Strong H Machinery Technology (Cayman) Incorporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2024 and 2023 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Strong H Machinery Technology (Cayman) Incorporation

Opinion

We have audited the accompanying consolidated financial statements of Strong H Machinery Technology (Cayman) Incorporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter from the audit of the Group's consolidated financial statement is as below:

<u>The Occurrence of Revenue Recognition</u>

The Group's revenue mainly consists of the sales of industrial sewing machine spare parts. For some of the major clients, the Group recognizes sales revenue when the goods have been delivered to the client's designated location and accounting records have been verified that they have been completed in accordance with the agreement. As the above-mentioned sales revenue is significant for the year ended December 31, 2024, the occurrence of revenue recognition for the aforementioned type of sales revenue has been deemed as a key audit matter for the year ended December 31, 2024.

To address this matter, we evaluated the Group's revenue recognition policy, trading characteristics, and the relevant design and implementation of internal control for this type of revenue. We also performed relevant tests of controls and substantive tests. We selected samples of revenue for this type of sale and verified them against the client's transaction statements and the related documents to confirm that the transactions had occurred.

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

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

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

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Wen-Yuan Chuang and Chingcheng Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2025

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	2024		2023	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 551,265	23	$ 576,716	26
Financial assets at amortized cost - current (Notes 4, 7 and 26)	9,964	-	23,372	1
Notes receivable (Notes 4 and 8)	101,069	4	62,024	3
Trade receivables (Notes 4, 5 and 8)	387,406	17	307,232	13
Inventories (Notes 4, 5 and 9)	417,251	18	442,519	20
Other current assets (Notes 4 and 14)	42,852	2	46,440	2
Total current assets	1,509,807	64	1,458,303	65
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 4 and 11)	554,940	24	537,215	24
Right-of-use assets (Notes 4 and 12)	180,879	8	158,555	7
Intangible assets (Notes 4 and 13)	32,052	1	22,404	1
Deferred tax assets (Notes 4, 5 and 21)	49,784	2	47,694	2
Other non-current assets (Notes 4 and 14)	22,412	1	17,961	1
Total non-current assets	840,067	36	783,829	35
TOTAL	$ 2,349,874	100	$ 2,242,132	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 15)	$ 98,355	4	$ 184,230	8
Notes payable (Note 4)	2,366	-	3,889	-
Trade payables (Notes 4 and 25)	106,504	5	73,061	3
Other payables (Notes 4 and 16)	248,799	11	211,998	10
Current tax liabilities (Notes 4 and 21)	4,934	-	1,343	-
Other current liabilities (Note 4)	118	-	118	-
Total current liabilities	461,076	20	474,639	21
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	23,491	1	36,947	2
Total liabilities	484,567	21	511,586	23
EQUITY (Notes 4, 18 and 23)				
Share capital				
Ordinary shares	680,972	29	680,972	30
Capital surplus	396,563	17	423,802	19
Retained earnings				
Legal reserve	177,098	7	169,888	7
Special reserve	114,050	5	82,486	4
Unappropriated earnings	546,493	23	487,448	22
Total retained earnings	837,641	35	739,822	33
Other equity	(49,869)	(2)	(114,050)	(5)
Total equity	1,865,307	79	1,730,546	77
TOTAL	$ 2,349,874	100	$ 2,242,132	100

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

STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 19 and 30)	$ 1,607,273	100	$ 1,239,857	100
OPERATING COSTS (Notes 9, 17, 20 and 25)	(1,084,352)	(67)	(852,486)	(69)
GROSS PROFIT	522,921	33	387,371	31
OPERATING EXPENSES (Notes 8, 17, 20 and 25)				
Marketing expenses	(81,989)	(5)	(50,738)	(4)
Administrative expenses	(206,628)	(13)	(192,130)	(15)
Research and development expenses	(84,446)	(5)	(72,295)	(6)
Expected credit loss reversed (recognized)	5,966	-	(10,428)	(1)
Total operating expenses	(367,097)	(23)	(325,591)	(26)
INCOME FROM OPERATIONS	155,824	10	61,780	5
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 20)				
Interest income	10,690	1	8,781	-
Other income	13,772	1	22,004	2
Other gains and losses	(3,961)	-	195	-
Finance costs	(10,145)	(1)	(13,510)	(1)
Total non-operating income and expenses	10,356	1	17,470	1
INCOME BEFORE INCOME TAX	166,180	11	79,250	6
INCOME TAX EXPENSE (Notes 4, 5 and 21)	(27,503)	(2)	(7,146)	-
NET INCOME	138,677	9	72,104	6
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 18)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	64,181	4	(31,564)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 202,858	13	$ 40,540	3

(Continued)

STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	**%**	**Amount**	**%**
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	$ 2.04		$ 1.06	
Diluted earnings per share	$ 2.04		$ 1.06	

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

STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	Share Capital			Retained Earnings				Other Equity	
	Shares (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Total Equity
BALANCE AT JANUARY 1, 2023	68,097	$ 680,972	$ 423,802	$ 144,681	$ 113,105	$ 559,746	$ 817,532	$ (82,486)	$ 1,839,820
Appropriation of 2022 earnings									
Legal reserve	-	-	-	25,207	-	(25,207)	-	-	-
Cash dividends	-	-	-	-	-	(149,814)	(149,814)	-	(149,814)
Reversal of special reserve	-	-	-	-	(30,619)	30,619	-	-	-
	-	-	-	25,207	(30,619)	(144,402)	(149,814)	-	(149,814)
Net income for the year ended December 31, 2023	-	-	-	-	-	72,104	72,104	-	72,104
Other comprehensive loss for the year ended December 31, 2023, net of income tax	-	-	-	-	-	-	-	(31,564)	(31,564)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	72,104	72,104	(31,564)	40,540
BALANCE AT DECEMBER 31, 2023	68,097	680,972	423,802	169,888	82,486	487,448	739,822	(114,050)	1,730,546
Appropriation of 2023 earnings									
Legal reserve	-	-	-	7,210	-	(7,210)	-	-	-
Special reserve	-	-	-	-	31,564	(31,564)	-	-	-
Cash dividends	-	-	-	-	-	(40,858)	(40,858)	-	(40,858)
	-	-	-	7,210	31,564	(79,632)	(40,858)	-	(40,858)
Cash dividends distributed from capital surplus	-	-	(27,239)	-	-	-	-	-	(27,239)
Net income for the year ended December 31, 2024	-	-	-	-	-	138,677	138,677	-	138,677
Other comprehensive income for the year ended December 31, 2024, net of income tax	-	-	-	-	-	-	-	64,181	64,181
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	-	138,677	138,677	64,181	202,858
BALANCE AT DECEMBER 31, 2024	68,097	$ 680,972	$ 396,563	$ 177,098	$ 114,050	$ 546,493	$ 837,641	$ (49,869)	$ 1,865,307

