installments and repay the principal on the 15th day of each month. |
| Bank of Taiwan (Secured) | 197,708 | 1.720% | The term of the loan is 10 years, and it could be appropriated separately. The loan is not a revolving loan. The grace period starts on the first drawdown date until the expiration of 3 years, during which time the interest is repaid monthly. The principals are repaid in 84 installments from the fourth year with each month as one installment. The loan shall be repaid equally by installments and repay the principal on the 15th day of each month. |
| Bank of Taiwan (Secured) | 186,000 | 1.871% | Interests are paid monthly from 2 September 2020 through 7 December 2032. Principals are paid in 144 installments. |
| Bank of Taiwan (Secured) | 98,680 | 1.720% | The term of the loan is 7 years, and it could be appropriated separately. The loan is not a revolving loan. Each month is deemed as one installment starting from the first drawdown date. The principals are paid in 84 installments and interests are repaid monthly. The principal shall be repaid on the 15th day of each month. |
| Subtotal | 696,821 | | |
| Less: current portion | (110,078) | | |
| Total | <u>\$586,743</u> | | |

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

| Creditor | 31 December | | Repayment period and methods |
|-----------------------------|------------------|----------|--|
| | 2024 | Rate (%) | |
| Bank of Taiwan (Secured) | \$214,433 | 1.720% | The term of the loan is 10 years, and it could be appropriated separately. The loan is not a revolving loan. The grace period starts on the first drawdown date until the expiration of 3 years, during which time the interest is repaid monthly. The principals are repaid in 84 installments from the fourth year with each month as one installment. The loan shall be repaid equally by installments and repay the principal on the 15th day of each month. |
| Bank of Taiwan (Secured) | 209,338 | 1.720% | The term of the loan is 10 years, and it could be appropriated separately. The loan is not a revolving loan. The grace period starts on the first drawdown date until the expiration of 3 years, during which time the interest is repaid monthly. The principals are repaid in 84 installments from the fourth year with each month as one installment. The loan shall be repaid equally by installments and repay the principal on the 15th day of each month. |
| Bank of Taiwan (Secured) | 192,000 | 1.871% | Interests are paid monthly from 2 September 2020 through 7 December 2032. Principals are paid in 144 installments. |
| Bank of Taiwan (Secured) | 107,931 | 1.720% | The term of the loan is 7 years, and it could be appropriated separately. The loan is not a revolving loan. Each month is deemed as one installment starting from the first drawdown date. The principals are paid in 84 installments and interests are repaid monthly. The principal shall be repaid on the 15th day of each month. |
| Subtotal | 723,702 | | |
| Less: current portion | (107,525) | | |
| Total | <u>\$616,177</u> | | |

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Notes to Consolidated Financial Statements (Continued)

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

| Creditor | 31 March | | Repayment period and methods |
|-----------------------------|-----------|----------|--|
| | 2024 | Rate (%) | |
| Bank of Taiwan (Secured) | \$244,228 | 1.720% | The term of the loan is 10 years, and it could be appropriated separately. The loan is not a revolving loan. The grace period starts on the first drawdown date until the expiration of 3 years, during which time the interest is repaid monthly. The principals are repaid in 84 installments from the fourth year with each month as one installment. The loan shall be repaid equally by installments and repay the principal on the 15th day of each month. |
| Bank of Taiwan (Secured) | 214,433 | 1.720% | The term of the loan is 10 years, and it could be appropriated separately. The loan is not a revolving loan. The grace period starts on the first drawdown date until the expiration of 3 years, during which time the interest is repaid monthly. The principals are repaid in 84 installments from the fourth year with each month as one installment. The loan shall be repaid equally by installments and repay the principal on the 15th day of each month. |
| Bank of Taiwan (Secured) | 210,000 | 1.739% | Interests are paid monthly from 2 September 2020 through 7 December 2032. Principals are paid in 144 installments. |
| Bank of Taiwan (Secured) | 135,685 | 1.720% | The term of the loan is 7 years, and it could be appropriated separately. The loan is not a revolving loan. Each month is deemed as one installment starting from the first drawdown date. The principals are paid in 84 installments and interests are repaid monthly. The principal shall be repaid on the 15th day of each month. |

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Notes to Consolidated Financial Statements (Continued)

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

| Creditor | 31 March | | Repayment period and methods |
|-------------------------------|------------------|----------|---|
| | 2024 | Rate (%) | |
| Bank of Taiwan (Unsecured) | 12,500 | 1.720% | The term of loan is 5 years, and it could be appropriated separately. The loan is not a revolving loan. The grace period starts on the first drawdown date until the expiration of 3 years, during which time the interest is repaid monthly. The principals are paid in 24 installments from the fourth year with one month as one installment and interests are repaid monthly. The loan shall be repaid equally in installments and repay the principal on the 15th day of each month. |
| Subtotal | 816,846 | | |
| Less: current portion | (120,025) | | |
| Total | <u>\$696,821</u> | | |

(B) Certain land and buildings are pledged as first priority security for secured bank loans with Bank of Taiwan, please refer to Note 8 for more details.

(9) Post-employment benefits

Defined contribution plan

Pension expenses under the defined contribution plan were \$7,269 and \$6,527 for the three-month periods ended 31 March 2025 and 2024, respectively.

Defined benefits plan

Pension expenses under the defined benefits plan were \$(115) and \$3 for the three-month periods ended 31 March 2025 and 2024, respectively.

The Group recognized pension cost for high-ranking officers amounting to \$450 for the three-month periods ended 31 March 2025 and 2024.

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(10) Equities

A. Common stock

The Group's authorized and issued capital amounted to \$850,000 and \$665,356 as of 31 March 2025, 31 December 2024 and 31 March 2024, respectively, with a par value of \$10 (in dollar) per share, which were divided into 85,000,000 shares and 66,535,631 shares.

B. Capital surplus

| | As of | | |
|--|--------------------|---------------------|--------------------|
| | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Premium from common stock issuance | \$1,779,549 | \$1,779,549 | \$1,784,638 |
| Employee stock option | 92,101 | 92,101 | 92,101 |
| Increase through changes in ownership interests in subsidiaries | 9,364 | 9,364 | 4,275 |
| Other | 9,247 | 9,247 | 9,247 |
| Total | <u>\$1,890,261</u> | <u>\$1,890,261</u> | <u>\$1,890,261</u> |

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

C. Retained earnings and dividend policy

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution.

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated 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 shareholders' meeting on 7 March 2025 and 21 June 2024, respectively, are as follows:

| | Appropriation of earnings | | Dividend per share (NTD) | |
|--|---------------------------|----------|--------------------------|-------|
| | 2024 | 2023 | 2024 | 2023 |
| (Reversal) provision for special reserve | \$(65,833) | \$63,583 | | |
| Cash dividends-common stock | 399,214 | 252,836 | \$6.0 | \$3.8 |

The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors, please refer to Note 6(15) for more details.

