

**CHINA FINEBLANKING TECHNOLOGY CO., LTD.  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2023 and 2022**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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## Representation Letter

The entities that are required to be included in the combined financial statements of CHINA FINEBLANKING TECHNOLOGY CO., LTD. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CHINA FINEBLANKING TECHNOLOGY CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: CHINA FINEBLANKING TECHNOLOGY CO., LTD.  
Chairman: I-HSIANG HUANG  
Date: March 25, 2024.



安侯建業聯合會計師事務所

KPMG

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## Independent Auditors' Report

To the Board of Directors of CHINA FINEBLANKING TECHNOLOGY CO., LTD.:

### Opinion

We have audited the consolidated financial statements of CHINA FINEBLANKING TECHNOLOGY CO., LTD. and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Revenue recognition

For the accounting policies of Revenue recognition, please refer to Note (4)(m) “Revenue from contracts with customers”; for the explanation of revenue recognition, please refer to Note (6)(q).

Description of key audit matter:

The main business items of the Group are producing and selling parts of HDD and parts of vehicles. The Group sets up shipping warehouse at the customers' places to fulfill the demands of the customers. The performance obligations are fulfilled at the time that the customers pick up the goods. Revenue recognition is the matter which needs high attention when we conduct the audit of financial statements, because the accuracy of the timepoint of revenue recognition is material to the financial statements and is the matter the users of financial statements concern.

Our principal audit procedures included:

- Assessing the adequacy of the accounting policies of revenue recognition; testing the Group's controls surrounding the Sale and Receipt cycle and checking the accuracy of the timepoint of revenue recognition;
- Conducting analysis of variances to the top ten customers to evaluate that there is material abnormality or not; sending confirmations to the trade partners;
- Choosing a period contains date of balance sheet and checking the original certificates concerning to verify that related transactions were presented appropriately.

## 2. Inventory valuation

For the accounting policies of Inventory valuation, please refer to Note (4)(h) "Inventories"; for the accounting assumptions and estimation uncertainty of Inventory valuation, please refer to Note (5)(b); for the explanation of Inventory valuation, please refer to Note (6)(c).

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. The net realizable value changes arising from uncertainty of technical transformations, and may have a risk which becomes higher than the historical cost. Thus, we consider the inventory evaluation as a key audit matter.

Our principal audit procedures included:

- Obtaining aging statements of each kind of inventories and testing the changes in ages of inventories; selecting samples to check the accuracy of classification range of inventories ages;
- Obtaining the policies of inventories evaluation and evaluated the consistency of these policies; assessing the basis of the valuation net realizable value, sampling and testing the documentary evidence regarding purchases and sales to verify the accuracy of the valuation of allowance to reduce inventories to market.

### Other Matter

CHINA FINEBLANKING TECHNOLOGY CO., LTD. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unqualified 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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 audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chen, Chung-Che and Chen, Kuo-Tsung.

KPMG

Taipei, Taiwan (Republic of China)  
March 25, 2024

#### **Notes to Readers**

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollar , Except for Earnings Per Common Share)**

		<u>2023</u>		<u>2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (Notes (6)(q) and (14))</b>	\$ 2,310,590	100	2,539,681	100
5000	<b>Operating costs (Notes (6)(c)(m)(r), (7) and (12))</b>	<u>2,054,576</u>	<u>88</u>	<u>2,211,042</u>	<u>87</u>
5900	<b>Gross profit from operations</b>	<u>256,014</u>	<u>12</u>	<u>328,639</u>	<u>13</u>
6000	<b>Operating expenses (Notes (6)(m)(r) and (12)):</b>				
6100	Selling expenses	46,708	2	60,012	2
6200	Administrative expenses	173,441	8	193,969	8
6300	Research and development expenses	104,799	4	94,225	4
6450	Expected credit (gain) loss (Note (6)(b))	<u>(1,328)</u>	<u>-</u>	<u>1,225</u>	<u>-</u>
6300	<b>Total operating expenses</b>	<u>323,620</u>	<u>14</u>	<u>349,431</u>	<u>14</u>
6900	<b>Net operating loss</b>	<u>(67,606)</u>	<u>(2)</u>	<u>(20,792)</u>	<u>(1)</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note (6)(s))	2,214	-	905	-
7010	Other income (Note (6)(s))	31,151	1	46,823	2
7020	Other gains and losses, net (Notes (6)(s), 9 and 12)	8,042	-	36,033	1
7050	Finance costs, net (Notes (6)(l)(s))	<u>(47,207)</u>	<u>(2)</u>	<u>(39,079)</u>	<u>(1)</u>
	<b>Total non-operating income and expenses</b>	<u>(5,800)</u>	<u>(1)</u>	<u>44,682</u>	<u>2</u>
	<b>Profit from continuing operations before tax</b>	(73,406)	(3)	23,890	1
7950	Less: Income tax expenses (Note (6)(n))	<u>(19,093)</u>	<u>(1)</u>	<u>(19,244)</u>	<u>(1)</u>
	<b>Profit</b>	<u>(54,313)</u>	<u>(2)</u>	<u>43,134</u>	<u>2</u>
8300	<b>Other comprehensive income:</b>				
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(34,030)	(1)	28,311	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note (6)(n))	<u>(6,806)</u>	<u>-</u>	<u>5,662</u>	<u>-</u>
8300	<b>Other comprehensive income</b>	<u>(27,224)</u>	<u>(1)</u>	<u>22,649</u>	<u>1</u>
	<b>Total comprehensive income</b>	<u>\$ (81,537)</u>	<u>(3)</u>	<u>65,783</u>	<u>3</u>
	<b>Profit, attributable to:</b>				
8610	Profit, attributable to owners of parent	\$ (54,313)	(2)	43,134	2
8720	Profit, attributable to non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ (54,313)</u>	<u>(2)</u>	<u>43,134</u>	<u>2</u>
	<b>Comprehensive income attributable to:</b>				
8710	Comprehensive income, attributable to owners of parent	\$ (81,537)	(3)	65,783	3
8720	Comprehensive income, attributable to non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ (81,537)</u>	<u>(3)</u>	<u>65,783</u>	<u>3</u>
	<b>Earnings per share (Note (6)(p))</b>				
9750	Basic earnings per share (Dollar)	<u>\$ (0.67)</u>		<u>0.52</u>	
9810	Diluted earnings per share (Dollar)			<u>\$ 0.52</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent							Total equity	
	Share capital	Retained earnings					Total other equity interest		
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings		Exchange differences on translation of foreign financial statements
<b>Balance at January 1, 2022</b>	\$ 858,419	553,362	108,761	124,488	198,064	431,313	(119,793)	(101,797)	1,621,504
Profit	-	-	-	-	43,134	43,134	-	-	43,134
Other comprehensive income	-	-	-	-	-	-	22,649	-	22,649
Total comprehensive income	-	-	-	-	43,134	43,134	22,649	-	65,783
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	10,767	-	(10,767)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(53,607)	(53,607)	-	-	(53,607)
Reversal of special reserve	-	-	-	(4,695)	4,695	-	-	-	-
Conversion of convertible bonds	569	1,712	-	-	-	-	-	-	2,281
Purchase of treasury share	-	-	-	-	-	-	-	(94,790)	(94,790)
Share-based payments	-	144	-	-	-	-	-	840	984
Balance at December 31, 2022	858,988	555,218	119,528	119,793	181,519	420,840	(97,144)	(195,747)	1,542,155
Profit	-	-	-	-	(54,313)	(54,313)	-	-	(54,313)
Other comprehensive income	-	-	-	-	-	-	(27,224)	-	(27,224)
Total comprehensive income	-	-	-	-	(54,313)	(54,313)	(27,224)	-	(81,537)
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	4,313	-	(4,313)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(16,169)	(16,169)	-	-	(16,169)
Stock dividends of ordinary share	4,042	-	-	-	(4,042)	(4,042)	-	-	-
Reversal of special reserve	-	-	-	(22,649)	22,649	-	-	-	-
Conversion of convertible bonds	93	192	-	-	-	-	-	-	285
Purchase of treasury share	-	-	-	-	-	-	-	(8,627)	(8,627)
Issuance of convertible bonds	-	23,036	-	-	-	-	-	-	23,036
<b>Balance at December 31, 2023</b>	\$ <b>863,123</b>	<b>578,446</b>	<b>123,841</b>	<b>97,144</b>	<b>125,331</b>	<b>346,316</b>	<b>(124,368)</b>	<b>(204,374)</b>	<b>1,459,143</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2023 and 2022**  
**(Expressed in Thousands of New Taiwan Dollar)**

