

National Aerospace Fasteners Corporation and
Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Report
For the years ended 2022 and 2021
(Stock No: 3004)

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National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report For the years
ended 2022 and 2021
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National Aerospace Fasteners Corporation

Representation Letter

The entities that are required to be included in the combined financial statements of National Aerospace Fasteners Corporation as of and for the year ended December 31, 2022, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10 Consolidated Financial Statements. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, National Aerospace Fasteners Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declared by

National Aerospace Fasteners Corporation

Responsible Person: Feng-Tzu Tsai

February 22, 2023

Independent Auditor's Report

(112)Cai-Shen-Bao Letter Number22003119

To the Board of Directors and Stockholders of National Aerospace Fasteners Corporation:

Audit Opinion

We have audited the accompanying consolidated balance sheets of National Aerospace Fasteners Corporation and Subsidiaries as of December 31, 2021 and 2022, and the related consolidated statements of comprehensive income, consolidated changes in equity, and consolidated cash flows, and notes to consolidated financial statements (including summary of significant accounting policies) for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Aerospace Fasteners Corporation and its subsidiaries (hereinafter referred to as "the Group") as of December 31, 2021 and 2022, and the results of the consolidated operations and the consolidated cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission (FSC).

Basis for Opinions

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the "Responsibilities of Certified Public Accountants for the Audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Code. 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 2022. These matters were addressed in the content 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 those matters.

Key audit matters for the consolidated financial statements for the year ended 2022 are stated as follows:

Recognition of revenue from export sales

Description of Key Audit Matters

For accounting policies regarding recognition of revenues, please refer to Note 4 (26) of the consolidated financial statements. For explanation of revenue accounts, please refer to Note 6 (18) of the consolidated financial statements. The operating revenue of National Aerospace Fasteners Corporation and Subsidiaries for the year 2022 totaled NT\$ 2,192,921 thousand.

The main products of National Aerospace Fasteners Corporation and Subsidiaries are aerospace and industrial fasteners. The Group mainly engages in export sales, and recognition of revenue varies from customers to customers, or depends on the trading terms of each individual orders. Thus, the recognition of revenue is relatively more complex, as the timing of revenue recognition has to be determined based on each order. Therefore, we believe that the recognition of revenue from export sales shall be included in Key Audit Matters.

How the matter was addressed in our audit

Our audit main procedures regarding the recognition of revenue from export sales are as follows:

1. We conducted walk through testing on export sales revenues to understand, evaluate and verify the implementation and design effectiveness of internal controls regarding recognition of revenue from export sales.
2. We sampled the trading terms of the recognized revenue in the verification systems, and the sampled items are consistent with the original contracts or orders with the customers.
3. For different transaction terms, we verified the delivery times entered in the customs system and they are consistent with the customer receipts or the courier receipts. The time of customer clearance entered in the customs system are consistent with the retained export declaration receipts.
4. We conducted cut-off tests on the sales revenue of different trading terms during the period from before to after the balance sheet date based on the revenue details obtained. Documents including export clearance and receipts are consistent with the information entered in the system.

Allowance to reduce inventories to market

Description of Key Audit Matters

For accounting policies regarding inventory evaluation, please refer to Note 4(12) attached to the consolidated financial report. For accounting estimates and assumptions of inventory evaluation, please refer to Note 5(2) attached to the consolidated financial report. For the explanation of allowance to reduce inventories to market, please refer to Note 6(4)

attached to the consolidated financial report. On December 31, 2022, the balance of inventories and allowance to reduce inventories to market of National Aerospace Fasteners Corporation and Subsidiaries amounted to NT\$ 939,849 thousand and NT\$ 186,978 thousand, respectively.

The Group engages in the manufacturing and sales of and industrial fasteners. Due to the high level of customization to accommodate to each individual product specification and customer requirements, the Group has a higher risk of falling prices or obsolescence of inventories. The inventory of the Group is measured by the lower amount between the cost or net realizable value. For the inventory over a certain age and the individually identified obsolete inventory, the net realizable value is extrapolated based on the historical information of the destocking process and level of discounts. As net realizable value involves a high level of subjective assumptions, it thus has high assumption uncertainties. In addition, as inventories and the allowance to reduce inventories to market have significant impacts on the financial statements, we believe that the Group's allowance to reduce inventories to market shall be listed as one of the key audit matters.

How the matter was addressed in our audit

Our audit main procedures regarding loss on inventory price decline or falling price loss due to obsolescence of each individual inventory are as follows:

1. We assessed the reasonableness of policies and procedures for the recognition of allowance for inventory valuation losses, including the historical source information of the categorization of inventories, level of destocking, and level of discounts which are used to determine the net realizable value of inventories. We also judge the reasonableness of obsolete inventory items.
2. We investigated the Group's warehousing procedures, reviewed its annual inventory planning, and participated in the annual inventory taking, so as to evaluate the effectiveness of management's categorization of management of obsolete inventories.
3. We verified if inventories are listed in the correct inventory age ranges, so as to ensure that obsolete inventories are listed in their corresponding categories.
4. We verified if losses on valuation of inventory are recognized according to policies for obsolete inventory items over a certain age, and correctly recognized an allowance to reduce inventory to market.

Other Matter - Parent-Only Financial Statements

National Aerospace Fasteners Corporation has additionally prepared its parent-only financial statements for the years ended December 31, 2022 and 2021, on which we have issued an unqualified audit opinion.

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis of 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 the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's 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 related disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair representation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the 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's 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 specified in The Norm of Professional Ethics for Certified Public Accountant of the Republic of China 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 2022 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.

Pricewaterhouse Coopers

Wei-Hao Wu

CPAs

Yen-Na Li

Financial Supervisory Commission
Approval letter: Jin-Guan-Zheng-Shen Letter
Number:1080323093
Securities and Futures Bureau, Financial Supervisory
Commission, Executive Yuan
Approval letter: Jin-Guan-Zheng-Liu Letter
Number:0950122728

February 22, 2023

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Assets	Notes	Dec. 31, 2022		Dec. 31, 2021	
		Amount	%	Amount	%
Current Assets					
1100	Cash and cash equivalents	6 (1) \$ 138,933	3	\$ 110,111	3
1110	Financial assets measured at fair value through profit or loss - current	6 (2) 2,452	-	884	-
1150	Notes receivable, net	6 (3) 169	-	-	-
1170	Accounts receivable, net	6 (3) 572,503	13	364,703	8
1180	Accounts receivable - related parties, net	6 (3), 7 1,671	-	-	-
1200	Other receivables	5,948	-	5,242	-
1210	Other receivables - related parties	7 38	-	38	-
130X	Inventories	6 (4) 752,871	17	591,208	14
1410	Prepayments	66,392	1	31,743	1
11XX	Total current assets	<u>1,540,977</u>	<u>34</u>	<u>1,103,929</u>	<u>26</u>
Non-current assets					
1517	Financial assets measured at fair value through other comprehensive income - non-current	-	-	-	-
1600	Property, plant and equipment	6 (5), 7, 8 2,960,242	65	3,136,622	73
1755	Right-of-use assets	6 (6), 7 6,207	-	12,467	-
1760	Investment property, net	6 (7) 21,662	-	21,804	1
1780	Intangible assets	9,631	-	14,089	-
1840	Deferred income tax assets	9,332	-	5,484	-
1900	Other non-current assets	6 (8), (13), 8 <u>24,875</u>	<u>1</u>	<u>11,332</u>	<u>-</u>
15XX	Total non-current assets	<u>3,031,949</u>	<u>66</u>	<u>3,201,798</u>	<u>74</u>
1XXX	Total Assets	<u>\$ 4,572,926</u>	<u>100</u>	<u>\$ 4,305,727</u>	<u>100</u>

(Continued)

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Liabilities and Equity	Notes	Dec. 31, 2022		Dec. 31, 2021	
		Amount	%	Amount	%
Current Liabilities					
2100	Short-term borrowings	6 (9) \$ 21,497	1	\$ 13,840	-
2120	Financial liabilities measured at fair value through profit or loss - current	6 (2) 1,194	-	-	-
2130	Contract liabilities - current	17,873	-	1,593	-
2170	Accounts payable	6 (10) 324,520	7	162,225	4
2180	Accounts payable - related parties	7 -	-	33	-
2200	Other payables	6 (11) 236,450	5	162,355	4
2220	Other payables - related parties	7 9,246	-	8,319	-
2230	Current tax liabilities	27,981	1	34,328	1
2280	Lease liabilities - current	6 (6), 7 6,353	-	6,285	-
2320	Long-term liabilities - current portion	6 (12) 429,235	9	286,299	7
21XX	Total current liabilities	1,074,349	23	675,277	16
Non-current Liabilities					
2540	Long-term borrowings	6 (12) 1,526,334	34	1,812,813	42
2570	Deferred tax liabilities	17,249	-	15,804	-
2580	Lease liabilities - non-current	6 (6), 7 -	-	6,136	-
2600	Other non-current liabilities	7,735	-	21,498	1
25XX	Total non-current liabilities	1,551,318	34	1,856,251	43
2XXX	Total Liabilities	2,625,667	57	2,531,528	59
Equity Attributable to Owners of Parent					
Issued capital					
3110	Common stock	526,472	12	526,472	12
Capital surplus					
3200	Capital surplus	411,394	9	398,499	9
Retained earnings					
3310	Legal reserve	171,581	4	171,581	4
3320	Special reserve	41,890	1	39,808	1
3350	Unappropriated retained earnings	831,987	18	679,729	16
Other equity					
3400	Other equity	(36,065) (1)	(1)	(41,890) (1)	(1)
3XXX	Total Equity	1,947,259	43	1,774,199	41
Significant commitments and contingencies					
3X2X	Total Liabilities and Equity	\$ 4,572,926	100	\$ 4,305,727	100

The notes attached shall constitute an integral part of the financial statements.

Chairman: Feng-Tzu Tsai

Managerial Officer: Wei-Tsun Lin

Chief Accounting Officer: Wen-Cheng Li

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars
(earnings (loss) per share expressed in New Taiwan Dollars)

Item	Notes	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	7	\$ 2,192,921	100	\$ 1,426,205	100
5000 Operating costs	6 (6), 7	(1,681,287)	(77)	(1,260,117)	(89)
5900 Gross profit		<u>511,634</u>	<u>23</u>	<u>166,088</u>	<u>11</u>
Operating expenses					
6100 Selling expenses		(60,160)	(3)	(40,314)	(3)
6200 General and administrative expenses		(207,301)	(9)	(160,452)	(11)
6300 Research and development expenses		(118,191)	(5)	(83,053)	(6)
6450 Profit from expected credit loss	12 (2)	866	-	558	-
6000 Total operating expenses		(<u>384,786</u>)	(<u>17</u>)	(<u>283,261</u>)	(<u>20</u>)
6900 Operating gains and losses		<u>126,848</u>	<u>6</u>	(<u>117,173</u>)	(<u>9</u>)
Non-operating revenue and expenses					
7100 Interest income		246	-	108	-
7010 Other income		1,036	-	1,042	-
7020 Other gains and losses		43,235	2	34,759	3
7050 Finance costs	7	(26,311)	(1)	(24,105)	(2)
7000 Total non-operating revenues and expenses		<u>18,206</u>	<u>1</u>	<u>11,804</u>	<u>1</u>
7900 Profit (loss) before tax		<u>145,054</u>	<u>7</u>	(<u>105,369</u>)	(<u>8</u>)
7950 Income tax benefit		4,921	-	8,640	1
8200 Net income (loss)		<u>\$ 149,975</u>	<u>7</u>	(<u>\$ 96,729</u>)	(<u>7</u>)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
8311 Remeasurements of defined benefit plans	6 (13)	\$ 4,365	-	\$ 927	-
8310 Total items that will not be reclassified to profit or loss		<u>4,365</u>	<u>-</u>	<u>927</u>	<u>-</u>
Items that may be subsequently reclassified to profit or loss					
8361 Exchange differences from the translation of financial statements of foreign operations		5,825	-	(2,082)	-
8360 Total items that may be subsequently reclassified to profit or loss		<u>5,825</u>	<u>-</u>	(<u>2,082</u>)	<u>-</u>
8300 Other comprehensive income, net		<u>\$ 10,190</u>	<u>-</u>	(<u>\$ 1,155</u>)	<u>-</u>
8500 Total comprehensive income		<u>\$ 160,165</u>	<u>7</u>	(<u>\$ 97,884</u>)	(<u>7</u>)
Basic earnings (loss) per share					
9750 Basic earnings (loss) per share		<u>\$ 2.85</u>		(<u>\$ 1.84</u>)	
Diluted earnings (loss) per share					
9850 Diluted earnings (loss) per share		<u>\$ 2.85</u>		(<u>\$ 1.84</u>)	

The notes attached shall constitute an integral part of the financial statements.