(11) Non-controlling interests

| | For the three-month periods ended 31 March | |
|--|--|--------------------|
| | 2025 | 2024 |
| Balance as of 1 January | \$3,513,006 | \$3,263,589 |
| Profits attributable to non-controlling interests | 82,570 | 105,502 |
| Other comprehensive income attributable to non-controlling interests | 6,426 | 75,221 |
| Cash Dividends | (314,444) | - |
| Balance as of 31 March | <u>\$3,287,558</u> | <u>\$3,444,312</u> |

(12) Operating Revenue

| | For the three-month periods ended 31 March | |
|---------------------------------------|--|--------------------|
| | 2025 | 2024 |
| Revenue from contracts with customers | | |
| Sale of goods | \$2,044,322 | \$1,804,446 |
| Commissions | - | 65 |
| Net sales | <u>\$2,044,322</u> | <u>\$1,804,511</u> |

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

Analysis of revenue from contracts with customers during the three-month periods ended 31 March 2025 and 2024 is as follows:

A. Disaggregation of revenue

For the three-month period ended 31 March 2025

| | Sewing machine division | Precision metal parts processing division | Total |
|---------------|----------------------------|---|-------------|
| Sale of goods | \$1,165,615 | \$878,707 | \$2,044,322 |

For the three-month period ended 31 March 2024

| | Sewing machine division | Precision metal parts processing division | Total |
|---------------|----------------------------|---|-------------|
| Sale of goods | \$939,101 | \$865,410 | \$1,804,511 |

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

B. Contract balances

Contract liabilities – current

| | As of | | | |
|----------------|------------------|---------------------|------------------|-------------------|
| | 31 March 2025 | 31 December 2024 | 31 March 2024 | 1 January 2024 |
| Sales of goods | \$61,658 | \$74,357 | \$69,921 | \$69,573 |

During the three-month period ended 31 March 2025, contract liabilities decreased as performance obligations were satisfied. During the three-month period ended 31 March 2024, contract liabilities increased as the newly added performance obligations had not yet been satisfied.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

The significant changes in the Group's balances of contract assets during the three-month periods ended 31 March 2025 and 2024 are as follows:

| | For the three-month periods ended 31 March | |
|--|--|------------|
| | 2025 | 2024 |
| The opening balance transferred to revenue | \$(46,722) | \$(43,115) |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 34,023 | 43,463 |

C. Transaction price allocated to unsatisfied performance obligations

None.

D. Assets recognized from costs to fulfill a contract

None.

(13) Expected credit losses (gains)

| | For the three-month periods ended 31 March | |
|---|--|---------|
| | 2025 | 2024 |
| Operating expenses – Expected credit losses (gains) | | |
| Trade receivables | \$811 | \$(716) |

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

The Group measures the loss allowance of its trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of 31 March 2025, 31 December 2024 and 31 March 2024 is as follows:

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

31 March 2025

Sewing machine division

| | Overdue | | | | | | Total |
|---------------------------------|------------------|-----------------|-----------------|-------------|--------------|------------|------------------|
| | Not yet due | <=30 days | 31-60 days | 61-90 days | 91-360 days | >=361 days | |
| Gross carrying amount | \$699,844 | \$35,129 | \$23,069 | \$47 | \$1,177 | \$42,055 | \$801,321 |
| Loss ratio | -% | -% | 0-10% | 10-20% | 20-50% | 100% | |
| Lifetime expected credit losses | - | - | (147) | (8) | (471) | (42,055) | (42,681) |
| Carrying amount | <u>\$699,844</u> | <u>\$35,129</u> | <u>\$22,922</u> | <u>\$39</u> | <u>\$706</u> | <u>\$-</u> | <u>\$758,640</u> |

Precision metal parts processing division

| | Overdue | | | | | | Total |
|---------------------------------|------------------|-----------------|--------------|--------------|--------------|------------|------------------|
| | Not yet due | <=90 days | 91-180 days | 181-360 days | 361-720 days | >=721 days | |
| Gross carrying amount | \$827,753 | \$74,601 | \$954 | \$1 | \$1,169 | \$- | \$904,478 |
| Loss ratio | 0-1% | 4-5% | 9-10% | 100% | 50-51% | -% | |
| Lifetime expected credit losses | (7,635) | (3,408) | (86) | (1) | (586) | - | (11,716) |
| Carrying amount | <u>\$820,118</u> | <u>\$71,193</u> | <u>\$868</u> | <u>\$-</u> | <u>\$583</u> | <u>\$-</u> | <u>\$892,762</u> |

31 December 2024

Sewing machine division

| | Overdue | | | | | | Total |
|---------------------------------|------------------|------------------|--------------|-------------|--------------|------------|------------------|
| | Not yet due | <=30 days | 31-60 days | 61-90 days | 91-360 days | >=361 days | |
| Gross carrying amount | \$657,903 | \$247,427 | \$618 | \$21 | \$825 | \$41,507 | \$948,301 |
| Loss ratio | -% | -% | 0-10% | 10-20% | 20-50% | 100% | |
| Lifetime expected credit losses | - | - | (58) | - | (686) | (41,507) | (42,251) |
| Carrying amount | <u>\$657,903</u> | <u>\$247,427</u> | <u>\$560</u> | <u>\$21</u> | <u>\$139</u> | <u>\$-</u> | <u>\$906,050</u> |

Precision metal parts processing division

| | Overdue | | | | | | Total |
|---------------------------------|------------------|-----------------|--------------|--------------|--------------|------------|------------------|
| | Not yet due | <=90 days | 91-180 days | 181-360 days | 361-720 days | >=721 days | |
| Gross carrying amount | \$777,406 | \$93,475 | \$201 | \$1,420 | \$5 | \$- | \$872,507 |
| Loss ratio | 0-1% | 4-5% | 17-18% | 49-50% | 60% | - | |
| Lifetime expected credit losses | (6,591) | (3,909) | (35) | (701) | (3) | - | (11,239) |
| Carrying amount | <u>\$770,815</u> | <u>\$89,566</u> | <u>\$166</u> | <u>\$719</u> | <u>\$2</u> | <u>\$-</u> | <u>\$861,268</u> |

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

31 March 2024

Sewing machine division

| | Overdue | | | | | | Total |
|---------------------------------|------------------|-----------------|----------------|--------------|--------------|------------|------------------|
| | Not yet due | <=30 days | 31-60 days | 61-90 days | 91-360 days | >=361 days | |
| Gross carrying amount | \$595,895 | \$38,864 | \$3,483 | \$125 | \$895 | \$4,907 | \$644,169 |
| Loss ratio | -% | -% | 0-10% | 10-20% | 20-50% | 100% | |
| Lifetime expected credit losses | - | - | (277) | (22) | (288) | (4,907) | (5,494) |
| Carrying amount | <u>\$595,895</u> | <u>\$38,864</u> | <u>\$3,206</u> | <u>\$103</u> | <u>\$607</u> | <u>\$-</u> | <u>\$638,675</u> |