	For the years ended December 31	
	2023	2022
<b>Cash flows from operating activities:</b>		
(Loss) profit before tax	\$ (73,406)	23,890
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	185,823	191,514
Amortization expense	19,398	18,022
Expected credit (reversal gain) loss	(1,328)	1,225
Net loss on financial assets and liabilities at fair value through profit or loss	-	57
Interest expense	47,207	39,079
Interest income	(2,214)	(905)
Loss on disposal of property, plant and equipment	2,946	1,310
Amortization of deferred revenue	(2,567)	(2,664)
<b>Total adjustments to reconcile profit</b>	249,265	247,638
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in contract assets	(9,898)	26,117
Increase in notes receivable	(1,082)	(5,259)
Increase in accounts receivable	(74,748)	(852)
(Descrease) increase in other receivables	20,495	(6,906)
(Descrease) increase in inventories	130,924	(52,120)
(Descrease) increase in prepayments	8,843	(20,363)
Decrease in other current assets	31	1,938
<b>Total changes in operating assets</b>	74,565	(57,445)
(Descrease) increase in contract liabilities	(476)	1,431
Decrease in notes payable	(156)	(789)
Increase (decrease) in accounts payable	59,433	(86,139)
Increase (decrease) increase in other payables	44,665	(65,797)
Increase (decrease) in other current liabilities	44	(65)
<b>Total changes in operating liabilities</b>	103,510	(151,359)
<b>Total changes in operating assets and liabilities</b>	178,075	(208,804)
<b>Total adjustments</b>	427,340	38,834
Cash inflow generated from operations	353,934	62,724
Interest received	2,214	905
Interest paid	(37,904)	(31,356)
Income taxes paid	(2,825)	(11,109)
<b>Net cash flows from operating activities</b>	315,419	21,164

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows (CONT'D)**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollar)**

	For the years ended December 31	
	2023	2022
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(28,395)	(36,308)
Proceeds from disposal of property, plant and equipment	5,823	2,260
Acquisition of intangible assets	(650)	(1,623)
Decrease in refundable deposits	34	263
Increase in other non-current assets	(23,277)	(103,683)
<b>Net cash flows used in investing activities</b>	(46,465)	(139,091)
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	421,453	961,963
Decrease in short-term loans	(744,965)	(799,765)
Proceeds from issuing bonds	508,359	-
Repayments of bonds	(385,383)	-
Proceeds from long-term loans	179,000	50,000
Repayments of long-term loans	(150,104)	(144,958)
Repayments of lease liabilities	(2,705)	(2,271)
Cash dividends paid	(16,169)	(53,607)
Payments to acquire treasury shares	(8,627)	(94,790)
Treasury shares sold to employees	-	984
<b>Net cash flows (used in) from financing activities</b>	(199,141)	(82,444)
<b>Effect of exchange rate fluctuations on cash held</b>	(6,405)	24,500
<b>Net increase (decrease) in cash and cash equivalents</b>	63,408	(175,871)
<b>Cash and cash equivalents, beginning of the period</b>	351,084	526,955
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 414,492</b>	<b>351,084</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)**

**(1) Company history**

CHINA FINEBLANKING TECHNOLOGY CO., LTD. (the “Company”) was incorporated in November 1992. The major business activities of the Company are the manufacture and sale of hardware parts, mechanical hardware parts and molding components. The Company completed supplementary procedures for classification as a public company on August 18, 2008. The procedures were approved by the Financial Supervisory Commission R.O.C.(Taiwan) Securities and Futures Bureau. The Company’s common shares were listed on GreTai Securities Market (Formerly known as the ROC Over-the-Counter Securities Exchange) on January 9, 2012. The address of its registered office and principal place of business is No.40, Xingong Rd., Shengang Township, Changhua County, Taiwan (R.O.C.).

The consolidated financial statements comprise the Company and subsidiaries (together referred to as the “Group” and individually as “Group entities”).

**(2) Approval date and procedures of the consolidated financial statements:**

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 25, 2024.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the (following) new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

**(4) Summary of material accounting policies:**

The material accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets :

1) Financial instruments at fair value through profit or loss are measured at fair value ;

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Basis of consolidation

(i) Principles for preparing consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, 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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements:

The detail information of the subsidiaries at the end of reporting period was as follows:

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
The Company	China Fineblanking Group Co., Ltd. (CFTC Group)	Investment activities	100.00 %	100.00 %	
The Company	CFTC Precision Sdn. Bhd. (CFTC Malaysia)	Property management	100.00 %	100.00 %	(1)
CFTC Group	China Fineblanking International Co., Ltd. (CFTC International)	Investment activities	100.00 %	100.00 %	
CFTC International	CFTC Precision (Jia-Xing) (CFTC Jia-Xing)	Manufacture and sale of hardware parts, mechanical hardware parts and molding components	100.00 %	100.00 %	
CFTC International	CFTC (Huai-An) Limited (CFTC Huai-An)	Manufacture of mechanical parts and molding components	100.00 %	100.00 %	

Note 1: Since CFTC Precision Sdn. Bhd have completed the phased milestone, the liquidation procedure of the company had been approved during the Company’s board meeting held on January 14, 2022 in order to lower the cost of operation. The related liquidation procedure was still in-progress.

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Subsidiaries excluded from consolidation financial statements: None.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle ;
- (ii) It is held primarily for the purpose of trading ;
- (iii) It is expected to be realized within twelve months after the reporting period ; or
- (iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled within the Group's normal operating cycle ;
- (ii) It is held primarily for the purpose of trading ;
- (iii) The liability is due to be settled within twelve months after the reporting period ; or
- (iv) The Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are assets that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in their fair value.

Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose should be recognized as cash equivalents.

(g) Financial instruments

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. Accounts receivable that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the ‘accounts receivable’ line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable and other financial assets) and trade receivables measured at FVOCI.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- a) debt securities that are determined to have low credit risk at the reporting date ;  
and
- b) other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is overdue the payment terms.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data :

- a) significant financial difficulty of the borrower or issuer ;
- b) a breach of contract such as a default or being overdue the payment terms ;

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- d) it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- e) the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in TWD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

6) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

7) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Buildings	
Plant main buildings	10~50 years
Other	5~50 years
Machinery	3~20 years
Molding equipment	2~5 years
Transportation equipment	3~10 years
Office and other equipment	3~20 years
Lease improvement	Whichever is shorter the lease period or the useful lives
Miscellaneous equipment	3~15 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of Office and other equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Computer software	1 ~ 10 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment – non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group manufactures and sells hard disk drive components and auto parts. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

For contracts in which the control of the commodity has been transferred and the Group has the unconditional right to collect consideration, accounts receivable is recognized, while without the unconditional right to collect consideration, the contractual assets are recognized for the contracts that the control of the commodity has been transferred.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(n) Government grants and Government assistance

For low-interest loan obtained from a financial institution in accordance with the Government's project borrowing policy, the Group recognizes the difference between the fair valued of the loan, calculated at market rate, and the proceed received as deferred revenue, which is amortized as other income on a systematic basis. When the proceed of the loan is utilized to acquire assets, the difference is regarded as a deduction to the cost of acquired assets and amortized on a systematic basis as a reduction of depreciation expense.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (1) affects neither accounting nor taxable profits (losses) and (2) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) The loss allowance of accounts receivables

The Group has estimated the loss allowance of accounts receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to Note 6(b).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(c) for further description of the valuation of inventories.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

Please refer to notes listed as below for assumptions used in measuring fair value.

- (a) Note 6(t) , Financial instruments

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**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$ 167	212
Cash in banks	<u>414,325</u>	<u>350,872</u>
	<u><u>\$ 414,492</u></u>	<u><u>351,084</u></u>

Please refer to Note 6(t) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ 85,200	85,666
Accounts receivable	711,477	647,795
Less: Loss allowance	<u>(5,270)</u>	<u>(6,698)</u>
	<u><u>\$ 791,407</u></u>	<u><u>726,763</u></u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The loss allowance provisions for the Group were determined as follows:

	<u>December 31, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 767,937	0%	-
1 to 30 days past due	20,331	0.1%	19
31 to 60 days past due	2,615	5%	131
61 to 120 days past due	1,972	10%~78%	1,534
121 to 180 days past due	1,159	30%~80%	923
More than 181 days past due	<u>2,663</u>	70%~100%	<u>2,663</u>
	<u><u>\$ 796,677</u></u>		<u><u>5,270</u></u>

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	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 696,057	0%	-
1 to 30 days past due	16,228	0.1%	15
31 to 60 days past due	8,657	5%	433
61 to 120 days past due	7,536	10%~17%	1,267
121 to 180 days past due	2,090	30%~100%	2,090
More than 181 days past due	2,893	70%~100%	2,893
	<b>\$ 733,461</b>		<b>6,698</b>

Please refer to Note 6(t) for the Group's notes and accounts receivable exposure to credit risk and currency risk.