Chairman: Feng-Tzu Tsai

Managerial Officer: Wei-Tsun Lin

Chief Accounting Officer: Wen-Cheng Li

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

	Equity attributable to owners of parent									
	Notes	Capital surplus				Retained earnings			Exchange differences from the translation of financial statements of foreign operations	Total Equity
		Common stock	Share premium	Employee share option	Others	Legal reserve	Special reserve	Unappropriated retained earnings		
<u>2021</u>										
Balance as of Jan. 1, 2021		\$ 526,472	\$ 340,105	\$ 33,136	\$ -	\$ 165,502	\$ 45,975	\$ 801,767	(\$ 39,808)	\$ 1,873,149
2021 net loss		-	-	-	-	-	-	(96,729)	-	(96,729)
2021 other comprehensive income		-	-	-	-	-	-	927	(2,082)	(1,155)
Total comprehensive income		-	-	-	-	-	-	(95,802)	(2,082)	(97,884)
Appropriation and distribution of earnings										
Legal reserve		-	-	-	-	6,079	-	(6,079)	-	-
Special reserve		-	-	-	-	-	(6,167)	6,167	-	-
Cash dividends		-	-	-	-	-	-	(26,324)	-	(26,324)
Employee stock option costs	6 (14)	-	-	25,258	-	-	-	-	-	25,258
Balance as of Dec. 31, 2021		<u>\$ 526,472</u>	<u>\$ 340,105</u>	<u>\$ 58,394</u>	<u>\$ -</u>	<u>\$ 171,581</u>	<u>\$ 39,808</u>	<u>\$ 679,729</u>	<u>(\$ 41,890)</u>	<u>\$ 1,774,199</u>
<u>2022</u>										
Balance as of Jan. 1, 2022		\$ 526,472	\$ 340,105	\$ 58,394	\$ -	\$ 171,581	\$ 39,808	\$ 679,729	(\$ 41,890)	\$ 1,774,199
2022 net loss		-	-	-	-	-	-	149,975	-	149,975
2022 other comprehensive income		-	-	-	-	-	-	4,365	5,825	10,190
Total comprehensive income		-	-	-	-	-	-	154,340	5,825	160,165
Appropriation and distribution of earnings										
Special reserve		-	-	-	-	-	2,082	(2,082)	-	-
Expired employee share option	6 (14)	-	-	(2,247)	2,247	-	-	-	-	-
Employee stock option costs	6 (14)	-	-	12,895	-	-	-	-	-	12,895
Balance as of Dec. 31, 2022		<u>\$ 526,472</u>	<u>\$ 340,105</u>	<u>\$ 69,042</u>	<u>\$ 2,247</u>	<u>\$ 171,581</u>	<u>\$ 41,890</u>	<u>\$ 831,987</u>	<u>(\$ 36,065)</u>	<u>\$ 1,947,259</u>

The notes attached shall constitute an integral part of the financial statements.

Chairman: Feng-Tzu Tsai

Managerial Officer: Wei-Tsun Lin

Chief Accounting Officer:
Wen-Cheng Li

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
<u>Cash flow from operating activities</u>			
Profit (loss) before tax		\$ 145,054	(\$ 105,369)
Adjustments			
Adjustments to reconcile profit or loss			
Gains on financial assets/liabilities measured at fair value through profit or loss, net		(374)	(884)
Reversal of expected credit loss	12 (2)	(866)	(558)
Depreciation of property, plant and equipment and investment property		224,564	242,802
Depreciation of right-of-use assets		6,473	12,890
Amortizations		7,503	10,028
Interest income		(246)	(108)
Interest expenses		26,311	24,105
Gain (Loss) on disposal of property, plant and equipment		27,269	(174)
Cost of share-based payment as remuneration	6 (14)	12,895	25,258
Changes in operating assets/liabilities			
Changes in operating assets, net			
Notes receivable, net		(169)	1,116
Accounts receivable		(206,940)	(60,786)
Accounts receivable - related parties, net		(1,671)	628
Other receivables		(706)	(1,015)
Other receivables - related parties		-	(38)
Inventories		(161,663)	(78,552)
Prepayments		(33,405)	(14,421)
Changes in operating liabilities, net			
Contract liabilities - current		16,280	(12,429)
Notes payable		-	(70)
Accounts payable		162,295	80,764
Accounts payable - related parties		(33)	33
Other payables		71,008	(19,040)
Other payables - related parties		927	(241)
Other non-current liabilities		(4,976)	2,682
Cash inflow from operating activities		289,530	106,621
Interest received		246	108
Interest paid		(26,025)	(24,153)
Income tax paid in current period		(12,835)	(9,030)
Net cash inflow from operating activities		250,916	73,546

(Continued)

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
<u>Cash flow from investing activities</u>		
Acquisition of property, plant and equipment	(\$ 74,003)	(\$ 60,375)
Disposal of property, plant and equipment	6,922	211
Increase in intangible assets	(3,027)	(2,797)
Decrease in refundable deposits	419	136
(Increase) decrease in prepayments for equipment	(9,264)	398
(Increase) Decrease in other non-current assets	(333)	41
Net cash outflow from investing activities	(79,286)	(62,386)
<u>Cash flow from financing activities</u>		
Increase in short-term borrowings	294,191	242,209
Payments for short-term borrowings	(286,534)	(228,369)
Increase in long-term borrowings	151,317	91,381
Payments for long-term borrowings	(294,860)	(104,452)
Payments for lease liabilities	(6,062)	(11,181)
Decrease in deposits received	-	(10)
Payments of cash dividends	-	(26,324)
Net cash outflow from financing activities	(141,948)	(36,746)
Effects of changes in foreign exchange rates	(860)	188
Increase (Decrease) in cash and cash equivalents	28,822	(25,398)
Cash and cash equivalents at beginning of period	110,111	135,509
Cash and cash equivalents at end of period	\$ 138,933	\$ 110,111

The notes attached shall constitute an integral part of the financial statements.

Chairman: Feng-Tzu Tsai

Managerial Officer: Wei-Tsun Lin

Chief Accounting Officer: Wen-Cheng Li

National Aerospace Fasteners Corporation and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended 2022 and 2021

Expressed in thousands of New Taiwan Dollars
(Unless otherwise specified)

I. Company History

National Aerospace Fasteners Corporation (hereinafter referred to as the “Company”) was established on October 14, 1997 upon approval, and the Company’s share was listed on Taipei Exchange (TPEX) starting February 25, 2002. The Company and subsidiaries (hereinafter referred to as the “Group”) registered its businesses as the manufacture, processing, agency, trading of the fasteners and construction parts of aircraft, ships, and vehicles. Getac Holdings Corp. holds 39.08% of the shareholding in the Company, and is the ultimate parent company of the Group.

II. Approval Financial Statements

The consolidated financial statements were authorized for issuance by the Board of Directors on February 22, 2023.

III. Application of New and Amended Standards and Interpretations

- (I) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that have been issued, entered into effect and endorsed by the Financial Supervisory Commission (“FSC”).

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New/Amended/Revised Standards and Interpretations</u>	<u>The effective date per IASB</u>
Amendment to IFRS 3 - “Reference to the Conceptual Framework”	Jan. 1, 2022
Amendment to IAS 16 - “Property, Plant and Equipment - Proceeds before intended use”	Jan. 1, 2022
Amendment to IAS 37 - “Onerous Contracts - Cost of Fulfilling a Contract”	Jan. 1, 2022
Annual Improvements 2018-2020 Cycle	Jan. 1, 2022

After evaluation, the aforementioned standards and interpretations have no significant impacts on the Group’s financial position and financial performance.

(II) The impact of new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New/Amended/Revised Standards and Interpretations</u>	<u>The effective date per IASB</u>
Amendment to IAS 1 - "Disclosure of Accounting Policies"	Jan. 1, 2023
Amendment to IAS 8 - "Definition of Accounting Estimates"	Jan. 1, 2023
Amendments to IAS 12 - "Deferred tax Related to Assets and Liabilities Arising from a Single Transaction"	Jan. 1, 2023

After evaluation, the aforementioned standards and interpretations have no significant impacts on the Group's financial position and financial performance.

(III) The impact of IFRS issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC

New standards, interpretations and amendments issued by the IASB but not yet endorsed by the FSC are as follows:

<u>New/Amended/Revised Standards and Interpretations</u>	<u>The effective date per IASB</u>
Amendment to IFRS 10 and IAS 28 - "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	The effective date per IASB
Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback"	Jan. 1, 2024
IFRS 17 "Insurance Contracts"	Jan. 1, 2023
Amendment to IFRS 17 "Insurance Contracts"	Jan. 1, 2023
Amendment to IFRS 17 - "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	Jan. 1, 2023
Amendment to IAS 1 - "Classification of Liabilities as Current or Non-current"	Jan. 1, 2024
Amendment to IAS 1 "Non-current Liabilities with Covenants"	Jan. 1, 2024

After evaluation, the aforementioned standards and interpretations have no significant impacts on the Group's financial position and financial performance.

IV. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows. These policies have been consistently used throughout the periods presented, unless otherwise stated.

(I) Statement of compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, and interpretations (collectively referred to as IFRSs) that have been issued, entered into effect and endorsed by the FSC.

(II) Basis of preparation

1. The consolidated financial statements are prepared based on historical data, except for the following:
 - (1) Financial assets and liabilities measured at fair value through profit or loss (including derivatives)
 - (2) Financial assets measured at fair value through other comprehensive income
 - (3) Defined benefit liabilities measured at present value of defined benefit obligation less the fair value of plan assets
2. The preparation of financial statements in conformity with IFRSs requires the use of certain significant accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Basis of consolidation

1. Principles for preparation of consolidated financial statements
 - (1) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries refer to entities (incl. structured entities) controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (3) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.

2. Subsidiaries included in the consolidated financial statements:

<u>Investor</u>	<u>Investee</u>	<u>Main business and products</u>	<u>Percentage of ownership</u>		<u>Description</u>
			<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>	
The Company	NAFCO Group Ltd. (NGL)	Investment	100%	100%	
NGL	NAFCO Holdings Ltd. (NHL)	Investment	100%	100%	
NHL	NAFCO Suzhou Precision	Production and sales of aviation parts and mold processing	100%	100%	

3. Subsidiaries not included in the consolidated financial statements:

None.

4. Adjustment for subsidiaries with different balance sheet date:

None.

5. The nature and limit of significant restrictions on the transfer of funds from subsidiaries to the parent company:

None.

6. Subsidiaries with material non-controlling interest to the Group:

None.

(IV) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (that is, the functional currency). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However,

non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (4) All exchange gains and losses are presented as "Other gains and losses" on the statement of comprehensive income

2. Exchange from foreign operations

- (1) The operating results and financial position of all the group entities, associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - C. All resulting exchange differences are recognized in other comprehensive income.
- (2) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(V) Classification of current and non-current asset and liability items

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- (2) Assets arising mainly from trading activities.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

All other assets that do not meet any of the above criteria are classified as non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be paid off within the normal operating cycle.
- (2) Liabilities arising mainly from trading activities.
- (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities that do not meet any of the above criteria are classified as non-current liabilities.

(VI) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

(VII) Financial assets measured at fair value through profit or loss

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized using trade date accounting.
3. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

(VIII) Financial assets measured at fair value through other comprehensive income

1. Refers to the irrevocable election made at initial recognition that allows the Company to present fair value changes of equity investment not held for trading in other comprehensive income:
 - (1) Financial assets held within a business model of which the objective of holding is to collect the contractual cash flows and to sell.
 - (2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principle and interest on the principle amount outstanding.
2. The Group's financial assets measured at fair value through other comprehensive income in accordance with the trading conventions are accounted for on the trade date.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value.

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the de-recognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(IX) Accounts and notes receivable

1. Accounts and notes receivable refer to the receivables with which the Company has an unconditional contractual right to consideration for goods or services that have been transferred.
2. As the Group's short-term accounts and notes receivables with no stated interest rate has no material discounting effect, they are measured at the original invoice amount.

(X) Impairments of financial assets

The Group measures the loss allowance for accounts receivable and contract assets containing significant financial components after taking into account all reasonable and proving information (including foreseeing information) at each balance sheet date; where the credit risk has not significantly increased since initial recognition, the loss allowance is measured at the 12-month expected credit losses; where the credit risk has increased

significantly since initial recognition, the loss allowance is measured at lifetime expected credit losses. Accounts receivables and contract assets that do not contain any significant financing components, the loss allowance is measured at lifetime expected credit losses.

(XI) The de-recognition of financial assets

The Group de-recognizes a financial asset when the contractual rights to receive cash flows from the financial asset expires.