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

STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 166,180	$ 79,250
Adjustments for:		
Depreciation expense	68,119	61,215
Amortization expense	6,094	4,454
Expected credit loss (reversed) recognized on trade receivables	(5,966)	10,428
Finance costs	10,145	13,510
Interest income	(10,690)	(8,781)
Write-down of inventories	4,838	14,873
Loss on disposal of property, plant and equipment	3,911	4,766
Other items	-	23
Changes in operating assets and liabilities		
Notes receivable	(36,800)	27,350
Trade receivables	(63,204)	62,281
Inventories	35,572	23,461
Other current assets	4,418	19,763
Notes payable	(1,523)	(245)
Trade payables	30,660	9,595
Other payables	28,510	(27,272)
Other current liabilities	-	(40)
Cash generated from operations	240,264	294,631
Interest received	10,690	8,781
Interest paid	(10,145)	(13,510)
Income tax paid	(39,534)	(45,919)
Net cash generated from operating activities	201,275	243,983
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	13,408	49,071
Payments for property, plant and equipment	(68,314)	(48,026)
Proceeds from disposal of property, plant and equipment	2,377	436
Payments for intangible assets	(14,934)	(5,582)
Increase in prepayments for business facilities	(3,089)	-
Payments for right-of-use assets	(20,941)	-
Increase in items of other investing activities	(735)	(257)
Net cash used in investing activities	(92,228)	(4,358)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(85,875)	(33,811)
Dividends paid to owners of the Company	(40,858)	(149,814)
Cash dividends distributed from capital surplus	(27,239)	-
Net cash used in financing activities	(153,972)	(183,625)

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STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	2024	2023
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	$ 19,474	$ (6,704)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,451)	49,296
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	576,716	527,420
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 551,265	$ 576,716

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

STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Strong H Machinery Technology (Cayman) Incorporation (the “Company”) was established in the British Cayman Islands on October 31, 2014, mainly as a result of the restructuring of the organization, the Company in accordance with the agreement of the equity exchange on December 15, 2014 to complete the reorganization, and the Company became a holding company of the Company and its subsidiaries (“the Group”).

In addition, in order to meet the development needs, the Company established the Taiwan branch by US$158 thousand (equivalent to NT$5,000 thousand) in March 2015, and approved by the Ministry of Economic Affairs, Republic of China.

The Company became listed on the Taiwan Stock Exchange on May 26, 2017.

The consolidated financial statements are presented in the Company’s functional currency, NTD.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 6, 2025.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2025

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 1)
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” - the amendments to the application guidance of classification of financial assets	January 1, 2026 (Note 2)

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. It is permitted to apply these amendments for an earlier period beginning on January 1, 2025. An entity shall apply the amendments retrospectively but is not required to restate prior periods. The effect of initially applying the amendments shall be recognized as an adjustment to the opening balance at the date of initial application. An entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" - the amendments to the application guidance of derecognition of financial liabilities	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"	January 1, 2026
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025
IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	January 1, 2027

Note: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will supersede IAS 1 "Presentation of Financial Statements". The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.

- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.

- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as "other" only if it cannot find a more informative label.

- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management's view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the other impacts of the above amended standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 10 and Tables 4 and 5 for the detailed information on subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the entities (including subsidiaries in other countries which are using with currency different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at monthly weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Properties, plant and equipment in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation, or otherwise they are allocated to the smallest group of cash-generating units.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL and Financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at fair value through other comprehensive income (FVTOCI) and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 24.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, note receivables at amortized cost, trade receivables at amortized cost and other receivables, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

- Financial asset that has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include bank acceptances and time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime Expected Credit Loss (ECL) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

k. Revenue recognition

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods

Revenue from the sale of goods comes from sales of industrial sewing machine spare parts. Sales of industrial sewing machine spare parts are recognized as revenue when the goods are delivered to the customer's specific location and completed reconciliation or the goods are actually shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivable is recognized co-currently.

l. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

p. Share-based payment arrangements

Restricted shares for employees granted to employees

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in other equity - unearned employee benefits. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the share issuance is approved by the FSC.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of restricted shares for employees that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - restricted shares for employees.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

   The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 8. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

   The carrying amount of trade receivables as of December 31, 2024 and 2023 is disclosed in Note 8.

b. Valuation of inventories

   Inventories are stated at the lower of cost or net realizable value, and therefore, the Group uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

   Due to the rapid advancement in technologies, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to their net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, and hence may result in significant changes.

   The carrying amount of inventories as of December 31, 2024 and 2023 are disclosed in Note 9.

c. Realization of deferred income tax assets

   Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Company's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

   The carrying amount of deferred income tax assets at December 31, 2024 and 2023 are disclosed in Note 21.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2024	**2023**
Cash on hand	$ 4,286	$ 4,463
Demand deposits	306,505	473,070
Cash equivalents (investments with original maturities of 3 months or less)		
Bank acceptances	1,767	1,515
Time deposits	238,707	97,668
	$ 551,265	$ 576,716

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2024	**2023**
Demand deposits	0.0001%-1.45%	0.0001%-1.45%
Time deposits	3.15%-4.60%	3.05%-5.30%

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2024	**2023**
Current		
Domestic investments		
Restricted deposits	$ 9,964	$ 23,372

Refer to Note 26 for information relating to investments in financial assets at amortized cost.

