

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report
For the years ended 2023 and 2022
(Stock No: 3004)

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National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report For the years ended 2023 and
2022
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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, 2023, 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 23, 2024

Independent Auditor's Report

(113)Cai-Shen-Bao Letter Number23003047

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, 2022 and 2023, 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, 2022 and 2023, 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 Matter

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 2023. 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 2023 are stated as

follows:

Recognition of revenue from export sales

Description of Key Audit Matter

For accounting policies regarding recognition of revenues, please refer to Note 4 (27) 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 2023 totaled NT\$3,070,624 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 Matter

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, 2023, the balance of inventories and allowance to reduce inventories to market of National Aerospace Fasteners Corporation and Subsidiaries amounted to NT\$1,365,320 thousand and NT\$196,227 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, 2023 and 2022, 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 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pricewaterhouse Coopers

Wei-Hao Wu

CPAs

Yen-Na Li

Financial Supervisory Commission

Approval Letter: Jin-Guan-Zheng-Shen - Zi Letter

No. 1080323093

Securities and Futures Bureau, Financial Supervisory Commission,

Executive Yuan

Approval Letter: Jin-Guan-Zheng -Liu-Zi Letter

No. 0950122728

February 23, 2024

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

Assets	Notes	Dec. 31, 2023		Dec. 31, 2022		
		Amount	%	Amount	%	
Current Assets						
1100	Cash and cash equivalents	6 (1)	\$ 105,116	2	\$ 138,933	3
1110	Financial assets measured at fair value through profit or loss - current	6 (2)	2,447	-	2,452	-
1150	Notes receivable, net	6 (3)	-	-	169	-
1170	Accounts receivable, net	6 (3)	724,541	15	572,503	13
1180	Accounts receivable - related parties, net	6 (3), 7	-	-	1,671	-
1200	Other receivables		5,729	-	5,948	-
1210	Other receivables - related parties	7	-	-	38	-
130X	Inventories	6 (4)	1,169,093	23	752,871	17
1410	Prepayments		62,563	1	66,392	1
11XX	Total current assets		<u>2,069,489</u>	<u>41</u>	<u>1,540,977</u>	<u>34</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	2,930,310	58	2,960,242	65
1755	Right-of-use assets	6 (6), 7	2,532	-	6,207	-
1760	Investment property, net	6 (7)	24,864	-	21,662	-
1780	Intangible assets		7,296	-	9,631	-
1840	Deferred income tax assets	6 (23)	11,441	-	9,332	-
1900	Other non-current assets	6 (8), (13), 8	32,171	1	24,875	1
15XX	Total non-current assets		<u>3,008,614</u>	<u>59</u>	<u>3,031,949</u>	<u>66</u>
1XXX	Total Assets		<u>\$ 5,078,103</u>	<u>100</u>	<u>\$ 4,572,926</u>	<u>100</u>

(Continued)

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

	Liabilities and Equity	Notes	Dec. 31, 2023		Dec. 31, 2022	
			Amount	%	Amount	%
	Current Liabilities					
2100	Short-term borrowings	6 (9)	\$ 20,000	-	\$ 21,497	1
2120	Financial liabilities measured at fair value through profit or loss - current	6 (2)	-	-	1,194	-
2130	Contract liabilities - current	6 (18)	21,420	1	17,873	-
2170	Accounts payable	6 (10)	466,094	9	324,520	7
2200	Other payables	6 (11)	324,886	6	236,450	5
2220	Other payables - related parties	7	8,171	-	9,246	-
2230	Current tax liabilities		62,254	1	27,981	1
2280	Lease liabilities - current	6 (6), 7	-	-	6,353	-
2320	Long-term liabilities - current portion	6 (12)	377,819	8	429,235	9
21XX	Total current liabilities		<u>1,280,644</u>	<u>25</u>	<u>1,074,349</u>	<u>23</u>
	Non-current Liabilities					
2540	Long-term borrowings	6 (12)	1,449,697	29	1,526,334	34
2570	Deferred tax liabilities	6 (23)	14,469	-	17,249	-
2580	Lease liabilities - non-current	6 (6), 7	-	-	-	-
2600	Other non-current liabilities		3,002	-	7,735	-
25XX	Total non-current liabilities		<u>1,467,168</u>	<u>29</u>	<u>1,551,318</u>	<u>34</u>
2XXX	Total Liabilities		<u>2,747,812</u>	<u>54</u>	<u>2,625,667</u>	<u>57</u>
	Equity due to owner of parent company					
	Capital stock	6 (15)				
3110	Common stock		540,062	11	526,472	12
	Capital surplus	6 (16)				
3200	Capital surplus		536,531	10	411,394	9
	Retained earnings	6 (17)				
3310	Legal reserve		187,015	4	171,581	4
3320	Special reserve		36,065	1	41,890	1
3350	Unappropriated retained earnings		1,075,100	21	831,987	18
	Other equity					
3400	Other equity		(44,482)	(1)	(36,065)	(1)
3XXX	Total Equity		<u>2,330,291</u>	<u>46</u>	<u>1,947,259</u>	<u>43</u>
	Significant commitments and contingencies	9				
	Major post-term items	XI				
3X2X	Total Liabilities and Equity		<u>\$ 5,078,103</u>	<u>100</u>	<u>\$ 4,572,926</u>	<u>100</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 Comprehensive Income
For the years ended December 31, 2023 and 2022

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

	Item	Notes	2023		2022	
			Amount	%	Amount	%
4000	Operating revenue	6 (18), 7	\$ 3,070,624	100	\$ 2,192,921	100
5000	Operating costs	6 (4), (21), (22), 7	(2,258,080)	(74)	(1,681,287)	(77)
5900	Gross profit		812,544	26	511,634	23
	Operating expenses	6 (21), (22)				
6100	Selling expenses		(76,999)	(3)	(60,160)	(3)
6200	General and administrative expenses		(257,536)	(8)	(207,301)	(9)
6300	Research and development expenses		(132,850)	(4)	(118,191)	(5)
6450	Gain (loss) on expected credit loss	12 (2)	(1,750)	-	866	-
6000	Total operating expenses		(469,135)	(15)	(384,786)	(17)
6900	Operating income		343,409	11	126,848	6
	Non-operating income and expenses					
7100	Interest income		1,048	-	246	-
7010	Other income		625	-	1,036	-
7020	Other gains and losses	6 (19)	43,034	2	43,235	2
7050	Financial costs	6 (20), 7	(32,843)	(1)	(26,311)	(1)
7000	Total non-operating revenues and expenses		11,864	1	18,206	1
7900	Pre-tax net profit		355,273	12	145,054	7
7950	Income tax (expenses) profit	6 (23)	(47,670)	(2)	4,921	-
8200	Net current-term profit		\$ 307,603	10	\$ 149,975	7
	Other comprehensive income					
8311	Remeasurements of defined benefit plans	6 (13)	(\$ 1,181)	-	\$ 4,365	-
8310	Total items that will not be reclassified to profit or loss		(1,181)	-	4,365	-
	Items that may be subsequently reclassified to profit or loss					
8361	Exchange differences from the translation of financial statements of foreign operations		(8,417)	-	5,825	-
8360	Total items that may be subsequently reclassified to profit or loss		(8,417)	-	5,825	-
8300	Other comprehensive income, net		(\$ 9,598)	-	\$ 10,190	-
8500	Total comprehensive income		\$ 298,005	10	\$ 160,165	7
	Basic earnings per share	6 (24)				
9750	Basic earnings per share		\$ 5.77		\$ 2.85	
	Diluted earnings per share	6 (24)				
9850	Diluted earnings per share		\$ 5.66		\$ 2.85	

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, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

	Notes	Equity attributable to owners of parent							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>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	6 (17)									
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		\$ 526,472	\$ 340,105	\$ 69,042	\$ 2,247	\$ 171,581	\$ 41,890	\$ 831,987	(\$ 36,065)	\$ 1,947,259
<u>2023</u>										
Balance as of Jan. 1, 2023		\$ 526,472	\$ 340,105	\$ 69,042	\$ 2,247	\$ 171,581	\$ 41,890	\$ 831,987	(\$ 36,065)	\$ 1,947,259
2023 net loss		-	-	-	-	-	-	307,603	-	307,603
2023 other comprehensive income		-	-	-	-	-	-	(1,181)	(8,417)	(9,598)
Total comprehensive income		-	-	-	-	-	-	306,422	(8,417)	298,005
Appropriation and distribution of earnings	6 (17)									
Legal reserve		-	-	-	-	15,434	-	(15,434)	-	-
Special reserve		-	-	-	-	-	(5,825)	5,825	-	-
Cash dividends		-	-	-	-	-	-	(53,700)	-	(53,700)
Expired employee share option	6 (14)	-	-	(1,774)	1,774	-	-	-	-	-
Employee stock option costs	6 (14)	-	-	19,950	-	-	-	-	-	19,950
Exercise of Employee Stock Option certificate	6 (14)	13,590	138,984	(33,797)	-	-	-	-	-	118,777
Balance as of December 31, 2023		\$ 540,062	\$ 479,089	\$ 53,421	\$ 4,021	\$ 187,015	\$ 36,065	\$ 1,075,100	(\$ 44,482)	\$ 2,330,291

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, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