(XII) Inventories

Inventories are measured by the lower amount between cost and net realizable value based on perpetual inventory system. Cost is determined using the weighted-average cost method. The cost of finished goods and goods in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal capacity). However, loan costs are excluded. The item by item approach is used in applying the lower of the cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(XIII) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognized. All other repairs and maintenance are recognized in profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment are measured using cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The Group reviews each assets' residual values, useful lives and depreciation methods at the end of each financial year. If expectations for the assets' residual values and useful lives differ from previous estimates or the expected pattern of consumption of the future economic benefits of an asset have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Houses and buildings	5 - 50 yrs
Equipment	3 - 10 yrs
Office equipment	3 - 6 yrs
Other equipment	2 - 10 yrs

(XIV) Lease transaction in the capacity of a lessee - Right-of-use assets / lease liabilities

1. A right-of-use asset and a lease liability are recognized for a leased asset on the date when it becomes readily available for the Group's use. When a lease contract is a short-term lease or when it is a lease of which the underlying asset is of low value, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. The Company recognizes the present value of unpaid lease liabilities discounted at the Company's incremental borrowing interest rate starting from the lease start date. Lease payments are fixed payments less any incentives for lease.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is recognized over the lease term. When a change in the lease term or lease payments occurs due to reasons other than contractual lease modifications, lease liabilities are remeasured and the remeasurements are adjusted to right-of-use assets.

3. Right-of-use assets are recognized on the lease commencement date at cost that includes:
 - (1) Lease liabilities at initial measurement;
 - (2) Payments paid on or before the commencement date; and
 - (3) Direct costs incurred.

A right-of-use asset is subsequently measured using the cost model and depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. When a lease liability is remeasured, the right-of-use asset is adjusted for any remeasurements of the lease liability.

(XV) Investment property

An investment property is recognized initially at cost and measured subsequently using the cost model. Except for land, investment properties are depreciated on a straight-line basis over its estimated useful life of 50 years.

(XVI) Intangible assets

Computer software is recognized at cost at the acquisition date and depreciated on a straight-line method basis over its estimated useful life of 2~5 years.

(XVII) Impairments of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been without the prior impairment loss.

(XVIII) Borrowings

1. Borrowings refer to short-term and long-term loans from banks. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as interest expenses in profit or loss over the period of the borrowings using the effective interest method.

2. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(XIX) Accounts and notes receivable

1. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
2. As the Group's short-term accounts and notes payables with no stated interest rate has no material discounting effect, they are measured at the original invoice amount.

(XX) De-recognition of financial liabilities

The Group de-recognizes a financial liability when the obligation under the contract is performed, canceled, or expires.

(XXI) Employee benefit

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expense in the period when the employees render service.

2. Pension

- (1) Defined contribution pension plan

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

- (2) Defined benefit plans

- A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in the current period or the prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using the market yield of high-quality corporate bonds that are denominated in the same currency as the benefit plan, and have terms to maturity approximating to the terms of the benefit obligation at balance sheet date. In the absence of deep market in high-quality corporate bonds, the Company uses market yield of government bonds (at the balance sheet date) instead.
- B. Remeasurements arising from defined benefit plans are recognized in other comprehensive income in the period in which they arise and are presented in retained earnings.
- C. Past service costs are recognized immediately in profit or loss.

3. Remuneration to employees, Directors and Supervisors

Remuneration to employees, Directors and Supervisors are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in accounting estimates. If employee remuneration is paid by shares, the Company calculates the number of shares based on the closing price the day prior to the board meeting resolution.

(XXII) Share-based payment to employees

For equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted on the grant date, and are recognized as the remuneration cost over a vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Recognized remuneration cost is subject to adjustments based on the service conditions and non-market vesting conditions that are expected to be satisfied until the amount of remuneration cost recognized is the number of equity instruments that are eventually vested on the vesting date.

(XXIII) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted by the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recognized as income tax expense based on actual appropriation of earnings in the year the shareholders resolve to retain the earnings.
3. Deferred tax is recognized, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is not accounted for if it arises from initial recognition of goodwill, or of an asset or liability in a transaction, (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit (or loss). Deferred tax liabilities not recognized for taxable temporary differences associated with investments in subsidiaries if the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

5. Current income tax assets and liabilities can be offset only when the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and an intention to settle net or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities can be offset only when the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities are levied by the same taxation authority on the same taxable entity; or different taxable entities which intend either to settle net basis, or to realize the assets and settle the liabilities simultaneously.
6. A deferred tax asset shall be recognized for the carry-forward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(XXIV) Issued capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(XXV) Dividends

Dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Company's directors. Share dividends are recorded share dividends to be distributed at the date of shareholder's resolution and reclassified to common shares on the effective date of new shares issuance.

(XXVI) Recognition of revenue

Sales of goods

1. The Group engages in the manufacture and trading of the fasteners, construction parts and other products of aircraft, ships, and vehicles. The Group recognizes sales revenue when the control of products is transferred to customers, i.e. when products are delivered to customers, the customer has full discretion over the distribution channel and price of the products, and the Group has no unfulfilled performance obligation that might affect the customers' acceptance of products. Goods are deemed delivered when the risk of obsolescence and loss is transferred to customers and customers have accepted the goods in accordance with the contractual terms, or when there is objective evidence suggesting that all acceptance provisions have been satisfied.
2. Sales revenue is recognized at contract price less estimated sales tax, sales returns, quantity discount and sales allowance. The terms of the Company's sales contracts are consistent with market practice. Thus, it is determined that there exists no significant financing component in the contracts.
3. An account receivable is recognized at the time when the Group's right to consideration is unconditional except for the passage of time required before payment of that consideration is due.

(XXVII) Government grants

A government grant is recognized at fair value only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received. If the government grants are intended to compensate the Group's expenses, the government grants are recognized in profit or loss on a systematic basis over the periods in which related expenses incur. Government grants related to property, plant, and equipment are recognized as non-current liabilities over the estimated useful life of the asset in profit or loss using straight-line method. Main Sources of Significant Accounting Judgment, Estimation and Assumption Uncertainties

(XXVIII) Operating segments

The Group's operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources to the operating segments and assessing their performance.

V. Main Sources of Significant Accounting Judgment, Estimation and Assumption Uncertainties

In the preparation of these consolidated financial statements, management made critical judgments in applying the Group's accounting policies and made accounting estimates and assumptions concerning the situation as of balance sheet date and future events that would reasonably be expected. Accounting assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such estimates and assumptions have a significant risk of causing a material adjustment of the carrying amounts of assets and liabilities in the following financial year. Related information about the significant accounting judgment, estimation and assumption uncertainties is addressed below:

(I) Critical judgments in the application of accounting policies

None.

(II) Critical accounting estimates and assumptions

Inventory valuation

As inventories are stated as the lower figure between the cost or net realizable value, the Group must determine the net realizable value of inventories on the balance sheet date using judgments and estimates. The Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the balance sheet date, and writes down the cost of inventories to net realizable value. The inventory valuation is estimated based on assumptions of future demand within a specific time horizon. Thus it might be subject to significant changes.

Total book value of the Group's inventories on December 31, 2022 is NT\$ 752,871.

VI. Descriptions of Material Accounting Items

(I) Cash and cash equivalents

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Cash on hand and revolving funds	\$ 184	\$ 230
Checking deposits and demand deposits	<u>138,749</u>	<u>109,881</u>

Total	<u>\$</u>	<u>138,933</u>	<u>\$</u>	<u>110,111</u>
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1. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. For the Group's transfer of cash as pledge guarantees to other non-current assets, please refer to Note 8.

(II) Financial assets/liabilities measured at fair value through profit or loss

<u>Item</u>	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Current:		
Derivative financial assets mandatorily measured at fair value through profit or loss	<u>\$</u>	<u>\$</u>
	<u>2,452</u>	<u>884</u>
Derivative financial liabilities mandatorily measured at fair value through profit or loss	<u>(\$</u>	<u>\$</u>
	<u>1,194)</u>	<u>-</u>

1. Financial assets/liabilities measured at fair value through profit or loss that are recognized in profit or loss are detailed as follows:

	<u>2022</u>	<u>2021</u>
Derivative financial assets mandatorily measured at fair value through profit or loss	<u>\$</u>	<u>\$</u>
	<u>1,568</u>	<u>884</u>
Derivative financial liabilities mandatorily measured at fair value through profit or loss	<u>(\$</u>	<u>\$</u>
	<u>1,194)</u>	<u>-</u>

2. The Group's derivative financial asset transactions that are not subject to hedge accounting and the contract contents thereof are detailed as follows:

	<u>Dec. 31, 2022</u>		<u>Dec. 31, 2021</u>	
<u>Derivative financial assets</u>	<u>Contract amount</u> <u>(Nominal</u> <u>principal)</u>	<u>Contract period</u>	<u>Contract amount</u> <u>(Nominal</u> <u>principal)</u>	<u>Contract period</u>
Current:				
Forward exchange contract	<u>USD 7,500</u>	Jan. 2023 - Mar. 2023	<u>USD 6,000</u>	Jan. 2022 - Mar. 2022

3. The forward exchange contract signed by the Group is a forward advance sale of USD (selling USD for NTD). This contract is to avoid the exchange rate risk of the export sales, however, it is not subject to hedge accounting.
4. The Group has no financial assets measured at fair value through profit or loss pledged as collateral.
5. For information of the credit risk of financial assets measured at fair value through profit or loss please refer to Note 12 (2).

(III) Notes and accounts receivable

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Notes receivable	\$ <u>169</u>	\$ <u>-</u>
Accounts receivable	\$ 577,238	\$ 370,298
Less: Allowance for bad debt	<u>(4,735)</u>	<u>(5,595)</u>
	\$ 572,503	\$ 364,703
Accounts receivable - related parties	<u>1,671</u>	<u>-</u>
	<u>\$ 574,174</u>	<u>\$ 364,703</u>

1. Aging analysis of notes and accounts receivable:

	<u>Dec. 31, 2022</u>		<u>Dec. 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Current	\$ 536,451	\$ 169	\$ 334,173	\$ -
Within 30 days	33,079	-	21,650	-
31 - 60 days	8,794	-	9,597	-
61 - 90 days	279	-	2,892	-
More than 91 days	<u>306</u>	<u>-</u>	<u>1,986</u>	<u>-</u>
	<u>\$ 578,909</u>	<u>\$ 169</u>	<u>\$ 370,298</u>	<u>\$ -</u>

The aging analysis above is based on past due date.

- The balance of the Group's receivables from customer contracts (including accounts receivables) are NT\$579,078, NT\$370,928 and NT\$311,256, on December 31, 2022 and 2021, and January 1, 2021, respectively.
- Without regard to the security held or other credit enhancement, the maximum amounts of exposure at default best representing credit risk of the Group's notes receivable on December 31, 2022 and December 31, 2021 are NT\$169 and NT\$0, respectively; that of the accounts receivable on the same dates are NT\$574,174 and NT\$364,703, respectively.
- For related credit risk information on notes and accounts receivable, please refer to Note 12 (2).

(IV) Inventories

		<u>Dec. 31, 2022</u>	
	<u>Cost</u>	<u>Allowance to reduce inventories to market</u>	<u>Carrying amount</u>
Raw materials	\$ 340,888	(\$ 78,958)	\$ 261,930
Work in process	296,026	(52,576)	243,450
Finished goods	250,690	(55,444)	195,246
Inventory in transit	<u>52,245</u>	<u>-</u>	<u>52,245</u>
Total	<u>\$ 939,849</u>	<u>(\$ 186,978)</u>	<u>\$ 752,871</u>

		<u>Dec. 31, 2021</u>	
	<u>Cost</u>	<u>Allowance to reduce</u>	<u>Carrying amount</u>
		<u>inventories to market</u>	
Raw materials	\$ 376,855	(\$ 95,159)	\$ 281,696
Work in process	144,945	(34,595)	110,350
Finished goods	250,136	(69,766)	180,370
Inventory in transit	<u>18,792</u>	<u>-</u>	<u>18,792</u>
Total	<u>\$ 790,728</u>	<u>(\$ 199,520)</u>	<u>\$ 591,208</u>

The cost of inventories recognized as expense for the period:

	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 1,701,545	\$ 1,265,678
Loss (reversed gain) on price decline of inventory (note)	(12,542)	2,230
Others	<u>(7,716)</u>	<u>(7,791)</u>
	<u>\$ 1,681,287</u>	<u>\$ 1,260,117</u>

Note: The increase in net realizable value of inventories is due to the Group's continued destocking in 2022.

