

National Aerospace Fasteners Corporation and
Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Report
For the years ended 2024 and 2023
(Stock No: 3004)

Address: No. 1, Taiping E. Rd., Pingzhen Dist.,
Taoyuan City, 324026, Taiwan (R.O.C.)

Tel: +886-3-450-8868

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Financial Statements and Independent Auditors' Report For the years
ended 2024 and 2023
Table of Contents

Item	Page
1. Cover Page	1
2. Contents	2 - 3
3. Representation Letter	4
4. Independent Auditors' Report	5 - 9
5. Consolidated Balance Sheet	10 - 11
6. Consolidated Statement of Comprehensive Income	12
7. Consolidated Statement of Changes in Equity	13 - 14
8. Consolidated Statement of Cash Flows	15 - 16
9. Notes to Consolidated Financial Statements	17 - 67
(1) Company History	17
(2) Approval of Financial Statements	17
(3) Application of New and Amended Standards and Interpretations	17 - 18
(4) Summary of Significant Accounting Policies	18 - 27
(5) Main Sources of Significant Accounting Judgment, Estimation and Assumption Uncertainties	28
(6) Descriptions of Material Accounting Items	28 - 52
(7) Transaction With the Stakeholder	53 - 54
(8) Pledged Assets	55

Item	Page
(9) Significant commitments and contingencies	55
(10) Significant Disaster Loss	55
(11) Significant Events after the End of the Financial Reporting Period	55
(12) Others	55 - 64
(13) Supplementary Disclosures	64 - 65
(14) Segment Information	66 - 67

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, 2024, 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 20, 2025

Independent Auditor's Report

Letter (114)Cai-Shen-Bao-Zi No.24003212

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, 2024 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, 2024 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 2024. 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 2024 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 2024 totaled NTD 3,501,720 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, 2024, the balance of inventories and allowance to reduce inventories to market of National Aerospace Fasteners Corporation and Subsidiaries amounted to NT\$ 2,088,678 thousand and NT\$ 227,866 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 Company Only Financial Statements

National Aerospace Fasteners Corporation has additionally prepared its parent company only financial statements for the years ended December 31, 2024 and 2023, 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 2024 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

Yen-Na Li

CPAs

Chien-Yu Liu

Securities and Futures Bureau, Financial Supervisory
Commission, Executive Yuan

Approval letter: Jin-Guan-Zheng-Liu Letter Number:
0950122728

Financial Supervisory Commission

Approval Letter: Jin-Guan-Zheng-Shen - Zi Letter No.
1090350620

February 20, 2025

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2024 and 2023

Expressed in thousands of New Taiwan Dollars

Assets	Notes	Dec. 31, 2024		Dec. 31, 2023	
		Amount	%	Amount	%
Current Assets					
1100	Cash and cash equivalents	6 (1)			
			\$ 181,167	3	\$ 105,116
1110	Financial assets measured at fair value through profit or loss - current	6 (2)	-	-	2,447
1170	Accounts receivable, net	6 (3)	826,568	13	724,541
1180	Accounts receivable - related parties, net	6 (3), 7	1,397	-	-
1200	Other receivables		12,328	-	5,729
130X	Inventories	6 (4)	1,860,812	30	1,169,093
1410	Prepayments		59,216	1	62,563
11XX	Total Current Assets		<u>2,941,488</u>	<u>47</u>	<u>2,069,489</u>
Non-current Assets					
1517	Financial assets measured at fair value through other comprehensive income - non-current		-	-	-
1600	Property, plant and equipment	6 (5), 8	3,238,541	51	2,930,310
1755	Right-of-use assets	6 (6), 7	2,085	-	2,532
1760	Investment property, net	6 (7)	24,684	1	24,864
1780	Intangible assets		8,718	-	7,296
1840	Deferred income tax assets	6 (23)	12,010	-	11,441
1900	Other non-current assets	6 (8), (13), 8	84,927	1	32,171
15XX	Total Non-current Assets		<u>3,370,965</u>	<u>53</u>	<u>3,008,614</u>
1XXX	Total assets		<u>\$ 6,312,453</u>	<u>100</u>	<u>\$ 5,078,103</u>

(Continued)

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2024 and 2023

Expressed in thousands of New Taiwan Dollars

Liabilities and Equity	Notes	Dec. 31, 2024		Dec. 31, 2023		
		Amount	%	Amount	%	
Current Liabilities						
2100	Short-term borrowings	6 (9)	\$ 289,294	5	\$ 20,000	-
2120	Financial liabilities measured at fair value through profit or loss - current	6 (2)	1,121	-	-	-
2130	Contract liabilities - current	6 (18)	22,690	-	21,420	1
2170	Accounts payable	6 (10)	439,735	7	466,094	9
2200	Other payables	6 (11)	327,098	5	324,886	6
2220	Other payables - related parties	7	10,260	-	8,171	-
2230	Current tax liabilities	6 (23)	71,262	1	62,254	1
2320	Long-term liabilities - current portion	6 (12)	347,064	6	377,819	8
21XX	Total Current Liabilities		<u>1,508,524</u>	<u>24</u>	<u>1,280,644</u>	<u>25</u>
Non-current Liabilities						
2540	Long-term borrowings	6 (12)	2,038,131	32	1,449,697	29
2570	Deferred tax liabilities	6 (23)	36,726	1	14,469	-
2600	Other non-current liabilities		1,639	-	3,002	-
25XX	Total Non-current Liabilities		<u>2,076,496</u>	<u>33</u>	<u>1,467,168</u>	<u>29</u>
2XXX	Total Liabilities		<u>3,585,020</u>	<u>57</u>	<u>2,747,812</u>	<u>54</u>
Equity due to owner of parent company						
Capital stock						
3110	Common stock	6 (15)	553,717	9	540,062	11
Capital surplus						
3200	Capital surplus	6 (16)	635,826	10	536,531	10
Reserved surplus						
3310	Legal reserve	6 (17)	217,657	3	187,015	4
3320	Special reserve		44,482	1	36,065	1
3350	Unappropriated retained earnings		1,282,119	20	1,075,100	21
Other equity						
3400	Other equity		(6,368)	-	(44,482)	(1)
3XXX	Total Equity		<u>2,727,433</u>	<u>43</u>	<u>2,330,291</u>	<u>46</u>
Significant commitments and contingencies						
Significant Events after the End of the Financial Reporting Period						
3X2X	Total Liabilities and Equity		<u>\$ 6,312,453</u>	<u>100</u>	<u>\$ 5,078,103</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, 2024 and 2023

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

Item	Notes	2024		2023	
		Amount	%	Amount	%
4000 Operating Revenue	6 (18), 7	\$ 3,501,720	100	\$ 3,070,624	100
5000 Operating Costs	6 (4), (21), (22), 7	(2,531,968)	(72)	(2,258,080)	(74)
5900 Gross profit		<u>969,752</u>	<u>28</u>	<u>812,544</u>	<u>26</u>
Operating Expenses	6 (21), (22)				
6100 Selling expenses		(83,925)	(2)	(76,999)	(3)
6200 General and administrative expenses		(289,523)	(8)	(257,536)	(8)
6300 Research and development expenses		(128,643)	(4)	(132,850)	(4)
6450 Expected credit impairment loss	12 (2)	-	-	(1,750)	-
6000 Total operating expenses		<u>(502,091)</u>	<u>(14)</u>	<u>(469,135)</u>	<u>(15)</u>
6900 Operating income		<u>467,661</u>	<u>14</u>	<u>343,409</u>	<u>11</u>
Non-operating income and expenses					
7100 Interest income		1,232	-	1,048	-
7010 Other income		601	-	625	-
7020 Other gains and losses	6 (19)	45,859	1	43,034	2
7050 Financial costs	6 (20)	(43,233)	(1)	(32,843)	(1)
7000 Total non-operating revenues and expenses		<u>4,459</u>	<u>-</u>	<u>11,864</u>	<u>1</u>
7900 Pre-tax net profit		<u>472,120</u>	<u>14</u>	<u>355,273</u>	<u>12</u>
7950 Income tax profit	6 (23)	(96,144)	(3)	(47,670)	(2)
8200 Net Current-term Profit		<u>\$ 375,976</u>	<u>11</u>	<u>\$ 307,603</u>	<u>10</u>
Other comprehensive income					
8311 Remeasurements of defined benefit plans	6 (13)	\$ 5,137	-	(\$ 1,181)	-
Items That May Be Subsequently Reclassified to Profit or Loss					
8361 Exchange differences from the translation of financial statements of foreign operations		<u>38,114</u>	<u>1</u>	<u>(8,417)</u>	<u>-</u>
8360 Total items that may be subsequently reclassified to profit or loss		<u>38,114</u>	<u>1</u>	<u>(8,417)</u>	<u>-</u>
8300 Other Comprehensive Income, Net		<u>\$ 43,251</u>	<u>1</u>	<u>(\$ 9,598)</u>	<u>-</u>
8500 Total current-term comprehensive income/loss		<u>\$ 419,227</u>	<u>12</u>	<u>\$ 298,005</u>	<u>10</u>
Basic earnings per share	6 (24)				
9750 Basic earnings per share		<u>\$</u>	<u>6.88</u>	<u>\$</u>	<u>5.77</u>
Diluted earnings per share	6 (24)				
9850 Diluted earnings per share		<u>\$</u>	<u>6.76</u>	<u>\$</u>	<u>5.66</u>