The movement in the allowance for notes and accounts receivable were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 6,698	5,397
Impairment (losses reversed) losses recognized	(1,328)	1,225
Effects of changes in foreign exchange rates	(100)	76
Balance at December 31	<b>\$ 5,270</b>	<b>6,698</b>

As of December 31, 2023 and 2022, the notes and accounts receivable of the Group were not pledged as collateral.

(c) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Raw materials	\$ 91,663	129,881
Work in progress	200,529	225,346
Finished goods	287,660	364,527
	<b>\$ 579,852</b>	<b>719,754</b>

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For the years ended December 31, 2023 and 2022, the components of the cost of sales were as follows:

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 2,019,777	2,189,978
Unallocated fixed manufacturing overhead	28,547	17,526
Write-down and obsolescence of inventories	<u>6,252</u>	<u>3,538</u>
	<u><u>\$ 2,054,576</u></u>	<u><u>2,211,042</u></u>

As of December 31, 2023 and 2022, the Group did not provide any inventories as collateral for its loans.

(d) Prepayments

	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
Supplies inventory (including mold components and spare parts)	\$ 117,689	136,606
Other prepayments	<u>32,091</u>	<u>45,965</u>
	<u><u>\$ 149,780</u></u>	<u><u>182,571</u></u>

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were detailed as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Molds</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other facilities</u>	<u>Construction in progress and testing equip</u>	<u>Total</u>
<b>Cost or deemed cost:</b>										
Balance on January 1, 2023	\$ 479,357	751,985	1,769,449	324,224	11,153	50,368	96	8,581	210	3,395,423
Additions	-	231	23,584	4,196	-	384	-	-	-	28,395
Reclassification	-	-	19,436	17,273	-	76	-	-	-	36,785
Disposal	-	(114)	(61,712)	(15,291)	(2,536)	(1,087)	(96)	(100)	-	(80,936)
Effect of movements in exchange rates	-	(7,909)	(26,506)	(4,297)	(167)	(686)	-	-	-	(39,565)
Balance on December 31, 2023	<u>\$ 479,357</u>	<u>744,193</u>	<u>1,724,251</u>	<u>326,105</u>	<u>8,450</u>	<u>49,055</u>	<u>-</u>	<u>8,481</u>	<u>210</u>	<u>3,340,102</u>
Balance on January 1, 2022	\$ 479,357	718,216	1,620,223	316,209	12,565	49,952	96	8,789	4,028	3,209,435
Additions	-	5,539	10,638	3,895	4	69	-	223	15,940	36,308
Reclassification	-	22,468	136,608	13,054	(940)	1,084	-	38	(19,758)	152,554
Disposal	-	(477)	(16,662)	(13,589)	(665)	(1,283)	-	(469)	-	(33,145)
Effect of movements in exchange rates	-	6,239	18,642	4,655	189	546	-	-	-	30,271
Balance on December 31, 2022	<u>\$ 479,357</u>	<u>751,985</u>	<u>1,769,449</u>	<u>324,224</u>	<u>11,153</u>	<u>50,368</u>	<u>96</u>	<u>8,581</u>	<u>210</u>	<u>3,395,423</u>
<b>Depreciation and impairment loss:</b>										
Balance on January 1, 2023	\$ -	131,023	946,488	293,271	8,661	38,253	96	3,889	-	1,421,681
Depreciation	-	30,418	127,462	19,885	969	3,027	-	440	-	182,201
Disposal	-	(71)	(57,626)	(11,032)	(2,283)	(959)	(96)	(100)	-	(72,167)
Effect of movements in exchange rates	-	(2,384)	(16,787)	(3,989)	(139)	(522)	-	-	-	(23,821)
Balance on December 31, 2023	<u>\$ -</u>	<u>158,986</u>	<u>999,537</u>	<u>298,135</u>	<u>7,208</u>	<u>39,799</u>	<u>-</u>	<u>4,229</u>	<u>-</u>	<u>1,507,894</u>

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	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Molds</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other facilities</u>	<u>Construction in progress and testing equip</u>	<u>Total</u>
Balance on January 1, 2022	\$ -	98,906	831,295	269,359	8,582	34,975	96	3,933	-	1,247,146
Depreciation	-	31,158	119,117	32,954	1,373	3,297	-	425	-	188,324
Reclassification	-	-	-	-	(823)	823	-	-	-	-
Disposal	-	(328)	(15,045)	(11,948)	(598)	(1,187)	-	(469)	-	(29,575)
Effect of movements in exchange rates	-	1,287	11,121	2,906	127	345	-	-	-	15,786
Balance on December 31, 2022	<u>\$ -</u>	<u>131,023</u>	<u>946,488</u>	<u>293,271</u>	<u>8,661</u>	<u>38,253</u>	<u>96</u>	<u>3,889</u>	<u>-</u>	<u>1,421,681</u>
<b>Carrying amounts:</b>										
Balance on December 31, 2023	<u>\$ 479,357</u>	<u>585,207</u>	<u>724,714</u>	<u>27,970</u>	<u>1,242</u>	<u>9,256</u>	<u>-</u>	<u>4,252</u>	<u>210</u>	<u>1,832,208</u>
Balance on January 1, 2022	<u>\$ 479,357</u>	<u>619,310</u>	<u>788,928</u>	<u>46,850</u>	<u>3,983</u>	<u>14,977</u>	<u>-</u>	<u>4,856</u>	<u>4,028</u>	<u>1,962,289</u>
Balance on December 31, 2022	<u>\$ 479,357</u>	<u>620,962</u>	<u>822,961</u>	<u>30,953</u>	<u>2,492</u>	<u>12,115</u>	<u>-</u>	<u>4,692</u>	<u>210</u>	<u>1,973,742</u>

(i) During 2022, the Group has capitalized borrowing costs related to the acquisition of the equipment and construction of the factory of \$163, calculated using a capitalization rate of 1.45%~1.78%.

(ii) As of December 31, 2023 and 2022, the property, plant and equipment of the Group had been pledged as collateral for long and short-term borrowings; please refer to Note 8.

(f) Right-of-use assets

The Group leased many assets including land and buildings, vehicles and office equipment leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
<b>Cost:</b>					
Balance at January 1, 2023	\$ 34,531	-	5,587	1,042	41,160
Additions	-	-	2,554	-	2,554
Disposals	-	-	(2,518)	-	(2,518)
Effect of movements in exchange rates	(634)	-	-	-	(634)
Balance at December 31, 2023	<u>\$ 33,897</u>	<u>-</u>	<u>5,623</u>	<u>1,042</u>	<u>40,562</u>
Balance at January 1, 2022	\$ 33,983	1,934	2,933	1,042	39,892
Additions	-	-	3,285	-	3,285
Disposals	-	(1,920)	(631)	-	(2,551)
Effect of movements in exchange rates	548	(14)	-	-	534
Balance at December 31, 2022	<u>\$ 34,531</u>	<u>-</u>	<u>5,587</u>	<u>1,042</u>	<u>41,160</u>
<b>Accumulated depreciation and impairment losses:</b>					
Balance at January 1, 2023	\$ 3,707	-	3,021	496	7,224
Depreciation	924	-	2,490	208	3,622
Disposal	-	-	(2,518)	-	(2,518)
Effect of movements in exchange rates	(82)	-	-	-	(82)
Balance at December 31, 2023	<u>\$ 4,549</u>	<u>-</u>	<u>2,993</u>	<u>704</u>	<u>8,246</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Balance at January 1, 2022	\$ 2,740	1,934	1,776	287	6,737
Depreciation	929	176	1,876	209	3,190
Disposals	-	(1,920)	(631)	-	(2,551)
Others	-	(224)	-	-	(224)
Effect of movements in exchange rates	38	34	-	-	72
Balance at December 31, 2022	<u>\$ 3,707</u>	<u>-</u>	<u>3,021</u>	<u>496</u>	<u>7,224</u>
<b>Carrying amounts:</b>					
Balance at December 31, 2023	<u>\$ 29,348</u>	<u>-</u>	<u>2,630</u>	<u>338</u>	<u>32,316</u>
Balance at January 1, 2022	<u>\$ 31,243</u>	<u>-</u>	<u>1,157</u>	<u>755</u>	<u>33,155</u>
Balance at December 31, 2022	<u>\$ 30,824</u>	<u>-</u>	<u>2,566</u>	<u>546</u>	<u>33,936</u>

As of December 31, 2023 and 2022, the right-of-use assets of the Group had been pledged as collateral for long and short-term borrowings; please refer to Note 8.