(V) Property, plant and equipment

	<u>Land</u>	<u>Houses and buildings</u>	<u>Equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Uncompleted construction and equipment pending inspection</u>	<u>Total</u>
Jan. 1, 2022							
Cost	\$ 1,263,704	\$ 1,539,127	\$ 1,832,987	\$ 12,758	\$ 466,196	\$ 62,612	\$ 5,177,384
Accumulated depreciation and impairment	(60,803)	(443,746)	(1,195,508)	(12,678)	(328,027)	-	(2,040,762)
	<u>\$ 1,202,901</u>	<u>\$ 1,095,381</u>	<u>\$ 637,479</u>	<u>\$ 80</u>	<u>\$ 138,169</u>	<u>\$ 62,612</u>	<u>\$ 3,136,622</u>
<u>2022</u>							
Jan. 1	\$ 1,202,901	\$ 1,095,381	\$ 637,479	\$ 80	\$ 138,169	\$ 62,612	\$ 3,136,622
Addition	-	-	43,578	480	10,571	22,175	76,804
Transferred (Note)	-	-	59,126	-	1,810	(62,180)	(1,244)
Disposal	-	-	(897)	-	(33,294)	-	(34,191)
Depreciation expenses	-	(37,486)	(143,836)	(71)	(43,029)	-	(224,422)
Net exchange differences	-	-	5,228	-	1,185	260	6,673
Dec. 31	<u>\$ 1,202,901</u>	<u>\$ 1,057,895</u>	<u>\$ 600,678</u>	<u>\$ 489</u>	<u>\$ 75,412</u>	<u>\$ 22,867</u>	<u>\$ 2,960,242</u>
Dec. 31, 2022							
Cost	\$ 1,263,704	\$ 1,539,127	\$ 1,930,290	\$ 12,400	\$ 429,360	\$ 22,867	\$ 5,197,748
Accumulated depreciation and impairment	(60,803)	(481,232)	(1,329,612)	(11,911)	(353,948)	-	(2,237,506)
	<u>\$ 1,202,901</u>	<u>\$ 1,057,895</u>	<u>\$ 600,678</u>	<u>\$ 489</u>	<u>\$ 75,412</u>	<u>\$ 22,867</u>	<u>\$ 2,960,242</u>

Note: NT\$1,244 thousand was transferred to prepayments.

	<u>Land</u>	<u>Houses and buildings</u>	<u>Equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Prepayments for equipment</u>	<u>Total</u>
Jan. 1, 2021							
Cost	\$ 1,263,704	\$ 1,539,127	\$ 1,811,213	\$ 12,758	\$ 458,417	\$ 76,496	\$ 5,161,715
Accumulated depreciation and impairment	(60,803)	(406,236)	(1,067,862)	(12,647)	(284,173)	-	(1,831,721)
	<u>\$ 1,202,901</u>	<u>\$ 1,132,891</u>	<u>\$ 743,351</u>	<u>\$ 111</u>	<u>\$ 174,244</u>	<u>\$ 76,496</u>	<u>\$ 3,329,994</u>
<u>2021</u>							
Jan. 1	\$ 1,202,901	\$ 1,132,891	\$ 743,351	\$ 111	\$ 174,244	\$ 76,496	\$ 3,329,994

Addition	-	-	21,279	-	10,037	23,714	55,030
Transferred (Note)	-	-	24,404	-	9,496	(37,509)	(3,609)
Disposal	-	-	-	-	(37)	-	(37)
Depreciation expenses	-	(37,510)	(150,031)	(31)	(55,087)	-	(242,659)
Net exchange differences	-	-	(1,524)	-	(484)	(89)	(2,097)
Dec. 31	<u>\$ 1,202,901</u>	<u>\$ 1,095,381</u>	<u>\$ 637,479</u>	<u>\$ 80</u>	<u>\$ 138,169</u>	<u>\$ 62,612</u>	<u>\$ 3,136,622</u>
Dec. 31, 2021							
Cost	\$ 1,263,704	\$ 1,539,127	\$ 1,832,987	\$ 12,758	\$ 466,196	\$ 62,612	\$ 5,177,384
Accumulated depreciation and impairment	(60,803)	(443,746)	(1,195,508)	(12,678)	(328,027)	-	(2,040,762)
	<u>\$ 1,202,901</u>	<u>\$ 1,095,381</u>	<u>\$ 637,479</u>	<u>\$ 80</u>	<u>\$ 138,169</u>	<u>\$ 62,612</u>	<u>\$ 3,136,622</u>

Note: NT\$3,609 thousand was transferred to intangible assets.

1. The amounts of capitalized borrowing cost for property, plant and equipment were NT\$ 0 for the years 2022 and 2021.
2. The Group's houses and buildings are mainly composed of buildings and mechanical and electrical renovations, depreciated over 40-50 and 15-20 years, respectively.
3. For information of pledges for property, plant and equipment, please refer to Note 8.

(VI) Lease transaction - lessee

1. The Group's leased objects include land and buildings. The periods of lease contracts vary from 1 to 5 years. The lease contracts are negotiated individually and contain different terms and conditions. There is no restrictions to the contracts other than that the leased assets may not be used as collateral for borrowings.
2. The lease periods for the transport equipment are less than 12 months. The underlying low-value assets leased are recognized in other equipment.
3. The carrying amount and depreciation expense of right-of-use assets are as follows:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Houses	<u>\$ 6,207</u>	<u>\$ 12,467</u>

	<u>2022</u>	<u>2021</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Houses	<u>\$ 6,473</u>	<u>\$ 12,890</u>

4. The additions to the Group's right-of-use assets for the years 2022 and 2021 are NT\$ 0.
5. The profit and loss items related to the lease contracts are as follows:

	<u>2022</u>	<u>2021</u>
<u>Items that affect profit or loss</u>		
Interest expense on lease liability	\$ 320	\$ 596
Short-term lease expenses	2,880	980
Low-value asset lease expense	11	13

6. The Group's cash outflow from leases are NT\$ 9,273 and NT\$12,770 for the years 2022 and 2021, respectively.

(VII) Investment property

	<u>Land</u>	<u>Houses and buildings</u>	<u>Total</u>
Jan. 1, 2022			
Cost	\$ 19,866	\$ 8,543	\$ 28,409
Accumulated depreciation and impairment	(2,611)	(3,994)	(6,605)
	<u>\$ 17,255</u>	<u>\$ 4,549</u>	<u>\$ 21,804</u>
<u>2022</u>			
Jan. 1	\$ 17,255	\$ 4,549	\$ 21,804
Depreciation expenses	-	(142)	(142)
Dec. 31	<u>\$ 17,255</u>	<u>\$ 4,407</u>	<u>\$ 21,662</u>
Dec. 31, 2022			
Cost	\$ 19,866	\$ 8,543	\$ 28,409
Accumulated depreciation and impairment	(2,611)	(4,136)	(6,747)
	<u>\$ 17,255</u>	<u>\$ 4,407</u>	<u>\$ 21,662</u>
	<u>Land</u>	<u>Houses and buildings</u>	<u>Total</u>
Jan. 1, 2021			
Cost	\$ 19,866	\$ 8,543	\$ 28,409
Accumulated depreciation and impairment	(2,611)	(3,851)	(6,462)
	<u>\$ 17,255</u>	<u>\$ 4,692</u>	<u>\$ 21,947</u>
<u>2021</u>			
Jan. 1	\$ 17,255	\$ 4,692	\$ 21,947
Depreciation expenses	-	(143)	(143)
Dec. 31	<u>\$ 17,255</u>	<u>\$ 4,549</u>	<u>\$ 21,804</u>
Dec. 31, 2021			
Cost	\$ 19,866	\$ 8,543	\$ 28,409
Accumulated depreciation and impairment	(2,611)	(3,994)	(6,605)
	<u>\$ 17,255</u>	<u>\$ 4,549</u>	<u>\$ 21,804</u>

1. Rent income from investment property and direct operating expenses arising therefrom:

	<u>2022</u>	<u>2021</u>
Rent income from investment property	\$ <u>577</u>	\$ <u>577</u>
Direct operating expenses arising from the investment property generating rent income	\$ <u>278</u>	\$ <u>278</u>
Direct operating expenses arising from the investment property not generating rent income	\$ <u>-</u>	\$ <u>-</u>

2. The fair value of the investment properties held by the Company on December 31, 2022 and 2021 are NT\$50,340 and NT\$48,103. The evaluation is conducted by independent appraisal experts based on market approach and income approach, and the results are level III fair value. The main assumptions are as follows:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Capitalization rate	1.15%	1.23%

(VIII) Other non-current assets

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Prepaid down payments for equipment	\$ 13,141	\$ 3,877
Prepaid pension	8,512	3,814
Others	3,222	3,641
Overdue receivables	19,849	19,849
Allowance for bad debt – overdue receivables	(19,849)	(19,849)
	<u>\$ 24,875</u>	<u>\$ 11,332</u>

(IX) Short-term borrowings

<u>Nature of loans</u>	<u>Dec. 31, 2022</u>	<u>Interest rate collars</u>	<u>Collateral</u>
Bank borrowings - credit loans	<u>\$ 21,497</u>	5.17%	N/A

<u>Nature of loans</u>	<u>Dec. 31, 2021</u>	<u>Interest rate collars</u>	<u>Collateral</u>
Bank borrowings - credit loans	<u>\$ 13,840</u>	0.70%	N/A

For the interest expenses recognized in profit and loss for the years 2022 and 2021, please refer to Note 6 (12).

(X) Accounts payable

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Accounts payable	\$ 222,376	\$ 142,491
Estimated accounts payable	<u>102,144</u>	<u>19,734</u>
	<u>\$ 324,520</u>	<u>\$ 162,225</u>

(XI) Other payables

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Salary and bonus payables	\$ 101,033	\$ 73,508
Consumable and supplies payables	14,181	7,136
Equipment payables	22,381	19,580
Others	<u>98,855</u>	<u>62,131</u>
	<u>\$ 236,450</u>	<u>\$ 162,355</u>

(XII) Long-term borrowings

<u>Nature of loans</u>	<u>Life of loan and repayments</u>	<u>Collateral</u>	<u>Dec. 31, 2022</u>
Long-term bank borrowings			
Secured loan	Repayment by monthly installments until Dec. 2036	Land and plant	\$ 729,205
Secured loan	Repayment by monthly installments until Sep. 2033	Land and plant	121,349
Secured loan	Repayment by monthly installments until Dec. 2029	Land and plant	231,640
Secured loan	Repayment by monthly installments until Jan. 2028	Land and plant	40,000
Secured loan	Repayment by monthly installments until May 2025	Land and plant	101,395
Secured loan	Repayment by monthly installments until Apr. 2025	Land and plant	189,954
Secured loan	Repayment by monthly installments until Sep. 2026	Equipment	150,482
Secured loan	Repayment by monthly installments until Nov. 2026	Equipment	127,959
Credit loan	Repayment by monthly installments until Oct. 2024	N/A	256,085
Credit loan	Repayment by tri-monthly installments until Sep. 2023 (note)	N/A	<u>7,500</u>
			1,955,569
Less: Long-term borrowings - current portion			<u>(429,235)</u>
			<u>\$ 1,526,334</u>
Interest rate collars			<u>1.096%~1.65%</u>

<u>Nature of loans</u>	<u>Life of loan and repayments</u>	<u>Collateral</u>	<u>Dec. 31, 2021</u>
Long-term bank borrowings			
Secured loan	Repayment by monthly installments until Dec. 2036	Land and plant	\$ 776,334
Secured loan	Repayment by monthly installments until Sep. 2033	Land and plant	129,915
Secured loan	Repayment by monthly installments	Land and plant	218,640

	until Dec. 2029		
Secured loan	Repayment by monthly installments until Jan. 2028	Land and plant	40,000
Secured loan	Repayment by monthly installments until May 2025	Land and plant	134,418
Secured loan	Repayment by monthly installments until Apr. 2025	Land and plant	253,990
Secured loan	Repayment by monthly installments until Sep. 2026	Equipment	163,153
Secured loan	Repayment by monthly installments until Nov. 2026	Equipment	57,660
Credit loan	Repayment by monthly installments until Oct. 2024	N/A	310,002
Credit loan	Repayment by tri-monthly installments until Nov. 2022	N/A	5,000
Credit loan	Repayment by tri-monthly installments until Sep. 2023 (note)	N/A	<u>10,000</u>
			2,099,112
Less: Long-term borrowings - current portion			<u>(286,299)</u>
			<u>\$ 1,812,813</u>
Interest rate collars			<u>0.5%~1.20%</u>

The interest expenses (including short-term borrowings) recognized in profit or loss for the years 2022 and 2021 are NT\$25,991 and NT\$23,509.

Note: The key performance indicators for bank loans are subject to the credit line of medium-term loan contract, where the Company shall maintain a certain level of current ratio, debt ratio, and net tangible asset in the Company's annual or interim consolidated financial reports.