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

Chairman: Feng-Tzu Tsai

Managerial Officer: Wei-Tsun Lin

Chief Accounting Officer: Wen-Cheng Li

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2024 and 2023

Expressed in thousands of New Taiwan Dollars

	Notes	Equity due to owner of parent company							Exchange differences from the translation of financial statements of foreign operations	Total Equity
		Capital surplus			Reserved surplus					
		Common stock	Share premium	Employee share option	Others	Legal reserve	Special reserve	Unappropriated retained earnings		
<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 current-term comprehensive income/loss		-	-	-	-	-	-	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
<u>2024</u>										
Balance as of Jan. 1, 2024		\$ 540,062	\$ 479,089	\$ 53,421	\$ 4,021	\$ 187,015	\$ 36,065	\$ 1,075,100	(\$ 44,482)	\$ 2,330,291
2024 net loss		-	-	-	-	-	-	375,976	-	375,976
2024 other comprehensive income		-	-	-	-	-	-	5,137	38,114	43,251
Total current-term comprehensive income/loss		-	-	-	-	-	-	381,113	38,114	419,227
Appropriation and distribution of earnings	6 (17)									

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, 2024 and 2023

Expressed in thousands of New Taiwan Dollars

	Notes	Equity due to owner of parent company								Total Equity
		Capital surplus				Reserved surplus				
		Common stock	Share premium	Employee share option	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from the translation of financial statements of foreign operations	
Legal reserve		-	-	-	-	30,642	-	(30,642)	-	-
Special reserve		-	-	-	-	-	8,417	(8,417)	-	-
Cash dividends		-	-	-	-	-	-	(135,035)	-	(135,035)
Expired employee share option	6 (14)	-	-	(306)	306	-	-	-	-	-
Employee stock option costs	6 (14)	-	-	13,300	-	-	-	-	-	13,300
Exercise of Employee Stock Option	6 (14)	13,655	117,041	(31,046)	-	-	-	-	-	99,650
Balance as of Dec. 31, 2024		<u>\$ 553,717</u>	<u>\$ 596,130</u>	<u>\$ 35,369</u>	<u>\$ 4,327</u>	<u>\$ 217,657</u>	<u>\$ 44,482</u>	<u>\$ 1,282,119</u>	<u>(\$ 6,368)</u>	<u>\$ 2,727,433</u>

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

Chairman: Feng-Tzu Tsai

Managerial Officer: Wei-Tsun Lin

Chief Accounting Officer: Wen-Cheng Li

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2024 and 2023

Expressed in thousands of New Taiwan Dollars

	Notes	2024	2023
<u>Cash flow from operating activities</u>			
Current pre-tax net profit		\$ 472,120	\$ 355,273
Adjustments			
Adjustments to reconcile profit or loss			
Net loss (gain) on financial assets/liabilities at fair value through profit or loss	6 (19)	3,568	(1,189)
Expected credit impairment loss	12 (2)	-	1,750
Depreciation of property, plant and equipment and investment property	6 (21),	236,556	227,925
Depreciation of right-of-use assets	6 (21),	447	6,376
Amortizations	6 (21),	5,101	6,217
Gain (Loss) on disposal of property, plant and equipment	6 (19)	(18)	32
Interest income		(1,232)	(1,048)
Interest expenses	6 (20)	43,233	32,843
Cost of share-based payment as remuneration	6 (14)	13,300	19,950
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
Accounts receivable		(102,056)	(153,779)
Accounts receivable - related parties, net		(1,397)	1,671
Other receivables		(6,599)	219
Other receivables - related parties		-	38
Inventories		(691,719)	(416,222)
Prepayments		3,347	4,004
Changes in operating liabilities, net			
Contract liabilities - current		1,270	3,547
Accounts payable		(26,359)	141,574
Other payables		16,030	49,912
Other payables - related parties		2,089	(1,075)
Other non-current liabilities		(1,363)	(1,933)
Cash inflow (outflow) from operating activities		(33,682)	272,910
Interest received		1,232	1,048
Interest paid		(42,370)	(32,635)
Income tax paid in current period		(65,911)	(20,923)
Net cash inflow (outflow) from operating activities		(140,731)	220,400

(Continued)

National Aerospace Fasteners Corporation and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2024 and 2023

Expressed in thousands of New Taiwan Dollars

	Notes	2024	2023
<u>Cash flow from investing activities</u>			
Acquisition of property, plant and equipment	6 (25)	(\$ 526,261)	(\$ 162,854)
Disposal of property, plant and equipment		103	21
Acquisition of right-of-use assets		-	(2,681)
Acquisition of intangible assets		(5,355)	(3,895)
Decrease in refundable deposits		678	248
(Increase) decrease in prepayments for equipment		(62,311)	6,216
Increase of other non-current assets		(1,102)	(14,941)
Net cash outflow from investing activities		(594,248)	(177,886)
<u>Cash flow from financing activities</u>			
Increase in short-term borrowings		3,482,048	635,931
Payments for short-term borrowings		(3,213,184)	(637,428)
Increase in long-term borrowings		803,365	469,264
Payments for long-term borrowings		(245,686)	(597,317)
Proceeds from exercise of employee share options	6 (14)	99,650	118,777
Payments for lease liabilities	6 (26)	-	(6,253)
Cash dividends	6 (17)	(135,035)	(53,700)
Net cash inflow (outflow) from financing activities		791,158	(70,726)
Effects of changes in foreign exchange rates		19,872	(5,605)
Increase (Decrease) in cash and cash equivalents		76,051	(33,817)
Cash and cash equivalents at beginning of period		105,116	138,933
Cash and cash equivalents at end of period		<u>\$ 181,167</u>	<u>\$ 105,116</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
Notes to Consolidated Financial Statements
For the years ended 2024 and 2023

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 37.17% 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 20, 2025.

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 2024, 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 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.

(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 2025 are as follows:

<u>New/Amended/Revised Standards and Interpretations</u>	<u>The effective date per IASB</u>
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025

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 9 and IFRS 7 "Classification and Measurement of Financial Instruments"	Jan. 1, 2026
Amendment to IFRS 9 and IFRS 7 "Contracts Relating to Nature-Dependent Electricity"	Jan. 1, 2026
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
IFRS 18 "Presentation and Disclosure in Financial Statements"	Jan. 1, 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	Jan. 1, 2027
"Annual Improvements to IFRS Accounting Standards — Volume 11"	Jan. 1, 2026

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

IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 "Presentation and Disclosure in Financial Statements" has replaced IAS 1 and updated the structure of the statement of comprehensive income, and adds the disclosure of management performance measurement, and strengthens the principles for aggregation and disaggregation applied in main financial statements and notes.

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

- A. The consolidated financial statements are prepared based on historical data, except for the following:
 - a. Financial assets and liabilities measured at fair value through profit or loss (including derivatives)
 - b. Financial assets measured at fair value through other comprehensive income
 - c. Defined benefit liabilities measured at present value of defined benefit obligation less the fair value of plan assets
- B. 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

A. nciples for preparation of consolidated financial statements

- a. 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.
- b. 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.
- c. 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.

B. subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business and products	Percentage of ownership		Description
			Dec. 31, 2024	Dec. 31, 2023	
The Company	NAFCO Group Ltd. (NGL)	Investment	100%	100%	
NGL	NAFCO Holdings Ltd. (NHL)	Investment	100%	100%	
NHL	NAFCO Suzhou Precision	Production and sales of aviation parts and mold processing	100%	100%	
The Company	CYPRESS SKY INVESTMENT LTD.(CSI)	Investment	100%	100%	Note 1
CSI	MY NAFCO PRECISIONSDN. SDN BHD.(MYN)	Production and sales of aviation parts	100%	100%	Note 2

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

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

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustment for subsidiaries with different balance sheet date:

None.

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

None.

F. 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.

A. Foreign currency transactions and balances

- a. 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.
- b. 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.

- c. 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.
- d. All exchange gains and losses are presented as "Other gains and losses" on the statement of comprehensive income

B. Exchange from foreign operations

- a. 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:
 - (i). Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - (ii). Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - (iii). All resulting exchange differences are recognized in other comprehensive income.
- b. 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

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

- a. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- b. Assets arising mainly from trading activities.
- c. Assets that are expected to be realized within twelve months from the balance sheet date.
- d. 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.

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

- a. Liabilities that are expected to be paid off within the normal operating cycle.
- b. Assets arising mainly from trading activities.
- c. Liabilities that are to be paid off within twelve months from the balance sheet date.
- d. Liabilities that are not settled for at least twelve months after the reporting period.