Precision metal parts processing division

| | Overdue | | | | | | Total |
|---------------------------------|------------------|-----------------|--------------|--------------|--------------|------------|------------------|
| | Not yet due | <=90 days | 91-180 days | 181-360 days | 361-720 days | >=721 days | |
| Gross carrying amount | \$761,202 | \$45,687 | \$140 | \$5 | \$- | \$- | \$807,034 |
| Loss ratio | 0-1% | 4-5% | 17-18% | 40% | -% | -% | |
| Lifetime expected credit losses | (6,297) | (1,905) | (24) | (2) | - | - | (8,228) |
| Carrying amount | <u>\$754,905</u> | <u>\$43,782</u> | <u>\$116</u> | <u>\$3</u> | <u>\$-</u> | <u>\$-</u> | <u>\$798,806</u> |

The movement in the provision for impairment of note receivables and trade receivables during the three-month periods ended 31 March 2025 and 2024 is as follows:

| | Note receivables | Trade receivables |
|--|------------------|-------------------|
| Beginning balance at of 1 January 2025 | \$- | \$53,490 |
| Addition for the current period | - | 811 |
| Effect of exchange rate changes | - | 96 |
| Ending balance at of 31 March 2025 | <u>\$-</u> | <u>\$54,397</u> |
| Beginning balance at of 1 January 2024 | \$- | \$14,249 |
| Reversal for the current period | - | (716) |
| Effect of exchange rate changes | - | 189 |
| Ending balance at of 31 March 2024 | <u>\$-</u> | <u>\$13,722</u> |

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

(14) Leases

A. Group as a lessee

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

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

(A) Amounts recognized in the balance sheet

a. Right-of-use assets

The carrying amount of right-of-use assets

| | As of | | |
|--------------------------|------------------|---------------------|------------------|
| | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Land | \$160,552 | \$160,790 | \$166,709 |
| Land improvement | 141 | - | 252 |
| Buildings | 182,548 | 189,695 | 221,766 |
| Transportation equipment | 4,146 | 5,426 | 6,317 |
| Other equipment | 215 | 265 | 410 |
| Total | <u>\$347,602</u> | <u>\$356,176</u> | <u>\$395,454</u> |

During the three-month periods ended 31 March 2025 and 2024, the Group's additions to right-of-use assets amounting to \$4,513 and \$141,395, respectively.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

b. Lease liabilities

| | As of | | |
|-------------------|------------------|---------------------|------------------|
| | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Lease liabilities | | | |
| Current | \$41,659 | \$41,951 | \$55,043 |
| Non-current | 100,229 | 105,238 | 131,878 |
| Total | <u>\$141,888</u> | <u>\$147,189</u> | <u>\$186,921</u> |

Please refer to Note 6(16)(c) for the interest on lease liabilities recognized during the three-month periods ended 31 March 2025 and 2024 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities.

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

Depreciation charge for right-of-use assets

| | For the three-month periods ended 31 March | |
|--------------------------|--|-----------------|
| | 2025 | 2024 |
| Land | \$1,911 | \$1,897 |
| Land improvement | 41 | 21 |
| Buildings | 13,545 | 14,709 |
| Transportation equipment | 1,280 | 1,590 |
| Other equipment | 51 | 51 |
| Total | <u>\$16,828</u> | <u>\$18,268</u> |

(C) Income and costs relating to leasing activities

| | For the three-month periods ended 31 March | |
|--|--|----------------|
| | 2025 | 2024 |
| The expenses relating to short-term leases | <u>\$1,629</u> | <u>\$1,249</u> |

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

(D) Cash outflow relating to leasing activities

During the three-month periods ended 31 March 2025 and 2024, the Group's total cash outflows for leases amounting to \$14,466 and \$15,681, respectively.

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

| Function Nature | For the three-month periods ended 31 March | | | | | |
|----------------------------|--|--------------------|-----------|-----------------|--------------------|-----------|
| | 2025 | | | 2024 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits expense | | | | | | |
| Salaries | \$203,963 | \$162,979 | \$366,942 | \$187,009 | \$154,729 | \$341,738 |
| Labor and health insurance | 26,700 | 17,258 | 43,958 | 24,911 | 15,485 | 40,396 |
| Pension | 1,802 | 5,802 | 7,604 | 1,651 | 5,329 | 6,980 |
| Others | 13,297 | 9,194 | 22,491 | 11,775 | 7,963 | 19,738 |
| Depreciation | 102,469 | 39,251 | 141,720 | 105,912 | 37,061 | 142,973 |
| Amortization | 2,857 | 21,290 | 24,147 | 1,522 | 20,746 | 22,268 |

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

The Company recognized the employees' compensation and remuneration to directors as employee benefits expense based on profit of current year. If the board of directors resolved to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price one day prior to the date of resolution. The difference between the estimates and the figures resolved at shareholders' meeting will be recognized in profit or loss of the subsequent year. The details of employees' compensation and remuneration to directors for the three-month periods ended 2025 and 2024 are as follows:

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

| | For the three-month periods ended 31 March | |
|---------------------------|--|---------|
| | 2025 | 2024 |
| Employees' compensation | \$5,000 | \$3,750 |
| Remuneration to directors | 2,625 | 1,750 |

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 employees' 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 employees' compensation and remuneration to directors booked as expense for the year ended 31 December 2023 and the actual amounts distributed for the year ended 31 December 2024.

(16) Non-operating income and expenses

A. Other income

| | For the three-month periods ended 31 March | |
|-----------------|--|-----------------|
| | 2025 | 2024 |
| Interest income | \$13,116 | \$16,783 |
| Rental revenue | 95 | 99 |
| Others | 10,741 | 10,167 |
| Total | <u>\$23,952</u> | <u>\$27,049</u> |

B. Other gains and losses

| | For the three-month periods ended 31 March | |
|--|--|-----------------|
| | 2025 | 2024 |
| Foreign exchange gains , net | \$32,108 | \$60,089 |
| Net gains on disposal of property, plant and equipment | 2,589 | 1,271 |
| Others | (126) | (76) |
| Total | <u>\$34,571</u> | <u>\$61,284</u> |

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

C. Finance costs

| | For the three-month periods ended 31 March | |
|-------------------------------|--|----------------|
| | 2025 | 2024 |
| Interest on loans from bank | \$7,040 | \$2,780 |
| Interest on lease liabilities | 1,466 | 1,380 |
| Total | <u>\$8,506</u> | <u>\$4,160</u> |