	<u>Notes</u>	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
<u>Cash flow from operating activities</u>			
Current pre-tax net profit		\$ 355,273	\$ 145,054
Adjustments			
Adjustments to reconcile profit or loss			
Gains on financial assets/liabilities measured at fair value through profit or loss, net	6 (19)	(1,189)	(374)
Expected credit impairment loss (gain)	12 (2)	1,750	(866)
Depreciation of property, plant and equipment and investment property	6 (21),	227,925	224,564
Depreciation of right-of-use assets	6 (21),	6,376	6,473
Amortizations	6 (21),	6,217	7,503
Losses from the disposal of property, plant and equipment	6 (19)	32	27,269
Interest income		(1,048)	(246)
Interest expenses	6 (20)	32,843	26,311
Cost of share-based payment as remuneration	6 (14)	19,950	12,895
Reversal gain of impairment loss on investment property	6 (19)	(3,344)	-
Changes in operating assets/liabilities			
Changes in operating assets, net			
Notes receivable, net		169	(169)
Accounts receivable		(153,779)	(206,940)
Accounts receivable - related parties, net		1,671	(1,671)
Other receivables		219	(706)
Other receivables - related parties		38	-
Inventories		(416,222)	(161,663)
Prepayments		4,004	(33,405)
Changes in operating liabilities, net			
Contract liabilities - current		3,547	16,280
Accounts payable		141,574	162,295
Accounts payable - related parties		-	(33)
Other payables		49,912	71,008
Other payables - related parties		(1,075)	927
Other non-current liabilities		(1,933)	(4,976)
Cash inflow from operating activities		272,910	289,530
Interest received		1,048	246
Interest paid		(32,635)	(26,025)
Income tax paid in current period		(20,923)	(12,835)
Net cash inflow from operating activities		220,400	250,916

(Continued)

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

	<u>Notes</u>	<u>For the year ended December 31, 2023</u>	<u>For the year ended December 31, 2022</u>
<u>Cash flow from investing activities</u>			
Acquisition of property, plant and equipment	6 (25)	(\$ 162,854)	(\$ 74,003)
Disposal of property, plant and equipment		21	6,922
Acquisition of right-of-use assets		(2,681)	-
Acquisition of intangible assets		(3,895)	(3,027)
Decrease in refundable deposits		248	419
Decrease (increase) in prepayments for equipment		6,216	(9,264)
Increase of other non-current assets		(14,941)	(333)
Net cash outflow from investing activities		(177,886)	(79,286)
<u>Cash flow from financing activities</u>			
Increase in short-term borrowings		635,931	294,191
Payments for short-term borrowings		(637,428)	(286,534)
Increase in long-term borrowings		469,264	151,317
Payments for long-term borrowings		(597,317)	(294,860)
Proceeds from exercise of employee share options	6 (14)	118,777	-
Payments for lease liabilities	6 (26)	(6,253)	(6,062)
Cash dividends	6 (17)	(53,700)	-
Net cash outflow from financing activities		(70,726)	(141,948)
Effects of changes in foreign exchange rates		(5,605)	(860)
Increase (decrease) in cash and cash equivalents		(33,817)	28,822
Cash and cash equivalents at beginning of period		138,933	110,111
Cash and cash equivalents at end of period		\$ 105,116	\$ 138,933

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 2023 and 2022

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

1. 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 various types of fasteners and construction parts and related components of aircraft and automobiles. Getac Holdings Corp. holds 38.12% of the shareholding in the Company, and is the ultimate parent company of the Group.

2. Approval of Financial Statements

The consolidated financial statements were authorized for issuance by the Board of Directors on February 23, 2024.

3. Application of New and Amended Standards and Interpretations

(1) 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”).

Listed in the table below are the effective standards and the interpretations that have been newly published, amended and modified and that are applicable for 2023, as being approved and announced by Financial Supervisory Commission, R.O.C.:

<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
Amendments to IAS 12, “International Tax Reform — Pillar Two Model Rules”	May 23, 2023

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2024 are as follows:

<u>New/Amended/Revised Standards and Interpretations</u>	<u>The effective date per IASB</u>
Amendment to IFRS 16 “Lease Liability in a Sale and Leaseback”	Jan. 1, 2024
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
Amendments to IAS 7 and IFRS 7, “Supplier Finance Arrangements”	Jan. 1, 2024

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

(3) 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
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
Amendments to IAS 21 "Lack of Exchangeability"	Jan. 1, 2025

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

4. 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.

(1) 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.

(2) 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.

(3) 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> The Company	<u>Investee</u> NAFCO Group Ltd.(NGL)	<u>Main business and products</u> Reinvestment related Business	<u>Percentage of ownership</u>		<u>Description</u>
			<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>	
			100%	100%	
NGL	NAFCO Holdings Ltd.(NHL)	Reinvestment related Business	100%	100%	
NHL	NAFCO Suzhou Precision	Production and sales Aviation parts and components and Mold processing	100%	100%	
The Company	CYPRESS SKY INVESTMENT LTD(CSI)	Reinvestment related Business	100%	-	Note 1
CSI	MY NAFCO PRECISION SDN. BHD.(MYN)	Production and sales Aviation parts and components	100%	-	Note 2

Note 1: CYPRESS SKY INVESTMENT LTD was established on October 30, 2023.

Note 2: MY NAFCO PRECISION SDN. BHD. was established on November 14, 2023.

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.

(4) 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.

(5) 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) Assets 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.

(6) 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.

(7) 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.

(8) 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.

(9) Accounts and notes receivable

1. Accounts and notes receivable refer to the receivables with which the Group 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.

(10) 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.

(11) 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 expire.

(12) Inventories

Inventories are measured at the lower of 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 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.

(13) Property, plant and equipment

1. Property, plants 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, plants 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 years
Equipment	3 - 10 years
Office equipment	3 - 6 years
Other equipment	2 - 10 years

(14) 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.

(15) Investment property

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

(16) 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.

(17) 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.

(18) Borrowings

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.

(19) 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.

(20) Financial liabilities measured at fair value through profit or loss

1. Refers to financial liabilities held for trading with the main purpose of repurchasing them in the near future, and other than derivatives that are designated as hedging instruments according to hedge accounting.
2. 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.

(21) De-recognition of financial liabilities

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

(22) 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 a 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 a prior period. The liability recognized in the balance sheet in respect of the 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 at the date one day prior to the board meeting resolution.

(23) 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.

(24) 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. Pursuant to the Balance Sheet Act, the deferred income tax shall be recognized according to the taxation standard established for the assets and the liabilities as well as the interim variations produced by the book amount being indicated in the Combined 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) and does not generate related taxable and deductible temporary differences. 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 Group 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 Group 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.

(25) Capital stock

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

(26) 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.

(27) 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 Group'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 is required before payment of that consideration is due.

(28) 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 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.

(29) 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.

5. 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 make 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:

(1) Critical judgments in the application of accounting policies

None.

(2) Critical accounting estimates and assumptions

Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the Group must determine the net realizable value of inventories on 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, 2023 is NT\$1,169,093.

6. Descriptions of Material Accounting Items

(1) Cash and Cash Equivalents

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Cash on hand and revolving funds	\$ 156	\$ 184
Checking deposits and demand deposits	<u>104,960</u>	<u>138,749</u>
Total	<u>\$ 105,116</u>	<u>\$ 138,933</u>

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.

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

<u>Item</u>	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Current:		
Derivatives financial assets mandatorily measured at fair value through profit or loss		
Derivatives	<u>\$ 2,447</u>	<u>\$ 2,452</u>
Derivative financial liabilities mandatorily measured at fair value through profit or loss		
Derivatives	<u>\$ -</u>	<u>(\$ 1,194)</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>2023</u>	<u>2022</u>
Derivatives financial assets mandatorily measured at fair value through profit or loss		
Derivatives	<u>(\$ 5)</u>	<u>\$ 1,568</u>
Derivative financial liabilities mandatorily measured at fair value through profit or loss		
Derivatives	<u>\$ 1,194</u>	<u>(\$ 1,194)</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, 2023</u>		<u>Dec. 31, 2022</u>	
<u>Derivative financial assets</u>	<u>Contract amount (Nominal principal)</u>	<u>Contract period</u>	<u>Contract amount (Nominal principal)</u>	<u>Contract period</u>
Current:				
Forward exchange contract	<u>USD 5,500</u>	Jan. 2024 – Feb. 2024	<u>USD 7,500</u>	Jan. 2023 – Mar. 2023

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 and is not subject to hedging 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).

(3) Notes and accounts receivable

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Notes receivable	<u>\$ -</u>	<u>\$ 169</u>
Accounts receivable	\$ 731,017	\$ 577,238
Less: Allowance for bad debt	<u>(6,476)</u>	<u>(4,735)</u>
	\$ 724,541	\$ 572,503
Accounts receivable - related parties	<u>-</u>	<u>1,671</u>
	<u>\$ 724,541</u>	<u>\$ 574,174</u>

1. Aging analysis of notes and accounts receivable:

	<u>1, 2023</u>		<u>Dec. 31, 2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Current	\$ 673,155	\$ -	\$ 536,451	\$ 169
Within 30 days	53,769	-	33,079	-
31 - 60 days	2,265	-	8,794	-
61 - 90 days	-	-	279	-
More than 91 days	<u>1,828</u>	<u>-</u>	<u>306</u>	<u>-</u>
	<u>\$ 731,017</u>	<u>\$ -</u>	<u>\$ 578,909</u>	<u>\$ 169</u>

The aging analysis above is based on past due date.

2. The balance of the Group's receivables from customer contracts (including accounts receivables) are NT\$731,017, NT\$579,078 and NT\$370,298, on December 31, 2023 and 2022, and January 1, 2022, respectively.
3. 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, 2023 and December 31, 2022 are NT\$0 and NT\$169, respectively; that of the accounts receivable on the same dates are NT\$724,541 and NT\$574,174, respectively.
4. For related credit risk information on notes and accounts receivable, please refer to Note 12 (2).