(g) Other non-current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayments for equipments	\$ 36,570	67,659
Guarantee deposits paid	3,917	3,951
Other non-current assets	48,347	47,225
	<u>\$ 88,834</u>	<u>118,835</u>

(i) During 2023 and 2022, the Group has capitalized borrowing costs related to the acquisition of the equipment and construction of factory of \$1,177 and \$3,693, calculated using a capitalization rate of 2.026%~4.16% and 1.45%~4.27%, respectively.

(ii) The difference between the fair value and the amount received from the low-interest government loan project of \$835 and \$738 was recognized as cost deduction on additional assets under prepayments for equipments during 2023 and 2022.

(h) Short-term borrowings

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unsecured bank loans	\$ 264,210	377,668
Secured bank loans	56,251	271,091
Total	<u>\$ 320,461</u>	<u>648,759</u>
Unused short-term credit lines	<u>\$ 1,097,926</u>	<u>555,799</u>
Range of interest rates	<u>2.05%~4.45%</u>	<u>1.65%~4.65%</u>

(i) As of December 31, 2023 and 2022, the Group had borrowed the unsecured bank loans amounted to \$421,453 and \$961,963, and had been repaid at the amount of \$744,965 and \$799,765, respectively.

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(ii) For the collateral for short-term borrowing, please refer to Note 8.

(i) Other payables (including related parties)

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Payable on expendables	\$ 38,096	41,207
Outsourced processing expenses payable	158,205	143,977
Wages and salaries payable	45,609	29,389
Mold-processing expenses payable	1,114	3,264
Payable on machinery and repairing	22,841	25,201
Packing expenses payable	7,175	7,690
Payable on construction	15,908	20,680
Others	<u>76,971</u>	<u>75,149</u>
	<b><u>\$ 365,919</u></b>	<b><u>346,557</u></b>

(j) Bonds payable

The details of bonds payable were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Secured convertible bonds	\$ 202,416	198,514
Unsecured convertible bonds	285,188	183,169
Less: current portion	<u>-</u>	<u>(381,683)</u>
	<b><u>\$ 487,604</u></b>	<b><u>-</u></b>

(i) The details of convertible bonds were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total convertible corporate bonds issued	\$ 504,522	401,504
Unamortized discounted corporate bonds payable	(16,614)	(3,701)
Cumulative converted and redeemed amount	(304)	(16,120)
Less: current portion	<u>-</u>	<u>(381,683)</u>
Corporate bonds issued balance at year end	<b><u>\$ 487,604</u></b>	<b><u>-</u></b>
Embedded derivative – call and put options, included in non current financial assets at fair value through profit or loss	<u>\$ -</u>	<u>-</u>
Equity component – conversion options, included in capital surplus – stock options	<b><u>\$ 23,021</u></b>	<b><u>9,338</u></b>

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On August 31 and September 1, 2020, the Group issued the three-year domestic secured convertible bonds with zero interest rate of \$200,000 for the second time and the three-year domestic unsecured convertible bonds with zero interest rate of \$201,504 for the third time, and the issuance information was as follows:

The second domestic secured convertible bonds	The third domestic unsecured convertible bonds
<ul style="list-style-type: none"> <li>· The conversion price was \$46 dollar per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.</li> <li>· From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.</li> <li>· Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the bond denomination.</li> <li>· On August 31, 2023, the bond was expired. According to the schedule of principal repayment at maturity and termination of over-the-counter operation, the repayment amounts to bondholders were \$200,000 on September 14, 2023.</li> </ul>	<ul style="list-style-type: none"> <li>· The conversion price was \$45 per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.</li> <li>· From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.</li> <li>· Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the maturity date at 100.7519% of the principal amount of the bond (the real yield is 0.25%).</li> <li>· On September 1, 2023, the bond was expired. According to the schedule of principal repayment at maturity and termination of over-the-counter operation, the repayment amount to bondholders were \$185,383 on September 15, 2023.</li> </ul>

On August 30 and August 31, 2023, the Group issued the three-year domestic secured convertible bonds with zero interest rate of \$200,000 for the fourth time and the three-year domestic unsecured convertible bonds with zero interest rate of \$304,522 for the fifth time, and the issuance information was as follows:

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The fourth domestic secured  
convertible bonds

· The conversion price was \$33.39 dollar per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.

· From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.

· Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the bond denomination.

The fifth domestic unsecured  
convertible bonds

· The conversion price was \$32.74 dollar per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.

· From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.

· Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the maturity date at 101.5075% of the principal amount of the bond (the real yield is 0.5%).

(ii) For the details of collateral of convertible bonds, please refer to Note 8.

(iii) Please refer to note 6(s) for the interest expense for the years ended December 31, 2023 and 2022.

(k) Long-term borrowings

The details were as follows:

	<b>December 31, 2023</b>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity date</u>	<u>Amount</u>
Unsecured bank loans	TWD	0.80%~2.30%	2024.08.16~2028.05.18	\$ 256,733
Secured bank loans	TWD	0.70%~2.15%	2026.03.15~2039.10.31	679,956
Secured bank loans	CNY	3.80%~3.91%	2024.01.15~2024.07.01	<u>30,289</u>
				966,978
Less: current portion				<u>(232,292)</u>
Total				<u>\$ 734,686</u>
Unused long-term credit lines				<u>\$ 239,200</u>

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	<b>December 31, 2022</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity date</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.55%~2.05%	2023.06.10~2025.10.08	\$ 181,128
Secured bank loans	TWD	0.45%~4.06%	2023.04.25~2039.10.31	<u>753,679</u>
				934,807
Less: current portion				<u>(184,118)</u>
Total				<u>\$ 750,689</u>
Unused long-term credit lines				<u>\$ 288,200</u>

(i) For the collateral for long-term borrowings, please refer to Note 8.

(ii) The low-interest government loans projects

As of December 31, 2022, the Group had borrowed secured bank loans of \$20,000. The annual interest rates of loans was 0.45%, due in October 2027. The loans were applied according to the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan”. Due to the impact of the Central Bank’s interest rate hike policy, the annual interest rate was changed to 0.70% in 2023.

As of December 31, 2023, the Group had borrowed secured bank loans of \$35,000. The annual interest rates of loans was 0.70%, due in October 2027. The loans were applied according to the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan”.

(iii) As of December 31, 2023 and 2022, the Group had borrowed the secured and unsecured bank loans of amounted to \$179,000 and \$50,000; and had been repaid at the amounts of \$150,104 and \$144,958, respectively.

(l) Lease liabilities

The carrying amount of lease liabilities of the Group were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<u>\$ 1,691</u>	<u>2,155</u>
Non-current	<u>\$ 1,312</u>	<u>999</u>

For the maturity analysis, please refer to Note 6(t).

The amounts recognized in profit or loss were as follows:

	<b>For the year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	<u>\$ 72</u>	<u>73</u>
Expenses relating to short-term leases	<u>\$ 4,715</u>	<u>4,450</u>

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The amounts recognized in the statement of cash flows for the Group were as follows:

	<b>For the year ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	\$ 7,492	6,794

The Group leases machinery equipment for a period between 1 to 3 years. Some leases include an option to renew the lease for on additional period after the end of the contract term.