(17) Components of other comprehensive income

A. For the three-month period ended 31 March 2025

| | Arising during the period | Other comprehensive income, net of tax | Income tax effect | Other comprehensive income, net of tax |
|---|------------------------------|---|----------------------|---|
| To be reclassified to profit or loss in subsequent periods: | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | <u>\$86,984</u> | <u>\$86,984</u> | <u>\$(53,152)</u> | <u>\$33,832</u> |

B. For the three-month period ended 31 March 2024

| | Arising during the period | Other comprehensive income, net of tax | Income tax effect | Other comprehensive income, net of tax |
|---|------------------------------|---|----------------------|---|
| To be reclassified to profit or loss in subsequent periods: | | | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | <u>\$148,161</u> | <u>\$148,161</u> | <u>\$(14,588)</u> | <u>\$133,573</u> |

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

(18) Income tax

The major components of income tax expense are as follows:

A. Income tax recorded in profit or loss

| | For the three-month periods ended 31 March | |
|--|--|-----------------|
| | 2025 | 2024 |
| Current income tax expense: | | |
| Current income tax charge | \$19,367 | \$39,925 |
| Deferred income tax expense: | | |
| Deferred income tax expense relating to origination and reversal of temporary differences | 22,664 | 10,168 |
| Income tax expense recognized in profit or loss | <u>\$42,031</u> | <u>\$50,093</u> |

B. Income tax relating to components of other comprehensive income

| | For the three-month periods ended 31 March | |
|--|--|-----------------|
| | 2025 | 2024 |
| Deferred tax expense: | | |
| Exchange differences on translation of foreign operations | \$53,152 | \$14,588 |
| Income tax relating to components of other comprehensive income | <u>\$53,152</u> | <u>\$14,588</u> |

C. The assessment of income tax returns

As of 31 March 2025, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

| | The assessment of income tax returns |
|---------------------------------|--------------------------------------|
| The Company | Assessed and approved up to 2022 |
| Mitsumichi Industrial Co., Ltd. | Assessed and approved up to 2023 |
| Taiwan Cheer Champ Co., Ltd. | Assessed and approved up to 2023 |
| Turvo International Co., Ltd. | Assessed and approved up to 2022 |

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Notes to Consolidated Financial Statements (Continued)
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As of 31 March 2025, the foreign subsidiaries of the Company have been subject to foreign taxation jurisdiction and have been declared in 2024.

(19) Earnings per share

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

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

A. Basic earnings per share

| | For the three-month periods ended 31 | |
|--|--------------------------------------|----------|
| | March | |
| | 2025 | 2024 |
| Profit attributable to ordinary equity holders of the Company (in thousand NTD) | \$83,064 | \$94,585 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 66,536 | 66,536 |
| Basic earnings per share (NTD) | \$1.25 | \$1.42 |

B. Diluted earnings per share

| | For the three-month periods ended 31 | |
|--|--------------------------------------|----------|
| | March | |
| | 2025 | 2024 |
| Profit attributable to ordinary equity holders of the Company (in thousand NTD) | \$83,064 | \$94,585 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 66,536 | 66,536 |

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Notes to Consolidated Financial Statements (Continued)

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

| | For the three-month periods ended 31 March | |
|--|--|--------|
| | 2025 | 2024 |
| Effect of dilution: | | |
| Employees' compensation – stock (in thousands) | 176 | 125 |
| Weighted average number of ordinary shares outstanding after dilution (in thousands) | 66,712 | 66,661 |
| Diluted earnings per share (NTD) | \$1.25 | \$1.42 |

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

(20) Subsidiaries that have material non-controlling interests

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

| Subsidiary | Country of Incorporation and operation | Percentage of non-controlling interests | | |
|-------------------------------|--|---|------------------|---------------|
| | | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Turvo International Co., Ltd. | Taiwan | 74.51% | 74.51% | 76.04% |

The consolidated financial information of the above subsidiary has been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the FSC and has reflected the fair value adjustments made by the Group as of the acquisition date and adjustments for accounting policy differences.

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

| | As of | | |
|--|---------------|------------------|---------------|
| | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| Current assets | \$3,172,319 | \$3,032,629 | \$3,093,423 |
| Non-current assets | 3,049,516 | 3,054,535 | 2,412,082 |
| Current liabilities | (1,843,683) | (1,436,376) | (990,254) |
| Non-current liabilities | (615,776) | (595,707) | (682,754) |
| Equity | \$3,762,376 | \$4,055,081 | \$3,832,497 |
| The carrying amount of non-controlling interests | \$3,232,654 | \$3,458,900 | \$3,385,451 |

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Notes to Consolidated Financial Statements (Continued)

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

| | For the three-month periods ended 31 | |
|--|--------------------------------------|-----------|
| | March | |
| | 2025 | 2024 |
| Operating revenue | \$878,707 | \$865,410 |
| Profit from continuing operations | \$120,758 | \$149,920 |
| Other comprehensive income | 8,554 | 98,999 |
| Current comprehensive income | \$129,312 | \$248,919 |
| Profits attributable to non-controlling interests | \$81,771 | \$105,911 |
| Comprehensive income attributable to non-controlling interests | \$88,198 | \$181,131 |

| | For the three-month periods ended 31 | |
|---|--------------------------------------|-----------|
| | March | |
| | 2025 | 2024 |
| Cash flows from operating activities | \$91,947 | \$151,090 |
| Cash flows from investing activities | (207,136) | (109,094) |
| Cash flows from financing activities | 80,571 | (44,948) |
| Effect of exchange rate changes | 18,880 | 32,377 |
| Net increase in cash and cash equivalents | \$(15,738) | \$29,425 |

7. RELATED PARTY TRANSACTIONS

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

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

| Name of the related parties | Nature of relationship of the related parties |
|------------------------------------|---|
| CHIH-CHENG LIN and other 39 people | Directors and Deputy General Manager of the Company and Turvo International Co., Ltd. |

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

Key management personnel compensation

| | For the three-month periods ended 31 | |
|------------------------------|--------------------------------------|-----------------|
| | March | |
| | 2025 | 2024 |
| Short-term employee benefits | \$30,524 | \$25,194 |
| Post-employment benefits | 512 | 458 |
| Total | <u>\$31,036</u> | <u>\$25,652</u> |

8. ASSETS PLEDGED AS COLLATERAL

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

| | As of | | | Secured liabilities |
|---|--------------------|---------------------|------------------|---|
| | 31 March 2025 | 31 December 2024 | 31 March 2024 | |
| Property, Plant and Equipment-building | \$1,140,832 | \$1,146,662 | \$566,496 | Bank loan |
| Property, Plant and Equipment- machinery and equipment | 170,209 | 175,822 | 196,098 | Bank loan |
| Property, Plant and Equipment-land | 38,343 | 38,343 | 38,343 | Bank loan |
| Property, Plant and Equipment- miscellaneous equipment | 7,036 | 7,383 | 8,423 | Bank loan |
| Financial assets measured at amortized cost, current | 10,405 | 10,405 | 11,426 | Product agency and launch |
| Financial assets measured at amortized cost, non-current | 200 | 200 | 200 | Customs import customs clearance deposit |
| Total | <u>\$1,367,025</u> | <u>\$1,378,815</u> | <u>\$820,986</u> | |

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

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Company issued guaranty notes as security for borrowings in the sum of \$2,779,703, \$2,779,703 and \$2,580,058 as of 31 March 2025, 31 December 2024 and 31 March 2024.