(4) Inventories

	<u>Dec. 31, 2023</u>		
	<u>Cost</u>	<u>Allowance to reduce inventories to market</u>	<u>Carrying amount</u>
Raw materials	\$ 693,340	(\$ 77,875)	\$ 615,465
Work in process	352,263	(56,626)	295,637
Finished goods	287,124	(61,726)	225,398
Inventory in transit	<u>32,593</u>	<u>-</u>	<u>32,593</u>
Total	<u>\$ 1,365,320</u>	<u>(\$ 196,227)</u>	<u>\$ 1,169,093</u>

	<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>

The cost of inventories recognized as expense for the current term:

	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 2,312,033	\$1,701,545
Loss on price decline of inventory (reversed gain) (note)	10,105	(12,542)
Others	<u>(64,058)</u>	<u>(7,716)</u>
	<u>\$ 2,258,080</u>	<u>\$ 1,681,287</u>

Note: Due to continuous destocking of this Group in 2022, the net realizable value is increased for the inventory.

(5) 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>
January 1, 2023							
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>
<u>2023</u>							
Jan. 1	\$ 1,202,901	\$ 1,057,895	\$ 600,678	\$ 489	\$ 75,412	\$ 22,867	\$ 2,960,242
Addition	-	-	63,636	-	71,087	66,447	201,170
Transferred (Note)	-	-	25,770	-	2,590	(28,535)	(175)
Disposal	-	-	(53)	-	-	-	(53)
Depreciation expenses	-	(37,402)	(150,534)	(127)	(39,720)	-	(227,783)
Net exchange differences	-	-	(2,823)	-	(268)	-	(3,091)
Dec. 31	<u>\$ 1,202,901</u>	<u>\$ 1,020,493</u>	<u>\$ 536,674</u>	<u>\$ 362</u>	<u>\$ 109,101</u>	<u>\$ 60,779</u>	<u>\$ 2,930,310</u>
Dec. 31, 2023							
Cost	\$ 1,263,704	\$ 1,539,127	\$ 1,984,013	\$ 11,580	\$ 488,112	\$ 60,779	\$ 5,347,315
Accumulated depreciation and impairment	(60,803)	(518,634)	(1,447,339)	(11,218)	(379,011)	-	(2,417,005)
	<u>\$ 1,202,901</u>	<u>\$ 1,020,493</u>	<u>\$ 536,674</u>	<u>\$ 362</u>	<u>\$ 109,101</u>	<u>\$ 60,779</u>	<u>\$ 2,930,310</u>

Note: NT\$175 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>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>
2022							
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.

1. The capital amount of the loan cost required for the immovable assets, plant and equipment in 2023 and 2022 is \$0.
2. Primary compositions of the houses and the building owned by this Groups comprise the refurbishment of buildings and electrical equipment and they are listed for depreciation up to 40~50 years and 15-20 years respectively.
3. Regarding the information in using the immovable asset, plant and equipment as the guarantee, please refer to the description provided in Note 8.

(6) Lease transaction - Lessee

1. In this Group, the target used for leasing includes land lots and buildings and the leasing duration specified in the Lease Contract is normally ranging from 1 year to 6 years. Each lease contract is signed through negotiation separately and it also includes varied clauses and conditions. Except that the leased assets cannot be used in the loaning guarantee, there isn't another type of restriction.
2. Normally, the lease period of the transportation equipment rented by this Group will not be longer than 12 months and the lower-value assets that will be leased are other equipment.
3. Described below is the information about the book value of the using right attached assets and the recognized depreciation expenses:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 2,532	\$ 250
Houses	-	5,957
Total	<u>\$ 2,532</u>	<u>\$ 6,207</u>

	<u>2023</u>	<u>2022</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Land	\$ 399	\$ 375
Houses	5,977	6,098
Total	<u>\$ 6,376</u>	<u>\$ 6,473</u>

4. The increase of the Group's right-to-use assets in 2023 and 2022 is NT\$2,681 and NT\$0 in value, respectively.
5. Provided below is the information of gains and losses related to the Lease Contract:

	<u>2023</u>	<u>2022</u>
<u>Items that affect profit or loss</u>		
Interest expense on lease liability	\$ 114	\$ 320
Short-term lease expenses	1,149	2,880
Low-value asset lease expense	14	11

6. The Group's cash outflow from leases are NT\$10,211 and NT\$9,273 for the years 2023 and 2022, respectively.

(7) Investment property

	<u>Land</u>	<u>Houses and buildings</u>	<u>Total</u>
January 1, 2023			
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>2023</u>			
Jan. 1	\$ 17,255	\$ 4,407	\$ 21,662
Depreciation expenses	-	(142)	(142)
Reversal of impairment losses	2,611	733	3,344
Dec. 31	<u>\$ 19,866</u>	<u>\$ 4,998</u>	<u>\$ 24,864</u>
Dec. 31, 2023			
Cost	\$ 19,866	\$ 8,543	\$ 28,409
Accumulated depreciation	-	(3,545)	(3,545)
	<u>\$ 19,866</u>	<u>\$ 4,998</u>	<u>\$ 24,864</u>
	<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>

1. Lease income of the investment properties and direct operating expenses:

	<u>2023</u>	<u>2022</u>
Rent income from investment property	<u>\$ 579</u>	<u>\$ 577</u>
Direct operating expenses arising from the investment property generating rent income	<u>\$ 277</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 owned by this Company in 2023 and until December 31, 2022 is \$51,704 and \$50,340 respectively, which is the appraisal result rendered by the independent appraisal expert. Such appraisal is executed according to comparative method and income method and the aforesaid value is rated as the Class-3 fair value. For detailed presumption, please refer to the table below.

Capitalization rate	<u>Dec. 31, 2023</u> 1.15%	<u>Dec. 31, 2022</u> 1.15%
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(8) Other non-current assets

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Prepaid down payments for equipment	\$ 6,925	\$ 13,141
Prepaid pension	7,760	8,512
Others	17,486	3,222
Overdue receivables	19,849	19,849
Allowance for bad debt – overdue receivables	(19,849)	(19,849)
	<u>\$ 32,171</u>	<u>\$ 24,875</u>

(9) Short-term borrowings

<u>Nature of loans</u>	<u>Dec. 31, 2023</u>	<u>Interest rate collars</u>	<u>Collateral</u>
Bank borrowings - credit loans	<u>\$ 20,000</u>	1.75%	N/A
<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

For the interest expenses recognized in profit and loss for the years 2023 and 2022, please refer to Note 6 (12).

(10) Accounts payable

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Accounts payable	\$ 410,792	\$ 222,376
Estimated accounts payable	<u>55,302</u>	<u>102,144</u>
	<u>\$ 466,094</u>	<u>\$ 324,520</u>

(11) Other payables

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Salary and bonus payables	\$ 121,842	\$ 101,033
Consumable and supplies payables	20,218	14,181
Equipment payables	60,697	22,381
Others	<u>122,129</u>	<u>98,855</u>
	<u>\$ 324,886</u>	<u>\$ 236,450</u>

(12) Long-term borrowings

<u>Nature of loans</u>	<u>Life of loan and repayments</u>	<u>Collateral</u>	<u>Dec. 31, 2023</u>
Long-term bank borrowings			
Secured loan	Repayment by monthly installments until Dec. 2036	Land and plant	\$ 682,758
Secured loan	Repayment by monthly installments until September 2033	Land and plant	111,142
Secured loan	Repayment by monthly installments until Dec. 2029	Land and plant	205,902
Secured loan	Repayment by monthly installments until June 2030	Land and plant	353,751
Secured loan	Repayment by monthly installments until May 2025	Land and plant	61,363
Secured loan	Repayment by monthly installments until September 2026	Equipment	110,728
Secured loan	Repayment by monthly installments until November 2026	Equipment	165,315
Credit loan	Repayment by monthly installments until Oct. 2024	N/A	116,557
Credit loan	Repayment by tri-monthly installments until December 2028	N/A	<u>20,000</u>
			1,827,516
Less: Long-term borrowings - current portion			<u>(377,819)</u>
			<u>\$ 1,449,697</u>
Interest rate collars			<u>1.23%~1.90%</u>

<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 September 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 (Note 2)	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 April 2025 (Note 2)	Land and plant	189,954
Secured loan	Repayment by monthly installments until September 2026	Equipment	150,482
Secured loan	Repayment by monthly installments until November 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 September 2023 (Note 1)	N/A	<u>7,500</u>
			1,955,569
Less: Long-term borrowings - current portion			<u>(429,235)</u>
			<u>\$ 1,526,334</u>

The interest expenses (including short-term borrowings) recognized in profit or loss for the years 2023 and 2022 are NT\$32,730 and NT\$25,991.

Note 1: The Bank loan KPI. Based on the requirements specified in the Mid-term Loan Allowance Contract, the agreed current ratio, liabilities ratio and the net tangible assets should be maintained in the yearly or the semi-yearly combined financial report of this Company during the credit period.

Note 2: The loan was repaid in full amount in June 2023.

(13) Pension

1.(1) Pursuant to the regulations specified in “Labor Standards Act”, the retirement method has been established by this Company in its welfare policy. The method shall be applicable for the service Seniority of all regular employees before the “Enforcement Rules of the Labor Pension Act” being implemented as of July 01, 2005 and the subsequent seniority of the employees continuously applicable for the Labor Standards Act after the implementation of “Enforcement Rules of the Labor Pension Act”. If any employee meets the retirement conditions, then the pension will be calculated according to the service seniority and the average salary received 6 months before the retirement. For the seniority within 15 years (including), two base points will be granted for every full year; whereas, one base point will be granted for every full year after 15 years of seniority. However, the cumulative maximum base points shall be up to 45 points at most. On a monthly basis, this Company will allocate 2% of the total salary for using as the pension fund and then it will be deposited in Bank Of Taiwan under the name of Labor Retirement Reserve Fund Supervising Committee. Upon the end of each fiscal year, this Company will calculate the balance remaining in the aforesaid labor retirement reserve fund account. If such balance is not enough to pay the pension amount being calculated for the labor meeting the retirement conditions in the following fiscal year, then this Company shall allocate full amount of difference before the end of March in the following year.