(XIII) Pension

- (1) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes on a monthly basis 2% of the total salary (wages) as pension fund, which is deposited in a designated account with the Bank of Taiwan under the name of the Supervisory Committee of Labor Retirement Reserve. Also, the Company assesses the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make up for the deficit by the following March.
- (2) The amounts recognized in the balance sheet are as follows:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Present value of defined benefit obligation	(\$ 44,376)	(\$ 44,733)

Fair value of plan assets	<u>52,888</u>	<u>48,547</u>
Net defined benefit assets	<u>\$ 8,512</u>	<u>\$ 3,814</u>

(3) Changes in net defined benefit liabilities:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit assets</u>
2022			
Balance as of Jan. 1	(\$ 44,733)	\$ 48,547	\$ 3,814
Service costs	(350)	-	(350)
Interest income (expense)	(269)	291	22
	<u>(619)</u>	<u>291</u>	<u>(328)</u>
Remeasurements:			
Effect of changes in demographic assumptions	-	-	-
Effect of changes in financial assumptions	2,408	-	2,408
Experience adjustments	(1,721)	3,678	1,957
	<u>687</u>	<u>3,678</u>	<u>4,365</u>
Appropriation of pension funds	-	661	661
Pension paid	289	(289)	-
Balance as of Dec. 31	<u>(\$ 44,376)</u>	<u>\$ 52,888</u>	<u>\$ 8,512</u>

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit assets</u>
2021			
Balance as of Jan. 1	(\$ 44,099)	\$ 47,027	\$ 2,928
Service costs	(717)	-	(717)
Interest income (expense)	(132)	141	9
	<u>(849)</u>	<u>141</u>	<u>(708)</u>
Remeasurements:			
Effect of changes in demographic assumptions	(45)	-	(45)
Effect of changes in financial assumptions	1,362	-	1,362
Experience adjustments	(1,102)	712	(390)
	<u>215</u>	<u>712</u>	<u>927</u>
Appropriation of pension funds	-	667	667
Balance as of Dec. 31	<u>(\$ 44,733)</u>	<u>\$ 48,547</u>	<u>\$ 3,814</u>

- (4) The fund asset of the Company's defined benefit pension plan ("the Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e., deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to

the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. Relevant utilization of funds is supervised by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two year time deposits with the interest rates offered by local banks. If the earnings are less than aforementioned rates, the government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the fair value plan assets in accordance with paragraph 142 of IAS 19. The composition of fair value of the defined benefit plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

- (5) The principal actuarial assumptions used are as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.20%</u>	<u>0.60%</u>
Future salary increase rate	<u>2.75%</u>	<u>2.75%</u>

The assumptions about the future mortality rate are based on the sixth experience life table for Taiwan.

The analysis of the present value of the defined benefit obligations affected by changes in the main actuarial assumptions used is as follows:

	<u>Discount rate</u>		<u>Future salary increase rate</u>	
	<u>Increase by</u> <u>0.25%</u>	<u>Decrease by</u> <u>0.25%</u>	<u>Increase by</u> <u>0.25%</u>	<u>Decrease by</u> <u>0.25%</u>
Dec. 31, 2022				
Effect on present value of defined benefit obligation	(\$ 946)	\$ 979	\$ 867	\$ 844
Dec. 31, 2021				
Effect on present value of defined benefit obligation	(\$ 1,054)	\$ 1,093	\$ 970	(\$ 943)

The aforementioned sensitivity analysis considers the change in one assumption at a time, while the other assumptions unchanged. In practice, more than one assumption may change all at once. The method used to carry out the sensitivity analysis is the same as the calculation of the net defined benefit liabilities recognized in the balance sheets.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (6) The expected contribution to the Group's defined benefit pension plans for the year 2023 is NT\$ 651 thousand.
- (7) As of December 31, 2022, the weighted average duration of the pension plan is 9 years. The maturity analysis of the pension payments is as follows:

Within 1 year	\$	9,264
1 - 2 years		1,031
2 - 5 years		4,466

Over 5 years

	<u>12,822</u>
	<u>\$ 27,583</u>

2. (1) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. Nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (2) The Company and its subsidiary, NAFCO Suzhou Precision, have paid the monthly pension insurance according to a certain percentage of the total salary of local employees according to the pension insurance system stipulated by the People's Republic of China. The allocation ratio for the years 2022 and 2021 are both 16%. The pension of all employees are managed by the governments. Other than the monthly contributions, the Group has no further obligations.
- (3) For the years ended December 31, 2021 and 2022, the net pension costs recognized under the defined contribution plan were NT\$ 20,388 and NT\$ 17,540, respectively.

(XIV) Share-based payment

1. For the years 2022 and 2021, the Group's share-based payment agreements are provided as follows:

<u>Type of agreement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
5 th employee share option plan	2019.12.13	3,560 thousand shares	6 years	50% after 2 years 75% after 3 years 100% after 4 years
6 th employee share option plan	2022.10.21	2,412 thousand shares	6 years	50% after 2 years 75% after 3 years 100% after 4 years

The said share-based payment arrangements are settled in equity.

2. Detailed information of the 5th employee share option plan:

- (1) Detailed information of the 5th employee share option plan for the years 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	<u>Share option Quantity (thousand shares)</u>	<u>Weighted average Exercise price (NT\$)</u>	<u>Share option Quantity (thousand shares)</u>	<u>Weighted average Exercise price (NT\$)</u>
Outstanding stock options as at January 1	2,942	\$ 87.4	3,262	\$ 87.4
Forfeited	(190)	87.4	(320)	87.4
Outstanding stock options as at December 31	<u>2,752</u>	87.4	<u>2,942</u>	87.4
Exercisable stock options as at December 31	<u>2,064</u>	87.4	<u>1,471</u>	87.4

- (2) Expiry date and exercise price of the outstanding stock options as at balance sheet date:

<u>Dec. 31, 2022</u>			
<u>Issue date</u>	<u>Expiry date</u>	<u>Quantity (thousand shares)</u>	<u>Exercise price (NT\$)</u>
Dec. 13, 2019	Dec. 13, 2025	2,752	87.4

<u>Dec. 31, 2021</u>			
<u>Issue date</u>	<u>Expiry date</u>	<u>Quantity (thousand shares)</u>	<u>Exercise price (NT\$)</u>
Dec. 13, 2019	Dec. 13, 2025	2,942	\$ 87.4

- (3) The fair value of the Group's stock options in the share-based payment transactions on grant date is estimated based on the Black-Scholes option pricing model. Related information as follows:

<u>Type of agreement</u>	<u>Grant date</u>	<u>Share price</u>	<u>Exercise price</u>	<u>Expected volatility</u>	<u>Expected subscription period</u>	<u>Expected dividends</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit</u>
Employee share option plan	2019.12.13	91.4	91.4	31.90%~34.04% (Note)	4 - 5 years	-	0.56%~0.59%	\$23.65~\$28.04

Note: Expected volatility is the range of share prices expected within a period in the future. It is estimated by using the share prices of the most recent period with a similar length of the stock options' expected life.

- (4) In accordance with the Group's Regulations Governing the Exercising of Employee Stock Options, the Group adjusted, on Mar. 13, 2020, the exercise price of the options issued on December 31, 2019 from NT\$91.4 to NT\$87.4. This adjustment did not result in increase in fair value.

3. Detailed information of the 6th employee share option plan:

- (1) Detailed information of the 6th employee share option plan for the year 2022:

	<u>2022</u>	
	<u>Share option Quantity</u>	<u>Weighted average Exercise price (NT\$)</u>
Outstanding stock options as at January 1	-	\$ -
Granted	2,412	58.3
Forfeited	(38)	58.3
Outstanding stock options as at December 31	<u>2,374</u>	58.3
Exercisable stock options as at December 31	<u>-</u>	58.3

- (2) Expiry date and exercise price of the outstanding stock options as at balance sheet date:

		<u>Dec. 31, 2022</u>	
<u>Issue date</u>	<u>Expiry date</u>	<u>Quantity (thousand shares)</u>	<u>Exercise price (NT\$)</u>
Oct. 21, 2022	Oct. 21, 2028	2,374	58.3

- (3) The fair value of the Group's stock options in the share-based payment transactions on grant date is estimated based on the Black-Scholes option pricing model. Related information as follows:

<u>Type of agreement</u>	<u>Grant date</u>	<u>Share price</u>	<u>Exercise price</u>	<u>Expected volatility</u>	<u>Expected subscription period</u>	<u>Expected dividends</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit</u>
Employee share option plan	2022.10.21	58.3	58.3	36.39%~ 37.84% (Note)	4 - 5 years	-	1.58%~ 1.63%	\$18.50~ \$20.10

Note: Expected volatility is estimated by using the share prices of the most recent period with a similar length of the stock options' expected life and the standard deviation of return on the shares during this period.

4. Expenses generated from share-based payment transactions:

	<u>2022</u>	<u>2021</u>
Equity-settled	<u>\$ 12,895</u>	<u>\$ 25,258</u>

(XV) Issued capital

As of December 31, 2022; the Company's authorized capital was NT\$ 5,800,000, divided into 580,000 thousand shares (including 5,264 thousand employee stock option shares). The paid-up capital is NT\$ 526,472, with par value of \$10. All the proceeds from the Company's issued shares have been collected.

(XVI) Capital surplus

According to the Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to stockholders in proportion to their share ownership, provided that the Company has no accumulated deficit. In accordance with provisions in the Securities and Exchange Act, when the annual total capitalization of the aforementioned capital reserve shall not exceed 10% of the paid-in capital. Capital surplus shall not be used to set off accumulated deficit unless legal reserve is insufficient.

(XVII) Retained earnings

1. If the Company has profit, the profit shall first be used pay off tax, set off past deficits, and then 10% of the remaining profit shall be set aside as a legal reserve. However, this shall not apply when the legal reserve has amounted to the authorized capital. Then, the Company shall appropriate or reverse to the special reserve pursuant to regulations provided by the competent authority. If there is a surplus after the preceding appropriations, the balance and the accumulated undistributed surplus will be determined by the Board for distribution. When distributing in the form of new shares, such a matter shall be first submitted to the Shareholders' Meeting for resolution before distribution. When distributing in the form of cash, pursuant to Paragraph 5, Article 240 of the Company Act, the distribution shall be determined by a majority of the Directors at a meeting attended by two-thirds or more of the total number of Directors, and then reported to the Shareholders' Meeting.

2. Legal reserves may not be used except for offsetting deficits and for distribution by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. Where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.
3. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
4. The dividends for the years 2022 and 2021 distributed to owners are NT\$0 and NT\$26,324, respectively. (NT\$0.5 per share) The 2022 distribution of earnings proposed by the Board on Feb. 22, 2023 is at NT\$ 1.02 per common share, totaling NT\$53,700.

(XVIII) Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 2,192,921</u>	<u>\$ 1,426,205</u>

1. The Group derives revenue from the transfer of goods at a point in time. For breakdown of revenue, please refer to Note 14 (3).
2. Contract liabilities

The contract liabilities in relation to contract with customers recognized by the Group are as follows:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>	<u>Jan. 1, 2021</u>
Contract liabilities – advance from customers	<u>\$ 17,873</u>	<u>\$ 1,593</u>	<u>\$ 14,022</u>

3. Due to the impact of COVID-19 in 2021, the Group's revenue declined due to some of its customers' compliance with relevant pandemic restrictions and regulations. However, there is no sign of default in the contracts with major customers. Thus, the decline is deemed to be only a temporary adverse effect.

(XIX) Other gains and losses

	<u>2022</u>	<u>2021</u>
Gains on financial assets measured at fair value through profit or loss, net	\$ 374	\$ 884
Gains (losses) on foreign exchange, net	21,490	(6,924)
Gain (Loss) on disposal of property, plant and equipment	(27,269)	174
Miscellaneous expenses	(1,403)	-
Grant income (Note)	46,593	27,245
Miscellaneous income	<u>3,450</u>	<u>13,380</u>
Total	<u>\$ 43,235</u>	<u>\$ 34,759</u>

Note: Due to the application of relevant regulations governing government grants of the Ministry of Economic Affairs, the Group has obtained government grants for its operating expenses and working capital.

(XX) Finance costs

	<u>2022</u>	<u>2021</u>
Interest expenses		
Bank borrowings	\$ 25,991	\$ 23,509
Other finance costs	320	596
Finance costs	<u>\$ 26,311</u>	<u>\$ 24,105</u>

(XXI) Additional information of expenses by nature

	<u>2022</u>	<u>2021</u>
Employee benefits	<u>\$ 584,765</u>	<u>\$ 466,399</u>
Depreciation of property, plant and equipment and investment property	<u>\$ 224,564</u>	<u>\$ 242,802</u>
Depreciation of right-of-use assets	<u>\$ 6,473</u>	<u>\$ 12,890</u>
Amortization of intangible assets	<u>\$ 7,503</u>	<u>\$ 10,028</u>

(XXII) Employee benefits

	<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 507,584	\$ 400,355
Labor insurance and national health insurance	40,805	38,559
Pension	20,716	18,248
Other personnel cost	15,660	9,237
	<u>\$ 584,765</u>	<u>\$ 466,399</u>

- Pursuant to the Company's Articles of Incorporation, the Company shall set aside no less than 1% and no more than 10% as remuneration to employees and no more than 2% as remuneration to Directors from the net profit before tax minus the amount of distributed as employee and director remuneration. However, profits must first be taken to offset against cumulative losses if any.
- For the years ended December 31, 2022, and 2021, the Company recognized remuneration to employees in the amounts equal to NT\$ 2,500 and NT\$ 0, respectively, and remuneration to directors in the amounts equal to NT\$ 2,500 and NT\$ 0, respectively.