(2) The significant contracts that have been signed but are yet to be completed or executed are summarized as follows:

a. As of 31 March 2025: None.

b. As of 31 December 2024: None.

c. As of 31 March 2024:

| Contracting parties | Subject matter | Total contract amount | Contract amount paid as of 31 March 2024 |
|---------------------|----------------|-----------------------|--|
| Company A | Building | \$76,190 | \$61,577 |

The above-mentioned renovation works are paid based on the progress of the work.

(3) The Group entered into the financial guarantees to related parties: refer to Note 13 (1) (B).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

(1) The Company's board of directors resolved on April 9, 2025, to sell the land use rights and buildings of Shinco Technologies Limited (VN).

(2) To optimize the Group's operational management, improve production cost efficiency, enhance equipment utilization rates, reduce capital expenditures, and utilize funds more effectively, the Company's board of directors resolved on August 8, 2024, to proceed with the merger of two subsidiaries in Zeng Hsing Industrial Co., Ltd. will be the surviving company, while Shinco Technologies Limited (VN) will be the dissolved company. The effective date for the merger is expected to be June 30, 2025.

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

12. OTHERS

(1) Categories of financial instruments

| | As of | | |
|--|------------------|---------------------|------------------|
| | 31 March 2025 | 31 December 2024 | 31 March 2024 |
| <u>Financial Assets</u> | | | |
| Financial assets measured at amortized cost | | | |
| Cash and cash equivalents (excluding cash on hand) | \$2,451,061 | \$2,276,689 | 2,984,394 |
| Notes and accounts receivable | 1,651,402 | 1,767,318 | 1,437,481 |
| Other receivables | 91,546 | 82,464 | 91,740 |
| Financial assets measured at amortized cost, current | 719,162 | 551,236 | 413,744 |
| Financial assets measured at amortized cost, non-current | 596,515 | 588,479 | 200 |
| <u>Financial Liabilities</u> | | | |
| Financial liabilities measured at amortized cost: | | | |
| Short-term loans | \$1,116,000 | \$906,000 | \$488,000 |
| Long-term loans (including current portion) | 696,821 | 723,702 | 816,846 |
| Notes and accounts payables | 845,876 | 894,421 | 905,142 |
| Other payables | 783,113 | 638,861 | 432,214 |
| Lease liability | 141,888 | 147,189 | 186,921 |

(2) Financial risk management objectives and policies

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

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

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

(3) Market risk

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

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

Foreign currency risk

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

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

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

- a. When NTD strengthens/weakens against USD by 1%, the profit for the three -month periods ended 31 March 2025 and 2024 is decreased/increased by \$23,507 and \$19,246, respectively; and no impact on the equity.
- b. When NTD strengthens/weakens against RMB by 1%, the profit for the three -month periods ended 31 March 2025 and 2024 is decreased/increased by \$18,415 and \$13,805, respectively; and no impact on the equity.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

- c. When NTD strengthens/weakens against VND by 1%, the profit for the three -month periods ended 31 March 2025 and 2024 is decreased/increased by \$35 and \$2,252, respectively; and no impact on the equity.

Interest rate risk

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

The interest rate sensitivity analysis is performed on the borrowings with variable interest rates as of the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate in a reporting period will result in a decrease/increase of \$453 and \$326 for the three-month periods ended 31 March 2025 and 2024, respectively.

(4) Credit risk management

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

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

As of 31 March 2025, 31 December 2024 and 31 March 2024, trade receivables from top ten customers represented 64.49%, 64.58% and 66.37% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

(5) Liquidity risk management

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

Non-derivative financial liabilities

| | < 1 year | 2 ~ 3 years | 4 ~ 5 years | > 5 years | Total |
|--|-------------|-------------|-------------|-----------|-------------|
| As of 31 March 2025 | | | | | |
| Short-term loans | \$1,119,153 | \$- | \$- | \$- | \$1,119,153 |
| Notes and accounts payables | 845,876 | - | - | - | 845,876 |
| Long-term loans(including current portion) | 118,387 | 276,517 | 174,682 | 159,078 | 728,664 |
| Lease liabilities | 50,940 | 75,993 | 29,255 | 702 | 156,890 |
| As of 31 December 2024 | | | | | |
| Short-term loans | \$909,775 | \$- | \$- | \$- | \$909,775 |
| Notes and accounts payables | 894,421 | - | - | - | 894,421 |
| Long-term loans(including current portion) | 116,097 | 281,381 | 186,885 | 173,408 | 757,771 |
| Lease liabilities | 55,939 | 75,684 | 35,277 | 750 | 167,650 |
| As of 31 March 2024 | | | | | |
| Short-term loans | \$490,007 | \$- | \$- | \$- | \$490,007 |
| Notes and accounts payables | 905,142 | - | - | - | 905,142 |
| Long-term loans(including current portion) | 128,443 | 262,070 | 235,863 | 227,867 | 854,243 |
| Lease liabilities | 66,024 | 80,855 | 59,373 | 894 | 207,146 |

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

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the three-month period ended 31 March 2025:

| | Short-term loans | Long-term loans (including current portion) | Lease liabilities | Total liabilities from financing activities |
|---------------------------|---------------------|---|----------------------|---|
| As of 1 January 2025 | \$906,000 | \$723,702 | \$147,189 | \$1,776,891 |
| Cash flow | 210,000 | (26,881) | (11,371) | 171,748 |
| Non-cash change | - | - | 4,513 | 4,513 |
| Foreign exchange movement | - | - | 1,557 | 1,557 |
| As of 31 March 2025 | <u>\$1,116,000</u> | <u>\$696,821</u> | <u>\$141,888</u> | <u>\$1,954,709</u> |

Reconciliation of liabilities for the three-month period ended 31 March 2024:

| | Short-term loans | Long-term loans (including current portion) | Lease liabilities | Total liabilities from financing activities |
|---------------------------|---------------------|---|----------------------|---|
| As of 1 January 2024 | \$393,000 | \$856,227 | \$55,410 | \$1,304,637 |
| Cash flow | 95,000 | (39,381) | (13,052) | 42,567 |
| Non-cash change | - | - | 141,395 | 141,395 |
| Foreign exchange movement | - | - | 3,168 | 3,168 |
| As of 31 March 2024 | <u>\$488,000</u> | <u>\$816,846</u> | <u>\$186,921</u> | <u>\$1,491,767</u> |