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

- A. 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.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized using trade date accounting.
- C. 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

- A. 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:
 - a. Financial assets held within a business model of which the objective of holding is to collect the contractual cash flows and to sell.
 - b. 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.
- B. 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.
- C. 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

- A. 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.
- B. 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

- A. Property, plants and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. 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.
- C. 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.
- D. The Group reviews each assets' residual values, useful lives and depreciation methods at the end of each financial year. If expectations for the assets' residual values and useful lives differ from previous estimates or the expected pattern of consumption of the future economic benefits of an asset have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

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

- A. 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.
- B. 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.

C. Right-of-use assets are recognized on the lease commencement date at cost that includes:

- a. Lease liabilities at initial measurement;
- b. Payments paid on or before the commencement date; and
- c. 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

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. 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

- A. 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.

B. 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

A. 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.

B. Pension

a. 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.

b. Defined benefit plans

(i). 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.

(ii). 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.

(iii). Past service costs are recognized immediately in profit or loss.

C. 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

- A. 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.
- B. 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 .
- C. 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.
- D. 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.
- E. 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.
- F. 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

- A. 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.
- B. 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.
- C. 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, 2024 is NTD 1,860,812.

6. Descriptions of Material Accounting Items

(1) Cash and cash equivalents

	Dec. 31, 2024	Dec. 31, 2023
Cash on hand and revolving funds	\$ 175	\$ 156
Checking deposits and demand deposits	<u>180,992</u>	<u>104,960</u>
Total	<u>\$ 181,167</u>	<u>\$ 105,116</u>

A. 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.

B. 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

Item	Dec. 31, 2024	Dec. 31, 2023
Current:		
Derivatives financial assets mandatorily measured at fair value through profit or loss		
Derivatives	<u>\$ -</u>	<u>\$ 2,447</u>
Derivative financial liabilities mandatorily measured at fair value through profit or loss		

Derivatives	(\$ <u>1,121</u>)	\$ <u>-</u>
-------------	--------------------	-------------

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

	<u>2024</u>	<u>2023</u>
Derivatives financial assets mandatorily measured at fair value through profit or loss		
Derivatives	(\$ <u>2,447</u>)	(\$ <u>5</u>)
Financial liabilities designated as at fair value through profit or loss		
Derivatives	(\$ <u>1,121</u>)	\$ <u>1,194</u>

B. 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, 2024</u>		<u>Dec. 31, 2023</u>	
Derivative financial assets	Contract amount (Nominal principal)	Contract period	Contract amount (Nominal principal)	Contract period
Current:				
Forward exchange contract	<u>USD 4,000</u>	Jan. 2025 - Feb. 2025	<u>USD 5,500</u>	Jan. 2024 - Feb. 2024

C. 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.

D. The Group has no financial assets measured at fair value through profit or loss pledged as collateral.

E. For information of the credit risk of financial assets measured at fair value through profit or loss please refer to Note 12 (2).

(3) Accounts Receivable

	<u>Dec. 31, 2024</u>	<u>Dec. 31, 2023</u>
Accounts receivable	\$ 832,776	\$ 731,017
Less: Allowance for bad debt	(<u>6,208</u>)	(<u>6,476</u>)
	\$ 826,568	\$ 724,541
Accounts receivable - related parties	<u>1,397</u>	<u>-</u>
	<u>\$ 827,965</u>	<u>\$ 724,541</u>

A. Aging analysis of accounts receivable:

	Dec. 31, 2024	Dec. 31, 2023
	Accounts receivable	Accounts receivable
Current	\$ 752,279	\$ 673,155
Within 30 days	74,069	53,769
31 - 60 days	6,011	2,265
61 - 90 days	1,697	-
More than 91 days	117	1,828
	<u>\$ 834,173</u>	<u>\$ 731,017</u>

The aging analysis above is based on past due date.

B. The balance of the Group's receivables from customer contracts are NTD 834,173, NTD 731,017 and NTD 579,078, on December 31, 2024 and 2023, and January 1, 2023, respectively.

C. 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, 2024 and December 31, 2023 are both NTD 0, respectively; that of the accounts receivable on the same dates are NTD 834,173 and NTD 724,541, respectively.

D. For related credit risk information on accounts receivable, please refer to Note 12 (2).

(4) Inventories

	Dec. 31, 2024		
	Cost	Allowance to reduce inventories to market	Carrying amount
Raw materials	\$ 1,230,381	(\$ 93,089)	\$ 1,137,292
Work in process	369,509	(56,987)	312,522
Finished goods	396,138	(77,790)	318,348
Inventory in transit	<u>92,650</u>	<u>-</u>	<u>92,650</u>
Total	<u>\$ 2,088,678</u>	<u>(\$ 227,866)</u>	<u>\$ 1,860,812</u>
	Dec. 31, 2023		
	Cost	Allowance to reduce inventories to market	Carrying amount
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>

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

	For the year ended December 31, 2024	For the year ended December 31, 2023
Cost of inventories sold	\$ 2,558,583	\$ 2,312,033
Inventory valuation losses	28,998	10,105
Others	<u>(55,613)</u>	<u>(64,058)</u>
	<u>\$ 2,531,968</u>	<u>\$ 2,258,080</u>

(5) Property, plant and equipment

	Land	Houses and buildings	Equipment	Office equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
Jan. 1, 2024							
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>
<u>For the year ended December 31, 2024</u>							
Jan. 1	\$ 1,202,901	\$ 1,020,493	\$ 536,674	\$ 362	\$ 109,101	\$ 60,779	\$ 2,930,310
Addition	98,256	46,190	212,377	-	66,303	88,454	511,580
Transferred	15,115	-	18,291	-	1,180	(20,581)	14,005
Disposal	-	-	(2,522)	-	853	1,584	(85)
Depreciation expenses	-	(38,216)	(151,138)	(114)	(46,908)	-	(236,376)
Net exchange differences	<u>5,167</u>	<u>2,052</u>	<u>8,694</u>	<u>-</u>	<u>1,322</u>	<u>1,872</u>	<u>19,107</u>
Dec. 31	<u>\$ 1,321,439</u>	<u>\$ 1,030,519</u>	<u>\$ 622,376</u>	<u>\$ 248</u>	<u>\$ 131,851</u>	<u>\$ 132,108</u>	<u>\$ 3,238,541</u>
Dec. 31, 2024							
Cost	\$ 1,382,242	\$ 1,587,422	\$ 2,186,705	\$ 11,540	\$ 557,789	\$ 132,108	\$ 5,857,806
Accumulated depreciation and impairment	(60,803)	(556,903)	(1,564,329)	(11,292)	(425,938)	-	(2,619,265)
	<u>\$ 1,321,439</u>	<u>\$ 1,030,519</u>	<u>\$ 622,376</u>	<u>\$ 248</u>	<u>\$ 131,851</u>	<u>\$ 132,108</u>	<u>\$ 3,238,541</u>

Note: NTD 14,005 was transferred in the current period, which was mainly due to the reclassification of intangible assets of NTD 1,110 and reclassification of other non-current assets of NTD 15,115.

	Land	Houses and buildings	Equipment	Office equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
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>For the year ended December 31, 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)	(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, 2024							
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: NTD 175 thousand was transferred to prepayments.

- A. The capital amount of the loan cost required for the immovable assets, plant and equipment in 2024 and 2023 is NTD 0.
- B. Primary compositions of the houses and the building owned by the Groups comprise the refurbishment of buildings and electrical equipment and they are listed for depreciation up to 20 - 50 years and 15-20 years respectively.
- C. 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

- A. In the 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.
- B. Normally, the lease period of the transportation equipment rented by the Group will not be longer than 12 months and the lower-value assets that will be leased are other equipment.
- C. Described below is the information about the book value of the using right attached assets and the recognized depreciation expenses:

	Dec. 31, 2024	Dec. 31, 2023
	Carrying amount	Carrying amount
Land	\$ 2,085	\$ 2,532
Houses	-	-
Total	\$ 2,085	\$ 2,532
	For the year ended December 31, 2024	For the year ended December 31, 2023
	Depreciation expenses	Depreciation expenses
Land	\$ 447	\$ 399
Houses	-	5,977
Total	\$ 447	\$ 6,376

- D. The increase of the Group's right-to-use assets in 2024 and 2023 is both NTD 0

E. Provided below is the information of gains and losses related to the Lease Contract:

	For the year ended December 31, 2024	For the year ended December 31, 2023
<u>Items that affect profit or loss</u>		
Interest expense on lease liability	\$	- \$ 114
Short-term lease expenses	10,799	1,149
Low-value asset lease expense	6	14