8. NOTES RECEIVABLES AND TRADE RECEIVABLES

	December 31	
	2024	**2023**
Notes receivable		
At amortized cost		
Gross carrying amount - operating	$ 101,069	$ 62,024
Less: Allowance for impairment loss	-	-
	$ 101,069	$ 62,024
Trade receivables		
At amortized cost		
Gross carrying amount	$ 450,927	$ 374,394
Less: Allowance for impairment loss	(63,521)	(67,162)
	$ 387,406	$ 307,232

Trade Receivables at Amortized Cost

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer and the customer's current financial position, economic conditions of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Group determines the expected credit loss rate as 0% by reference to notes receivable that are not past due as of December 31, 2024 and 2023.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2024

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 180 Days	181 to 360 Days	Over 361 Days	Total
Expected credit loss rate	0.33%	2.73%	3.52%	13.80%	42.10%	100%	
Gross carrying amount	$ 366,619	$ 16,183	$ 2,356	$ 3,355	$ 1,916	$ 60,498	$ 450,927
Loss allowance (Lifetime ECLs)	(1,228)	(442)	(83)	(463)	(807)	(60,498)	(63,521)
Amortized cost	$ 365,391	$ 15,741	$ 2,273	$ 2,892	$ 1,109	$ -	$ 387,406

December 31, 2023

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 180 Days	181 to 360 Days	Over 361 Days	Total
Expected credit loss rate	0.34%	3.7%	4.5%	14.1%	40.4%	100%	
Gross carrying amount	$ 262,436	$ 34,855	$ 6,127	$ 3,519	$ 5,472	$ 61,985	$ 374,394
Loss allowance (Lifetime ECLs)	(895)	(1,301)	(274)	(496)	(2,211)	(61,985)	(67,162)
Amortized cost	$ 261,541	$ 33,554	$ 5,853	$ 3,023	$ 3,261	$ -	$ 307,232

The movements of the loss allowance of trade receivables were as follows:

	For the year Ended December 31	
	2024	2023
Balance at January 1	$ 67,162	$ 57,927
Add: Net remeasurement of loss allowance	-	10,428
Less: Net remeasurement of loss allowance	(5,966)	-
Foreign exchange gains and losses	2,325	(1,193)
Balance at December 31	$ 63,521	$ 67,162

9. INVENTORIES

	December 31	
	2024	2023
Raw materials	$ 92,172	$ 91,127
Work in progress	54,473	69,206
Finished goods	329,958	334,849
Less: Allowance for inventory write-downs	(59,352)	(52,663)
	$ 417,251	$ 442,519

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2024 and 2023 was $1,084,352 thousand and $852,486 thousand, respectively. The cost of goods sold included inventory write-downs of $4,838 thousand and $14,873 thousand, respectively.

10. SUBSIDIARIES

Subsidiary included in the consolidated financial statements:

			Proportion of Ownership (%) December 31	
Investor	Investee	Nature of Activities	2024	2023
The Company	Vanden International Co., Ltd.	Investment and international trade	100.00	100.00
The Company	Faith Light International Corporation	Investment and international trade	100.00	100.00
Vanden International Co., Ltd.	Strong H Machinery Technology Co., Ltd. (Laichou)	Manufacturing and sales of high-tech special industrial sewing machine components	80.59	80.59
Faith Light International Corporation (Note)	Strong H Machinery Technology Co., Ltd. (Laichou)	Manufacturing and sales of high-tech special industrial sewing machine components	19.41	19.41
Strong H Machinery Technology Co., Ltd. (Laichou) (Note)	Grand Strong Precision Machiners Co., Ltd.	Manufacturing and sales of high-tech special industrial sewing machine components	100.00	100.00

Note: The board of directors of the Company on May 9, 2023 decided to increase the capital of its sub-subsidiary Strong H Machinery Technology Co., Ltd. (Laichou) by US$3,000 thousand; as a result, its sub-subsidiary Strong H Machinery Technology Co., Ltd. (Laichou)'s capital increased from US$37,979 thousand to US$40,979 thousand and has completed the change registration.

The consolidated financial statements are presented in the Company's functional currency, NTD. The functional currency of its sub-subsidiary is the RMB.

When preparing the consolidated financial statements, the assets and liabilities were converted into the presentation currency in accordance with the exchange rate at the balance sheet date and the shareholders' equity at the historical exchange rate and profit and loss account at the average exchange rate for each period. The profit or loss and other comprehensive income for the year.

The profit or loss accounted the comprehensive income of exchange rate changes of foreign currencies on the balance which was accounted for by the equity.

The exchange rate at the balance sheet date of RMB to NTD is $4.4780 and $4.3270 as of December 31, 2024 and 2023. The average exchange rate of RMB to NTD is $4.4645 and $4.3811 for the years ended December 31, 2024 and 2023.

11. PROPERTY, PLANT AND EQUIPMENT

Assets Used By the Group

	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
Cost					
Balance at January 1, 2024	$ 355,025	$ 558,259	$ 80,452	$ 114,230	$ 1,107,966
Additions	-	8,923	26,836	33,428	69,187
Reclassified	-	36,096	2,004	(38,100)	-
Disposals	(2,997)	(13,761)	(17,275)	-	(34,033)
Effects of foreign currency exchange differences	12,380	19,578	2,841	3,973	38,772
Balance at December 31, 2024	$ 364,408	$ 609,095	$ 94,858	$ 113,531	$ 1,181,892
Accumulated depreciation					
Balance at January 1, 2024	$ 198,393	$ 309,512	$ 62,846	$ -	$ 570,751
Depreciation expense	17,506	38,952	7,460	-	63,918
Reclassified	-	-		-	-
Disposals	(2,176)	(9,706)	(15,863)	-	(27,745)
Effects of foreign currency exchange differences	6,969	10,892	2,167	-	20,028
Balance at December 31, 2024	$ 220,692	$ 349,650	$ 56,610	$ -	$ 626,952
Carrying amount at December 31, 2024	$ 143,716	$ 259,445	$ 38,248	$ 113,531	$ 554,940
Cost					
Balance at January 1, 2023	$ 361,671	$ 540,631	$ 81,253	$ 101,586	$ 1,085,141
Additions	-	32,234	2,754	36,404	71,392
Reclassified	-	21,470	242	(21,712)	-
Disposals	-	(25,798)	(2,296)	-	(28,094)
Effects of foreign currency exchange differences	(6,646)	(10,278)	(1,501)	(2,048)	(20,473)
Balance at December 31, 2023	$ 355,025	$ 558,259	$ 80,452	$ 114,230	$ 1,107,966