(7) Fair value of financial instruments

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

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

B. Fair value of financial instruments measured at amortized cost

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

C. Fair value measurement hierarchy for financial instruments

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to Consolidated 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 Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

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

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

(9) Significant assets and liabilities denominated in foreign currencies

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

| | | Unit: Thousands | | | | | | | | |
|------------------|---------------------|------------------|-------------|---------------------|------------------|-------------|---------------------|------------------|-------------|--|
| | | As of | | | | | | | | |
| | | 31 March 2025 | | | 31 December 2024 | | | 31 March 2024 | | |
| | Foreign Currency | Exchange rate | NTD | Foreign Currency | Exchange rate | NTD | Foreign Currency | Exchange rate | NTD | |
| Financial assets | | | | | | | | | | |
| Monetary item: | | | | | | | | | | |
| USD | \$75,477 | 33.182 | \$2,504,478 | \$71,721 | 32.7810 | \$2,351,086 | \$63,971 | 31.990 | \$2,046,432 | |
| CNY | 463,832 | 4.5758 | 2,122,402 | 472,303 | 4.4913 | 2,121,254 | 370,085 | 4.4288 | 1,639,032 | |
| VND | 194,878,730 | 0.001299 | 253,147 | 206,584,783 | 0.001286 | 265,668 | 319,531,693 | 0.001289 | 411,876 | |

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

| | As of | | | | | | | | |
|-----------------------|---------------------|------------------|-----------|---------------------|------------------|-----------|---------------------|------------------|-----------|
| | 31 March 2025 | | | 31 December 2024 | | | 31 March 2024 | | |
| | Foreign Currency | Exchange rate | NTD | Foreign Currency | Exchange rate | NTD | Foreign Currency | Exchange rate | NTD |
| Financial liabilities | | | | | | | | | |
| Monetary item: | | | | | | | | | |
| USD | \$4,634 | 33.182 | \$153,765 | \$4,955 | 32.7810 | \$162,430 | \$3,808 | 31.990 | \$121,818 |
| CNY | 61,396 | 4.5758 | 280,936 | 71,649 | 4.4913 | 321,797 | 58,385 | 4.4288 | 258,575 |
| VND | 192,162,156 | 0.001299 | 249,619 | 235,657,249 | 0.001286 | 303,055 | 144,789,809 | 0.001289 | 186,634 |

Due to the large number of functional currencies used in the Group, it's impossible to disclose foreign exchange (losses) gains on the basis of each monetary item which has significant impact. The Group recognized \$32,108 and \$60,089 for foreign exchange gain/loss for the three-month periods ended 31 March 2025 and 2024, respectively.

(10) Capital management

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

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Loans to others:

(In Yuan of Foreign Currency)

| No. (Note 1) | Lender | Borrower | Related Parties | Financial Statement Account | Maximum Balance for the Period | Ending Balance (By resolution of the Board of Directors) (Note 2) | Amount Actually Drawn | Interest Rate (%) | Nature of loan | Transaction amount | Reasons for short-term financing | Allowance for doubtful account | Collateral | | Financing limits for a single borrowing company | Limits on total loans granted |
|-----------------|---|---|-----------------|-----------------------------------|--------------------------------|---|-----------------------|-------------------|-----------------|--------------------|----------------------------------|--------------------------------|------------|-------|---|-------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Turvo International Co.,Ltd. | TIPO International Co.,Ltd | Yes | Other receivable-related parties | \$132,728 | \$66,364 | \$- | NA | Short-term loan | Not applicable | Operating purposes | \$- | - | \$- | \$375,517 (Note 3) | \$1,502,069 (Note 3) |
| 1 | Turvo International Co.,Ltd. | T&M Joint (Cayman) Holding Co., Ltd. | Yes | Other receivable-related parties | \$2,986 | \$2,986 | \$2,820 | NA | Short-term loan | Not applicable | Operating purposes | \$- | - | \$- | \$375,517 (Note 3) | \$1,502,069 (Note 3) |
| 1 | Turvo International Co.,Ltd. | Matec Southeast Asia (Thailand) Co., Ltd. | Yes | Other receivable-related parties | \$73,388 | \$29,355 | \$26,909 | 3%-3.5% | Short-term loan | Not applicable | Operating purposes | \$- | - | \$- | \$375,517 (Note 3) | \$1,502,069 (Note 3) |
| 2 | Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd. | Turvo International Co., Ltd. | Yes | Other receivables-related parties | \$323,582 | \$323,582 | \$- | NA | Short-term loan | Not applicable | Operating purposes | \$- | - | \$- | \$3,755,174 (Note 4) | \$3,755,174 (Note 4) |
| 3 | Zhejiang Yu-Zuan Precision Component Co., Ltd. | Turvo International Co., Ltd. | Yes | Other receivables-related parties | \$323,582 | \$323,582 | \$- | NA | Short-term loan | Not applicable | Operating purposes | \$- | - | \$- | \$3,755,174 (Note 4) | \$3,755,174 (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. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

B. Endorsement/guarantee provided:

(In Yuan of Foreign Currency)

| No. (Note 1) | Endorser/ Guarantor | Endorsee | | Limit of guarantee/ endorsement amount to a single entity (Note 3) | Maximum guarantee balance for the period | Ending balance | Actual amount provided | Amount of collateral guarantee/ endorsement backed by property | Ratio of Accumulated Amount of Guarantee to Net Equity of the most recent Financial Statements | Maximum guarantee limit (Note 4) | Parent company to subsidiary | Subsidiary to parent company | To Mainland China |
|-----------------|------------------------------------|--|--------------------------|---|--|-------------------------------|------------------------------|---|--|---|------------------------------------|------------------------------------|-------------------------|
| | | Company name | Relationship (Note 2) | | | | | | | | | | |
| 0 | Zeng Hsing Industrial Co., Ltd. | Zeng Hsing Industrial Co., Ltd. (VN) | (2) | \$1,702,672 | \$713,413 (USD 21,500,000) | \$713,413 (USD 21,500,000) | \$- | \$- | 12.57% | \$2,270,229 | Yes | No | No |

Note 1: The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

(2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The relationship between the endorser and endorsee is listed as follows:

(1) A company that has a business relationship with the provider.

(2) A subsidiary in which the provider holds directly over 50% of equity interest.

(3) An investee in which the provider and its subsidiaries hold over 50% of equity interest.

(4) An investee in which the provider holds directly and indirectly over 90% of equity interest.

(5) A company that has provided guarantees to the provider, and vice versa, due to contractual requirements.

(6) An investee in which the provider conjunctly invests with other shareholders, and for which the provider has provided endorsement/guarantee in proportion to its shareholding percentage.

(7) Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The amount of endorsements/guarantees to a single corporation shall not exceed 20%, and the amount of guarantees/endorsements to a single overseas affiliate shall not exceed 30% of Zeng Hsing Industrial Co., Ltd's net worth.