F. The Group's cash outflow from leases are NTD 10,805 and NTD 10,211 for the years 2024 and 2023, respectively.

(7) Investment property

	Land	Houses and buildings	Total
Jan. 1, 2024			
Cost	\$ 19,866	\$ 8,543	\$ 28,409
Accumulated depreciation and impairment	-	(3,545)	(3,545)
	<u>\$ 19,866</u>	<u>\$ 4,998</u>	<u>\$ 24,864</u>
<u>For the year ended December 31, 2024</u>			
Jan. 1	\$ 19,866	\$ 4,998	\$ 24,864
Depreciation expenses	-	(180)	(180)
Dec. 31	<u>\$ 19,866</u>	<u>\$ 4,818</u>	<u>\$ 24,684</u>
Dec. 31, 2024			
Cost	\$ 19,866	\$ 8,543	\$ 28,409
Accumulated depreciation	-	(3,725)	(3,725)
	<u>\$ 19,866</u>	<u>\$ 4,818</u>	<u>\$ 24,684</u>

	Land	Houses and buildings	Total
January 1, 2023			
Cost	\$ 19,866	\$ 8,543	\$ 28,409
Accumulated depreciation and impairment	<u>(2,611)</u>	<u>(4,136)</u>	<u>(6,747)</u>
	<u>\$ 17,255</u>	<u>\$ 4,407</u>	<u>\$ 21,662</u>
<u>For the year ended December 31, 2023</u>			
Jan. 1	\$ 17,255	\$ 4,407	\$ 21,662
Depreciation expenses	-	(142)	(142)
Reversal of impairment losses	<u>2,611</u>	<u>733</u>	<u>3,344</u>
Dec. 31	<u>\$ 19,866</u>	<u>\$ 4,998</u>	<u>\$ 24,864</u>
Dec. 31, 2024			
Cost	\$ 19,866	\$ 8,543	\$ 28,409
Accumulated depreciation	<u>-</u>	<u>(3,545)</u>	<u>(3,545)</u>
	<u>\$ 19,866</u>	<u>\$ 4,998</u>	<u>\$ 24,864</u>

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

	2024	2023
Rent income from investment property	<u>\$ 601</u>	<u>\$ 579</u>
Direct operating expenses arising from the investment property generating rent income	<u>\$ 314</u>	<u>\$ 277</u>
Direct operating expenses arising from the investment property not generating rent income	<u>\$ -</u>	<u>\$ -</u>

B. The fair value of the investment properties owned by the Company in 2024 and until December 31, 2023 is NTD 55,796 and NTD 51,704 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.

	Dec. 31, 2024	Dec. 31, 2023
Capitalization rate	0.98%	1.15%

(8) Other non-current assets

	<u>Dec. 31, 2024</u>	<u>Dec. 31, 2023</u>
Prepaid down payments for equipment	\$ 69,236	\$ 6,925
Prepaid pension	13,396	7,760
Others	2,296	17,486
Overdue receivables	297	19,849
Allowance for bad debt – overdue receivables	(297)	(19,849)
	<u>\$ 84,927</u>	<u>\$ 32,171</u>

(9) Short-term borrowings

<u>Nature of loans</u>	<u>Dec. 31, 2024</u>	<u>Interest rate collars</u>	<u>Collateral</u>
Bank borrowings - credit loans	\$ 289,294	1.878% - 5.48%	N/A
<u>Nature of loans</u>	<u>Dec. 31, 2023</u>	<u>Interest rate collars</u>	<u>Collateral</u>
Bank borrowings - credit loans	\$ 20,000	1.75%	N/A

For the interest expenses recognized in profit and loss for the years 2024 and 2023, please refer to Note 6(12).

(10) Accounts payable

	<u>Dec. 31, 2024</u>	<u>Dec. 31, 2023</u>
Accounts payable	\$ 355,161	\$ 410,792
Estimated accounts payable	84,574	55,302
	<u>\$ 439,735</u>	<u>\$ 466,094</u>

(11) Other payables

	<u>Dec. 31, 2024</u>	<u>Dec. 31, 2023</u>
Salary and bonus payables	\$ 137,289	\$ 121,842
Consumable and supplies payables	15,182	20,218
Equipment payables	46,016	60,697
Others	128,611	122,129
	<u>\$ 327,098</u>	<u>\$ 324,886</u>

(12) Long-term borrowings

Nature of loans	Life of loan and repayments	Collateral	Dec. 31, 2024
Long-term bank borrowings			
Secured loan	Repayment by monthly installments until December 2036	Land and plant	\$ 635,935
Secured loan	Repayment by monthly installments until September 2033	Land and plant	100,772
Secured loan	Repayment by monthly installments until December 2029	Land and plant	171,584
Secured loan	Repayment by monthly installments until June 2030	Land and plant	514,951
Secured loan	Repayment by monthly installments until December 2031	Land and plant	170,000
Secured loan	Repayment by monthly installments until May 2025	Land and plant	20,645
Secured loan	Repayment by monthly installments until April. 2031	Land and plant	150,900
Secured loan	Repayment by monthly installments until September 2026	Equipment	70,687
Secured loan	Repayment by monthly installments until November 2026	Equipment	108,704
Credit loan	Repayment by monthly installments until December 2029	N/A	111,017
Credit loan	Repayment by tri-monthly installments until December 2028	N/A	300,000
Credit loan	Repayment by 6-month installments until September 2027	N/A	<u>30,000</u>
			2,385,195
Less: Long-term borrowings - current portion			<u>(347,064)</u>
			<u>\$ 2,038,131</u>
Interest rate collars			<u>1.36% - 2.05%</u>
Nature of loans	Life of loan and repayments	Collateral	Dec. 31, 2023
Long-term bank borrowings			
Secured loan	Repayment by monthly installments until December 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 December 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 October 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>

The amount of interest fees (including the short-term loan) recognized for the gains and losses in 2024 and 2023 is NTD 43,233 and NTD 32,730 respectively.

(13) Pension

A. a. 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.

b. Listed below is the amount being recognized in the Balance Sheet.

	Dec. 31, 2024	Dec. 31, 2023
Present value of defined benefit obligation	(\$ 47,261)	(\$ 46,697)
Fair value of plan assets	60,657	54,457
Net defined benefit assets	<u>\$ 13,396</u>	<u>\$ 7,760</u>

c. Listed below is the fluctuation of the confirmed net welfare liabilities.

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit assets
2024			
Balance as of Jan. 1	(\$ 46,697)	\$ 54,457	\$ 7,760
Service costs	(364)	-	(364)
Interest income (expense)	(560)	653	93
	(924)	653	(271)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,777	4,777
Adjustment of financial assumptions	1,392	-	1,392
Experience adjustments	(1,032)	-	(1,032)
	360	4,777	5,137
Appropriation of pension funds	-	770	770
Balance as of Dec. 31	(\$ 47,261)	\$ 60,657	\$ 13,396
2023			
Balance as of Jan. 1	(\$ 44,376)	\$ 52,888	\$ 8,512
Service costs	(347)	-	(347)
Interest income (expense)	(532)	635	103
	(879)	635	(244)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	261	261
Experience adjustments	(1,442)	-	(1,442)
	(1,442)	261	(1,181)
Appropriation of pension funds	-	673	673
Balance as of Dec. 31	(\$ 46,697)	\$ 54,457	\$ 7,760

d. 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 2024 and on December 31, 2023. For details, please refer to the annual labor retirement fund implementation report announced by the government.

e. Summarized below is the actuarial assumption for the retirement fund:

	<u>Dec. 31, 2024</u>	<u>Dec. 31, 2023</u>
Discount rate	<u>1.60%</u>	<u>1.20%</u>
Future salary increase rate	<u>2.75%</u>	<u>2.75%</u>

The assumption of the mortality rate in the future is estimated according to "Chapter 6 Experience Table for Taiwan Area".

Analyzed below is the present value confirmed for the welfare obligations that will be affected by the change of the selected actuarial assumptions:

	<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, 2024				
Effect on present value of defined benefit obligation	<u>(\$ 837)</u>	<u>\$ 862</u>	<u>\$ 754</u>	<u>(\$ 737)</u>
Dec. 31, 2023				
Effect on present value of defined benefit obligation	<u>(\$ 919)</u>	<u>\$ 949</u>	<u>\$ 834</u>	<u>(\$ 814)</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.

f. By estimate, a sum of NTD 792 will be allocated in 2025 by the Group for paying the

retirement plan.

- g. Until December 31, 2024, the weighted average existence period of such retirement plan is set at 8 years. Analyzed below is the due date for paying the retirement fund:

Within 1 year	\$	9,877
1 - 2 years		2,273
2 - 5 years		6,510
Over 5 years		16,100
	\$	<u>34,760</u>

- B. a. 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.
- b. 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 2024 and 2023 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 the Group.
- c. The Company has established a defined contribution plan for its subsidiary, MY NAFCO PRECISION SDN. BHD, in accordance with local laws, and contributes to the public fund account on a monthly basis in accordance with the statutory ratio.
- d. In 2024 and 2023, the pension cost recognized by the Group according to the aforesaid pension method is NTD 24,554 and NTD 22,939 respectively.

(14) Share-based payment

- A. Described below is the share-based payment agreement executed by the Group in 2024 and 2023:

Type of agreement	Grant date	Quantity granted	Contract period	Vesting conditions
5th 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
6th 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 aforesaid share-based payment is executed by equity settlement method.