(2) Listed below is the amount being recognized in the Balance Sheet.

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Present value of defined benefit obligation	(\$ 46,697)	(\$ 44,376)
Fair value of plan assets	<u>54,457</u>	<u>52,888</u>
Net defined benefit assets	<u>\$ 7,760</u>	<u>\$ 8,512</u>

(3) Listed below is the fluctuation of the confirmed net welfare liabilities.

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit assets</u>
2023			
Balance as of Jan. 1	(\$ 44,376)	\$ 52,888	\$ 8,512
Service costs	(347)	-	(347)
Interest income (expense)	(532)	635	103
	<u>(879)</u>	<u>635</u>	<u>(244)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	261	261
Experience adjustments	(1,442)	-	(1,442)
	<u>(1,442)</u>	<u>261</u>	<u>(1,181)</u>
Appropriation of pension funds	-	673	673
Balance as of Dec. 31	<u><u>(\$ 46,697)</u></u>	<u><u>\$ 54,457</u></u>	<u><u>\$ 7,760</u></u>

	<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:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,678	3,678
Effect of changes in financial assumptions	2,408	-	2,408
Experience adjustments	(1,721)	-	(1,721)
	<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><u>(\$ 44,376)</u></u>	<u><u>\$ 52,888</u></u>	<u><u>\$ 8,512</u></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. When operating such fund, the minimum income available for distribution according to the annual account settlement shall not be less than that calculated by the 2-year time deposit interest employed by the local bank. If a shortage exists, then it will be supplemented by the national treasury fund after being approved by the competent authority. Because this Company is not entitled to engage in the operation and management of such fund, we are not in the position of disclosing the category of fair value planned for the asset that is specified in sub-section 142 under No. 19 of International Accounting Criteria. The fair value of the total assets constituting such fund is established in 2023 and on December 31, 2022. For details, please refer to the annual labor retirement fund implementation report announced by the government.

(5) Summarized below is the actuarial assumption for the retirement fund:

	<u>2023</u>	<u>2022</u>
Discount rate	<u>1.20%</u>	<u>1.20%</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 0.25%</u>	<u>Decrease by 0.25%</u>	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
Dec. 31, 2023				
Effect on present value of defined benefit obligation	<u>(\$ 919)</u>	<u>\$ 949</u>	<u>\$ 834</u>	<u>(\$ 814)</u>
Dec. 31, 2022				
Effect on present value of defined benefit obligation	<u>(\$ 946)</u>	<u>979</u>	<u>\$ 867</u>	<u>(\$ 844)</u>

The aforesaid sensitivity analysis is conducted to analyze the influence of single assumption change under the condition that other assumptions will remain unchanged. In practice, the changes of many assumption may have interacted with each other. The sensitivity analysis is the same as the method used for calculating the net retirement liability specified in the Balance Sheet.

The method selected for designing the sensitivity analysis in the current term is the same as that in the previous term.

(6) By estimate, a sum of NT\$703 will be allocated in 2024 by this Group for paying the retirement plan.

(7) Until December 31, 2023, the weighted average existence period of such retirement plan is set at 9 years. Analyzed below is the due date for paying the retirement fund:

Within 1 year	\$	9,061
1 - 2 years		1,363
2 - 5 years		6,974
Over 5 years		<u>14,121</u>
	<u>\$</u>	<u>31,519</u>

2.(1) Starting from July 01, 2005, the retirement method that is allocated according to "Enforcement Rules of the Labor Pension Act" will be applied to local employees. In the aspect of the labor pension system specified in "Enforcement Rules of the Labor Pension Act" as being selected by the

employees of this Company and local subsidiaries, 6% of labor pension fund will be withdrawn from the salary in each month for depositing in the employee's personal account being maintained at Bureau of Labor Insurance. Based on the individual pension account of the employee and the amount of cumulative income, the employee pension will be paid monthly or by one full amount each withdrawing method.

- (2) NAFCO Suzhou Precision, the subsidiary merged by this Company: The pension insurance is withdrawn according to certain percentage of the total monthly salary offered to local employees according to the pension insurance system stipulated by the People's Republic of China. The withdraw rate is set at 16% in 2023 and 2022 respectively. The pension of each employee will be managed and arranged by the government collectively. In addition to the withdrawal per month, there aren't further obligations that should be fulfilled by this Group.
- (3) In 2023 and 2022, the pension cost recognized by this Group according to the aforesaid pension method is \$22,939 and \$20,388 respectively.

(14) Share-based payment

1. Described below is the share-based payment agreement executed by this Group in 2023 and 2022:

<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. Provided below is the detailed information about the "5th Employee Equity Option Program":

- (1) Provided below is the detailed information of the "5th Employee Stock Option Plan" for 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Number of warrants (thousand shares)</u>	<u>Weighted average exercise price (NT\$)</u>	<u>Number of warrants (thousand shares)</u>	<u>Weighted average exercise price (NT\$)</u>
Outstanding stock options as at January 1	2,752	\$ 87.4	2,942	\$ 87.4
Forfeited	(102)	87.4	(190)	87.4
Stock options exercised in the current period	(1,359)	87.4	-	-
Outstanding stock options as at December 31	<u>1,291</u>	87.4	<u>2,752</u>	87.4
Exercisable stock options as at December 31	<u>1,291</u>	87.4	<u>2,064</u>	87.4

- (2) The weighted average share price of the options exercised in 2023 was NT\$99.43 on the date of exercise.

- (3) Provided below is the expiry date of the option for the stocks that are circulated in the market on the Balance Sheet day:

<u>Issue date</u>	<u>Expiry date</u>	<u>Dec. 31, 2023</u>	
		<u>Quantity (thousand shares)</u>	<u>Exercise price (NT\$)</u>
Dec. 13, 2019	Dec. 13, 2025	1,291	87.4

		<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

(4) 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: Estimated volatility refers to the fluctuation amplitude of the stock price within a certain period in the future. The latest duration equivalent to the existence period estimated for such option is selected as the sample.

(5) On March 13, 2020, the Group adjusted the exercise price of employee stock warrants on December 13, 2019 from NT\$91.4 to NT\$87.4 in accordance with the Regulations Governing Employee Stock Options, and the amendment did not generate incremental fair value.

3. Provided below is the detailed information of the "6th Employee Equity Option Program":

(1) Provided below is the detailed information of the "6th Employee Stock Option Plan" for 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Number of warrants (thousand shares)</u>	<u>Weighted average exercise price (NT\$)</u>	<u>Number of warrants (thousand shares)</u>	<u>Weighted average exercise price (NT\$)</u>
Outstanding stock options as at January 1	2,374	\$ 58.3	-	\$ -
Granted	-	-	2,412	58.3
Forfeited	(187)	58.3	(38)	58.3
Outstanding stock options as at December 31	<u>2,187</u>	57.6	<u>2,374</u>	58.3
Exercisable stock options as at December 31	<u>-</u>		<u>-</u>	

(2) Provided below is the expiry date of the option for the stocks that are circulated in the market on the Balance Sheet day:

		<u>Dec. 31, 2023</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	2,187	57.6

		<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) On March 7, 2023, the Group adjusted the exercise price of employee stock warrants on October 21, 2022 from NT\$58.3 to NT\$57.6 in accordance with the Regulations Governing Employee Stock Options, and the amendment did not generate incremental fair value.

4. Described below is the expenses resulting from the share-based payment:

	<u>2023</u>	<u>2022</u>
Equity-settled	<u>\$ 19,950</u>	<u>\$ 12,895</u>

(15) Capital stock

Until December 31, 2023, the rated capital of this Company is \$5,800,000 and it has been divided into 580,000 thousand shares (including 5,264 thousand shares subscribed by the employees with option certificate). The paid-in capital is amounted to \$540,062 for which, the face value per share is set at \$10. By now, we have duly collected the capital required for the distributed shares.

(16) Capital surplus

It has been specified in Company Act that when dealing with the surplus obtained from stock distribution that has exceeded the face value and the Additional Paid-in Capital received from the donation, apart from using in making up the loss, the company will be allowed to distribute new shares or cash according to the percentage of the shares owned by the shareholder if there isn't any cumulative loss. Based on the regulations of "Securities & Exchange Act", where the capital is allocated from the aforesaid Additional Paid-in Capital, the summated amount per year shall not be over 10% of the paid-in capital. Unless shortage still exists after making up the capital loss with the surplus reserve, it shall not be supplemented with the Additional Paid-in Capital.

(17) Reserved surplus

1. If surplus exists after annual final account settlement, then it shall be allocated in paying the tax and making up the annual loss and then 10% can be withdrawn for using as the statutory surplus reserve; except where the statutory surplus reserve is equal to the company's total capital. As a next step, the company will allocate or revolve special surplus reserve pursuant to the regulations imposed by the law or the competent authority. If reserve still remains, then its balance will be added with the cumulative undistributed surplus for the Board of Directors to conclude the distribution. If the reserve is issued by distributing new shares, then this Company shall submit the case to the Shareholder's Meeting for determining the distribution method. If the reserve is issued to distributing the cash, then the Board of Director will be authorized, pursuant to the regulations specified in Item 5 under Article 240 of Company Act, to distribute according to the resolutions that have been agreed by over two-thirds of the presented directors and over half of the presented directors. After that, the aforesaid distribution will be reported to the shareholder's meeting.
2. Except for using the statutory surplus reserve in making up the company's loss and distributing new shares or cash according to the percentage of the original shares owned by the shareholders, it cannot be used in any other purposes. When used for distributing new shares or cash, such surplus shall not exceed 25% of the paid-in capital.