(Continued)

Accumulated depreciation	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
Balance at January 1, 2023	$ 184,756	$ 302,871	$ 59,130	$ -	$ 546,757
Depreciation expense	17,245	32,946	7,167	-	57,358
Reclassified	-	96	(96)	-	-
Disposals	-	(20,683)	(2,209)	-	(22,892)
Effects of foreign currency exchange differences	(3,608)	(5,718)	(1,146)	-	(10,472)
Balance at December 31, 2023	$ 198,393	$ 309,512	$ 62,846	$ -	$ 570,751
Carrying amount at December 31, 2023	$ 156,632	$ 248,747	$ 17,606	$ 114,230	$ 537,215

(Concluded)

No impairment assessment was performed for the years ended December 31, 2024 and 2023 since there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Building	
Real estate, dormitory, warehouse, and readiness room	20 years
Equipment under installation	10-20 years
Machinery and equipment	3-10 years
Other equipment	3-10 years

12. LEASE ARRANGEMENTS

Right-of-use Assets

	December 31	
	2024	2023
Carrying amount		
Land	$ 180,879	$ 158,555

	For the Year Ended December 31	
	2024	2023
Additions to right-of-use assets	$ 20,941	$ -
Depreciation charge for right-of-use assets		
Land	$ 4,201	$ 3,857

Right-of-use assets are land use rights, which is located in mainland China.

For the year ended December 31, 2024, the Group's additions to right-of-use assets amounted to $20,941 thousand. As of December 31, 2024, the process of the acquisition of land's rights of use certificate is still ongoing.

No impairment assessment was performed for the years ended December 31, 2024 and 2023 since there was no indication of impairment.

13. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2024	$ 55,049
Additions	14,934
Effects of foreign currency exchange differences	1,963
Balance at December 31, 2024	$ 71,946
Accumulated amortization	
Balance at January 1, 2024	$ 32,645
Amortization expense	6,094
Effects of foreign currency exchange differences	1,155
Balance at December 31, 2024	$ 39,894
Carrying amount at December 31, 2024	$ 32,052
Cost	
Balance at January 1, 2023	$ 50,464
Additions	5,582
Effects of foreign currency exchange differences	(997)
Balance at December 31, 2023	$ 55,049
Accumulated amortization	
Balance at January 1, 2023	$ 28,775
Amortization expense	4,454
Effects of foreign currency exchange differences	(584)
Balance at December 31, 2023	$ 32,645
Carrying amount at December 31, 2023	$ 22,404

Intangible assets are amortized over the period of 2-10 years on a straight-line basis over their estimated useful lives.

14. OTHER ASSETS

	December 31 2024	December 31 2023
Prepayments to suppliers	$ 21,420	$ 17,704
Current tax assets	18	-
Prepayments for purchases	11,498	9,007
Prepaid expenses	7,302	15,380
Other receivables	22,562	21,420
Others	2,464	890
	$ 65,264	$ 64,401
Current	$ 42,852	$ 46,440
Non-current	22,412	17,961
	$ 65,264	$ 64,401

15. BORROWINGS

Short-term Borrowings

	December 31 2024	December 31 2023
Secured borrowings		
Bank loans	$ 98,355	$ 184,230
Interval of interest rate		
Secured borrowings	5.71%-6.12%	6.75%-6.90%

16. OTHER LIABILITIES

	December 31 2024	December 31 2023
Other payables - current		
Payables for salaries and bonuses	$ 76,486	$ 61,541
Payables for compensation of employees and remuneration of directors	2,950	1,592
Payables for tax (Note 1)	13,119	8,015
Payables for insurance and housing funds	116,947	111,213
Payables for purchases of equipment	6,471	5,598
Others (Note 2)	32,826	24,039
	$ 248,799	$ 211,998

Note 1: Payable for tax included value-added tax, building tax and education-added tax.

Note 2: The others of other payables - current are mainly payable for consumables fee, professional service fee and receipts under custody.

17. RETIREMENT BENEFIT PLANS

Strong H Company (Laichou) and Grand Strong H adopted a pension plan under the Labor Pension Act (LPA). The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme.

Strong H Machinery Technology Co., Ltd. (Laichou) and Grand Strong Precision Machiners Co., Ltd. adopted defined contribution plans, an entity makes contributions to employees' individual pension accounts of salaries and wages and are managed by a local statutory insurance agency. When the employees retire, they can receive pension from the pension account.

The Company's Taiwan subsidiary adopted a pension plan under the LPA, which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The head office of the Company and the other subsidiaries do not set employee retirement plan because the Company has not employed any staffs.

18. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2024	**2023**
Numbers of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	68,097	68,097
Shares issued	$ 680,972	$ 680,972

b. Capital surplus

	December 31	
	2024	**2023**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance of ordinary shares (including vested employee restricted shares)	$ 277,644	$ 304,883
Conversion of bonds	100,492	100,492
Expired share warrants	18,427	18,427
	$ 396,563	$ 423,802

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to once a year.

c. Retained earnings and dividends policy

When the Company proposes to make profit distribution, such distribution shall be calculated based on the after-tax net profit of that current fiscal year, and shall be distributable only after covering accumulated losses (including any adjustment to the retained earnings), setting aside a sum equal to 10% for any capital reserve pursuant to the applicable public company rules, unless the accumulated amount of such reserve equals to the total paid-up capital of the Company, and setting aside a sum for an additional special reserve or reversing the special reserve back to the undistributed profit in compliance with the requirements promulgated by applicable R.O.C. authorities so long as the shares are listed on any R.O.C. Securities Exchange. After deducting the aforementioned amounts from the Company's net profit after tax, any remaining profit will be distributed as dividends to shareholders based on the shareholding ratios of the respective shareholders.