(m) Employee benefits

(i) Defined contribution plans

The Group allocates 6.00% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

For the years ended December 31, 2023 and 2022, the pension costs incurred from the contributions to the Bureau of Labor Insurance as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating costs	\$ 3,134	3,862
Selling expenses	1,890	2,027
	\$ 5,024	5,889

(ii) For the years ended December 31, 2023 and 2022, the foreign subsidiary recognized pension costs according to local laws as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Operating costs	\$ 12,825	15,119
Selling expenses	4,528	4,977
Total	\$ 17,353	20,096

(n) Income taxes

(i) The components of income tax in the years 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax benefit		
Current period	\$ -	12,317
Additional 5% surtax on distributed retained earnings	-	2,267
Adjustment for prior periods	972	(15,480)
Deferred tax (benefit) expense		
Origination and reversal of temporary differences	(20,065)	(18,348)
Income tax benefit	\$ (19,093)	(19,244)

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Reconciliations of income tax and profit before tax for 2023 and 2022 were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit (loss) excluding income tax	\$ (73,406)	23,890
Income tax the Company's domestic tax rate	(14,681)	4,778
Effect of tax rates in foreign jurisdiction	10,968	3,785
Non-deductible expenses	1,002	1,354
Research and development expenses deduction	(17,863)	(14,692)
Recognition of previously unrecognized tax losses	-	(1,284)
Current-year losses for which no deferred tax asset was recognized	92	-
Adjustment in recognized temporary differences	389	-
Underestimation (overestimation) in prior period	972	(15,480)
Additional 5% surtax on distributed retained earnings	-	2,267
Others	28	28
	<b>\$ (19,093)</b>	<b>(19,244)</b>

(iii) The amount of income tax recognized in other comprehensive income (loss) for the years ended December 31, 2023 and 2022 was as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statement	\$ (6,806)	5,662

(iv) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2023 and 2022 were as follows:

	<b>Inventory valuation losses</b>	<b>Deductible losses</b>	<b>Other</b>	<b>Total</b>
Deferred tax assets:				
Balance at January 1, 2023	\$ 4,852	16,757	14,997	36,606
Recognized in profit or loss	1,913	27,157	(668)	28,402
Recognized in other comprehensive income	-	-	6,806	6,806
Exchange differences on translation of foreign financial statement	(89)	(402)	(25)	(516)
Balance at December 31, 2023	<b>\$ 6,676</b>	<b>43,512</b>	<b>21,110</b>	<b>71,298</b>

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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	<u>Inventory valuation losses</u>	<u>Deductible losses</u>	<u>Other</u>	<u>Total</u>
Balance at January 1, 2022	\$ 4,244	-	21,341	25,585
Recognized in profit or loss	548	16,801	(775)	16,574
Recognized in other comprehensive income	-	-	(5,662)	(5,662)
Exchange differences on translation of foreign financial statement	60	(44)	93	109
Balance at December 31, 2022	<u>\$ 4,852</u>	<u>16,757</u>	<u>14,997</u>	<u>36,606</u>

	<u>Investment income overseas</u>	<u>Other</u>	<u>Total</u>
Deferred tax liabilities:			
Balance at January 1, 2023	\$ 72,413	1,906	74,319
Recognized in profit or loss	9,016	(679)	8,337
Balance at December 31, 2023	<u>\$ 81,429</u>	<u>1,227</u>	<u>82,656</u>
Balance at January 1, 2022	\$ 76,094	-	76,094
Recognized in profit or loss	(3,681)	1,906	(1,775)
Balance at December 31, 2022	<u>\$ 72,413</u>	<u>1,906</u>	<u>74,319</u>

(v) The Company's income tax returns for the years through 2020 were assessed by the tax authorities.

(o) Capital and other equity

(i) Ordinary shares

As of December 31, 2023 and 2022, the number of authorized share capital were \$150,000 thousand shares with par value \$10 dollar per share. The total value of authorized share capital amounted to \$1,500,000. Issued ordinary shares are 86,312 thousand shares and 85,899 thousand shares, respectively.

The reconciliation of shares outstanding for 2023 and 2022 was as follows:

(in thousands of shares)

	<u>Ordinary Shares</u>	
	<u>2023</u>	<u>2022</u>
Balance on January 1	85,899	85,842
Capital increase by conversion of convertible bonds	9	57
Capital increase by retained earnings	404	-
Balance on December 31	<u>86,312</u>	<u>85,899</u>

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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Due to the conversion right of the bondholders in 2022, the Company converted the convertible bonds into 57 thousand new shares, with a par value of NTD10 per share, amounting to \$569. The relevant statutory registration procedures had been completed on November 22, 2022 and March 17, 2023, respectively.

Due to the conversion right of the bondholder, the Company issued 9 thousand shares with par value of NTD10 per share for a total amount of \$93 in 2023, the legal registration procedures had not been completed on December 31, 2023.

A resolution was passed during the general meeting of shareholders held on May 31, 2023 for the issuance of 404 thousand new shares by retained earnings with par value of \$10 dollar per share, amounting to \$4,042. On September 14, 2023, the chairman of the Board of Directors authorized the increase of capital by the Board of Directors on August 7, 2023 to set the capital increase record date as October 8, 2023. The relevant statutory registration procedures have since been completed by October 26, 2023.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022, were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Premium from issuing new shares	\$ 303,851	303,851
Premium from converting bonds	206,617	206,410
Share-based payment	33,259	33,259
Treasury share transactions	2,360	2,360
Issuance of convertible bonds	32,359	9,338
	<b><u>\$ 578,446</u></b>	<b><u>555,218</u></b>

(iii) Retained earnings

Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

If the Company distributes dividends and bonuses or legal reserve and all or part of capital surplus by way of cash distribution, the authorization should be made by the Board of Directors with the presence more than two-thirds of the Directors and the consent of a majority of the directors present, and the distribution should be reported to the shareholders' meeting.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, current and prior-period earnings that remain undistributed will be proposed for distribution by the Board of Directors, and a meeting of shareholders will be held to decide on this matter. The cash dividends shall not be more than 10% of total dividends.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

The Company has selected to apply the optional exemptions according to IFRS 1 "First-time Adoption of International Financial Reporting Standards".

A special reserve was appropriate from the accumulated conversion adjustment (benefits) under equity transferred to retained earnings is \$52,050. The special reserve appropriated can be reversed to the extent that the net debit balance reverses.

In accordance with the aforesaid Rule, a special reserve is set aside from the current years' net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of contra accounts in shareholder's equity shall qualify for additional distributions. As of December 31, 2023 and 2022, the special reserve appropriated from the undistributed earnings amounted to \$97,144 and \$119,793.

3) Earnings distribution

The amounts of earnings distribution on the appropriations of earnings for 2022 and 2021 had been approved during the shareholders' meeting on May 31, 2023 and May 27, 2022, respectively.

	<u>2022</u>		<u>2021</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.20	16,169	0.65	53,607
	dollar		dollar	
Share	0.05	<u>4,042</u>	-	<u>-</u>
	dollar			
Total		<u>\$ 20,211</u>		<u>53,607</u>

The amounts of cash dividends on the appropriations of earnings for 2023, and the amount of shares dividends of appropriations of earnings for 2023, had been approved and proposed, respectively during the board meeting on March 25, 2024 as follows:

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>2023</b>	
	<b>Amount per share</b>	<b>Total amount</b>
Cash	\$ 0.10 dollar	8,126
Share	0.03 dollar	2,438
Total		<b>\$ 10,564</b>

(iv) Treasury shares

At March 19, 2020, the Company decided to repurchase shares as treasury shares (the tenth time) by the propose of the Board of Directors. The Company expected to repurchase 3,000,000 shares between March 20 to May 19, 2020. The expected range of repurchased price is between \$23.10 dollar to \$56.71 dollar TWD. The Company had repurchased 1,500,000 shares and the actual average share price was \$35.01 dollar TWD per share. The total amount of shares repurchased was \$52,512. At January 21, 2022 and July 1, 2021, the chairman proposed to transfer treasury shares to employees by 35.01 dollar TWD per share, and the total price of the transformation is \$840 and \$51,674, respectively. The differences \$ 144 and \$10,464 were recognized as capital surplus on the day of delivering stocks to the employees.

At May 13, 2021, the Company decided to repurchase shares (the eleventh time) as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 3,000,000 shares between May 14 to July 13, 2021. The expected range of repurchased price is between \$28.56 dollar to \$69.43 dollar TWD. The Company had repurchased 2,349,000 shares, and the actual average share price was \$42.94 dollar TWD per share. The total amount of shares repurchased was \$100,872.

At January 14, 2022, the Company decided to repurchase shares (the twelfth time) as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 2,000,000 shares between January 17 to March 16, 2022. The expected range of repurchased price is between \$28.25 dollar to \$61.65 dollar TWD. The Company had repurchased 1,020,000 shares, and the actual average share price was \$40.79 dollar TWD per share. The total amount of shares repurchased was \$41,604.

At June 2, 2022, the Company decided to repurchase shares (the thirteenth time) as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 2,000,000 shares between June 6 to August 5, 2022. The expected range of repurchased price is between \$26.46 dollar to \$58.22 dollar TWD. The Company had repurchased 1,098,000 shares, and the actual average share price was \$38.28 dollar TWD per share. The total amount of shares repurchased was \$42,029.