3. When distributing the surplus, this Company shall withdraw special surplus reserve from the debit balance of other equity item for distribution, as indicated in the Balance Sheet of that year according to the law. When executing the debit reverse for other equity items later on, the reversing amount can be included in the surplus that will be distributed.
4. The dividend being recognized for distributing to the owner is \$53,700 (NT\$1.02 per share) and \$0 in 2023 and 2022 respectively. On February 23, 2024, it has been resolved by the Board of Directors that \$2.5 will be withdrawn from the surplus of 2023 for using as the dividend for each common stock. Summing up, the dividend is amounted to \$135,035 in total.

(18) Operating revenue

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	\$ <u>3,070,624</u>	<u>2,192,921</u>

1. For the detailed income obtained from the finished product being transferred from the income of this Group at the specified time point, please refer to Note 14 (3).

2. Contract liabilities

- (1) Described below is the contract liabilities relating to the customer's contract income, as being recognized by this Group:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>	<u>Jan. 1, 2022</u>
Contract liabilities – advance from customers	\$ <u>21,420</u>	\$ <u>17,873</u>	\$ <u>1,593</u>

- (2) Revenue recognized from contract liabilities at the beginning of the period

	<u>2023</u>	<u>2022</u>
Opening balance of contract liabilities	\$ 9,803	\$ 937
Revenue recognized in current period		

(19) Other gains and losses

	<u>2023</u>	<u>2022</u>
Gains on financial assets measured at fair value through profit or loss, net	\$ 1,189	\$ 374
Foreign currency exchange gain (loss), net	(6,252)	21,490
Losses from the disposal of property, plant and equipment	(32)	(27,269)
Reversal gain of impairment loss on investment property	3,344	-
Miscellaneous expenses	(17)	(1,403)
Grant income (Note)	35,515	46,593
Miscellaneous income	<u>9,287</u>	<u>3,450</u>
Total	<u>\$ 43,034</u>	<u>\$ 43,235</u>

Note: By exercising the subsidiary method enforced by Ministry of Economic Affairs (MOEA), we have acquired the government subsidies for our operating expenses and operating fund.

(20) Financial costs

	<u>2023</u>		<u>2022</u>
Interest expenses			
Bank borrowings	\$ 32,730	\$	25,991
Other finance costs	<u>113</u>		<u>320</u>
Financial costs	<u>\$ 32,843</u>	<u>\$</u>	<u>26,311</u>

(21) Additional information of nature of expenses

	<u>2023</u>		<u>2022</u>
Employee welfare expenses	<u>\$ 716,161</u>	<u>\$</u>	<u>584,765</u>
Depreciation of property, plant and equipment and investment property	<u>\$ 227,925</u>	<u>\$</u>	<u>224,564</u>
Depreciation of right-of-use assets	<u>\$ 6,376</u>	<u>\$</u>	<u>6,473</u>
Amortization of intangible assets	<u>\$ 6,217</u>	<u>\$</u>	<u>7,503</u>

(22) Employee welfare expenses

	<u>2023</u>		<u>2022</u>
Salaries and wages	\$ 606,957	\$	507,584
Labor insurance and national health insurance	47,284		40,805
Pension	23,183		20,716
Other personnel cost	<u>38,737</u>		<u>15,660</u>
	<u>\$ 716,161</u>	<u>\$</u>	<u>584,765</u>

1. 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 employee and director remuneration. However, profits must first be taken to offset against cumulative losses if any.

2. In 2023 and 2022, the amount allocated for the employee remunerations is \$4,000 and \$2,500 respectively; whereas, the amount allocated for the director remunerations is \$3,600 and \$2,500 respectively. The aforesaid amount shall be listed as the salary fee account.

In 2023, the remuneration is allocated according to the profit-earning status of that year and it has been estimated at 1.09% and 0.98%, respectively. Based on the resolution reached in the Board of Directors, the amount of remunerations actually distributed to the employees and the directors is \$4,000 and \$2,179 respectively and they are distribution in cash.

The remuneration to employees of \$2,500 and remuneration to directors of \$1,610 for 2022 and the differences of remuneration to employees of \$2,500 and remuneration to directors of \$2,500 recognized in the 2022 financial report are \$0 and \$890, respectively, and have been adjusted in profit or loss for 2023.

For detailed remunerations due to employees and directors as being resolved by the Board of Directors, please refer to the Public Information Observatory.

(23) Income tax

1. Income tax expense (income)

(1) Compositions of income tax expense:

	<u>2023</u>	<u>2022</u>
Income tax:		
Income tax incurred in current period	\$ 52,559	\$ 19,111
Prior year income tax overestimation	-	(21,629)
Total income tax in current period	<u>\$ 52,559</u>	<u>(\$ 2,518)</u>
Deferred income tax:		
Initial recognition and reversal of temporary differences	(4,889)	(2,403)
Total deferred income tax	<u>(4,889)</u>	<u>(2,403)</u>
Income tax expense (income)	<u>\$ 47,670</u>	<u>(\$ 4,921)</u>

(2) Amount of income tax relating to other comprehensive gains and losses: None

(3) Amount of income tax relating to the borrowed or loaned equity: None

2. Relationship between income tax profit and accounting profit:

	<u>2023</u>	<u>2022</u>
Income tax of net loss before tax based on the statutory tax rate (Note)	\$ 82,849	\$ 25,411
Expenses to be removed in accordance with the tax law	355	-
Changes in temporary differences not recognized in deferred tax assets	(9,981)	2,939
Taxable losses not recognized in deferred tax assets	-	3,600
Unrecognized taxation losses in prior years	(18,387)	(15,242)
Income tax effect on investment tax credit	(8,286)	-
Changes in realizability assessment about deferred income tax assets	1,120	-
Underestimation (overestimation) of income tax in previous years	-	(21,629)
Income tax expense (income)	<u>\$ 47,670</u>	<u>(\$ 4,921)</u>

Note: The standard applicable for the taxation rate is calculated according to the income taxation rate enforced by the respective country.

3. Provided below is the amount of the deferred tax income tax related assets or liabilities incurred by the temporary variations and taxation loss:

	<u>Jan. 1</u>	<u>Recognized in profit or loss</u>	<u>2023 Recognized in other comprehensive income</u>	<u>Recognized in equity</u>	<u>Dec. 31</u>
Temporary differences:					
- Deferred income tax assets:					
Unrealized exchange losses	\$ -	\$ 2,249	\$ -	\$ -	\$ 2,249
Others	<u>9,332</u>	<u>(140)</u>	<u>-</u>	<u>-</u>	<u>9,192</u>
Subtotal	<u>\$ 9,332</u>	<u>\$ 2,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,441</u>
- Deferred income tax liabilities:					
Equipment	(\$ 14,222)	\$ 5,323	\$ -	\$ -	\$ 8,899)
Gains on investment under equity-method	-	(2,988)	-	-	(2,988)
Pension	(563)	150	-	-	(413)
Others	<u>(2,464)</u>	<u>295</u>	<u>-</u>	<u>-</u>	<u>(2,169)</u>
Subtotal	<u>(17,249)</u>	<u>2,780</u>	<u>-</u>	<u>-</u>	<u>(14,469)</u>
Total	<u>(\$ 7,917)</u>	<u>\$ 4,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 3,028)</u>

	<u>Jan. 1</u>	<u>Recognized in profit or loss</u>	<u>2022 Recognized in other Comprehensive net profit</u>	<u>Recognized in equity</u>	<u>Dec. 31</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	(\$ 14,003)	(\$ 219)	\$ -	\$ -	(\$ 14,222)
Pension	(496)	(67)	-	-	(563)
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>

4. Provided below are the effective period of the taxation loss not being exercised by this Company yet and the amount of the deferred tax income tax related assets:

Dec. 31, 2023

<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	\$ 37,904	\$ -	\$ -	2025
2021	78,322	45,532	45,532	2026
2022	<u>30,647</u>	<u>30,647</u>	<u>30,647</u>	2027
	<u>\$ 146,873</u>	<u>\$ 76,179</u>	<u>\$ 76,179</u>	

Dec. 31, 2022

<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>	

5. Deductible temporary differences of unrecognized deferred income tax assets

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Deductible temporary difference	<u>\$ 227,564</u>	<u>\$ 277,394</u>

6. The income tax of this Company for the profit-earning business is calculated up to the end of 2021, as being approved by the competent taxation authority.

(24) Profit per share

	<u>2023</u>		
	<u>After tax amount</u>	<u>Weighted average number of shares outstanding (in thousand shares)</u>	<u>Profit per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net income of the Company	\$ 307,603	53,280	\$ 5.77
<u>Diluted earnings per share</u>			
Employee share option Employee remuneration	-	995 47	
Net income attributable to common shareholders considering assumed conversion of dilutive potential common shares	\$ 307,603	54,322	\$ 5.66

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

(25) Supplementary information of cash flow

Investment activity with partial cash paid

	<u>2023</u>		<u>2022</u>
Acquisition of property, plant and equipment	\$ 201,170		\$ 76,804
Add: Beginning equipment payables	22,381		19,580
Less: Ending equipment payables	(60,697)		(22,381)
Cash paid in the period	\$ 162,854		\$ 74,003

(26) Change of liabilities incurred by the fund-raising activity

	<u>2023</u>				
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Dividends payable</u>	<u>Total liabilities from financing activities</u>
Jan. 1	\$21,497	\$ 1,955,569	\$ 6,353	\$ -	\$ 1,983,419
Changes in cash flows from financing activities	(1,497)	(128,053)	(6,253)	(53,700)	(189,503)
Effects of changes in foreign exchange rates	-	-	(100)	-	(100)
Other non-cash changes	-	-	-	53,700	53,700
Dec. 31	<u>\$20,000</u>	<u>\$ 1,827,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,847,516</u>

	<u>2022</u>				
	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Lease liabilities</u>	<u>Dividends payable</u>	<u>Total liabilities from financing activities</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>\$ -</u>	<u>\$ 1,983,419</u>

7. Transaction with the stakeholder

(1) Parent company and the final controller

This Company is controlled by Getac Group (established and registered in the Republic of China), which owns 38.12% of shares of this Company. The rest of the 61.88% shares are owned by the public. The parent company, final parent company and final controller is Getac Holdings Corp.