- B. Provided below is the detailed information about the “5th Employee Equity Option

Program”:

- a. Provided below is the detailed information of the “5th Employee Stock Option Plan” for 2024 and 2023:

	Dec. 31, 2024		Dec. 31, 2023	
	Number of warrants (thousand shares)	Weighted average exercise price (NT\$)	Number of warrants (thousand shares)	Weighted average exercise price (NT\$)
Outstanding stock options as at January 1	1,291	\$ 87.4	2,752	\$ 87.4
Forfeited	(12)	-	(102)	-
Stock options exercised in the current period	(761)	86.3	(1,359)	87.4
Outstanding stock options as at December 31	<u>518</u>	85.3	<u>1,291</u>	87.4
Exercisable stock options as at December 31	<u>518</u>	85.3	<u>1,291</u>	87.4

- b. The weighted average share prices of the options exercised in 2024 and 2023 were NTD 103.97 and NTD 99.43 respectively on the date of exercise.

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

		Dec. 31, 2024	
Approved issue date	Expiry date	Quantity (thousand shares)	Exercise price (NTD)
Dec. 13, 2019	Dec. 13, 2025	518	85.3
		Dec. 31, 2023	
Approved issue date	Expiry date	Quantity (thousand shares)	Exercise price (NTD)
Dec. 13, 2019	Dec. 13, 2025	1,291	87.4

- d. 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:

Type of agreement	Grant date	Share price	Exercise price	Expected volatility	Expected subscription period	Expected dividends	Risk-free interest rate	Fair value per unit
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.

- e. On March 5, 2024, the Group adjusted the exercise price of employee stock warrants on December 13, 2019 from NTD 87.4 to NTD 85.3 in accordance with the Regulations Governing Employee Stock Options, and the amendment did not generate incremental fair value.

C. Provided below is the detailed information of the “6th Employee Equity Option Program”:

- a. Provided below is the detailed information of the “6th Employee Stock Option Plan” for 2024 and 2023:

	Dec. 31, 2024		Dec. 31, 2023	
	Number of warrants (thousand shares)	Weighted average exercise price (NT\$)	Number of warrants (thousand shares)	Weighted average exercise price (NT\$)
Outstanding stock options as at January 1	2,187	57.6	2,374	\$ 58.3
Forfeited	(66)	-	(187)	-
Stock options exercised in the current period	(605)	56.2	-	-
Outstanding stock options as at December 31	<u>1,516</u>	56.2	<u>2,187</u>	57.6
Exercisable stock options as at December 31	<u>456</u>	56.2	<u>-</u>	-

- b. The weighted average share price of the options exercised in 2024 was NTD 91.15 on the date of exercise.
- c. Provided below is the expiry date of the option for the stocks that are circulated in the market on the Balance Sheet day:

		Dec. 31, 2024	
Approved issue date	Expiry date	Quantity (thousand shares)	Exercise price (NTD)
Oct. 21, 2022	Oct. 21, 2028	1,516	56.2
		Dec. 31, 2023	
Approved issue date	Expiry date	Quantity (thousand shares)	Exercise price (NTD)
Oct. 21, 2022	Oct. 21, 2028	2,187	57.6

- d. 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:

Type of agreement	Grant date	Share price	Exercise price	Expected volatility	Expected subscription period	Expected dividends	Risk-free interest rate	Fair value per unit
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.

- e. On March 5, 2024, the Group adjusted the exercise price of employee stock warrants on October 21, 2022 from NTD 57.6 to NTD 56.2 in accordance with the Regulations Governing Employee Stock Options, and the amendment did not generate incremental fair value.

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

	2024	2023
Equity-settled	\$ <u>13,300</u>	\$ <u>19,950</u>

(15) Capital stock

- A. Until December 31, 2024, the rated capital of this Company is NTD 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 NTD 553,717 for which, the face value per share is set at \$NTD 10. By now, we have duly collected the capital required for the distributed shares.

The outstanding shares at the beginning and ending of the period of the common shares of the Company are adjusted as follows:

	Dec. 31, 2024	Dec. 31, 2023
Jan. 1	54,006	52,647
Employee options exercised	<u>1,366</u>	<u>1,359</u>
Dec. 31	<u>55,372</u>	<u>54,006</u>

- B. As of December 31, 2024, the Company had 638 thousand shares outstanding for employee option subscription, and the registration of which had not been completed.

(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

- A. 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.

- B. 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.
- C. 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.
- D. The dividend being recognized for distributing to the owner is NTD 135,035 (NTD 2.5 per share) and NTD 53,700 (NTD 1.02 per share) in 2024 and 2023 respectively. On February 20, 2025, it has been resolved by the Board of Directors that NTD3.02 will be withdrawn from the surplus of 2024 for using as the dividend for each common stock. Summing up, the dividend is amounted to NTD 167,634 in total.

(18) Operating Revenue

	2024	2023
Revenue from contracts with customers	\$ 3,501,720	\$ 3,070,624

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

B. Contract liabilities

- a. Described below is the contract liabilities relating to the customer's contract income, as being recognized by the Group:

	Dec. 31, 2024	Dec. 31, 2023	January 1, 2023
Contract liabilities – advance from customers	\$ 22,690	\$ 21,420	\$ 17,873

- b. Revenue recognized from contract liabilities at the beginning of the period

	2024	2023
Opening balance of contract liabilities		
Revenue recognized in current period	\$ 21,045	\$ 9,803

(19) Other gains and losses

	2024		2023
Net loss) gain on financial assets/liabilities at fair value through profit or loss	(\$ 3,568)	\$	1,189
Gains (losses) on foreign exchange, net	21,475	(6,252)
Gain (Loss) on disposal of property, plant and equipment	18	(32)
Reversal gain of impairment loss on investment property	-		3,344
Miscellaneous expenses	(130)	(17)
Grant income (Note)	16,610		35,515
Miscellaneous income	11,454		9,287
Total	<u>\$ 45,859</u>	<u>\$</u>	<u>43,034</u>

Note: Subsidies related to industrial upgrades.

(20) Financial costs

	2024		2023
Interest expenses			
Bank borrowings	\$ 43,233	\$	32,730
Other finance costs	-		113
Financial costs	<u>\$ 43,233</u>	<u>\$</u>	<u>32,843</u>

(21) Additional information of nature of expenses

	2024		2023
Employee welfare expenses	<u>\$ 785,656</u>	<u>\$</u>	<u>716,161</u>
Depreciation of property, plant and equipment and investment property	<u>\$ 236,556</u>	<u>\$</u>	<u>227,925</u>
Depreciation of right-of-use assets	<u>\$ 447</u>	<u>\$</u>	<u>6,376</u>
Amortization of intangible assets	<u>\$ 101</u>	<u>\$</u>	<u>6,217</u>

(22) Employee welfare expenses

	2024	2023
Salaries and wages	\$ 668,722	\$ 606,957
Labor insurance and national health insurance	54,059	47,284
Pension	24,825	23,183
Other personnel cost	38,050	38,737
	<u>\$ 785,656</u>	<u>\$ 716,161</u>

A. 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.

B. In 2024 and 2023, the amount allocated for the employee remunerations is NTD 6,000 and NTD 4,000 respectively; whereas, the amount allocated for the director remunerations is NTD 2,400 and NTD 3,600 respectively. The aforesaid amount shall be listed as the salary fee account.

In 2024, the remuneration is allocated according to the profit-earning status of that year and it has been estimated at 1.25% and 0.50%, respectively. Based on the resolution reached in the Board of Directors, the amount of remunerations actually distributed to the employees and the directors is NTD 6,000 and NTD 2,400 respectively and they are distribution in cash.

The remuneration to employees of NTD 4,000 and remuneration to directors of NTD 2,179 for 2023 and the differences of remuneration to employees of NTD 4,000 and remuneration to directors of NTD 3,600 recognized in the 2023 financial report are NTD 0 and NTD 1,421, respectively, and have been adjusted in profit or loss for 2024.