The 2022 remuneration is calculated based on 1.67% of the earnings for the year. The resolved amount of remuneration to employees and actual distribution of remuneration to Directors are NT\$ 2,500 and NT\$ 1,610, respectively. Both are distributed in form of cash.

The 2021 remuneration to employees and Directors resolved at the Board Meeting are the same as that stated in the 2021 financial statements.

For the information regarding the Board of Directors' resolution on remuneration to employees and Directors, please refer to the Taiwan Stock Exchange Market Observation Post System.

(XXIII) Income tax

1. Income tax benefit

(1) Components of income tax benefit

	<u>2022</u>	<u>2021</u>
Income tax:		

Income tax incurred in current period	\$ 19,111	\$ -
Prior year income tax overestimation	(21,629)	-
Total income tax in current period	<u>(\$ 2,518)</u>	<u>\$ -</u>
Deferred income tax:		
Initial recognition and reversal of temporary differences	(2,403)	(8,640)
Total deferred income tax	<u>(2,403)</u>	<u>(8,640)</u>
Income tax expense (income)	<u>(\$ 4,921)</u>	<u>(\$ 8,640)</u>

(2) Income tax amounts associated with other comprehensive income: None.

(3) Income tax amounts directly debited or credited to equity: None.

2. Reconciliation between income tax benefit and accounting profits:

	<u>2022</u>	<u>2021</u>
Income tax of net loss before tax based on the statutory tax rate (Note)	\$ 25,411	(\$ 30,683)
Tax exempted income by tax regulation	-	(5,090)
Temporary differences not recognized in deferred tax assets	2,939	6,119
Taxable losses not recognized in deferred tax assets	3,600	22,872
Changes in realizability assessment about deferred income tax assets	(15,242)	-
Beginning tax effect of temporary differences	-	(1,858)
Prior year income tax (over) underestimation	<u>(21,629)</u>	<u>-</u>
Income tax benefit	<u>(\$ 4,921)</u>	<u>(\$ 8,640)</u>

Note: The applicable tax rate is based on the tax rate applicable in the country concerned.

3. The amounts of deferred tax assets or liabilities as a result of temporary differences and taxable losses:

	<u>Jan. 1</u>	<u>Recognized in profit or loss</u>	<u>2022</u>		<u>Dec. 31</u>
			<u>Recognized in comprehensive income</u>	<u>Recognized in equity</u>	
Temporary differences:					
- Deferred income tax assets:					
Others	<u>\$ 5,484</u>	<u>\$ 3,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,332</u>
Subtotal	<u>\$ 5,484</u>	<u>\$ 3,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,332</u>
- Deferred income tax liabilities:					
Equipment	<u>(\$ 14,003)</u>	<u>(\$ 219)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 14,222)</u>
Pension	<u>(496)</u>	<u>(67)</u>	<u>-</u>	<u>-</u>	<u>(563)</u>
Others	<u>(1,305)</u>	<u>(1,159)</u>	<u>-</u>	<u>-</u>	<u>(2,464)</u>
Subtotal	<u>(15,804)</u>	<u>(1,445)</u>	<u>-</u>	<u>-</u>	<u>(17,249)</u>
Total	<u>(\$ 10,320)</u>	<u>\$ 2,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 7,917)</u>
			<u>2021</u>		
			<u>Recognized in comprehensive income</u>	<u>Recognized in equity</u>	
Temporary differences:	<u>Jan. 1</u>	<u>Recognized in profit or loss</u>			<u>Dec. 31</u>
- Deferred income tax assets:					
Others	<u>8,802</u>	<u>(3,318)</u>	<u>-</u>	<u>-</u>	<u>5,484</u>
Subtotal	<u>\$ 8,802</u>	<u>(\$ 3,318)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,484</u>
- Deferred income tax liabilities:					
Equipment	<u>(\$ 17,057)</u>	<u>\$ 3,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 14,003)</u>
Gains on investment under equity-method	<u>(6,381)</u>	<u>6,381</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pension	<u>(673)</u>	<u>177</u>	<u>-</u>	<u>-</u>	<u>(496)</u>
Others	<u>(3,754)</u>	<u>2,449</u>	<u>-</u>	<u>-</u>	<u>(1,305)</u>
Subtotal	<u>(27,865)</u>	<u>12,061</u>	<u>-</u>	<u>-</u>	<u>(15,804)</u>
Total	<u>(\$ 19,063)</u>	<u>\$ 8,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 10,320)</u>

4. The expiry year of unused taxable losses and amounts not recognized in deferred tax assets:

<u>Dec. 31, 2022</u>				
<u>Year of occurrence</u>	<u>Amount filed/authorized</u>	<u>Unused taxable losses</u>	<u>Amounts not recognized in deferred tax assets</u>	<u>Expiry year</u>
NAFCO Suzhou Precision				
2020	\$ 38,552	\$ 38,552	\$ 38,552	2025
2021	79,663	79,663	79,663	2026
2022	<u>23,873</u>	<u>23,873</u>	<u>23,873</u>	2027
	<u>\$ 142,088</u>	<u>\$ 142,088</u>	<u>\$ 142,088</u>	

<u>Dec. 31, 2021</u>				
<u>Year of occurrence</u>	<u>Amount filed/authorized</u>	<u>Unused taxable losses</u>	<u>Amounts not recognized in deferred tax assets</u>	<u>Expiry year</u>
National Aerospace Fasteners Corporation				
2021	\$ 78,176	\$ 78,176	\$ 78,176	2031
NAFCO Suzhou Precision				
2020	\$ 37,945	\$ 37,945	\$ 37,945	2025
2021	<u>48,242</u>	<u>48,242</u>	<u>48,242</u>	2026
	<u>\$ 164,363</u>	<u>\$ 164,363</u>	<u>\$ 164,363</u>	

5. The profit-seeking enterprise income tax of the Company is approved by the taxation authority through 2020.

(XXIV) Earnings (loss) per share

	<u>2022</u>		<u>Earnings per share (NT\$)</u>
	<u>After tax amount</u>	<u>Weighted average number of shares outstanding (in thousand shares)</u>	
<u>Basic earnings per share</u>			
Net income of the Company	<u>\$ 149,975</u>	<u>52,647</u>	<u>\$ 2.85</u>
<u>Diluted earnings per share</u>			
Employee remuneration	-	<u>35</u>	
Net income attributable to common shareholders considering assumed conversion of dilutive potential common shares	<u>\$ 149,975</u>	<u>52,682</u>	<u>\$ 2.85</u>

		<u>2021</u>	
	<u>After tax amount</u>	<u>Weighted average number of shares outstanding (in thousand shares)</u>	<u>Loss per share (NT\$)</u>
<u>Basic loss per share</u>			
Net loss of the Company	(\$ 96,729)	52,647	(\$ 1.84)
<u>Diluted loss per share</u>			
Net loss attributable to common shareholders considering assumed conversion of dilutive potential common shares	(\$ 96,729)	52,647	(\$ 1.84)

(XXV) Supplemental information of cash flow

Investing activities with partial cash paid:

	<u>2022</u>	<u>2021</u>
Acquisition of property, plant and equipment	\$ 76,804	\$ 55,030
Add: Beginning equipment payables	19,580	24,925
Less: Ending equipment payables	(22,381)	(19,580)
Cash paid in the period	<u>\$ 74,003</u>	<u>\$ 60,375</u>

(XXVI) Changes in liabilities from financing activities

	<u>2022</u>			<u>Total liabilities from financing activities</u>
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	
Jan. 1	\$ 13,840	\$ 2,099,112	\$ 12,421	\$ 2,125,373
Changes in cash flows from financing activities	7,657	(143,543)	(6,062)	(141,948)
Effects of changes in foreign exchange rates	-	-	(6)	(6)
Dec. 31	<u>\$ 21,497</u>	<u>\$ 1,955,569</u>	<u>\$ 6,353</u>	<u>\$ 1,983,419</u>

	<u>2021</u>			<u>Total liabilities from financing activities</u>
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	
Jan. 1	\$ -	\$ 2,112,183	\$ 23,927	\$ 2,136,110
Changes in cash flows from financing activities	13,840	(13,071)	(11,181)	(10,412)
Effects of changes in foreign exchange rates	-	-	(325)	(325)
Dec. 31	<u>\$ 13,840</u>	<u>\$ 2,099,112</u>	<u>\$ 12,421</u>	<u>\$ 2,125,373</u>

VII. Related-party transactions

(I) The parent company and the ultimate controlling party

The Company is controlled by the Getac Group (registered and established in Taiwan R.O.C.), holding 39.08% of ownership in the Company. The remaining 60.92% of ownership is held by the public. Getac Holdings Corp. is the Company's parent company, ultimate parent company and the ultimate controlling party.

(II) Names of related parties and relation

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Getac Holdings Corp.	Parent company
Getac (SuZhou) Mobile Ltd.	Affiliated company
Waffer Technology (Kunshan) Ltd.	Other related parties
Mitac Precision Technology (KunShan) Co., Ltd.	Other related parties
MiTAC Computer (Kunshan) Co., Ltd.	Other related parties
Waffer Technology Corp.	Other related parties
Suzhou Mitac Precision Technology Co., Ltd.	Other related parties
Getac Technology (Kunshan) Co., Ltd.	Other related parties
Mitac Information Technology Corp.	Other related parties
Waffer Technology (Maanshan) Ltd.	Other related parties
Atemitech Corp.	Other related parties

(III) Significant transactions with related parties

1. Sales

	<u>2022</u>	<u>2021</u>
Sales of goods		
- Other related parties	<u>\$ 1,688</u>	<u>\$ -</u>

2. Purchase

	<u>2022</u>	<u>2021</u>
Purchase of goods		
- Other related parties	\$ 238	\$ 31
- Ultimate parent company	<u>-</u>	<u>187</u>
Subtotal	<u>\$ 238</u>	<u>\$ 218</u>
Purchase of services		
- Other related parties	<u>25,589</u>	<u>15,174</u>
Total	<u>\$ 25,827</u>	<u>\$ 15,392</u>

The aforementioned transactions are under regular purchase terms, and payments are completed within 3 months after the purchases.

2. Receivables from related parties

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Accounts receivable		
- Other related parties	\$ 1,671	\$ -
Other receivables		
- Other related parties	<u>38</u>	<u>38</u>
Total	<u>\$ 1,709</u>	<u>\$ 38</u>

3. Payables to related parties

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Accounts payable		
- Other related parties	<u>\$ -</u>	<u>\$ 33</u>
Other payables		
- Other related parties	<u>9,246</u>	<u>8,319</u>
Total	<u>\$ 9,246</u>	<u>\$ 8,385</u>

Payables to related parties are mainly from the purchases of properties and payment of utilities expenses. The payables are due within 3 months after the transaction date. The payables do not bear interests.

4. Property transactions

(1) Acquisition of equipment

	<u>2022</u>	<u>2021</u>
Getac (SuZhou) Mobile Ltd.	\$ -	\$ 370
Other related parties	-	322
Total	<u>\$ -</u>	<u>\$ 692</u>

(2) Disposal of property, plant and equipment

	<u>2022</u>		<u>2021</u>	
	<u>Proceeds from disposal</u>	<u>Gains (losses) on disposal</u>	<u>Proceeds from disposal</u>	<u>Gains (losses) on disposal</u>
Other related parties	<u>\$ 3,805</u>	<u>(\$ 3,258)</u>	<u>\$ -</u>	<u>\$ -</u>

5. Lease transaction - lessee

(1) The Group leases buildings from MiTAC Computer (Kunshan) Co., Ltd. and other related parties with lease term from January 1 2019 to December 31, 2023, and payment due at the end of each year.

(2) Lease liabilities

A. Ending balance:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
- MiTAC Computer (Kunshan) Co., Ltd.	\$ 6,053	\$ 11,724
- Other related parties	178	346
Total	<u>\$ 6,231</u>	<u>\$ 12,070</u>

B. Interest expenses

	<u>2022</u>	<u>2021</u>
- MiTAC Computer (Kunshan) Co., Ltd.	\$ 311	\$ 494
- Other related parties	9	14
Total	<u>\$ 320</u>	<u>\$ 508</u>

(IV) Remuneration to key management

	<u>2022</u>	<u>2021</u>
Salary and other short-term employees' benefits	\$ 17,880	\$ 6,082
Share-based payment	962	630
	<u>\$ 18,842</u>	<u>\$ 6,712</u>

VIII. Pledged assets

Assets pledged as collateral by the Group are enumerated as follows:

<u>Assets</u>	<u>Book value</u>		<u>Purpose</u>
	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>	
Other non-current assets (time deposits)	\$ 1,000	\$ 1,000	Customs duty
Property, plant and equipment			
Land	\$ 1,202,901	\$ 1,202,901	Long-term borrowings
Houses and buildings	1,043,294	1,078,197	"
Equipment	246,185	194,862	"
Other equipment	29,559	42,601	"

IX. Significant commitments and contingencies

(I) Contingencies

None.