As the Company is currently in the growth stage, the board of directors should prepare a distribution plan which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders, with the future operational development plan in mind and in response to funding needs and long-term financial planning, at the same time taking into consideration shareholder interests even if inconsistent with any regulations. Under dividends policy as set forth in the Articles of the Company, dividends are distributed in the form of cash or in additional shares based on future expenditure budgets and capital needs.

The Company's dividends distribution should be proposed by the board of directors and resolved in the shareholders' meeting whereby no less than 10% of the accumulated retained earnings for each year should be distributed as shareholder dividends. The Company's Articles also stipulate a dividends policy whereby the issuance of share dividends takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 10% of the total dividends distributed.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

An appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

When a special reserve is appropriated for cumulative net debit balance reserves from prior period, the special reserve is only appropriated form the prior unappropriated earnings.

The appropriations of earnings for 2023 and 2022 approved in the shareholders' meetings on June 18, 2024 and on June 15, 2023, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2023	**2022**	**2023**	**2022**
Legal reserve	$ 7,210	$ 25,207		
Special reserve	31,564	-		
Reversal of special reserve	-	(30,619)		
Cash dividends	40,858	149,814	$ 0.6	$ 2.2

On June 18, 2024, the shareholders resolve to appropriation for cash dividends distributed from capital surplus in an amount of $27,239 thousand in their meeting.

The appropriation of earnings for 2024 was proposed by the Company's board of directors on March 6, 2025.

	For the Year Ended December 31, 2024
Legal reserve	$ 13,868
Reversal of special reserve	$ (64,181)
Cash dividends	$ 81,717
Cash dividends per share (NT$)	$ 1.2

The appropriation of earnings for 2024 will be resolved by the shareholders in their meeting to be held on June 19, 2025.

d. Special reserves

	For the Year Ended December 31	
	2024	**2023**
Beginning at January 1	$ 82,486	$ 113,105
Appropriations in respect of		
Debits to other equity items	31,564	-
Reversals:		
Reversal of the debits to other equity items	-	(30,619)
Balance at December 31	$ 114,050	$ 82,486

A proportionate share of the special reserve relating to exchange differences on translating the financial statements of foreign operations (including the subsidiaries of the Company) will be reversed on the Group's disposal of foreign operations; on the Group's loss of significant influence, however, the entire special reserve will be reversed. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

e. Others equity items

Exchange differences on translation of the financial statements of foreign operations

The exchange differences on translation of foreign operation's net assets from its functional currency to the Group's presentation currency (NTD) are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the exchange differences on translation of the financial statements of foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

19. REVENUE

	For the Year Ended December 31	
	2024	2023
Sewing machine spare parts sales revenue	$ 1,607,273	$ 1,239,857

20. NET INCOME

a. Interest income

	For the Year Ended December 31	
	2024	2023
Bank deposits	$ 10,141	$ 8,228
Financial assets at amortized cost	549	553
	$ 10,690	$ 8,781

b. Other income

	For the Year Ended December 31	
	2024	2023
Others	$ 10,800	$ 7,438
Government subsidy income	2,972	14,566
	$ 13,772	$ 22,004

c. Other gains and losses

	For the Year Ended December 31	
	2024	2023
Net foreign exchange gains	$ 933	$ 7,723
Loss on disposal of property, plant and equipment	(3,911)	(4,766)
Others	(983)	(2,762)
	$ (3,961)	$ 195

d. Finance costs

	For the Year Ended December 31	
	2024	2023
Interest on bank loans	$ 10,145	$ 13,510

e. Depreciation and amortization

	For the Year Ended December 31	
	2024	2023
An analysis of depreciation by function		
Operating costs	$ 44,521	$ 41,829
Operating expenses	23,598	19,386
	$ 68,119	$ 61,215
An analysis of amortization by function		
Operating costs	$ -	$ -
Operating expenses	6,094	4,454
	$ 6,094	$ 4,454

f. Employee benefits expense

	For the Year Ended December 31	
	2024	2023
Post-employment benefits		
Defined contribution plans	$ 51,328	$ 48,435
Salary and bonus	515,338	443,206
Other employee benefits	68,064	68,847
	$ 634,730	$ 560,488
An analysis of employee benefits expense by function		
Operating costs	$ 432,783	$ 379,461
Operating expenses	201,947	181,027
	$ 634,730	$ 560,488

g. Compensation of employees and remuneration of directors

The Company accrued compensation of employees at the rates no less than 1% and no higher than 3%, respectively, of net profit before income tax, exclusive of compensation of employees. The compensation of employees and remuneration of directors for the years ended December 31, 2024 and 2023 which were approved by the Company's board of directors on March 6, 2025 and March 7, 2024, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2024	2023
Compensation of employees	1.00%	1.00%
Remuneration of directors	1.00%	1.00%

Amount

	For the Year Ended December 31	
	2024	2023
	Cash	Cash
Compensation of employees	$ 1,415	$ 736
Remuneration of directors	1,415	736

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2024	2023
Foreign exchange gains	$ 18,959	$ 32,611
Foreign exchange losses	(18,026)	(24,888)
	$ 933	$ 7,723

21. INCOME TAX

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2024	2023
Current tax		
In respect of the current year	$ 19,734	$ 7,442
Adjustments for prior years	791	(1,050)
Deferred tax		
In respect of the current year	6,978	754
Income tax expense recognized in profit or loss	$ 27,503	$ 7,146

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2024	2023
Profit before income tax	$ 166,180	$ 79,250
Income tax expense calculated at the statutory rate (15%)	$ 24,927	$ 11,888
Nondeductible expenses in determining taxable income	7,067	2,597
Effects of deferred tax of earnings of subsidiaries	7,493	4,634
Income tax credits	(12,775)	(10,923)
Adjustments for prior years' tax	791	(1,050)
Income tax expense recognized in profit or loss	$ 27,503	$ 7,146

Since the Company was established in the Cayman Islands, Vanden and Faith Light are established in Samoa and are exempted from income tax in accordance with local government regulations.