(2) Names of related parties and relation

Names of related parties	Relationship with the Group
Getac Holdings Corp.	Parent company
Mitac Precision Technology (KunShan) Co., Ltd.	Other related parties
MiTAC Computer (Kunshan) Co., Ltd.	Other related parties
Waffer Technology Corporation	Other related parties
Atemitech Corp.	Other related parties
Getac Technology (Kunshan) Co., Ltd.	Other related parties
Waffer Technology (Maanshan) Ltd.	Other related parties
Lien Hwa Property Development Corporation	Other related parties
Waffer Technology (Kunshan) Ltd.	Other related parties
Suzhou Mitac Precision Technology Co., Ltd.	Other related parties

(3) Significant transactions with related parties

1. Sales

	<u>2023</u>	<u>2022</u>
Sales of goods		
- Other related parties	<u>\$ 583</u>	<u>\$ 1,688</u>

The aforesaid transactions are executed according to general sales price and conditions and the payment were collected within 3 months after completing the transaction.

2. Purchase

	<u>2023</u>	<u>2022</u>
Purchase of goods		
- Other related parties	\$ 178	\$ 238
Purchase of services		
- Other related parties	<u>26,535</u>	<u>25,589</u>
Grand Total	<u>\$ 26,713</u>	<u>\$ 25,827</u>

The aforesaid transactions are executed according to general purchase conditions and the payment will be settled within 3 months after completing the transaction.

3. Account receivable due from the stakeholder

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Accounts receivable		
- Other related parties	\$ -	\$ 1,671
Other receivables		
- Other related parties	<u>-</u>	<u>38</u>
Grand Total	<u>\$ -</u>	<u>\$ 1,709</u>

4. Account payable due to the stakeholder

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Other payables		
- Other related parties	<u>\$ 8,171</u>	<u>\$ 9,246</u>

The account payable due to the stakeholder is mainly from the purchase of properties and the payment of water and electricity fees, which will be due within 3 months after the transaction day. There isn't any interest for such account payable.

5. Property transaction

Disposal of property, plant and equipment:

	<u>2023</u>		<u>2022</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>\$ -</u>	<u>\$ -</u>	<u>\$ 3,805</u>	<u>(\$ 3,258)</u>

6. Lease transaction - Lessee

(1) This Group leased the building from MiTAC Computer (Kunshan) Co., Ltd. and the duration specified in the Lease Contract is from January 01, 2019 to December 31, 2023. Based on the contract, the rental will be settled by the end of each year.

(2) Lease liabilities

A. Ending balance:

	<u>Dec. 31, 2023</u>		<u>Dec. 31, 2022</u>	
	\$	-	\$	6,053
- MiTAC Computer (Kunshan) Co., Ltd.				
- Other related parties		-		178
Total	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>6,231</u>

B. Interest expense:

	<u>2023</u>		<u>2022</u>	
	\$	-	\$	311
- MiTAC Computer (Kunshan) Co., Ltd.				
- Other related parties		-		9
Total	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>320</u>

(4) Information of salary of primary management level

	<u>2023</u>		<u>2022</u>	
Salary and other short-term employees' benefits	\$	22,626	\$	17,880
Share-based payment		2,059		962
	<u>\$</u>	<u>24,685</u>	<u>\$</u>	<u>18,842</u>

8. 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, 2023</u>	<u>Dec. 31, 2022</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	1,008,391	1,043,294	"
Equipment	267,270	246,185	"
Other equipment	30,300	29,559	"

9. Significant commitments and contingencies

(1) Contingencies

None.

(2) Commitment

1. As of December 31, 2023 and 2022, the total price of the construction and equipment purchase contracts signed but not yet completed by the Company are NT\$282,643 and NT\$88,618, respectively, of which the unpaid amounts are NT\$204,475 and NT\$68,919, respectively.
2. Until December 31, 2023, the Performance Bond offered by this Company to “Joint Guidance Foundation for Medium and Smaller Sized Business in Taiwan- a legal entity” is a sum of \$33,329.

10. Significant Disaster Loss

None.

11. Significant Events after the End of the Financial Reporting Period

On January 26, 2024, the Company's Board of Directors resolved to increase the capital of the subsidiary in Malaysia, MY NAFCO PRECISION SDN.BHD., to US\$5,000,000 indirectly through the overseas subsidiary in order to meet the Company's future business needs. The cumulative investment amount is US\$10,000,000.

12. Others

(1) Capital management

The capital management target established by this Company is to allow the continuous operation of the group and to maintain the optimal capital structure in order to reduce the capital-related cost while offering the remunerations for the shareholders. To maintain or adjust the capital structure, this Group may adjust the amount of dividends that will be paid to the shareholders, return the capital to the shareholders, distribute new shares or sell the asset in order to reduce the debt. This Group uses the liabilities capital ratio to monitor its capital and such ratio is calculated by dividing the total capital amount with the net debt. The net debt is calculated by deducting the cash and the equivalent cash from the total loan (including the “current and non-current loan” listed in the Combined Balance Sheet”) The total capital amount is calculated by adding the net debt onto the “equity” listed in the Combined Balance Sheet.

The strategies planned by this Group for 2023 will be the same as that of 2022 in which, the liabilities capital ratio will be maintained at around 60%. The Group’s debt-to-capital ratios as at December 31, 2023 and 2022 are stated as below:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Total borrowings	\$ 1,847,516	\$ 1,977,066
Less: Cash and cash equivalents	<u>105,116</u>	<u>138,933</u>
Net debt	1,742,400	1,838,133
Total equity	<u>2,330,291</u>	<u>1,947,259</u>
Total capital	<u>\$ 4,072,691</u>	<u>\$ 3,785,392</u>
Debt-to-capital ratio	<u>43%</u>	<u>49%</u>

(2) Financial instrument

1. Type of financial instrument

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</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	<u>\$ 2,447</u>	<u>\$ 2,452</u>
Financial assets / lending and receivables measured at amortized cost		
Cash and Cash Equivalents	\$ 105,116	\$ 138,933
Notes receivable	-	169
Accounts receivable (incl. related parties)	724,541	574,174
Other receivables (incl. related parties)	5,729	5,986
Other non-current assets - refundable deposits	1,974	2,222
Other non-current assets	<u>1,000</u>	<u>1,000</u>
	<u>\$ 838,360</u>	<u>\$ 722,484</u>

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities measured at fair value through profit or loss - current	<u>\$ -</u>	<u>\$ 1,194</u>
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 20,000	\$ 21,497
Accounts payable (incl. related parties)	466,094	324,520
Other payables (incl. related parties)	333,057	245,696
Long-term borrowings (incl. current portion)	1,827,516	1,955,569
Other non-current liabilities - deposits received	100	100
	<u>\$ 2,646,767</u>	<u>\$ 2,547,382</u>
Lease liabilities	<u>\$ -</u>	<u>\$ 6,353</u>

2. Risk management strategies

- (1) The daily operation of this Group will be affected by a number of financial risks, including the market risks (like foreign exchange risks, interest risks and price risks), credit risks and liquidity risks. The overall risk management policy developed by this Group put its focus on the unpredictable events as may exist in the financial market. In this respect, we will seek a method that can minimize potential

adverse factors that will affect the Group's financial status and financial performance. This Group shall evade specific risk exposure through the use of specific derivatives.

- (2) In this Group, the risk management works will be executed by Financial Department according to the policy approved by the Board of Directors. By cooperating with the operation unit of this Group, the Financial Department will be able to identify, assess and evade the financial risks.

3. Nature and level of major financial risks

(1) Market risks

Foreign exchange risks

- A. Because this Group is engaging in cross-country operation business, we will be affected by foreign exchange risks, mainly the US Dollar, that might be produced by the transaction of different currencies. By nature, foreign exchange risks are mainly from the future commercial transactions, recognized assets and liabilities, and the net investment on the overseas operating institutions.
- B. The Top Management has developed the policy to specify the foreign exchange risks of the functional currency that should be managed by each company of this Group. Each company of this Group will evade overall foreign exchange risks through cooperating with the Financial Department of this Group. To manage the foreign exchange risks that come from the future commercial transactions and the recognized assets and liabilities, each company of this Group will carry out such management works according to the forward foreign exchange contract through the Financial Department of this Group. Higher risks may present when the future commercial transactions and the recognized assets or liabilities are priced according to the foreign currency that is not the functional currency used by the respective individuals.
- C. This Company evades foreign exchange risks through the forward foreign exchange transaction method. However, this method is not suitable for hedge accounting and the registered financial assets or liabilities that are measured with the fair value method according to profits and losses.
- D. At current stage, this Group is investing in a number of foreign operating institutions. Therefore, its net asset will be exposed to the foreign currency translation related risks.
- E. Because a number of non-functional currencies (the functional currency used by this Company is NT Dollar and that used by certain subsidiaries is RMB) are involved in the businesses operated by this Group, we will be affected by the fluctuation of foreign exchange rate. Provided below is the information about the foreign currency-based assets and liabilities that will be normally affected by the fluctuation of foreign exchange:

	<u>Dec. 31, 2023</u>		
	<u>Foreign currency</u> <u>(thousands)</u>	<u>Exchange rate</u>	Carrying amount <u>(NTD/RMB)</u>
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 24,715	30.71	\$ 758,998
EUR : NTD	52	33.98	1,767
USD : RMB	6,511	7.08	46,098
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 11,462	30.71	\$ 351,998
USD : RMB	5,486	7.08	38,841

	<u>Dec. 31, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
	<u>(thousands)</u>		<u>(NTD/RMB)</u>
(Foreign currency : functional currency)			
<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

F. Described below are the unrealized exchange gains and losses of the currency items operated by this Group that will be normally affected by the fluctuation of foreign exchange rate:

	<u>2023</u>		
	<u>Exchange gain or loss</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
	<u>Foreign currency</u>		
	<u>(thousands)</u>		
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	30.71	(\$ 23,900)
EUR : NTD	-	33.98	4
USD : RMB	(458)	7.08	(1,984)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	30.71	\$ 9,839
USD : RMB	93	7.08	405

<u>2022</u>			
<u>Exchange gain or loss</u>			
<u>Foreign currency</u>			
	<u>(thousands)</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	30.71	(\$ 3,965)
EUR : NTD	-	32.72	163
USD : RMB	(491)	6.96	(2,164)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	30.71	\$ 2,967
USD : RMB	224	6.96	986

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

<u>2023</u>			
<u>Sensitivity analysis</u>			
	<u>Range of change</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%	\$ 22,770	\$ -
EUR : NTD	3%	53	-
USD : RMB	3%	1,383	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	3%	\$ 10,560	\$ -
USD : RMB	3%	1,165	-

	<u>2022</u>		
	<u>Sensitivity analysis</u>		
	<u>Range of change</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	-

Price risk

Because major financial asset relating to the equity instrument is not included in the Combined Balance Sheet showing the investment of this Group, therefore major price risks will not be encountered by this Group.