At December 6, 2022, the Company decided to repurchase shares (the fourteenth time) as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 1,000,000 shares between December 7, 2022 to February 6, 2023. The expected range of repurchased price is between \$23.66 dollar to \$50.42 dollar TWD. The Company had repurchased 587,000 shares, and the actual average share price was \$33.85 dollar TWD per share. The total amount of shares repurchased was \$19,869.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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According to the Securities and Exchange Act, the proportion of the shares which the Company repurchased shall not exceed 10% of the total number of shares the Company have issued. And the total amount of shares shall not exceed the total amount of retained earnings, premium from issuing new shares and realized capital surplus.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

The Company changes of treasury shares as follows:

(in thousands of shares)

	<b>Treasury shares</b>	
	<b>2023</b>	<b>2022</b>
Balance at Beginning	4,796,000	2,373,000
Increase in the period	258,000	2,447,000
Decrease in the period	-	(24,000)
Balance at Ending	<b>5,054,000</b>	<b>4,796,000</b>

(v) Other equity items

	<b>Exchange differences on translation of foreign financial statements</b>	
Balance at January 1, 2023	\$	(97,144)
Exchange differences on foreign operations		(27,224)
Balance at December 31, 2023	<b>\$</b>	<b>(124,368)</b>
Balance at January 1, 2022	\$	(119,793)
Exchange differences on foreign operations		22,649
Balance at December 31, 2022	<b>\$</b>	<b>(97,144)</b>

(p) Earnings per share

The details on the calculation of basic earnings per share and diluted earnings per share were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Basic earnings per share</b>		
Profit/(loss) attributable to ordinary shareholders of the Company	<b>\$ (54,313)</b>	<b>43,134</b>
Weighted average number of ordinary ( thousands shares)	81,252	82,439
Basic earnings per share (dollars)	<b>\$ (0.67)</b>	<b>0.52</b>

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**Diluted earnings per share**

Profit/(loss) attributable to ordinary shareholders of the Company	43,134
Effect of dilutive potential ordinary shares	
Interest expense on convertible bonds, net of tax	4,411
Profit/(loss) attributable to ordinary shareholders of the Company (diluted)	<u>47,545</u>
Weighted average number of ordinary ( thousands shares)	82,439
Effect of dilutive potential ordinary shares	
Effect of employee share bonus (thousands shares)	50
Effect of conversion of convertible bonds (thousands shares)	9,428
Weighted average number of ordinary (Including adjustment of effect of dilutive potential ordinary shares) (thousands shares)	<u>91,917</u>
Diluted earnings per share (dollars)	<u><u>0.52</u></u>

Note: Potential common shares were not included in the calculation of diluted EPS due to the inclusion of potential common shares would have an anti-dilutive effect in 2023, which was a net loss.

## (q) Revenue from contracts with customers

## (i) Details of revenue

<b>For the year ended December 31, 2023</b>				
	<b>Parts of HDD</b>	<b>Parts of vehicles</b>	<b>Management &amp; operations</b>	<b>Total</b>
Major products/services lines:				
Sales of goods	\$ 300,064	1,934,457	34,792	2,269,313
Other sales revenue	-	-	41,277	41,277
Total	<u>\$ 300,064</u>	<u>1,934,457</u>	<u>76,069</u>	<u>2,310,590</u>
Timing of revenue recognition:				
Products transferred at a point in time	<u>\$ 300,064</u>	<u>1,934,457</u>	<u>76,069</u>	<u>2,310,590</u>
<b>For the year ended December 31, 2022</b>				
	<b>Parts of HDD</b>	<b>Parts of vehicles</b>	<b>Management &amp; operations</b>	<b>Total</b>
Major products/services lines:				
Sales of goods	\$ 527,447	1,868,030	100,000	2,495,477
Other sales revenue	-	-	44,204	44,204
Total	<u>\$ 527,447</u>	<u>1,868,030</u>	<u>144,204</u>	<u>2,539,681</u>
Timing of revenue recognition:				
Products transferred at a point in time	<u>\$ 527,447</u>	<u>1,868,030</u>	<u>144,204</u>	<u>2,539,681</u>

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Contract balances

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>January 1,</u> <u>2022</u>
Notes receivables	\$ 85,200	85,666	79,280
Account receivables	711,477	647,795	639,815
Less: Loss allowance	<u>(5,270)</u>	<u>(6,698)</u>	<u>(5,397)</u>
Total	<u>\$ 791,407</u>	<u>726,763</u>	<u>713,698</u>
Contract assets—products selling	<u>\$ 58,917</u>	<u>50,087</u>	<u>75,035</u>
Contract liabilities—advance sales receipts	<u>\$ 10,776</u>	<u>11,252</u>	<u>9,821</u>

For details on accounts receivable and allowance for impairment, please refer to Note 6(b).

(r) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute no less than 2% of the profit as employee compensation and less than 5% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

The Company reported pre-tax losses in 2023, hence no remuneration was provided for employees or directors. The Company's estimated employee compensation for 2022 was \$1,138 and estimated directors' remuneration was \$569. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2023 and 2022. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2022 and 2021.

(s) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 2,214</u>	<u>905</u>

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Other income

The details of other income were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Other income	\$ 31,151	46,823

Other income is mainly subsidy and sample income.

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Losses on disposals of property, plant and equipment	\$ (2,946)	(1,310)
Gain (Losses) on foreign currency exchange	14,789	47,941
Losses on financial assets at fair value through profit or loss	-	(57)
Others	(3,801)	(10,541)
	\$ 8,042	36,033

Due to the leased equipment, the Group incurred depreciation expenses in 2023 and 2022 and reported them under other gains and losses amounting to \$2,870 and \$235, respectively.

(iv) Finance costs

The details of finance costs were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Interest expense	\$ 42,118	37,420
Amortization of discounts of bond	6,266	5,515
Less: interest capitalized	(1,177)	(3,856)
	\$ 47,207	39,079

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. The maximum amount were both \$1,313,702 and \$1,197,270 in 2023 and 2022.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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2) Concentration of credit risk

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. To lower certain issuers' or counter parties' credit risk, credit enhancing instruments (such like sales receipts and insurance) will be taken at the appropriate time.

3) Credit risk of receivables and debt securities

For credit risk exposure of notes and trade receivables, please refer to Note 6(b).

Other financial assets at amortized cost includes other receivables. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. The certificates of deposit owned by the Group are considered to have low risk because of the trade partners and performance partners are financial institutions above investment grade. As a result, they did not make allowance for loss.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 years</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2023</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 320,461	331,058	331,058	-	-	-
Notes and trade payable (including related parties)	364,657	364,657	364,657	-	-	-
Other payables (including related parties)	365,919	365,919	365,919	-	-	-
Bonds payable	487,604	504,218	-	504,218	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	966,978	1,054,201	246,798	334,119	151,316	321,968
Lease liabilities	3,003	3,069	1,735	1,334	-	-
	<u>\$ 2,508,622</u>	<u>2,623,122</u>	<u>1,310,167</u>	<u>839,671</u>	<u>151,316</u>	<u>321,968</u>
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 648,759	670,871	670,871	-	-	-
Notes and trade payable (including related parties)	311,338	311,338	311,338	-	-	-
Other payables (including related parties)	346,557	346,557	346,557	-	-	-
Bonds payable (including the ones expired within 1 year or an operating cycle)	381,683	385,384	385,384	-	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	934,807	945,979	184,118	288,744	142,874	330,243
Lease liabilities	3,154	3,205	2,195	965	45	-
	<u>\$ 2,626,298</u>	<u>2,663,334</u>	<u>1,900,463</u>	<u>289,709</u>	<u>142,919</u>	<u>330,243</u>

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows:

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	TWD	Foreign Currency	Exchange Rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 4,783	30.7050	146,871	5,583	30.7100	165,302
USD:CNY	9,362	7.0961	287,463	9,879	6.9669	303,396
JPY:CNY	-	-	-	14,930	0.0527	3,470
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	45	30.7050	1,391	-	-	-
USD:CNY	23	7.0961	718	275	6.9669	8,437
JPY:CNY	637	0.0502	138	16,664	0.0527	3,873

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, financial assets at fair value through other comprehensive income, loans and borrowings; and accounts and other payables that are denominated in foreign currency.