Note 4: The total guarantee/endorsement amount shall not exceed 40% of Zeng Hsing Industrial Co., Ltd's net worth of the current period.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

(In Yuan of Foreign Currency)

| 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 | \$811,548 | 39.70% | There is no difference with other clients | Regular | Regular | Account receivable \$745,425 | 45.14% | |
| Zeng Hsing Industrial Co., Ltd. | Zeng Hsing Industrial Co., Ltd. (VN) | 1 | Purchases | \$811,548 | 39.70% | There is no difference with other clients | Regular | Regular | Account payable \$(745,425) | (45.14%) | |
| Turvo International Co., Ltd. | Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd. | 3 | Purchases | \$161,005 | 7.88% | There is no difference with other clients | Regular | Regular | Other payables \$(162,509) | (9.84%) | |
| Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd. | Turvo International Co., Ltd. | 3 | Sales | \$161,005 | 7.88% | There is no difference with other clients | Regular | Regular | Other receivables \$162,509 | 9.84% | |

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

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

"3" represents the transaction between subsidiaries.

Note 2: Related party transactions were eliminated when preparing the consolidated financial statements.

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Rate | Overdue receivables | | Amounts Received in Subsequent Period | Loss allowance | Note |
|--------------------------------------|---------------------------------|------------------------|----------------|---------------|---------------------|--------------|---------------------------------------|----------------|-------------------------------|
| | | | | | Amount | Action Taken | | | |
| Zeng Hsing Industrial Co., Ltd. (VN) | Zeng Hsing Industrial Co., Ltd. | Subsidiary | \$745,425 | 4.30 | \$- | \$- | \$291,728 | \$- | accounts receivable-customers |

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

(2) Information on investees

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

(In Yuan of Foreign Currency)

| Investor Company | Investee Company | Location | Main businesses and products | Original investment amount | | Balance as at 31 March 2025 | | | Net Income (Losses) of the Investee | Equity in Earnings (Losses) | Notes |
|---------------------------------------|---|--|--|-------------------------------|-------------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|-----------------------------|--------|
| | | | | 31 March 2025 | 31 December 2024 | Shares | Percentage of Ownership | Carrying Value | | | |
| Zeng Hsing Industrial Co., Ltd. | Zeng Hsing Industrial Co., Ltd. (BVI) | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | Investing and holding subsidiaries in mainland China | \$347,437 (USD 10,250,000) | \$347,437 (USD 10,250,000) | 10,250 | 100% | \$477,065 | \$1,763 | \$1,365 | 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% | \$133,636 | \$900 | \$900 | |
| Arcoris Pte Ltd. | Zorca Worldwide Ltd. | Marcy Building, 2nd Floor, Purcell Estate P.O. Box 2416 Road Town British Virgin Islands | Holding company | \$- | \$- | 64,700 | 100% | \$- | \$- | \$- | |
| 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% | \$24,619 | \$(503) | \$(503) | |

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

| Investor Company | Investee Company | Location | Main businesses and products | Original investment amount | | Balance as at 31 March 2025 | | | Net Income (Losses) of the Investee | Equity in Earnings (Losses) | Notes |
|---|---|---|---|---------------------------------|---------------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|-----------------------------|-------|
| | | | | 31 March 2025 | 31 December 2024 | Shares | Percentage of Ownership | Carrying Value | | | |
| 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% | \$24,619 | VND (388,838,605) | \$(503) | |
| Zeng Hsing Industrial Co., Ltd. | Zeng Hsing Industrial Co., Ltd. (VN) | Bing Doung, Vietnam | Manufacturing household sewing machines | \$1,201,379 (USD 40,000,000) | \$1,201,379 (USD 40,000,000) | - | 100% | \$2,295,081 | VND 31,187,833,635 | \$40,326 | |
| Zeng Hsing Industrial Co., Ltd. | Shinco Technologies Limited (VN) | Bing Doung, Vietnam | Material die-casting of metal of aluminum, zinc and magnesium alloy | \$347,158 (USD 11,173,331) | \$347,158 (USD 11,173,331) | - | 100% | \$310,004 | VND 4,518,943,531 | \$1,855 | |
| 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% | \$32,530 | \$7,693 | \$1,502 | |
| Zeng Hsing Industrial Co., Ltd. | Mitsumichi industrial Co. Ltd | Taichung, Taiwan | Manufacturing household sewing machines | \$31,330 | \$31,330 | 1,378,000 | 53% | \$47,680 | \$2,428 | \$1,287 | |
| 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% | \$52,220 | \$(3,968) | \$(1,190) | |
| Zeng Hsing Industrial Co., Ltd. | Taiwan Cheer Champ Co., Ltd. | New Taipei City, Taiwan | Selling household sewing machines | \$88,631 (USD 2,740,000) | \$88,631 (USD 2,740,000) | 15,421,630 | 85.68% | \$81,788 | \$(2,396) | \$(2,053) | |
| FOREMOST GULF INTERNATIONAL CO., LTD. (BVI) | FOREMOST GULF INTERNATIONAL (Vietnam) | No.21 Vsiip II, Street No.6, Vietnam-Singapore II Industrial Park, Hoa Phu Ward, Thu Dau Mot City, Binh Duong Province | Manufacturing electronic components | \$140,404 (USD 4,700,000) | \$140,404 (USD 4,700,000) | - | 100% | \$171,864 | VND (2,465,271,415) | \$(3,840) | |

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

| Investor Company | Investee Company | Location | Main businesses and products | Original investment amount | | Balance as at 31 March 2025 | | | Net Income (Losses) of the Investee | Equity in Earnings (Losses) | Notes |
|--------------------------------------|---|---|--|---|---|-----------------------------|-------------------------|----------------|-------------------------------------|--|----------------|
| | | | | 31 March 2025 | 31 December 2024 | Shares | Percentage of Ownership | Carrying Value | | | |
| 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% | \$27,133 | VND (487,821,144) | \$(631) | |
| Zeng Hsing Industrial Co., Ltd. | Turvo International Co., Ltd. | Taichung, Taiwan | Manufacturing precision parts for automotive and industrial applications | \$1,966,518 | \$1,966,518 | 15,367,000 | 25.49% | \$1,869,409 | \$120,758 | \$28,296 | |
| 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% | \$3,345,947 | \$88,715 (Note 2) | \$90,418 (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% | \$4,000 | \$(1,464) (Note 2) | \$(523) (Note 3) | Subsidiary |
| Turvo International Co., Ltd. | TUF Technology Co., LTD. | Taiwan | Merchandising-sector | \$900 | \$900 | 90,000 | 100% | \$879 | \$12 (Note 2) | \$12 (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% | \$1,881,250 | \$51,476 (Note 2) | Incorporated into subsidiary (Note 3) | Sub-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% | \$14,049 | \$(1,398) (Note 2) | Incorporated into subsidiary (Note 3) | Sub-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.