Cash flow and fair value related interest risks

- A. The interest risks encountered by this Group are mainly from the long-term loan being issued according to the floating rate that has exposed this Group to the cash flow interest related risks. In 2023 and 2022, the loans borrowed by this Group are mainly priced by NTD and USD according to the floating interest rate.
- B. The loans borrowed by this Group are measured according to the cost after the amortization for which, the loan is reset according to the yearly interest rate specified in the contract. Due to this reason, this Group might be exposed to the interest rate fluctuation related risks in the future market.
- C. When the yearly loan interest rate climbs or declines for 0.25% and when the rest of other factors remain unchanged, the after-tax net profit of 2023 and 2022 will increase or decrease for \$3,695 and \$3,954, respectively. It is mainly because of the change of the interest fees along with the fluctuation of the floating loan interest rate.

(2) Credit risks

- A. In this Group, the credit risks refer to the financial loss that will be incurred when the customer or the counterparty of the financial instrument becomes unable to fulfill the contract obligations. It is mainly caused by the failure of the counterparty in settling the account receivable that should be paid according to the payment terms.
- B. The credit risk management is established by this Group from the group's point of view. The acceptable transaction target will be the banks and the banking firms that are rated with minimum "Class-A" in terms of the independent assessment class. Based on the express internal credit policy, we will carry out the management and the credit risk analysis for each operation individuals in this Group and each new customer before setting up the payment and the delivery related clauses and conditions. The internal risk control is executed according to the financial status, previous experience and other factors in order to assess the credit quality of the customer. The limitation of the individual risks is established by the Board of Directors according to the internal or external assessment. Further, the utilization of the credit allowance will be monitored regularly.
- C. When the amount specified in the payment clause of the contract is overdue for over 90 days, we will regard it as the breaching action according to the credit risk management principles.
- D. Provided below are the indicators used by this Group to determine whether the debt instrument investment belongs to the credit impairment.
 - (A) Where the distribution company suffers from major financial difficulty, or may enter the

bankruptcy, or may subject to higher possibility of other financial reconstruction.
 (B) Where the active market of the financial asset is disappeared due to the financial difficulty of the distribution company.

E. Based on the characteristics of the customer assessment, this Group divides the customer's account receivables into several groups and the simplified approaches are employed to estimate the credit loss according to the loss factor method.

F. After undergoing the recourse procedure, this Group will write off the amount of the financial asset that cannot be reasonably 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, 2023 and 2022, the loss rate methodology is as follows:

<u>December 31, 2023</u>	<u>Current</u>	<u>Past due within 30 days</u>	<u>Past due 31 - 60 days</u>	<u>Past due 61 - 90 days</u>	<u>Past due over 90 days</u>	<u>Total</u>
Expected loss rate	0%-0.5%	0.5%-20%	0.5%-30%	0.5%-73%	100%	
Total book value	\$ 673,155	\$ 53,769	\$ 2,265	\$ -	\$ 1,828	\$ 731,017
Allowance for losses	\$ -	\$ 3,968	\$ 680	\$ -	\$ 1,828	\$ 6,476

<u>Dec. 31, 2022</u>	<u>Current</u>	<u>Past due within 30 days</u>	<u>Past due 31 - 60 days</u>	<u>Past due 61 - 90 days</u>	<u>Past due over 90 days</u>	<u>Total</u>
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

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

	<u>2023</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Jan. 1	\$ 4,735	\$ -
Provision for impairment loss	1,750	-
Effects of changes in foreign exchange rates	(9)	-
Dec. 31	<u>\$ 6,476</u>	<u>\$ -</u>

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

(3) Liquidity risk

A. In this Group, the Financial Department is responsible for estimating the current capital required by the group to ensure that sufficient funds will be provided to support the business operation. In the meantime, its purpose is to maintain a sufficient amount of undisbursed loan commitment so as to prevent the group from breaching the restricted loan allowance or clauses. Therefore, major liquidity risks will not occur because such estimation is conducted by considering about the group's debt financing plan, following the debt clauses and meeting the financial ratio target specified in the internal balance sheet.

B. The loan borrowed by this Company is the debt calculated by the floating interest rate. As such, the fluctuation of the market interest rate will lead to the change of the effective interest rate established for the loan that the future cash flow will be fluctuation as well. When the market

interest rate rises for 1%, it will result in the increase of \$18,475 in the company's cash out-flow each year.

- C. Listed in the table below are the non-derivative financial liabilities of this Group and the derivative financial liabilities being settled according to net amount or total amount and they are grouped according to the expiry date. The non-derivative financial liabilities are analyzed within the remaining time ranged from the Balance Sheet date to the contract expiry day. The derivative financial liabilities are analyzed within the remaining time ranged from the Balance Sheet date to the estimated due date. The amount of contract cash flow disclosed in the table below is the undiscounted sum.

Dec. 31, 2023	<u>Less than 3</u> <u>months</u>	<u>3 months to 1 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	\$ 20,000	\$ -	\$ -	\$ -	\$ -
Accounts payable	447,417	18,677	-	-	-
Other payables (including related parties)	301,923	31,134	-	-	-
Long-term borrowings (incl. current portion)	107,293	297,058	276,812	599,967	663,367
Dec. 31, 2022	<u>Less than 3 months</u>	<u>3 months to 1 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 (including related parties)	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	-	-	-	-

(3) Information of fair value

1. Defined below is the grade used for assessing the fair value of the measured financial and non-financial instruments:

Grade-1 The price offered for the same assets or liabilities in the active market that can be acquired by the company on the measurement day. The active market refers to the scenario where the transaction of assets or liabilities is conducted in sufficient frequency and quantity in order to provide fixed price on continuous basis.

Grade-2 The direct or indirect observable input value of the assets or liabilities, except for the price offered for Grade-1.

Grade-3 Unobservable input value of assets or liabilities It covers the investment immobile assets invested by this Group.

2. For detailed information of the investment immovable asset related fair that is measured according to the cost, please refer to Note 6(7).

3. Financial instrument not measured by fair value

The book value of the cash equivalents, notes receivable, accounts receivable, other receivables, long-term/short-term loans, notes payable, accounts payable and other payables is calculated according to reasonable approximative value of the fair value.

4. The financial and the non-financial instruments are measured according to the fair value. Provided below is the information of basic categorization provided by this Group according to the nature and characteristics of assets and liabilities as well as the risks and grade of fair price:

- (1) The categorization is executed by this Group according to the nature of assets and liabilities and provided below is relevant information:

December 31, 2023	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Derivatives	<u>\$ -</u>	<u>\$ 2,447</u>	<u>\$ -</u>	<u>\$ 2,447</u>
Dec. 31, 2022	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Derivatives	<u>\$ -</u>	<u>\$ 2,452</u>	<u>\$ -</u>	<u>\$ 2,452</u>
Liabilities				
<u>Recurring fair value</u>				
Derivatives	<u>\$ -</u>	<u>\$ 1,194</u>	<u>\$ -</u>	<u>\$ 1,194</u>

- (2) Described below are the method and the assumptions selected by this Group for measuring the fair value:

A. The derivative financial instrument is assessed according to the assessment model accepted by the market users such as discount method and option pricing model. The forward foreign exchange contract is assessed according to the prevailing forward exchange rate.

B. The credit risk assessment is adjusted by this Group so that it will be incorporated in the fair value calculation for financial instrument and non-financial instrument in order to reflect the credit risks of the transaction opponent and the credit quality of this Group.

5. There isn't any transfer between Grade-1 and Grade-2 in 2023 and 2022.

6. The Grade-3 roll-in and roll-out transaction is not executed in 2023 and 2022.

13. Supplementary Disclosures

(1) Information relating to major transactions

The following businesses between the subsidiaries have been written off when preparing the combined report. Therefore, the information disclosed below is provided for reference only.

1. Borrowing the fund to others: Please refer to the attached Table 1.
2. Endorsement for others: Please refer to the attached Table 2.
3. End-term marketable stock holding status (excluding the investment in the subsidiary, correlated enterprise and joint venture control fund): Please refer to the attached Table 3.
4. The amount of cumulative purchase or sales of the same marketable stock is up to NT\$300 million or over 20% of the paid-in capital: None
5. The amount of the acquired immovable assets is up to NT\$300 million or over 20% of the paid-in capital: Please refer to Table 4.
6. The amount of the disposed immovable asset is up to NT\$300 million or over 20% of the paid-in capital: None
7. The amount of purchase and sales transaction with the stakeholder is up to NT\$100 million or over 20% of the paid-in capital: Please refer to Table 5.
8. The amount due from the shareholder is up to NT\$100 million or over 20% of the paid-in capital: Please refer to Table 6.
9. Engaging in the transaction of derivative financial instrument: Please refer to Note 6 (II) and 12 (III) .
10. Business relationship between parent company and subsidiary and important transaction status: Please refer to the attached Table 7.