A strengthening (weakening) of 1% of the TWD against the USD, JPY, and CNY in 2023 and 2022, would have increased (decreased) the net profit after tax by \$3,457 and \$3,679, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2022.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to loss \$14,789 and loss \$47,941, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased / decreased by 10 basis points, the Group's net income would have increased / decreased by \$1,030 for the year ended December 31, 2023 and \$1,267 for the year ended December 31, 2022, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

(v) Fair value information

1) Fair value and type of financial instruments

The fair value of financial assets at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

		<b>December 31, 2023</b>			
		<b>Fair Value</b>			
	<b>Book Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 414,492	-	-	-	-
Contract assets	58,917	-	-	-	-
Notes and accounts receivables	791,407	-	-	-	-
Other receivables	49,053	-	-	-	-
Total	<b>\$ 1,313,869</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial liabilities at amortized cost					
Bank loans	\$ 1,287,439	-	-	-	-
Notes and accounts payables (including related parties)	364,657	-	-	-	-
Other payables (including related parties)	365,919	-	-	-	-
Lease liabilities	3,003	-	-	-	-
Bonds payables	487,604	-	-	-	-
Total	<b>\$ 2,508,622</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<b>December 31, 2022</b>			
		<b>Fair Value</b>			
	<b>Book Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 351,084	-	-	-	-
Contract assets	50,087	-	-	-	-
Notes and accounts receivables	726,763	-	-	-	-
Other receivables	69,548	-	-	-	-
Total	<b>\$ 1,197,482</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Bank loans	\$ 1,583,566	-	-	-	-
Notes and accounts payables (including related parties)	311,338	-	-	-	-
Other payables (including related parties)	346,557	-	-	-	-
Lease liabilities	3,154	-	-	-	-
Bonds payables	381,683	-	-	-	-
Total	<u>\$ 2,626,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) There have been no transfers from each level for the years ended December 31, 2023 and 2022.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group's major targets of financial risk management were to manage the market risk, credit risk, and liquidity risk regarding operation activities. The Group identifies, evaluates and manages the aforesaid risk in accordance with its policies and risk preferences.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's accounts and notes receivables from customers, contract assets, cash in banks and various financial instruments.

1) Accounts and other receivables

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. To lower certain issuers' or counter parties' credit risk, credit enhancing instruments(such like sales receipts and insurance) will be taken at the appropriate time.

The Group sets a loss allowance for expected credit losses to reflect the estimated loss on accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. However, the Group does not centralize its sales to any single customer, therefore the credit risks of accounts receivables do not significantly concentrate.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, corporate organizations and financial institutions with good credit rating. There was no material doubt on contract performance so there was no material credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As of December 31, 2023 and 2022, the Group's unused credit line were amounted to \$1,337,126 and \$843,999, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the TWD, US Dollar (USD), Chinese Yuan (CNY), and Japanese Yuan (JPY). The currencies used in these transactions are the TWD, USD, CNY and JPY.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, which are mainly TWD, CNY and USD. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group is exposed to fair value risk and cash flow risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Other market price risk

The Group does not enter into any commodity contracts other than to meet the Group's expected usage and sales requirements; such contracts are not settled on a net basis.

(v) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents.

The total capital and equity include share capital, capital surplus, retained earnings, other equity, and non-controlling interest plus net debt.

As of December 31, 2023, the Group's capital management strategy is consistent with the prior year as of December 31, 2022 to ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2023 and 2022, is as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	\$ 2,617,059	2,731,135
Less: cash and cash equivalents	(414,492)	(351,084)
Net debt	<b>\$ 2,202,567</b>	<b>2,380,051</b>
Total equity	<b>\$ 1,459,143</b>	<b>1,542,155</b>
Adjusted equity	<b>\$ 3,661,710</b>	<b>3,922,206</b>
Debt-to-equity ratio at 31 December	<b>60.15%</b>	<b>60.68%</b>

As of December 31, 2023, the capital management method of the Group has no change.

**(7) Related-party transactions:**

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Flourish Precision Machining Co., Ltd. (Flourish Precision)	The entity's director is the same person as the director of the Company's subsidiary

(Continued)

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Group</u>
Yung-Hung Engineering Ltd. (Yung-Hung Engineering)	The entity's owner is the chairman of the Company
Feng-Jia Industry Co., Ltd. (Feng-Jia Industry)	The entity's director is second-degree relative of the Chairman of the Company
Ping-Ho Environmental Technology Co., Ltd. (Ping-Ho Environmental)	The entity's general manager is second-degree relative of the Chairman of the Company

(b) Significant transactions with related parties

(i) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Associates – Flourish Precision	\$ <u>21,483</u>	<u>18,410</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The trade credit terms for related parties and third-party suppliers were similar. The trade credit term of Flourish Precision was 90 days.

(ii) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payables	Associates – Flourish Precision	\$ 10,579	7,659
Other payables	Associates – Flourish Precision	26,163	19,051
Other payables	Associates – Feng-Jia Industry	8	3
Other payables	Associates – Yung-Hung Engineering	102	-
Other payables	Associates – Ping-Ho Environmental	<u>1,205</u>	<u>271</u>
		<u>\$ 38,057</u>	<u>26,984</u>

(iii) Other

- 1) Due to operational requirements, the Group entrusts Flourish precision for the processing of its products. During 2023 and 2022, the manufacturing overhead-outsourced amounted to \$57,982 and \$48,194, respectively.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 2) Due to operation requirements, the Group purchased chemicals and consumables from Feng-Jia Industry in 2023 and 2022 and reported manufacturing overhead amounted to \$15 and \$18, respectively.
- 3) Due to operational requirements, the Group appointed Ping-Ho Environmental to provide wastewater treatment services in 2023 and 2022 and reported manufacturing overhead amounted to \$4,332 and \$2,443 respectively.
- 4) Due to operational requirements, the Group purchased items required for the manufacturing process from Yung-Hung Engineering in 2023, and reported manufacturing overhead amounting to \$174.

(c) Key management personnel compensation

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 14,506	14,767
Post-employment benefits	167	156
	<b>\$ 14,673</b>	<b>14,923</b>

(8) Pledged assets:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other receivables—restricted deposit	Collateral for loans、 bonds payables and purchase of equipment	\$ 40,240	54,231
Other receivables—certificate of deposit	Natural gas guarantee	400	400
Property, plant and equipment	Collateral for loans and bonds payables	982,603	963,263
Right-of-use assets	"	29,045	30,506
		<b>\$ 1,052,288</b>	<b>1,048,400</b>

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

The Board of Directors of the Group approved the construction project of entering Erlin Science Park of Central Taiwan Science Park at December 14, 2018, and paid \$3,000 as the deposit to the Administration of Central Taiwan Science Park, Ministry of Science and Technology. However, the Group should accelerate mass production due to the impact of U.S.-China trade war, so it planned to shift the production lines to the existing plant in Chuansing Industrial Park in Changhua, and the Board of Directors modified the decision at August 7, 2019. The Group still has a plan to enter Erlin Science Park, and has successfully communicated with Central Taiwan Science Park, Ministry of Science and Technology, to modify the land for medium-term and long-term investment plans. The Company has been approved for the fourth extension to December 31, 2024, in the year 2023.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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(b) Contingencies

- (i) The previous chairman of the Board of Directors sued the Group for dismantling the building on the basis of ownership and illegal appropriation of land at August 4, 2020. About the illegal appropriation of land, the Taiwan High Court Taichung Branch court ordered the Company to pay the amount of \$159 in the second instance on March 23, 2022, resulting in the loss (including legal costs and interest) of \$219 in 2022. About the dismantling the building on the basis of ownership, the Taiwan High Court Taichung Branch court ordered the Company to pay the amount of \$2,240 in the second instance on November 9, 2022. Therefore the Company accrued a compensation loss of \$998 (including interest) in the year 2022 for the amount of compensation payable, less the rent paid. The above relevant payment has been made in 2022. The case is closed.

**(10) Losses due to major disasters:None**

**(11) Subsequent events:None**

**(12) Other:**

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	For the year ended December 31						
	By function	2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary	\$ 262,845	137,415	400,260	314,782	123,057	437,839	
Labor and health insurance	18,313	7,355	25,668	21,301	8,034	29,335	
Pension	15,959	6,418	22,377	18,981	7,004	25,985	
Remuneration of directors	-	294	294	-	965	965	
Others	16,006	10,703	26,709	19,702	16,785	36,487	
Depreciation	153,407	29,546	182,953	167,908	23,371	191,279	
Amortization	14,040	5,358	19,398	9,914	8,108	18,022	

In 2023 and 2022, the depreciation expense resulting from renting out equipment was \$2,870 and \$235, respectively, which was recorded under other gains and losses.

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**(13) Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CFTC Jin-Xing	The Company	Other receivables	Yes	92,250	-	-	Note 4	Note 2	-	The operating turnover	-	-	-	692,844	692,844
1	CFTC Jin-Xing	CFTC Huai-An	Other receivables	Yes	21,525	-	-	Note 4	Note 2	-	The operating turnover	-	-	-	692,844	692,844
1	CFTC Jin-Xing	The Company	Other receivables	Yes	73,512	55,734	55,734	5.02571 %	Note 1	55,734		-	-	-	692,844	692,844
1	CFTC Jin-Xing	The Company	Other receivables	Yes	12,938	12,252	12,252	5.26814 %	Note 1	12,252		-	-	-	692,844	692,844
1	CFTC Jin-Xing	The Company	Other receivables	Yes	12,844	12,163	12,163	5.67 %	Note 1	12,163		-	-	-	692,844	692,844
1	CFTC Jin-Xing	The Company	Other receivables	Yes	28,230	27,733	27,733	5.87 %	Note 1	27,733		-	-	-	692,844	692,844
1	CFTC Jin-Xing	CFTC Huai-An	Other receivables	Yes	21,890	21,635	21,635	3.75 %	Note 2	-	The operating turnover	-	-	-	692,844	692,844

Note 1: The Company or business with business relationship with it.