The applicable tax rate for Strong H Machinery Technology (Laichou) Corporation was the corporate tax rate of 25%. However, based on the relevant provision of the Income Tax Act of Chinese enterprises and its regulations, there are formulations to identify high-tech enterprises. High-tech enterprises are entitled to a preferential tax rate of 15% for 3 years. Strong H Machinery Technology (Laichou) Corporation obtained the qualification of high-tech enterprise in 2022, respectively, and a preferential tax rate of 15% from 2022 to 2024, respectively. The applicable tax rate of Grand Strong Precision Machines Corporation was the corporate tax rate of 25 %. In accordance with the relevant provisions of the Income Tax Act of Chinese enterprises, Vanden and Faith Light shall pay 10% income tax on income derived from the 2008 annual surplus distribution in China and for the subsequent years.

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted to 20% effective in 2018.

b. Current tax assets and liabilities

	December 31	
	2024	2023
Current tax liabilities		
Income tax payable	$ 4,934	$ 1,343

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2024

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Amounts Paid	Exchange Differences	Closing Balance
Temporary differences					
Allowance for impairment loss	$ 10,074	$ (895)	$ -	$ 349	$ 9,528
Allowance for inventory write-off	8,954	838	-	316	10,108
Payables for insurance	27,803	462	-	972	29,237
Others	-	908	-	3	911
Loss carryforwards	863	(890)	-	27	-
	$ 47,694	$ 423	$ -	$ 1,667	$ 49,784

Deferred tax liabilities	Opening Balance	Recognized in Profit or Loss	Amounts Paid	Exchange Differences	Closing Balance
Temporary differences					
Deferred tax effect of earnings of subsidiaries	$ 36,938	$ 7,336	$(22,103)	$ 1,246	$ 23,417
Others	9	65	-	-	74
	$ 36,947	$ 7,401	$(22,103)	$ 1,246	$ 23,491

For the year ended December 31, 2023

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Amounts Paid	Exchange Differences	Closing Balance
Temporary differences					
Allowance for impairment loss	$ 8,689	$ 1,564	$ -	$ (179)	$ 10,074
Allowance for inventory write-off	6,620	2,486	-	(152)	8,954
Payables for insurance	28,999	(671)	-	(525)	27,803
Adjustments for foreign exchange valuation of accounts receivable	366	363	-	(3)	-
Loss carryforwards	-	873	-	(10)	863
	$ 44,674	$ 3,889	$ -	$ (869)	$ 47,694

Deferred tax liabilities	Opening Balance	Recognized in Profit or Loss	Amounts Paid	Exchange Differences	Closing Balance
Temporary differences					
Deferred tax effect of earnings of subsidiaries	$ 60,333	$ 4,634	$(27,200)	$ (829)	$ 36,938
Others	-	9	-	-	9
	$ 60,333	$ 4,643	$(27,200)	$ (829)	$ 36,947

d. Income tax assessments

The income tax returns through 2023 for Strong H Machinery Technology (Laichou) Corporation and Grand Strong Precision Machines Corporation have been assessed by the tax authorities, according to local regulations.

The income tax returns through 2022 have been assessed by the tax authorities for the Taiwan branch of the Company in the ROC.

22. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per shares were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2024	**2023**
Earnings used in the computation of basic/diluted earnings per share	$ 138,677	$ 72,104

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Year Ended December 31	
	2024	**2023**
Weighted average number of ordinary shares in computation of basic earnings per share	68,097	68,097
Effect of potentially dilutive ordinary shares		
Compensation of employees	43	35
Weighted average number of ordinary share used for the diluted earnings per share computation	68,140	68,132

The Group may settle bonuses or compensation paid to employees in shares or in cash; therefore, the Group assumes that the entire amount of the bonus or compensation will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. CAPITAL MANAGEMENT

In consideration of the prevailing industry dynamics and the Group’s future development as well as the changes in the external economic environment, the Group manages its working capital and dividend payments in the future to ensure that the Group will be able to continue as going concern while maximizing the returns to shareholders as well as other related parties through the optimization of capital structure.

The Group could make adjustments to dividends or issue new shares in order to maintain or adjust the capital structure.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The Group's management believes that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

The Group did not have any financial assets and financial liabilities measured at fair value in 2024 and 2023. Additionally, there were no transfers between Levels 1 and 2 in the current and prior periods.

c. Categories of financial instruments

	December 31	
	2024	**2023**
Financial assets		
Financial assets at amortized cost (1)	$ 1,072,267	$ 990,764
Financial liabilities		
Amortized cost (2)	363,470	402,030

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, notes receivable, trade receivables and other receivables.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade and other payables (excluding payable for salary and bonus, compensation of employees, remuneration of directors and taxation).

d. Financial risk management objectives and policies

The Group's major financial instruments include trade receivable, trade payables, and bank borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 28.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the CNY/TWD (the functional currency of each entity) against the USD. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit with the CNY/NTD weakening 1% against the USD. For a 1% strengthening of CNY/NTD against USD, there would be an equal and opposite impact on pre-tax profit and the balances would be negative.

	Currency USD Impact	
	For the Year Ended December 31	
	2024	2023
Profit or loss	$ 2,975*	$ 1,053*

* The result was mainly attributable to the exposure of outstanding cash, receivables and payables in currency USD that were not hedged at the end of the year.

The Group's sensitivity to foreign currency increased during the current year mainly due to an increase in Currency USD-denominated assets.

b) Interest rate risk

The Group is exposed to interest rate risk due to its holdings time deposits and bank loans at fixed and floating rate.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2024	2023
Fair value interest rate risk		
Financial assets	$ 238,707	$ 97,668
Cash flow interest rate risk		
Financial assets	316,469	496,442
Financial liabilities	98,355	184,230

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2024 and 2023 would have increased/decreased by $2,181 thousand and $3,122 thousand, respectively. The Group's sensitivity to interest rates decreased during the current year mainly due to the decrease in variable rate borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from operating activities, primarily trade receivables.

In order to minimize credit risk, management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.

The Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 5% of total monetary assets at any time during the years ended December 31, 2024 and 2023.

3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2024

	1-6 Months	6 Months to 1 Year	1+ Years
Non-derivative financial liabilities			
Non-interest bearing	$ 148,168	$ 116,947	$ -
Variable interest rate liabilities	104,325	-	-
	$ 252,493	$ 116,947	$ -

December 31, 2023

	1-6 Months	6 Months to 1 Year	1+ Years
Non-derivative financial liabilities			
Non-interest bearing	$ 106,587	$ 111,213	$ -
Variable interest rate liabilities	190,471	-	-
	$ 297,058	$ 111,213	$ -

The following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2024

	1-6 Months	6 Months to 1 Year	1+ Years
Non-derivative financial assets			
Non-interest bearing	$ 515,323	$ -	$ -
Variable interest rate assets	322,021	-	-
Fixed interest rate assets	248,602	-	-
	$ 1,085,946	$ -	$ -

December 31, 2023

	1-6 Months	6 Months to 1 Year	1+ Years
Non-derivative financial assets			
Non-interest bearing	$ 396,654	$ -	$ -
Variable interest rate assets	496,623	-	-
Fixed interest rate assets	99,727	-	-
	$ 993,004	$ -	$ -

The amounts included above for variable interest rate instruments for non-derivative financial assets were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

25. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and its related parties are disclosed below.

Related parties and their relationships with the Group:

Related Party	Related Party Categories and Relationship with the Group
Qianghao Machinery Technology (Qingdao) Co., Ltd.	Related party in substance
Imperial International Co., Ltd.	Investor with significant influence over the Group
Chi, Ping-Hsin	Chairman

Operating Transaction

a. Purchases of goods

		For the Year Ended December 31	
Line Items	**Related Party Category**	**2024**	**2023**
Purchases	Related party in substance	$ 9,898	$ 7,320

The transaction prices are based on mutual agreements. Payments are due within 1 month from the receipt of the Group's goods.

b. Payables to related parties are as below:

		December 31	
Line Items	**Related Party Category**	**2024**	**2023**
Trade payables	Related party in substance	$ 2,559	$ 1,739

The outstanding trade payables to related parties are unsecured.

c. Endorsements and guarantees

As of December 31, 2024 and 2023, the board of directors approved the credit of bank loans, which were guaranteed by the Company. The endorsement guarantee amount were $5,000 thousand, with Chi, Ping-Hsin as the guarantor.

d. Compensation of key management personnel

	For the Year Ended December 31	
	2024	2023
Short-term employee benefits	$ 5,395	$ 5,060
Post-employment benefits	-	-
	$ 5,395	$ 5,060

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2024	2023
Pledged deposits (classified as financial assets at amortized cost)	$ 9,964	$ 23,372

27. SIGNIFICANT EVENTS AFTER REPORTING PERIOD: NONE

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 7,290	7.1883 (USD:RMB)	$ 234,668
USD	4,918	32.785 (USD:NTD)	161,236
			$ 395,904
Financial liabilities			
Monetary items			
USD	3,000	32.785 (USD:NTD)	$ 98,355

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 4,946	7.0827 (USD:RMB)	$ 151,571
USD	4,493	30.705 (USD:NTD)	137,951
			$ 289,522
Financial liabilities			
Monetary items			
USD	6,000	30.705 (USD:NTD)	$ 184,230

The Group is mainly exposed to USD. The significant realized and unrealized foreign exchange gains (losses), refer to Note 20.

29. DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

1) Financing provided to others (None)

2) Endorsements/guarantees provided (Table 1)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities) (None)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 2)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (None)

9) Trading in derivative instruments (None)

10) Intercompany relationships and significant intercompany transactions (Table 3)

b. Information on investees (Table 4)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: (None)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: (None)

c) The amount of property transactions and the amount of the resultant gains or losses: (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: (None)

e) The highest balance, the end of year balance, the interest rate range, and total current year interest with respect to financing of funds: (None)

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: (None)

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

30. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods. The Group’s only reportable segment in the years ended December 31, 2024 and 2023 are the sewing machine spare parts segment as the Group’s main activities are manufacturing and selling sewing machine spare parts and face mask machines. The accounting policy of the reportable segment is the same as Note 4 “summary of significant accounting policies”.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment Revenue		Segment Profit	
	For the Year Ended December 31		For the Year Ended December 31	
	2024	2023	2024	2023
Sewing machine spare parts segment	$ 1,607,273	$ 1,239,857	$ 145,679	$ 48,270
Interest income			10,690	8,781
Other income			13,772	22,004
Other gains and losses			(3,961)	195
Profit before tax			$ 166,180	$ 79,250

Segment revenue reported above represents revenue generated from external customers.

Segment profit represents the profit earned by sewing machine spare parts segment without allocation of interest income, miscellaneous income (included in non-operating income) and miscellaneous expense (included in other profit and loss) and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group's assets and liabilities information is not reported to chief management decision maker on a regular basis. Therefore, all the assets and liabilities are not allocated to the reportable segment.

c. Other segment information

	Depreciation and Amortization	
	For the Year Ended December 31	
	2024	2023
Sewing machine spare parts segment	$ 74,213	$ 65,669

d. Revenue from major products

The Group's revenue from its major products, refer to (a) Information of Segment revenues.

e. Geographical information

The Group operates mainly in Taiwan and China. The Group's sales revenue from external customers by their location are detailed below.

	Revenue from External Customers For the Year Ended December 31 2024	 2023
China	$ 1,598,245	$ 1,232,915
Taiwan	9,028	6,942
	$ 1,607,273	$ 1,239,857

f. Information about major customers

Revenue from direct sales of sewing machine spare parts was $1,607,273 thousand and $1,239,857 thousand in 2024 and 2023, respectively, and the revenue from sales to the Group's largest customer was approximately $85,985 thousand and $64,892 thousand. No other single customers contributed 10% or more to the Group's revenue for both 2024 and 2023.

STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Year	Outstanding Endorsement/ Guarantee at the End of the Year	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Strong H Machinery Technology (Cayman) Incorporation	Strong H Machinery Technology (Laichou) Corporation	Subsidiary	NT$ 932,654 (Note 3)	US$ 5,000 (NT$ 164,175) (Note 2)	US$ 5,000 (NT$ 163,925) (Notes 2 and 5)	US$ - (NT$ -) (Note 5)	$ -	8.79	NT$ 1,865,307 (Note 4)	Y	N	Y	

Note 1: a. “0” financing provide.
b. “1” and onward coded based on reduce of companies invested.

Note 2: The maximum balance for the period and ending balance represent the amounts approved by the board of directors.

Note 3: For short-term financing requirements, the endorsement limit for each endorsee should not exceed 50% of Grand Strong Precision Machines Corp.’s net worth.

Note 4: The maximum total financing provided should not exceed 100% of Grand Strong Precision Machines Corp.’s net worth.

Note 5: The calculation was based on the exchange rate as of December 31, 2024.

TABLE 2

STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Strong H Machinery Technology (Laichou) Corporation	Grand Strong Precision Machines Corporation	Sub-subsidiary	Purchases	RMB 39,337 (NT$ 175,622)	32.04	Month end 30 days	No significant difference	No significant difference	RMB (11,495) (NT$ 51,477)	(39.74)	Notes 1 and 2
Grand Strong Precision Machines Corporation	Strong H Machinery Technology (Laichou) Corporation	Sub-subsidiary	Sales	RMB 39,337 (NT$ 175,622)	84.01	Month end 30 days	No significant difference	No significant difference	RMB 11,495 (NT$ 51,477)	83.09	Notes 1 and 2

Note 1: Purchases and sales items which are translated at the average exchanged rates for the year, receivables (payables) were based on the exchange rate as of December 31, 2024.

Note 2: The related transactions between investment companies in this table have been fully written off when the consolidated financial statements are prepared.

TABLE 3

STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship	Transactions Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Total Sales or Assets (Note 2)
1	Strong H Machinery Technology (Laichou) Corporation	Grand Strong Precision Machines Corporation	Fellow subsidiary	Purchases	$ 175,622	General terms	10.93
		〃	〃	Trade payables	51,477	General terms	2.19
		Strong H Machinery Technology (Cayman) Incorporation	Parent entity	Sales	7,244	General terms	0.45
		〃	〃	Trade receivables	2,895	General terms	0.11
		〃	〃	Purchases	24,362	General terms	1.52
		〃	〃	Trade payables	15,049	General terms	0.64

Note 1: The Company and its subsidiaries listed on the table are coded according to the following rules:

a. The Company is coded “0”.
b. The subsidiaries are coded consecutively beginning from “1” in the order presented in the table above.

Note 2: For purchases and sales, the amount is shown as a percentage to consolidated total assets as of December 31, 2024, while revenue, costs and expenses are shown as a percentage to consolidated total operating revenue for the year ended December 31, 2024.

Note 3: The amount was eliminated upon consolidation.

STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2024			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2024	December 31, 2023	Shares	%	Carrying Amount			
Strong H Machinery Technology (Cayman) Incorporation	Vanden International Co., Ltd.	Samoa	Investment and international trade	US$ 7,518 (NT$ 235,763)	US$ 7,518 (NT$ 235,763)	1,000,000	100.00	RMB 318,705 (NT$ 1,427,163)	RMB 29,901 (NT$ 133,496)	RMB 29,866 (NT$ 133,338)	Notes 1 and 2
	Faith Light International Corporation	Samoa	Investment and international trade	US$ 8,038 (NT$ 257,587)	US$ 8,038 (NT$ 257,587)	6,000,000	100.00	RMB 79,678 (NT$ 356,799)	RMB 7,218 (NT$ 32,223)	RMB 7,209 (NT$ 32,185)	Notes 1 and 2

Note 1: Carrying amount and share of profits (loss) are calculated from the financial statement audited by independent accountant and the percentage of ownership of investor.

Note 2: The share of profits (losses) of investee includes the effect of unrealized gross profit on intercompany transaction.

Note 3: Intercompany balances and transactions between investor and investee have been eliminated upon consolidation.

Note 4: For information on investment in mainland China, refer to Table 5.

TABLE 5

STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2024	Net Income (Loss) of the Investee (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2024 (Note 1)	Accumulated Repatriation of Investment Income as of December 31, 2024
					Outward	Inward						
Strong H Machinery Technology (Laichou) Corporation	Manufacturing and sales of industrial sewing machine parts	US$ 40,979	Re-investment in mainland China through the establishment of holding company Vanden International Co., Ltd. and Faith Light International Corporation.	$ -	$ -	$ -	$ -	RMB 38,592 (NT$ 172,296)	100	RMB 38,592 (NT$ 172,296)	RMB 402,748 (NT$ 1,803,508)	$ -
Grand Strong Precision Machines Corporation	Manufacturing and sales of industrial sewing machine parts and mask machine	US$ 8,000	Re-investment in mainland China through the establishment of holding company Vanden International Co., Ltd. and Faith Light International Corporation.	-	-	-	-	RMB (1,840) (NT$ -8,214)	100	RMB (1,721) (NT$ -7,683)	RMB 54,411 (NT$ 243,652)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2024	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
(Note 2)	(Note)	(Note 2)

Note 1: Amount was recognized based on the financial statement audited by an independent accountant.

Note 2: The Company is not applicable for the upper limit on the amount of investment stipulation because it is an offshore company.

Note 3: The calculation was based on the exchange rate as of December 31, 2024, except for income and expense items which are translated at the average exchanged rates for the period.

Note 4: Intercompany balances and transactions between investor and investee have been eliminated upon consolidation.

TABLE 6

STRONG H MACHINERY TECHNOLOGY (CAYMAN) INCORPORATION

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2024

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
IMPERIAL INTER	27,272,000	40.04
PREMIER CHOICE	5,220,000	7.66
Global Sharp Invest	5,220,000	7.66
DOUBLE FAITH	5,220,000	7.66
Joyful Gain	4,060,000	5.96
Regency Star Intern	3,480,000	5.11

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, refer to Market Observation Post System.