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

A. Income tax profit

a. Compositions of income tax expense:

	2024	2023
Income tax:		
Income tax incurred in current period	\$ 82,255	\$ 52,559
Prior year income tax overestimation	(7,799)	-
Total income tax in current period	<u>\$ 74,456</u>	<u>\$ 52,559</u>
Deferred income tax:		
Initial recognition and reversal of temporary differences	21,688	(4,889)
Total deferred income tax	<u>21,688</u>	<u>(4,889)</u>
Income tax profit	<u>\$ 96,144</u>	<u>\$ 47,670</u>

b. Amount of income tax relating to other comprehensive gains and losses: None

c. Amount of income tax relating to the borrowed or loaned equity: None

B. Relationship between income tax profit and accounting profit:

	Dec. 31, 2024	Dec. 31, 2023
Income tax of net loss before tax based on the statutory tax rate (Note)	\$ 110,535	\$ 82,849
Expenses to be removed in accordance with the tax law	61	355
Changes in temporary differences not recognized in deferred tax assets	3,373 (9,981)
Unrecognized taxation losses in prior years	(9,871) (18,387)
Income tax effect on investment tax credit	(5,096) (8,286)
Changes in realizability assessment about deferred income tax assets	4,941	1,120
Prior year income tax (over) underestimation	(<u>7,799</u>)	<u>-</u>
Income tax profit	<u>\$ 96,144</u>	<u>\$ 47,670</u>

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

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

	Dec. 31, 2024				
	Jan. 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Dec. 31
Temporary differences:					
- Deferred income tax assets:					
Unrealized exchange losses	\$ 2,249	(\$ 2,249)	\$ -	\$ -	\$ -
Others	<u>9,192</u>	<u>2,818</u>	<u>-</u>	<u>-</u>	<u>12,010</u>
Subtotal	<u>\$ 11,441</u>	<u>\$ 569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,010</u>
- Deferred income tax liabilities:					
Unrealized exchange gain	\$ -	(\$ 1,363)	\$ -	\$ -	(1,363)
Equipment	(8,899)	(461)	-	-	(9,360)
Gains on investment under equity-method	(2,988)	(20,780)	-	-	(23,768)
Pension	(413)	(1,127)	-	-	(1,540)
Others	<u>(2,169)</u>	<u>1,474</u>	<u>-</u>	<u>-</u>	<u>(695)</u>
Subtotal	<u>(14,469)</u>	<u>(22,257)</u>	<u>-</u>	<u>-</u>	<u>(36,726)</u>
Total	<u>(\$ 3,028)</u>	<u>(\$ 21,688)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$24,716)</u>

Dec. 31, 2023					
Recognized in other					
	Jan. 1	Recognized in profit or loss	Recognized in comprehensive income	Recognized in equity	Dec. 31
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>

D. 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, 2024				
Year of occurrence	Amount filed/ authorized	Unused taxable losses	Amounts not recognized in deferred tax assets	Expiry year
NAFCO Suzhou Precision				
2022	<u>\$ 32,236</u>	<u>\$ 28,429</u>	<u>\$ 28,429</u>	2027 years
Malaysia:				
2024	<u>\$ 5,693</u>	<u>\$ 5,693</u>	<u>\$ 5,693</u>	2034 years

Dec. 31, 2024				
Year of occurrence	Amount filed/ authorized	Unused taxable losses	Amounts not recognized in deferred tax assets	Expiry year
NAFCO Suzhou Precision				
2020	\$ 37,904	\$ -	\$ -	2025 years
2021	78,322	45,532	45,532	2026 years
2022	30,647	30,647	30,647	2027 years
	<u>\$ 146,873</u>	<u>\$ 76,179</u>	<u>\$ 76,179</u>	

E. Deductible temporary differences of unrecognized deferred income tax assets

	<u>Dec. 31, 2024</u>	<u>Dec. 31, 2023</u>
Deductible temporary difference	<u>\$ 259,180</u>	<u>\$ 227,564</u>

F. The income tax of the Company for the profit-earning business is calculated up to the end of 2022, as being approved by the competent taxation authority.

(24) Earnings per share

	<u>Dec. 31, 2024</u>		
	<u>After tax amount</u>	<u>Weighted average number of shares outstanding (in thousand shares)</u>	<u>Earnings per share (NTD)</u>
<u>Basic earnings per share</u>			
Net income of the Company	<u>\$ 375,976</u>	<u>54,676</u>	<u>\$ 6.88</u>
<u>Diluted earnings per share</u>			
Employee share option	-	895	
Employee remuneration	-	<u>71</u>	
Net income attributable to common shareholders considering assumed conversion of dilutive potential common shares	<u>\$ 375,976</u>	<u>55,642</u>	<u>\$ 6.76</u>

	<u>Dec. 31, 2023</u>		
	<u>After tax amount</u>	<u>Weighted average number of shares outstanding (in thousand shares)</u>	<u>Earnings per share (NTD)</u>
<u>Basic earnings per share</u>			
Net income of the Company	<u>\$ 307,603</u>	<u>53,280</u>	<u>\$ 5.77</u>
<u>Diluted earnings per share</u>			
Employee share option	-	995	
Employee remuneration	-	<u>47</u>	
Net income attributable to common shareholders considering assumed conversion of dilutive potential common shares	<u>\$ 307,603</u>	<u>54,322</u>	<u>\$ 5.66</u>

(25) Supplementary information of cash flow

Investment activity with partial cash paid

	Dec. 31, 2024	Dec. 31, 2023
Acquisition of property, plant and equipment	\$ 511,580	\$ 201,170
Add: Beginning equipment payables	60,697	22,381
Less: Ending equipment payables	(46,016)	(60,697)
Cash paid in the period	<u>\$ 526,261</u>	<u>\$ 162,854</u>

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

	Dec. 31, 2024				Total
	Short-term borrowings	Long-term borrowings	Lease liabilities	Dividends payable	liabilities from financing activities
Jan. 1	\$ 20,000	\$ 1,827,516	\$ -	\$ -	\$ 1,847,516
Changes in cash flows from financing activities	268,864	557,679	-	(135,035)	691,508
Effects of changes in foreign exchange rates	430	-	-	-	430
Other non-cash changes	-	-	-	135,035	135,035
Dec. 31	<u>\$ 289,294</u>	<u>\$ 2,385,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,674,489</u>

	Dec. 31, 2023				Total
	Short-term borrowings	Long-term borrowings	Lease liabilities	Dividends payable	liabilities from financing activities
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>

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 37.17% of shares of this Company. The rest of the 62.83% shares are owned by the public. The parent company, final parent company and final controller is Getac Holdings Corp.

(2) Name of stakeholder and relationship

Names of related parties	Relationship with the Group
Getac Holdings Corporation	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
Suzhou Mitac Precision Technology Co., Ltd.	Other related parties
Lien Hwa Property Development Corporation	Other related parties

(3) Major transactions with the stakeholder

A. Sales

	Dec. 31, 2024	Dec. 31, 2023
Sales of goods		
- Other related parties	\$ 1,373	\$ 583

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

B. Purchase

	Dec. 31, 2024	Dec. 31, 2023
Purchase of goods		
- Other related parties	\$ -	\$ 178
Purchase of services		
- Other related parties	-	26,535
Total	\$ -	\$ 26,713

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

C. Operating expenses and costs

	Dec. 31, 2024	Dec. 31, 2023
Other related parties	\$ 30,320	\$ -

The above transactions are mainly for utilities and miscellaneous.

D. Account receivable due from the stakeholder

	Dec. 31, 2024	Dec. 31, 2023
Accounts receivable		
- Other related parties	\$ 1,397	\$ -

E. Account payable due to the stakeholder

	Dec. 31, 2024	Dec. 31, 2023
Other payables		
- Other related parties	\$ 10,260	\$ 8,171

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.

F. Lease transaction - Lessee

a. The Group leases buildings from MiTAC Computer (Kunshan) Co., Ltd. and other related parties for a period of 1 to 5 years, and the rent is paid on a monthly basis.

b. Rent expense

	Dec. 31, 2024	Dec. 31, 2023
- MiTAC Computer (Kunshan) Co., Ltd.	\$ 9,396	\$ -
- Other related parties	175	-
Total	\$ 9,571	\$ -

(4) Information of salary of primary management level

	Dec. 31, 2024	Dec. 31, 2023
Salary and other short-term employees' benefits	\$ 22,032	\$ 22,626
Share-based payment	1,571	2,059
	\$ 23,603	\$ 24,685

8. Pledged Assets

Provided below are the details of guarantee rendered for the assets of the Group.

Assets	Book value		Purpose
	Dec. 31, 2024	Dec. 31, 2023	
Other non-current assets (time deposits)	\$ 1,000	\$ 1,000	Customs duty
Property, plant and equipment			Long-term borrowings
Land	1,202,901	1,202,901	"
Houses and buildings	973,489	1,008,391	"
Equipment	348,804	267,270	"
Other equipment	64,637	30,300	"

9. Significant commitments and contingencies

(1) Contingencies

None.

(2) Commitment

A. Capital expenditure that has been signed but has not yet occurred

	Dec. 31, 2024	Dec. 31, 2023
Property, plant and equipment	\$ 262,662	\$ 197,518
Intangible assets	9,537	6,957
Total	<u>\$ 272,199</u>	<u>\$ 204,475</u>

B. Until December 31, 2024 and 2023, the Performance Bonds offered by the Company to “Joint Guidance Foundation for Medium and Smaller Sized Business in Taiwan- a legal entity” were a sum NTD 12,459 and NTD 33,329, respectively.

10. Significant Disaster Loss

None.