(2) Reinvestment related information

Information of name and area of the invested company (excluding the invested company based in Mainland China): Please refer to Table 8.

(3) Investment information in Mainland China

1. For basic information, please refer to Table 9.
2. Major transaction item found in the invested company where the fund is invested through the company based in the third area and the reinvestment in Mainland China directly or indirectly: Please refer to the attached Table 7.

(4) Information of Major Shareholders

Please refer to the attached Table 10.

14. Segment Information

(1) General information

In this Group, the Top Management identifies the department that should be reported according to the report information used by the operation decision maker in setting up the decision. In this Group, the President is operating the business by product type. The operating department disclosed by this Group is focusing on the aerospace and industrial categories as the primary income sources.

(2) Measurement of the department related information

The financial statement prepared according to the commonly recognized account principles is used by the Board of Directors of this Group. Based on the individual income resulting from the operation competence, the adjusted EBITDA and the pre-tax net profit are used to evaluate the performance of the operating department.

(3) Information of department

information of primary customers

2023

	<u>Industry</u>	<u>Aerospace</u>	<u>Total</u>
Segment revenue	\$ 370,240	\$ 2,700,384	\$ 3,070,624
Revenue from internal segments	<u>-</u>	<u>-</u>	<u>-</u>
Net income from external segments	370,240	2,700,384	3,070,624
Adjusted EBITDA	76,410	552,224	628,634
Depreciation and amortization	26,376	214,142	240,518

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

Note: Because the operation decision maker of this Company is not regarded as the decision measurement indicator for the department assets and the liabilities, so the department assets and liabilities are not disclosed.

(4) Regulating information of department income and loss.

After being adjusted for current term, described below is the pre-tax income and loss adjusted for EBITDA and the operating department.

	<u>2023</u>	<u>2022</u>
Adjusted EBITDA of operating segments	\$ 628,634	\$ 409,905
Depreciation expenses - fixed assets and investment property	(227,925)	(224,564)
Depreciation expenses - right-of-use assets	(6,376)	(6,473)
Amortizations	(6,217)	(7,503)
Interest expenses	<u>(32,843)</u>	<u>(26,311)</u>
Income before tax of continuing operations	<u>\$ 355,273</u>	<u>\$ 145,054</u>

(5) Information of product type and service type

Please refer to Note 14 (III)

(6) Information by regions

Described below is the information divided by region in 2023 and 2022.

	<u>2023</u>		<u>2022</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
USA	\$ 1,361,248	\$ -	\$ 921,603	\$ -
France	507,865	-	379,448	-
Taiwan	41,196	2,771,672	42,752	2,752,905
Others	<u>1,160,315</u>	<u>193,330</u>	<u>849,118</u>	<u>244,837</u>
Total	<u>\$ 3,070,624</u>	<u>\$ 2,965,002</u>	<u>\$ 2,192,921</u>	<u>\$ 2,997,742</u>

(7) Information of primary customers

Provided below is the information of primary customers maintained by this Group in 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
Company A	\$ 741,182	Aerospace	\$ 509,511	Aerospace
Company B	399,975	Aerospace	307,294	Aerospace

National Aerospace Fasteners Corporation
Loans to Others
For the year ended December 31, 2023

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

Table 1

<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 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	\$ 108,990	\$ -	\$ -	0.00%	Short-term borrowing	-	Fund for operation	-	N/A	\$ 466,058	\$ 466,058	(Note)
0	National Aerospace Fasteners Corporation	NAFCO Suzhou Precision	Other receivables	Y	\$ 113,488	\$ 107,468	\$ 107,468	2.50%	Business transactions	230,219	Business transactions	-	N/A	\$ 230,219	\$ 466,058	(Note)

Note: For short-term financing, the individual loan amount shall not exceed 20% of the Company's net worth as stated in the latest financial statements audited or reviewed by a CPA; for business transactions, the individual loan amount shall not exceed the total amount of business transactions in the most recent year. The "business transaction amount" refers to the higher of the amount of purchase or sale between the two parties. The loan ceiling is calculated based on 20% of net equity at Dec. 31, 2023.

National Aerospace Fasteners Corporation

Endorsements/Guarantees to Others

For the year ended December 31, 2023

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

Table 2

<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>
0	National Aerospace Fasteners Corporation	Name	Relation	\$ 1,165,146	\$ 179,099	\$ 27,635	\$ -	\$ -	1.19%	\$ 1,165,146	Y	N	Y	-
		NAFCO Suzhou Precision	Subsidiary											

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, 2023

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

The amount of the acquired immovable assets is up to NT\$300 million or over 20% of the paid-in capital

For the year ended December 31, 2023

Table 4

Expressed in thousands of New Taiwan Dollars

<u>Real estate acquiring company</u>	<u>Property name</u>	<u>Date of occurrence</u>	<u>Transaction amount</u>	<u>Status of payment</u>	<u>Transaction counterparty</u>	<u>Relation</u>	<u>If the trading counterparty is a related party, the information of the previous transfer</u>				<u>References for price determination</u>	<u>Purpose of Acquisition and Situation of Use</u>	<u>Other covenants</u>
							<u>All owners</u>	<u>Relationship with the publisher</u>	<u>Date of transfer</u>	<u>Amount</u>			
MY NAFCO PRECISION SDN. BHD.	Land and plant	112/12/8	\$143,358 (\$21.5 million in MYR)	\$10,035 (\$1.51 million in MYR)	ENER ECOBIO SDN. BHD.	N/A	N/A	N/A	N/A	N/A	Appraisal report	Necessary for business operations/Unfinished transfer registration of property ownership as of the reporting date	N/A

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, 2023

Table 5

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	\$ 230,219	17%	Note	N/A		Note	(\$ 59,566)	(13%)	
"	"	"	(sales)	(109,973)	(4%)	"	"		"	20,191	3%	

Note: The payment terms are 90 days monthly, equivalent to the general purchase (sales) terms.

National Aerospace Fasteners Corporation

The amount due from the shareholder is up to NT\$100 million or over 20% of the paid-in capital

For the year ended December 31, 2023

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

Table 6

<u>Company with receivables accounted for</u>	<u>Transaction counterpart</u>	<u>Relation</u>	<u>Balance of receivables from related parties</u>		<u>Overdue receivables from related parties</u>		<u>Subsequent recovery amount of receivables from related parties</u>	<u>Allowance for bad debts</u>
				<u>Turnover rate</u>	<u>Amount</u>	<u>Treatment method</u>		
National Aerospace Fasteners Corporation	NAFCO Suzhou Precision	Parent and Subsidiary	Other receivables \$109,388	-	N/A	N/A	-	-

National Aerospace Fasteners Corporation

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

For the year ended December 31, 2023

Table 7

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

		<u>Transaction details</u>						
<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	\$ 109,973	90 days AMS	4%	
"	"	"	"	Purchase	230,219	90 days AMS	7%	
"	"	"	"	Accounts receivable	20,191	-	-	
"	"	"	"	Accounts payable	59,566	-	1%	
"	"	"	"	Other receivables	109,388	-	2%	

Note 1: Parent company to subsidiary

Note 2: The material transactions in this table may be subject to the Company's decision based on the principle of materiality.

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, 2023

Table 8

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>Percentage of</u> <u>ownership</u>	<u>Carrying amount</u>	<u>Net income of</u> <u>investee</u>	<u>Recognized portion</u>	<u>Remarks</u>
				<u>Ending balance</u> <u>in 2022</u>	<u>Ending balance</u> <u>in 2021</u>						
National Aerospace Fasteners Corporation	NAFCO Group Ltd.	British Virgin Islands	Investment	\$ 405,897	\$ 405,897	13,000,000	100%	378,005	\$ 77,301	\$ 75,943	Subsidiary
National Aerospace Fasteners Corporation	CYPRESS SKY INVESTMENT LTD	British Virgin Islands	Investment	16,163	-	500,000	100%	14,512	-	-	Subsidiary
NAFCO Group Ltd.	NAFCO Holdings Ltd.	British Virgin Islands	Investment	405,897	405,897	13,000,000	100%	381,852	77,301	N/A	Second tier subsidiary
CYPRESS SKY INVESTMENT LTD	MY NAFCO PRECISION SDN. BHD.	Malaysia	Production and sales of aviation parts	16,163	-	2,176,401	100%	14,512	-	N/A	Second tier subsidiary

National Aerospace Fasteners Corporation
Information on investments in mainland China
For the year ended December 31, 2023

Table 9

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>Investment remitted outwards or recovered in current period</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>Accumulated amount of investment remitted outwards from Taiwan at beginning</u>	<u>Amount of investment</u>	<u>Accumulated amount of investment remitted outwards from Taiwan at ending</u>						
NAFCO Suzhou Precision	Production and sales of aircraft engines and airframe related components	\$405,897 (USD 13 million)	Note 1	\$ 405,897 (USD 13 million)	-	\$ -	\$77,301	100%	\$77,301	\$381,852	-	-

<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	\$1,398,175

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, 2023

Table 10

	<u>Name of major shareholders</u>	<u>Shares held</u>	<u>Shares</u>	<u>Percentage of ownership</u>
Getac Holdings Corp.		20,578,174		38.12%
National Development Fund, Executive Yuan		3,773,188		6.99%

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 difference in preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustee 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.