(II) Commitments

1. For the year 2022 and as of the end of 2021, the Company has entered a contract, which is not yet fulfilled, to purchase construction and equipment at NT\$ 88,618 and NT\$ 78,882, respectively. The amounts yet to be paid are NT\$ 68,919 and NT\$ 43,147, respectively.
2. As of the end of 2022, the letter of guarantee provided to the Taiwan Small & Medium Enterprise Counseling Foundation is NT\$44,732.

X. Significant disaster loss

None.

XI. Significant events after the end of the financial reporting period

None.

XII. Others

(I) Capital management

The goal of the Group's capital management is to ensure the continuation of operation, maintain optimal capital structure to decrease capital cost, and secure returns for shareholders. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, reduce capital, and lower debt amount by issuance of new shares or disposal of assets. The Group uses debt-to-capital ratio to monitor its capital. The ratio is calculated by dividing the total net debt by total capital. Net debt is total borrowings (including the amount of "current and non-current borrowings" stated in the consolidated balance sheet) minus cash and cash equivalents. Total capital is the amount of "equity" stated on the consolidated balance sheet plus net debt.

In the year 2022, the strategy of the Group remains the same as in 2021, which is to maintain the debt-to-capital ratio below 60%. The Group's debt-to-capital ratios as at December 31, 2022 and 2021 are stated as below:

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
Total borrowings	\$ 1,977,066	\$ 2,112,952
Less: Cash and cash equivalents	<u>138,933</u>	<u>110,111</u>
Net debt	1,838,133	2,002,841
Total equity	<u>1,947,259</u>	<u>1,774,199</u>
Total capital	<u>\$ 3,785,392</u>	<u>\$ 3,777,040</u>
Debt-to-capital ratio	<u>49%</u>	<u>53%</u>

(II) Financial instruments

1. Categories of financial instruments

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 2,452	\$ 884
Financial assets / lending and receivables measured at amortized cost		
Cash and cash equivalents	\$ 138,933	\$ 110,111
Notes receivable	169	-
Accounts receivable (incl. related parties)	574,174	364,703
Other receivables (incl. related parties)	5,986	5,280
Other non-current liabilities - deposits received	2,222	2,642
Other non-current assets	1,000	1,000
	<u>\$ 722,484</u>	<u>\$ 483,736</u>

	<u>Dec. 31, 2022</u>	<u>Dec. 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities measured at fair value through profit or loss - current	\$ 1,194	\$ -
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 21,497	\$ 13,840
Accounts payable (incl. related parties)	324,520	162,258
Other payables (incl. related parties)	245,696	170,674
Long-term borrowings (incl. current portion)	1,955,569	2,099,112
Other non-current liabilities - deposits received	100	100
	<u>\$ 2,547,382</u>	<u>\$ 2,445,984</u>
Lease liabilities	<u>\$ 6,353</u>	<u>\$ 12,421</u>

2. Risk management policies

- (1) The routine operation of the Group is exposed to multiple financial risks including market risks (including exchange rate risk, interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management is focused on unpredictable events in the financial market, and mitigation of potential adverse impacts on the Group's financial position and performance. The Group uses specific derivatives to hedge certain risk exposures.
- (2) The risk management of the Group is carried out by the Finance Department of the Group in accordance with the policies approved by the Board of Directors. The Finance Department is responsible for the identification, valuation and hedging of financial risks through close cooperation with operating units of the Group.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

A. The Group operates internationally and is exposed to foreign exchange risk,

primarily with respect to USD. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investment in a foreign operation.

- B. Management has set up a policy to require the companies within the Group to manage their foreign exchange risk against their functional currency. The companies within the Group are required to hedge their overall foreign exchange risk exposure through the Group's Finance Department. The companies within the Group use forward foreign exchange contracts to manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in foreign currencies other than the company's functional currency.
- C. The Company uses forward foreign exchange transactions to avoid exchange rate risk, however, they are not subject to hedge accounting, and are recognized in financial assets or liabilities measured at fair value through profit or loss.
- D. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.
- E. The Group's businesses involve some non-functional currency operations (functional currency of the Company: NTD; certain subsidiaries: RMB) and is thus affected by the exchange rate fluctuation. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	<u>Dec. 31, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
(Foreign currency: functional currency)	<u>(thousands)</u>		<u>(NTD/RMB)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 20,358	30.71	\$ 625,194
EUR: NTD	274	32.72	8,965
USD: RMB	5,173	6.96	36,004
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	8,716	30.71	\$ 267,668
USD: RMB	5,171	6.96	35,990

	<u>Dec. 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
(Foreign currency : functional currency)	<u>(thousands)</u>		<u>(NTD/RMB)</u>
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 15,058	27.68	\$ 416,805
EUR: NTD	271	31.32	8,488
USD: RMB	3,430	6.38	21,883
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 4,570	27.68	\$ 126,498
USD: RMB	4,858	6.38	30,994

- F. Unrealized exchange gain or loss arising from significant exchange rate

G. The analysis of foreign currency market risks of the Group due to significant exchange rate fluctuations:

	<u>Range of change</u>	<u>2022</u>	
		<u>Profit or loss generated</u>	<u>Other comprehensive income generated</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	3%	\$ 18,756	\$ -
EUR : NTD	3%	269	-
USD : RMB	3%	1,080	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	3%	\$ 8,030	\$ -
USD : RMB	3%	1,080	-
		<u>2021</u>	
		<u>Profit or loss generated</u>	<u>Other comprehensive income generated</u>
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	3%	\$ 12,504	\$ -
EUR : NTD	3%	255	-
USD : RMB	3%	656	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	3%	\$ 3,795	\$ -
USD : RMB	3%	930	-

Price risk

As the investments held by the Group as presented in the consolidated balance sheet do not include material financial assets such as equity instruments, the Group is not exposed to material price risk.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk mainly arises from long-term borrowings with floating interest rates, resulting in cash flow interest rate risk. In 2022 and 2021, the Group's borrowings with floating interest rates are mainly denominated in NTD and USD.
- B. The Group's borrowings are measured at cost after amortization, and re-measured annually based on the interest rate according to the contract. Thus, the Group is exposed to the risks of market interest rates in the future.
- C. When loan interest rate increases or decreases by 0.25% while other variables remain unchanged, the net income after tax for the years 2022 and 2021 will increase or decrease by NT\$3,954 and NT\$4,226, respectively. This is because interest expense changes with floating interest rate.

(2) Credit risk

- A. The Group's credit risk is the risk of financial loss to the Group due to the failure of the customer or counterparty of the financial instrument to perform its contractual obligations, which mainly result from the failure of the counterparty to pay off accounts receivable payable on the terms of collection.
- B. The Group manages its credit risk taking into consideration the entire group's concern. Only banks and financial institutions rated "A" by independent credit agencies are accepted as trade counterparties. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are based on internal or external ratings, and the use of credit limits is regularly monitored by the Board of Directors.
- C. The Group uses its credit risk management, and considers default to have occurred when the contract payments are past due over 90 days.
- D. The indicators used by the Group to determine credit impairment on debt instrument investments are as follows:
- (A) It becomes probable that the issuer will enter bankruptcy or other financial re-organization due to their financial difficulties;
- (B) The disappearance of an active market for that financial asset because of financial difficulties;
- E. The Group categorizes customers' accounts receivable according to their credit ratings, and uses a simplified approach to estimate expected credit losses based on the loss rate method.
- F. After recourse procedures, the Group reverses the amount of financial assets that cannot be reasonably expected to be recovered.
- G. The Group uses the forecastability report released by Taiwan Institute of Economic Research to adjust historical and timely information to assess the default possibility of notes and accounts receivable. On December 31, 2022 and 2021, the loss rate methodology is as follows:

Dec. 31, 2022	Current	Past due within	Past due 31 -	Past due 61 -	Past due over	Total
		30 days	60 days	90 days	90 days	
Expected loss rate	0%	0.03%-20%	0.56%-30%	4.17%-50%	25%-100%	
Total book value	\$ 536,620	\$ 33,079	\$ 8,794	\$ 279	\$ 306	\$ 579,078
Allowance for losses	\$ -	\$ 1,651	\$ 2,638	\$ 140	\$ 306	\$ 4,735

Dec. 31, 2021	Current	Past due within	Past due 31 -	Past due 61 -	Past due over	Total
		30 days	60 days	90 days	90 days	
Expected loss rate	0%	0.00%-20%	0.00%-30%	0.00%-50%	8.86%-100%	
Total book value	\$ 334,173	\$ 21,650	\$ 9,597	\$ 2,892	\$ 1,986	\$ 370,298
Allowance for losses	\$ -	\$ 619	\$ 1,687	\$ 1,303	\$ 1,986	\$ 5,595

E. Changes in loss allowance for accounts receivable using the simplified approach:

	2022	
	Accounts receivable	Notes receivable
Jan. 1	\$ 5,595	\$ -
Reversal of impairment losses	(866)	-
Effects of changes in foreign exchange rates	6	-
Dec. 31	\$ 4,735	\$ -

	2021	
	Accounts receivable	Notes receivable
Jan. 1	\$ 6,156	\$ -

Reversal of impairment losses	(558)	-
Effects of changes in foreign exchange rates	(3)	-
Dec. 31	\$	5,595	\$

(3) Liquidity risk

- A. The Group has the need to monitor the cash forecasts to ensure that the Group's funds are adequate to finance its operations, and maintain sufficient unused loans at all times, so as to prevent violation of loan limit or terms. These forecasts take into account the Group's financing plans compliance with loan terms, and compliance with the financial ratio goals of the internal balance sheets. Thus, the Group is not exposed to significant liquidity risk.
- B. The Company's loans are borrowings with floating interest rates, and the effective interest rates of its borrowings changes with the market interest rate, resulting in fluctuation of future cash flow. When market interest rate increases by 1%, the Company's annual cash outflow increases by NT\$19,771.
- C. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Dec. 31, 2022	<u>Less than 3</u> <u>months</u>	<u>3 months to 1</u> <u>year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>					
Short-term borrowings	\$ 21,497	\$ -	\$ -	\$ -	\$ -
Accounts payable	306,010	18,510	-	-	-
Other payables	213,791	31,905	-	-	-
Lease liabilities	1,644	4,823	-	-	-
Long-term borrowings (incl. current portion)	106,698	346,322	672,524	393,193	555,270
<u>Derivative financial liabilities:</u>					
Forward exchange contract	1,194	-	-	-	-

Dec. 31, 2021	<u>Less than 3</u> <u>months</u>	<u>3 months to 1</u> <u>year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>					
Short-term borrowings	\$ 13,840	\$ -	\$ -	\$ -	\$ -
Accounts payable	151,857	10,401	-	-	-
Other payables	157,508	13,166	-	-	-
Lease liabilities	1,619	4,858	6,368	-	-
Long-term borrowings (incl. current portion)	56,200	245,972	398,212	751,305	754,899

(III) Fair value information

1. The fair value levels of financial instruments measured by valuation method. Are as follows:

Level I Level I inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded active when a market where transactions for the asset or liability

take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level II Level II inputs are inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly.

Level III Level III inputs are unobservable inputs for the asset or liability. The Group's investment properties are measured with Level III inputs.

2. The information relating to the fair value of investment property measured at cost is provided in Note 6 (7).

3. Financial instruments not measured at fair value

The book values of cash and cash equivalents, notes receivable, accounts receivable, other receivables, long- / short-term borrowings, notes receivable, accounts payable, and other payables are reasonable approximate of fair value.

4. The Group categorizes financial and non-financial instruments measured at fair value on the basis of their nature, characteristics, and risks of the assets and liabilities. The related information is as follows:

(1) The Group classifies assets and liabilities on the basis of their nature. Related information is provided below:

Dec. 31, 2022	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>	\$ -	\$ 2,452	\$ -	\$ 2,452
Liabilities				
<u>Recurring fair value</u>	\$ -	\$ 1,194	\$ -	\$ 1,194
Dec. 31, 2021	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>	\$ -	\$ 884	\$ -	\$ 884

(2) The methods and assumptions used by Group to measure the fair value are as follows:

A. Derivative financial instruments are measured based on valuation models generally accepted by market users, such as the discount method and option pricing model. Forward exchange contracts are measured based on the current forward exchange rate.

B. The Group includes credit valuation adjustment in the fair value valuation of financial Instruments and non-financial Instruments to reflect counterparties' credit risk and the Group's credit quality.