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

On January 16, 2025, the Company's Board of Directors resolved to increase the capital of the subsidiary in Malaysia, MY NAFCO PRECISION SDN.BHD., to USD 10,000,000 indirectly through the overseas subsidiary in order to meet the Company's future business needs. The cumulative investment amount is USD 20,000,000

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, the 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. The 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 the Group for 2024 will be the same as that of 2023 in which, the liabilities capital ratio will be maintained at around 60%. The Group’s debt-to-capital ratios as at December 31, 2024 and 2023 are stated as below:

	Dec. 31, 2024	Dec. 31, 2023
Total borrowings	\$ 2,674,489	\$ 1,847,516
Less: Cash and cash equivalents	<u>181,167</u>	<u>105,116</u>
Net debt	2,493,322	1,742,400
Total equity	<u>2,727,433</u>	<u>2,330,291</u>
Total capital	<u>\$ 5,220,755</u>	<u>\$ 4,072,691</u>
Debt-to-capital ratio	<u>48%</u>	<u>43%</u>

(2) Financial instrument

A. Type of financial instrument

	Dec. 31, 2024	Dec. 31, 2023
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Derivatives financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 2,447
Financial assets / lending and receivables measured at amortized cost		
Cash and cash equivalents	\$ 181,167	\$ 105,116
Accounts receivable (incl. related parties)	827,965	724,541
Other receivables	12,328	5,729
Other non-current assets - refundable deposits	1,296	1,974
Other non-current assets	<u>1,000</u>	<u>1,000</u>
	<u>\$ 1,023,756</u>	<u>\$ 838,360</u>
<u>Financial liabilities</u>		
Financial liabilities measured at fair value through profit or loss - current	<u>\$ 1,121</u>	<u>\$ -</u>
Financial liabilities measured at amortized cost		
Short-term borrowings	\$ 289,294	\$ 20,000
Accounts payable	439,735	466,094
Other payables (incl. related parties)	337,358	333,057
Long-term borrowings (incl. current portion)	2,385,195	1,827,516
Other non-current liabilities - deposits received	<u>100</u>	<u>100</u>
	<u>\$ 3,451,682</u>	<u>\$ 2,646,767</u>
Lease liabilities	<u>\$ -</u>	<u>\$ -</u>

B. Risk management strategies

- a. The daily operation of the 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 the 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. The Group shall evade specific risk exposure through the use of specific derivatives.
- b. In the 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 the Group, the Financial Department will be able to identify, assess and evade the financial risks.

C. Nature and level of major financial risks

a. Market risks

Foreign exchange risks

- (i). Because the 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.
- (ii). 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 the Group. Each company of the Group will evade overall foreign exchange risks through cooperating with the Financial Department of the Group. To manage the foreign exchange risks that come from the future commercial transactions and the recognized assets and liabilities, each company of the Group will carry out such management works according to the forward foreign exchange contract through the Financial Department of the 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.
- (iii). 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.
- (iv). At current stage, the Group is investing in a number of foreign operating institutions. Therefore, its net asset will be exposed to the foreign currency translation related risks.

(v). 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 the 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:

Dec. 31, 2024			
(Foreign currency : functional currency)	Foreign currency (thousands)	Exchange rate	Carrying amount (NTD/RMB)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 25,646	32.79	\$ 840,932
EUR : NTD	146	34.14	4,984
USD : RMB	7,108	7.19	51,107
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 15,498	32.79	\$ 508,179
USD : RMB	5,171	7.19	37,179

Dec. 31, 2023			
(Foreign currency : functional currency)	Foreign currency (thousands)	Exchange rate	Carrying amount (NTD/RMB)
<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

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

Dec. 31, 2024			
Exchange gain or loss			
	Foreign currency (thousands)	Exchange rate	Carrying amount
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	32.79	\$ 2,132
EUR : NTD	-	34.14	(44)
USD : RMB	433	7.19	1,975
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	32.79	(\$ 3,476)
USD : RMB	(61)	7.19	(277)

Dec. 31, 2023			
Exchange gain or loss			
	Foreign currency (thousands)	Exchange rate	Carrying amount
(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

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

Dec. 31, 2024			
Sensitivity analysis			
(Foreign currency : functional currency)	Range of change	Profit or loss generated	Other comprehensive income generated
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	3%	25,228	\$ -
EUR : NTD	3%	150	-
USD : RMB	3%	1,533	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	3%	15,245	\$ -
USD : RMB	3%	1,115	-

Dec. 31, 2023			
Sensitivity analysis			
(Foreign currency : functional currency)	Range of change	Profit or loss generated	Other comprehensive income generated
<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	-

Price risks

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

Cash flow and fair value related interest risks

(i). The interest risks encountered by the Group are mainly from the long-term loan being issued according to the floating rate that has exposed the Group to the cash

flow interest related risks. In 2024 and 2023, the loans borrowed by the Group are mainly priced by NTD and USD according to the floating interest rate.

- (ii). The loans borrowed by the 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, the Group might be exposed to the interest rate fluctuation related risks in the future market.
- (iii). 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 2024 and 2023 will increase or decrease for NTD 5,349 and NTD 3,695, respectively. It is mainly because of the change of the interest fees along with the fluctuation of the floating loan interest rate.

b. Credit risks

- (i). In the 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.
- (ii). The credit risk management is established by the 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 the 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.
- (iii). 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.
- (iv). Provided below are the indicators used by the 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.
- (v). Based on the characteristics of the customer assessment, the 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.
- (vi). After undergoing the recourse procedure, the Group will write off the amount of the financial asset that cannot be reasonably recovered.
- (vii). The Group uses the forecast ability report released by Taiwan Institute of Economic Research to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2024 and 2023, the loss rate methodology is as follows:

Dec. 31, 2024	Current	Past due within 30 days	Past due 31 - 60 days	Past due 61 - 90 days	Past due over 90 days	Total
Expected loss rate	0%-0.07%	1%-20%	1%-30%	1%-50%	1%-100%	
Total book value	\$ 752,279	\$ 74,069	\$ 6,011	\$ 1,697	\$ 414	\$ 834,470
Allowance for losses	\$ -	\$ 3,439	\$ 1,803	\$ 849	\$ 414	\$ 6,505

<u>Dec. 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	\$ -	\$ 21,677	\$ 750,866
Allowance for losses	\$ -	\$ 3,968	\$ 680	\$ -	\$ 21,677	\$ 26,325

(viii). Changes in loss allowance for accounts receivable using the simplified approach:

	<u>Dec. 31, 2024</u>		
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Overdue receivables</u>
Jan. 1	\$ 6,476	\$ -	\$ 19,849
Reclassified to allowance for bad debt - overdue receivables	(297)	-	-
Allowance for bad debt - accounts receivable transferred in	-	-	297
Written off	-	-	(19,849)
Effects of changes in foreign exchange rates	29	-	-
Dec. 31	<u>\$ 6,208</u>	<u>\$ -</u>	<u>\$ 297</u>

	<u>Dec. 31, 2023</u>		
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Overdue receivables</u>
Jan. 1	\$ 4,735	\$ -	\$ 19,849
Provision for impairment loss	1,750	-	-
Effects of changes in foreign exchange rates	(9)	-	-
Dec. 31	<u>\$ 6,476</u>	<u>\$ -</u>	<u>\$ 19,849</u>

c. Liquidity risks

- (i). In the 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.
- (ii). The loan borrowed by the 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 NTD 26,745 in the company's cash out-flow each year.
- (iii). Listed in the table below are the non-derivative financial liabilities of the 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.

<u>Dec. 31, 2024</u>	<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	\$ 289,294	\$ -	\$ -	\$ -	\$ -
Accounts payable	420,551	19,184	-	-	-
Other payables (including related parties)	324,787	12,571	-	-	-
Long-term borrowings (incl. current portion)	94,173	292,501	414,947	1,109,749	637,587
<u>Derivative financial liabilities:</u>					
Forward exchange contract	1,121	-	-	-	-
<u>Dec. 31, 2023</u>	<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	\$ 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

(3) Information of fair value

A. 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 the Group.

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

C. 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.

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

a. The categorization is executed by the Group according to the nature of assets and liabilities and provided below is relevant information:

<u>Dec. 31, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Recurring fair value</u>				
Derivatives	\$ -	\$ 1,121	\$ -	\$ 1,121
<u>Dec. 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Derivatives	\$ -	\$ 2,447	\$ -	\$ 2,447

b. Described below are the method and the assumptions selected by the Group for measuring the fair value:

- (i). 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.
- (ii). The credit risk assessment is adjusted by the 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 the Group.

E. There were no transfers between Level 1 and Level 2 in 2024 and 2023.

F. There were no transfers into or out of Level 3 in 2024 and 2023.

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.

A. Borrowing the fund to others: Please refer to the attached Table 1.

B. Endorsement for others: Please refer to the attached Table 2.

C. 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.

D. 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

E. 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.

F. The amount of immovable assets disposition is up to NT\$300 million or over 20% of the paid-in capital: None

G. 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.

H. 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.

I. Engaging in the transaction of derivative financial instrument: Please refer to Note 6 (2) and 12 (3).

J. 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

A. For basic information, please refer to Table 9.

B. 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 the 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 the Group, the President is operating the business by product type. The operating department disclosed by the 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 the 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

2024:

	<u>Industry</u>	<u>Aerospace</u>	<u>Total</u>
Segment revenue	\$ 391,113	\$ 3,110,607	\$ 3,501,720
Revenue from internal segments	-	-	-
Net income from external segments	391,113	3,110,607	3,501,720
Adjusted EBITDA	82,945	674,512	757,457
Depreciation and amortization	25,907	216,197	242,104

2023

	<u>Industry</u>	<u>Aerospace</u>	<u>Total</u>
Segment revenue	\$ 370,240	\$ 2,700,384	\$ 3,070,624
Revenue from internal segments	-	-	-
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

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.