Note3: The investment gains and losses recognized this period included the investment gains and losses from downstream transactions.

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

(3) Information on investment in Mainland China

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

(In Yuan of Foreign Currency)

| Investee Company | Main Businesses and Products | Total Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan as of 1 January 2025 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of 31 March 2025 | Percentage of Ownership | Equity in Earnings (Losses) (Note 1) | Carrying Value as of 31 March 2025 | Accumulated Inward Remittance of Earnings as of 31 March 2025 |
|--|--|-----------------------|---|--|------------------|--------|---|-------------------------|--------------------------------------|------------------------------------|---|
| | | | | | 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) | \$- | \$- | \$- | \$- | 100% | \$1,186 | \$301,466 | \$606,227 (USD 15,307,341) (RMB 27,000,000) |
| Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. | Selling household sewing machines and spare parts | USD 500,000 | Indirect investments through Zeng Hsing (BVI) | \$14,931 (USD 500,000) | \$- | \$- | \$14,931 (USD 500,000) | 100% | RMB 890,988 | RMB 27,776,980 | 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 259,662 | RMB 8,366,010 | RMB 9,197,561 |

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

(In Yuan of Foreign Currency)

| Investee Company | Main Businesses and Products | Total Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan as of 1 January 2025 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of 31 March 2025 | Percentage of Ownership | Equity in Earnings (Losses) (Note 1) | Carrying Value as of 31 March 2025 | Accumulated Inward Remittance of Earnings as of 31 March 2025 |
|---|--|----------------------------|--|--|------------------|--------|---|-------------------------|--------------------------------------|------------------------------------|---|
| | | | | | Outflow | Inflow | | | | | |
| Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd. | Producing and selling computer, medical equipment, optics, automobile, photoelectric, precision hardware and other parts | HKD 58,385,000 (Note 3) | Indirect investments through Turvo International Co., Ltd. | \$230,289 (USD7,120,536) | \$- | \$- | \$230,289 (USD7,120,536) | 100% | \$51,409 | \$1,877,313 | \$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 5) | Indirect investments through Turvo International Co., Ltd. | \$686,956 (USD23,000,000) | \$- | \$- | \$686,956 (USD23,000,000) | 100% (Note 5) | \$26,975 | \$1,374,304 | \$- |

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

| Accumulated investment in Mainland China as of 31 March 2025 | | Investment Amounts Authorized by the Investment Commission, MOEA | Upper Limit on Investment (Note 4) |
|--|------------------------------|---|---------------------------------------|
| Zeng Hsing Industrial Co., Ltd. | \$14,931 (USD 500,000) | \$153,298 (Note 2) (USD 4,098,355) | \$3,405,345 |
| Turvo International Co., Ltd. (Turvo) | \$917,245 (USD30,120,536) | \$917,245 (USD30,120,536) | \$2,253,104 |

Note 1: The financial statement was reviewed by independent accountants.

Note 2: Investment amounts authorized by the Investment Commission, MOEA were \$153,298 (USD4,098,355). 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: On 10 July 2024, Dong-Guan Xin-Feng Hardware Machinery Plastics Industry Co., Ltd. received an additional capital injection of USD5,000,000 , acquiring 17.86% equity in the company. Through TIPO International Co., Ltd. (Samoa), the Company holds a total ownership percentage of 100%.

- B. As of 31 March 2025, for information on significant transactions and prices, payments, etc. between the parent company and subsidiaries, please refer to Note 13(1) D.

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

14. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on operating strategies and has two reportable segments as follows:

Sewing machine division produces computerized and electronic sewing machines.

Precision metal parts processing division manufacture precision parts for automotive and industrial applications.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on material accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

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

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

A. For the three-month period ended 31 March 2025

| | Sewing machine division | Precision metal parts processing division | Adjustments and eliminations (Note) | Consolidated |
|---|----------------------------|---|---|--------------------|
| Revenue | | | | |
| External customers | \$1,165,615 | \$878,707 | \$- | \$2,044,322 |
| Total revenue | <u>\$1,165,615</u> | <u>\$878,707</u> | <u>\$-</u> | <u>\$2,044,322</u> |
| Gross margin | <u>\$251,105</u> | <u>\$266,276</u> | <u>\$-</u> | <u>\$517,381</u> |
| Net profit | <u>\$53,174</u> | <u>\$104,301</u> | <u>\$-</u> | <u>\$157,475</u> |
| Segment profit (after tax) | <u>\$55,566</u> | <u>\$110,068</u> | <u>\$-</u> | <u>\$165,634</u> |
| Net profit attributable to the parent company | <u>\$54,768</u> | <u>\$28,296</u> | <u>\$-</u> | <u>\$83,064</u> |

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

B. For the three-month period ended 31 March 2024

| | Sewing machine division | Precision metal parts processing division | Adjustments and eliminations (Note) | Consolidated |
|---|----------------------------|---|---|--------------|
| Revenue | | | | |
| External customers | \$939,101 | \$865,410 | \$- | \$1,804,511 |
| Total revenue | \$939,101 | \$865,410 | \$- | \$1,804,511 |
| Gross margin | \$197,274 | \$304,924 | \$- | \$502,198 |
| Net profit | \$17,580 | \$148,822 | \$- | \$166,402 |
| Segment profit (after tax) | \$60,857 | \$139,230 | \$- | \$200,087 |
| Net profit attributable to the parent company | \$61,266 | \$33,319 | \$- | \$94,585 |

Note :Inter-segment transactions are eliminated on consolidation and recorded under the “adjustment and elimination” column.

(2) The related information of operating segment assets and liabilities as of 31 March 2025, 31 December 2024 and 31 March 2024 are listed as follows:

Operating segment assets

| | Sewing machine division | Precision metal parts processing division | Adjustments and eliminations (Note) | Consolidated |
|------------------|----------------------------|---|--|--------------|
| 31 March 2025 | \$6,379,819 | \$6,938,973 | \$- | \$13,318,792 |
| 31 December 2024 | \$6,323,039 | \$6,817,665 | \$- | \$13,140,704 |
| 31 March 2024 | \$6,250,371 | \$6,276,095 | \$- | \$12,526,466 |

Operating segment liabilities

| | Sewing machine division | Precision metal parts processing division | Adjustments and eliminations (Note) | Consolidated |
|------------------|----------------------------|---|--|--------------|
| 31 March 2025 | \$1,752,772 | \$2,602,887 | \$- | \$4,355,659 |
| 31 December 2024 | \$1,884,410 | \$2,178,183 | \$- | \$4,062,593 |
| 31 March 2024 | \$1,754,192 | \$1,827,126 | \$- | \$3,581,318 |

Note: Inter-segment transactions are eliminated on consolidation and recorded under the “adjustment and elimination” column.