5. For the years 2022 and 2021, there were no transfers between Level I and Level II.

6. For the years 2022 and 2021, there were no transfers into or out of Level III.

(IV) Others

Due to the widespread of COVID-19 and protection measures imposed by the government, the Group has adopted necessary measures and continues to handle relevant matters. After evaluation, COVID-19 is deemed to have had no significant influence on the Group's continued operations, asset impairments and ability to raise capital.

XIII. Supplementary disclosures

(I) Information about significant transactions:

Transactions with subsidiaries have been written off in the consolidated financial statements. The following information is for reference only.

1. Loans to others: Table 1.
2. Endorsement/guarantees for others: Table 2.
3. Ending marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 3
4. Cumulative amount of the same marketable security purchased or sold reaching NT\$300 million or more than 20% of the paid-in capital: None.
5. Acquisition of individual real estate properties at costs of at least NT\$ 300 million or 20% of the paid-in capital: None.
6. Disposal of individual real estate properties 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 4
8. Receivables from related parties amounting to at least NT\$ 100 million or 20% of the paid-in capital: None.
9. Derivatives tradings: Notes 6 (2), and 12 (3).
10. Business relationship and significant transactions between parent company and subsidiaries: Table 5

(II) Information on investees

Information of investee companies and location, and other relevant information (excluding investees in mainland China):Table 6

(III) Information of investments in mainland China

1. Basic information: Table 7.
2. Significant transactions with investee companies in mainland China, either directly or indirectly through a business at third location: Table 5

(IV) Information of major shareholders

Please refer to Table 8.

XIV. Segment information

(I) General information

Management of the Group identifies reportable segments based on the information used by the chief operating decision makers when making operating decisions. The President of the Group manages the Group's businesses based on product types. The revenue of the segments disclosed are mainly from aerospace and industrial products.

(II) Evaluation of segments

The Board of the Group adopts the generally accepted accounting principles in R.O.C. In the preparation of financial statements, and evaluates the performance the operating segments based on the revenue, adjusted EBITDA, and income before tax of each operating unit.

(III) Segment information

The financial information of reportable segments provided to chief operating decision makers:

2022:

	<u>Industry</u>	<u>Aerospace</u>	<u>Total</u>
Segment revenue	\$ 363,352	\$ 1,829,569	\$ 2,192,921
Revenue from internal segments	<u>-</u>	<u>-</u>	<u>-</u>
Net income from external segments	363,352	1,829,569	2,192,921
Adjusted EBITDA	77,732	332,173	409,905
Depreciation and amortization	30,034	208,506	238,540

2021:

	<u>Industry</u>	<u>Aerospace</u>	<u>Total</u>
Segment revenue	\$ 304,260	\$ 1,121,945	\$ 1,426,205
Revenue from internal segments	<u>-</u>	<u>-</u>	<u>-</u>
Net income from external segments	304,260	1,121,945	1,426,205
Adjusted EBITDA	51,016	133,440	184,456
Depreciation and amortization	34,140	231,579	265,719

Note: segment assets and liabilities are not used as measurement indicators by the Company's chief operating decision makers, and are thus not disclosed.

(IV) Information of segment profit or loss reconciliation

The reconciliation of current adjusted EBITDA and income before tax of continuing operations:

	<u>2022</u>	<u>2021</u>
Adjusted EBITDA of operating segments	\$ 409,905	\$ 184,456
Depreciation expenses - fixed assets and investment property	(224,564)	(242,802)
Depreciation expenses - right-of-use assets	(6,473)	(12,890)
Amortizations	(7,503)	(10,028)
Interest expenses	<u>(26,311)</u>	<u>(24,105)</u>
Income before tax of continuing operations	<u>\$ 145,054</u>	<u>(\$ 105,369)</u>

(V) Information of products and services

Please refer to Note 14 (3).

(VI) Information by regions

Geographical information for the years 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>

USA	\$	921,603	\$	-	\$	611,277	\$	-
France		379,448		-		207,786		-
Taiwan		42,752		2,752,905		51,068		2,841,648
Others		849,118		244,837		556,074		343,334
Total	\$	<u>2,192,921</u>	\$	<u>2,997,742</u>	\$	<u>1,426,205</u>	\$	<u>3,184,982</u>

(VII) Information of key customers

Information of key customers for the years 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
Company A	\$ 509,511	Aerospace	\$ 349,352	Aerospace
Company B	307,294	Aerospace	197,216	Aerospace

National Aerospace Fasteners Corporation

Loans to Others

For the year ended December 31, 2022

Table 1

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

<u>Code</u>	<u>Lender</u>	<u>Borrower</u>	<u>Financial statement account</u>	<u>Related party</u>	<u>Highest balance for the period</u>	<u>Ending balance</u>	<u>Actual borrowed amount</u>	<u>Interest rate collars</u>	<u>Nature of loan</u>	<u>Business transaction amount</u>	<u>Reason for short-term financing</u>	<u>Allowance for bad debts</u>	<u>Collateral Item</u>	<u>Value</u>	<u>Ceiling for each borrower</u>	<u>Aggregate financing limit</u>	<u>Remarks</u>
0	National Aerospace Fasteners Corporation	NAFCO Suzhou Precision	Other receivables	Y	\$ 112,753	\$ 107,485	\$ 107,485	2.50%	Short-term borrowing	-	Fund for operation	-	N/A	-	\$ 389,452	\$ 389,452	(Note)

Note: The loan to a single entity shall not exceed 20% of the net worth stated on the Company's most recent financial statements reviewed or audited by CPAs. The loan ceiling is calculated based on 20% of net equity at Dec. 31, 2022.

National Aerospace Fasteners Corporation

Endorsements/Guarantees to Others

For the year ended December 31, 2022

Table 2

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

<u>Code</u>	<u>Name of endorser/guarantor</u>	<u>Subject of endorsement/guarantee</u>		<u>Ceiling amount of endorsement/guarantee to a single entity (Note 3)</u>	<u>Ceiling amount of endorsement/guarantee for the period</u>	<u>Balance of endorsement/guarantee</u>	<u>Actual borrowed amount</u>	<u>Amount of endorsement/guarantee backed by assets</u>	<u>Accumulated endorsed/guaranteed amount as a percentage of net worth</u>	<u>Ceiling amount of endorsement/guarantee (Note)</u>	<u>Endorsement/guarantee made by parent company to subsidiary</u>	<u>Endorsement/guarantee made by subsidiary to parent company</u>	<u>Endorsement/guarantee for companies in Mainland China</u>	<u>Remarks</u>
	<u>Name</u>	<u>Relation</u>												
0	National Aerospace Fasteners Corporation	NAFCO Suzhou Precision	Subsidiary	\$ 973,630	\$ 178,793	\$ 170,441	\$ -	\$ -	8.75%	\$ 973,630	Y	N	Y	—

Note: The requirement that endorsements/guarantees can only be made to a company in which the Company holds, directly or indirectly, more than 50% of the voting shares refers to 50% of the net worth stated in the most recent financial statements reviewed or audited by the CPAs.

Amount of endorsements/guarantees made shall be less than 50% of the net worth stated in the most recent financial statements reviewed or audited by the CPAs.

National Aerospace Fasteners Corporation

Ending Marketable Securities Held (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2022

Table 3

Expressed in thousands of New Taiwan Dollars
(Unless otherwise specified)

<u>Holding company</u>	<u>Name and type of marketable securities</u>	<u>Relation with the issuer</u>	<u>Financial statement account</u>	<u>Shares</u>	<u>Ending balance</u>		<u>Fair value</u>	<u>Remarks</u>
					<u>Carrying amount</u>	<u>Percentage of ownership</u>		
National Aerospace Fasteners Corporation	Baicheng Co., Ltd.	N/A	Financial assets measured at fair value through other comprehensive income - non-current	700,000	\$ -	0.51%	\$ -	Registration nullified
"	Shintori Restaurant Co., Ltd.	N/A	"	20,307	-	2.75%	-	Discontinued

National Aerospace Fasteners Corporation

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, 2022

Table 4

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

<u>Company name</u>	<u>Transaction counterparty</u>	<u>Relation</u>	<u>Transaction details</u>			<u>Payment term</u>	<u>Abnormal transaction</u>		<u>Notes and accounts receivable (payable)</u>		Remarks
			<u>Purchase/Sale</u>	<u>Amount</u>	<u>% of total</u>		<u>Unit price</u>	<u>Payment term</u>	<u>Ending balance</u>	<u>% of total</u>	
National Aerospace Fasteners Corporation	NAFCO Suzhou Precision	Subsidiary	Purchase	\$ 178,571	24%	Note	N/A	Note	(\$ 76,221)	(23%)	

Note: The payment term is 90-day AMS. No significant difference from other purchase/sale terms.

National Aerospace Fasteners Corporation

Business Relationship and Major Transactions between the Parent Company and Subsidiaries and among Subsidiaries

For the year ended December 31, 2022

Table 5

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

<u>Code</u>	<u>Company name</u>	<u>Counterparty</u>	<u>Relation</u>	<u>Financial statement account</u>	<u>Amount</u>	<u>Transaction terms</u>	<u>% of total consolidated revenue or total asset</u>
The Company	National Aerospace Fasteners Corporation	NAFCO Suzhou Precision	Note 1	Sales	\$ 42,862	90 days AMS	2%
"	"	"	"	Purchase	178,571	90 days AMS	8%
"	"	"	"	Other expenses	10,281	90 days AMS	-
"	"	"	"	Accounts receivable	9,638	-	-
"	"	"	"	Accounts payable	76,221	-	2%
"	"	"	"	Other receivables	108,652	-	2%
"	"	"	"	Other payables	1,652	-	-

Note 1: Parent company to subsidiary

National Aerospace Fasteners Corporation

Information of Investee Companies and Location, and Other Relevant Information (excluding investees in Mainland China)

For the year ended December 31, 2022

Table 6

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

<u>Investor</u>	<u>Investee</u>	<u>Location</u>	<u>Principal business</u>	<u>Initial investment amount</u>		<u>Shares</u>	<u>Ending balance</u>		<u>Net income of investee</u>	<u>Recognized portion</u>	<u>Remarks</u>
				<u>Ending balance in 2022</u>	<u>Ending balance in 2021</u>		<u>Percentage of ownership</u>	<u>Carrying amount</u>			
National Aerospace Fasteners Corporation	NAFCO Group Ltd.	British Virgin Islands	Investment	\$ 405,897	\$ 405,897	13,000,000	100%	308,828	(\$ 24,532)	(\$ 28,784)	Subsidiary
NAFCO Group Ltd.	NAFCO Holdings Ltd.	British Virgin Islands	Investment	405,897	405,897	13,000,000	100%	311,317	(24,532)	N/A	Second tier subsidiary

National Aerospace Fasteners Corporation
Information on investments in mainland China
For the year ended December 31, 2022

Table 7

Expressed in thousands of New Taiwan Dollars
(Unless otherwise specified)

<u>Investee</u>	<u>Principal business</u>	<u>Paid-in capital</u>	<u>Method of investment</u>	<u>Accumulated amount of investment remitted outwards from Taiwan at beginning</u>	<u>Investment remitted outwards or recovered in current period</u>		<u>Accumulated amount of investment remitted outwards from Taiwan at ending</u>	<u>Net income of investee</u>	<u>% of ownership held directly or indirectly</u>	<u>Recognized portion (Note 2)</u>	<u>Ending carrying amount</u>	<u>Investment income received at ending</u>	<u>Remarks</u>
					<u>Outwards</u>	<u>Recovered</u>							
NAFCO Suzhou Precision	Production and sales of aviation parts and mold processing	\$405,897 (USD 13 million)	Note 1	\$ 405,897 (USD 13 million)	-	-	\$405,897 (USD 13 million)	(\$24,532)	100%	(\$24,532)	\$311,317	-	-

<u>Name</u>	<u>Accumulated investment from Taiwan to Mainland China at ending</u>	<u>Investment amount approved by Investment Commission of MOEA</u>	<u>Investment amount permitted by the Investment Commission of MOEA</u>
National Aerospace Fasteners Corporation	(USD 13 million) \$ 405,897	(USD 13 million) \$ 399,230	\$1,168,355

Note 1: Investment was made through NAFCO Holdings Ltd. established in a third area.

Note 2: Audited by parent company's CPAs.

National Aerospace Fasteners Corporation

Information of major shareholders

December 31, 2022

Table 8

	<u>Name of major shareholders</u>	<u>Shares held</u>	<u>Shares</u>	<u>Percentage of ownership</u>	
Getac Holdings Corp.		20,578,174			39.08
National Development Fund, Executive Yuan		3,773,188			7.16

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of common 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 financial statements may differ from the actual number of shares that have been issued without physical registration due to differences in preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor at which the trust account is opened. 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, please refer to Market Observation Post System.