	Dec. 31, 2024	Dec. 31, 2023
Adjusted EBITDA of operating segments	\$ 757,457	\$ 628,634
Depreciation expenses - fixed assets and investment property	(236,556)	(227,925)
Depreciation expenses - right-of-use assets	(447)	(6,376)
Amortizations	(5,101)	(6,217)
Interest expenses	(43,233)	(32,843)
Income before tax of continuing operations	<u>\$ 472,120</u>	<u>\$ 355,273</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 2024 and 2023.

	Dec. 31, 2024		Dec. 31, 2023	
	Revenue	Non-current Assets	Revenue	Non-current Assets
USA	\$ 1,560,542	\$ -	\$ 1,361,248	\$ -
France	498,663	-	507,865	-
Taiwan	40,593	2,848,042	41,196	2,771,672
Others	<u>1,401,922</u>	<u>425,986</u>	<u>1,160,315</u>	<u>193,330</u>
Total	<u>\$ 3,501,720</u>	<u>\$ 3,274,028</u>	<u>\$ 3,070,624</u>	<u>\$ 2,965,002</u>

(7) Information of primary customers

Provided below is the information of primary customers maintained by the Group in 2024 and 2023:

Customer	Dec. 31, 2024		Customer	Dec. 31, 2023	
	Revenue	Segment		Revenue	Segment
A	\$ 834,069	Aerospace	A	\$ 741,182	Aerospace
B	392,440	Aerospace	B	399,975	Aerospace

National Aerospace Fasteners Corporation

Loans to Others

For the year ended December 31, 2024

Table 1

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

Number	Lender	Borrower	Financial statement account	Related party	Highest balance for the period	Ending balance	Actual borrowed amount	Interest rate collars	Nature of loan	Business transaction amount	Reason for short-term financing	Allowance for bad debts	Collateral		Ceiling for each borrower	Aggregate financing limit	Remarks
													Title	Value			
0	National Aerospace Fasteners Corporation	NAFCO Suzhou Precision	Other receivables	Y	\$ 113,908	\$ -	\$ -	2.50%	Business transactions	234,496	Business transactions	-	N/A	-	\$ 234,496	\$ 545,487	(Note)
0	National Aerospace Fasteners Corporation	NAFCO Suzhou Precision	Other receivables	Y	\$ 114,923	\$ 114,748	81,963	5.50%	Short-term borrowing	-	Short-term borrowing	-	N/A	-	\$ 545,487	\$ 545,487	(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, 2024.

National Aerospace Fasteners Corporation

Endorsements/Guarantees to Others

For the year ended December 31, 2024

Table 2

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

Number	Name of endorser/ guarantor	Subject of endorsement/ guarantee		Ceiling amount of endorsement/ guarantee to a single entity (Note)	Ceiling amount of endorsement/ guarantee for the period	Balance of endorsement/ guarantee	Actual borrowed amount	Amount of endorsement/ guarantee backed by assets	Accumulated endorsed/ guaranteed amount as a percentage of net worth	Ceiling amount of endorsement/ guarantee (Note)	Endorsement/ guarantee made by parent company to subsidiary	Endorsement/ guarantee made by subsidiary to parent company	Endorsement/ guarantee for companies in Mainland China	Remarks
		Name	Relation											
0	National Aerospace Fasteners Corporation	NAFCO Suzhou Precision	Subsidiary	\$ 1,363,717	\$ 101,789	\$ 29,507	\$ -	\$ -	1.08%	\$ 1,363,717	Y	N	Y	—

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

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

National Aerospace Fasteners Corporation

Ending Marketable Securities Held (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2024

Table 3

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

Holding company	Name and type of marketable securities	Relation with the issuer	Financial statement account	End of the period			Fair value	Remarks
				Shares	Carrying amount	Ratio of ownership		
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, 2024

Expressed in thousands of New Taiwan Dollars

Table 4

Real estate acquiring company	Property name	Date of occurrence	Transaction amount	Status of payment	Transaction counterparty	Relation	If the trading counterparty is a related party, the information of the previous transfer				References for price determination	Purpose of Acquisition and Situation of Use	Other covenants
							All owners	Relationship with the publisher	Date of transfer	Amount			
MY NAFCO PRECISION. SDN BHD.	Land and plant	2023/12/8	\$147,920 (MYR 21.5 million)	\$147,920 (MYR 21.5 million)	ENER ECOBIO SDN. BHD.	N/A	N/A	N/A	N/A	N/A	Appraisal report	The production line required for operation is under construction.	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, 2024

Table 5

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

Company name	Transaction counterparty	Relation	Transaction details				Abnormal transaction		Notes and accounts receivable (payable)		Remarks
			Purchase/ Sale	Amount	% of total	Payment term	Unit price	Payment term	Balance	% of total	
National Aerospace Fasteners Corporation	NAFCO Suzhou Precision	Subsidiary	Purchase	\$ 234,496	15%	Note	N/A	Note	(\$ 70,526)	(16%)	

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, 2024

Table 6

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

Company with receivables accounted for	Transaction counterparty	Relation	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Subsequent recovery amount of receivables from related parties	Allowance for bad debts
					Amount	Treatment method		
National Aerospace Fasteners Corporation	NAFCO Suzhou Precision	Parent and Subsidiary	Accounts Receivable \$	4.81	\$ -	-	\$ 15,342	\$ -
			27,625					
"	"	"	Other receivables \$ 83,945	-	-	-	155	-

National Aerospace Fasteners Corporation
 Business Relationship and Major Transactions between the Parent Company and Subsidiaries and among Subsidiaries
 For the year ended December 31, 2024

Expressed in thousands of New Taiwan Dollars

Table 7

(Unless otherwise specified)

Number	Company name	Counterparty	Relationship with the counterparty	Transaction details			
				Financial statement account	Amount	Transaction terms	% of total consolidated revenue or total asset
The Company	National Aerospace Fasteners Corporation	NAFCO Suzhou Precision	Note 1	Sales	\$ 82,205	90 days AMS	2%
"	"	"	"	Purchase	234,496	90 days AMS	7%
"	"	"	"	Accounts receivable	27,625	-	-
"	"	"	"	Accounts payable	70,526	-	1%
"	"	"	"	Other receivables	83,945	-	1%

Note 1: Parent company to subsidiary

Note 2: The disclosure standard for the business relationship and significant transactions between the parent company and subsidiaries for the year ended December 31, 2024 was more than NTD 10 million.

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, 2024

Table 8

Expressed in thousands of New Taiwan Dollars

(Unless otherwise specified)

Investor	Investee	Location	Principal business	Initial investment amount		Holding at the end of period			Net income of investee	Recognized portion	Remarks
				Ending balance in 2022	End of last year	Shares	Ratio of ownership	Carrying amount			
National Aerospace Fasteners Corporation	NAFCO Group Ltd.	British Virgin Islands	Investment	\$ 405,897	\$ 405,897	13,000,000	100%	503,051	\$ 107,338	\$ 103,897	Subsidiary
National Aerospace Fasteners Corporation	CYPRESS SKY INVESTMENT LTD	British Virgin Islands	Investment	271,277	16,163	8,500,000	100%	280,902	(5,689)	(5,689)	Subsidiary
NAFCO Group Ltd.	NAFCO Holdings Ltd.	British Virgin Islands	Investment	405,897	405,897	13,000,000	100%	510,338	107,338	N/A	Second tier subsidiary
CYPRESS SKY INVESTMENT LTD	MY NAFCO PRECISION. SDN BHD.	Malaysia	Production and sales of aviation parts	271,277	16,163	38,987,815	100%	280,902	(5,689)	N/A	Second tier subsidiary

National Aerospace Fasteners Corporation
Information on investments in mainland China
For the year ended December 31, 2024

Table 9 Expressed in thousands of New Taiwan Dollars
(Unless otherwise specified)

Name of investee in mainland China	Principal business	Paid-in capital	Method of investment	Accumulated amount of investment remitted outwards from Taiwan at beginning	Investment remitted outwards or recovered in current period		Accumulated amount of investment remitted outwards from Taiwan at ending	Net income of investee	% of ownership held directly or indirectly	Recognized portion (Note 2)	Ending carrying amount	Investment income received at ending	Remarks
					Outwards	Recovered							
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)	-	\$ -	\$405,897 (USD 13 million)	\$ 107,338	100%	\$ 107,338	\$ 510,338	-	-

Name	<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) \$ 426,205	\$ 1,636,460

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, 2024

Table 10

Name of major shareholders	Shares	
	Shares held	Ratio of ownership
Getac Holdings Corporation	20,578,174	37.17%
National Development Fund, Executive Yuan	3,773,188	6.81%

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.