Note 2: CFTC Jia-Xing requires a short-term financing with it.

Note 3: CFTC Jia-Xing's limit on total amount and amount to single party of loans to others is 40% of net assets in latest audited or reviewed financial statements of CFTC Jia-Xing.

Note 4: Must not be lower than the average interest rate of borrowing from banks.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CFTC Jia-Xing	1	291,828	256,070	164,426	-	-	11.27 %	583,656	Y	N	Y
0	The Company	CFTC Huai-An	1	291,828	22,225	21,635	-	-	1.48 %	583,656	Y	N	Y
1	CFTC Jia-Xing	CFTC Huai-An	4	583,656	61,292	60,578	30,289	-	4.15 %	583,656	N	N	Y

Note 1: The Company's limit on total amount of endorsements/ guarantees provided to others is 40% of net assets in latest audited or reviewed financial statements of the Company. The Company's limit on amount of endorsements/ guarantees provided to single party is 20% of net assets in latest audited or reviewed financial statements of the Company.

Note 2: CFTC Jia-Xing's limit on total amount of endorsements/ guarantees provided to others is 40% of net assets in latest audited or reviewed financial statements of the Company and CFTC Jia-Xing.

Note 3: The relationships between endorser and endorsee were as follows:

- (1) The Company owns above 50% of its shares with voting rights directly or indirectly.
- (2) The one owns above 50% of the Company's shares with voting rights directly or indirectly.
- (3) The Company or business with business relationship.
- (4) Within the companies which the Company owns above 90% of its shares with voting rights directly or indirectly.

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None

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- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
CFTC Jia-Xing	CFTC Huai-An	Subsidiary of the Company	Purchase	107,596	13.38%	90 dyas	Normal	Normal	(42,850)	13.38%	Note
CFTC Huai-An	CFTC Jia-Xing	Subsidiary of the Company	Sale	(107,596)	99.41%	90 dyas	Normal	Normal	42,850	98.41%	Note

Note: Reconciliated in the preparation of consolidated report.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
CFTC Jia-Xing	The Company	Subsidiary	Accounts receivable \$38,427 Other receivables \$107,882	1.05 Note	- -	- -	- 25,994	- -	(Note 1) (Note 1)

Note : They are principal and interest bearing, and therefore have no turnover rate.

Note 1: Reconciliated in the preparation of consolidated report.

- (ix) Trading in derivative instruments: None
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	CFTC Jia-Xing	1	Purchase	68,117	Normal	2.95%
0	The Company	CFTC Jia-Xing	1	Accounts payable	38,427	Normal	0.94%
0	The Company	CFTC Jia-Xing	1	Other payable	107,882	Loans and interest	2.65%
0	The Company	CFTC Jia-Xing	1	Financial costs, net	3,650	Loans and interest	0.15%
1	CFTC Jia-Xing	The Company	2	sale	68,117	Normal	2.95%
1	CFTC Jia-Xing	CFTC Huai-An	3	sale	6,749	Normal	0.29%
1	CFTC Jia-Xing	The Company	2	Accounts receivable	38,427	Normal	0.94%
1	CFTC Jia-Xing	The Company	2	Other receivable	107,882	Loans and interest	2.65%
1	CFTC Jia-Xing	The Company	2	Interest income	3,650	Loans and interest	0.15%
1	CFTC Jia-Xing	CFTC Huai-An	3	Purchase	107,596	Normal	4.66%
1	CFTC Jia-Xing	CFTC Huai-An	3	Accounts payable	42,850	Normal	1.05%
1	CFTC Jia-Xing	CFTC Huai-An	3	Other receivable	21,635	Loans and interest	0.53%
2	CFTC Huai-An	CFTC Jia-Xing	3	sale	107,596	Normal	4.66%
2	CFTC Huai-An	CFTC Jia-Xing	3	Purchase	6,749	Normal	0.29%
2	CFTC Huai-An	CFTC Jia-Xing	3	Accounts receivable	42,850	Normal	1.05%
2	CFTC Huai-An	CFTC Jia-Xing	3	Other payable	21,635	Loans and interest	0.53%

Note 1: The numbering is as follows:

1. "0" represents the parent company
2. Subsidiaries are sequentially numbered from 1 by company

Note 2: Relation between related parties are as follows:

1. Parent company and its subsidiaries
2. Subsidiaries and its parent company
3. Subsidiaries and its subsidiaries

(Continued)

## CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Note 3: The calculations of the percentage that total transaction amount takes of the consolidated sales or assets, can be calculated by dividing the ending balance by the consolidated assets if there is an account in balance sheet, or by dividing the accumulated amount by the consolidated sales if there is an account in income statement.

Note 4: Reconciled in the preparation of consolidated report.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/ thousand shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	China Fineblanking Group Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00 %	1,786,451	100.00 %	46,218	47,071	Note 1
The Company	CFTC Precision Sdn. Bhd.	Malaysia	Property management	MRY 30,288	MRY 30,288	30,288	100.00 %	13,220	100.00 %	(1,141)	(1,141)	Note 1
China Fineblanking Group Co., Ltd.	China Fineblanking International Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00 %	USD 58,433	100.00 %	USD 1,482	-	Note 1

Note 1: Reconciled in the preparation of consolidated report.

Note 2: The current net income or loss included the influences of upstream and downstream transactions within the associates.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
CFTC Jia-Xing	Manufacture and sale of hardware parts, mechanical hardware parts and molding components	RMB324,995 (USD48,200)	(Note 1)	1,173,787 (USD37,500)	-	-	1,173,787 (USD37,500)	53,106 (USD1,703)	100.00%	100.00%	53,106 (USD1,703)	1,732,209 (USD56,415)	58,155 (USD1,933)
CFTC Huai-An	Manufacture of mechanical parts and molding components	RMB 17,131 (USD2,580)	(Note 1)	82,131 (USD2,580)	-	-	82,131 (USD2,580)	(6,888) (USD211)	100.00%	100.00%	(6,888) (USD221)	61,363 (USD1,998)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,255,918	1,559,200 (USD50,780)	NA (Note 2)

Note 1: The Company invest in Mainland China companies through a company invested and established in a third region.

Note 2: In accordance with the provisions of the “Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area” passed on August 29, 2008, the Company has acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation of the amount or ratio of investment in mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions” and “Business relationships and Significant intercompany transactions”.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
LIU, CHING-I		7,782,316	9.01 %
CHIA-CHUAN Investment Co. LTD		6,064,629	7.02 %
HSIEH, LING		5,794,204	6.71 %

- (i) The table discloses stockholding information of stockholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.
- (ii) As of December 31, 2023, the Company repurchased a total of 5,054,000 shares, represented 5.85% of the share outstanding.

**(14) Segment information:**

(a) General information

The Group has three reportable segments: segment of HDD parts, segment of vehicle parts, and segment of management and operation. Segment HDD parts produces and sells HDD parts. Segment of vehicle parts produces and sells vehicle parts. Segment of management and operation is involved in business items other than the operation of the above two segments, and reinvestment business.

The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains being employed by the Group.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses, because taxation, extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 "significant accounting policies" except for the recognition and measurement of pension cost, which are on a cash basis.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

The Group's operating segment information and reconciliation are as follows:

<b>For the years ended December 31, 2023</b>	<b>Parts of HDD</b>	<b>Parts of vehicles</b>	<b>Management &amp;operation</b>	<b>Reconciliation and elimination</b>	<b>Total</b>
Revenue from external customers	\$ 300,064	1,934,457	76,069	-	2,310,590
Intersegment revenues	68,117	108,335	6,025	(182,477)	-
Total revenue	<u>\$ 368,181</u>	<u>2,042,792</u>	<u>82,094</u>	<u>(182,477)</u>	<u>2,310,590</u>
<b>Reportable segment profit or loss</b>	<u>\$ (5,563)</u>	<u>210,939</u>	<u>(278,176)</u>	<u>(606)</u>	<u>(73,406)</u>
<b>For the years ended December 31, 2022</b>					
Revenue from external customers	\$ 527,447	1,868,030	144,204	-	2,539,681
Intersegment revenues	19,282	100,480	3,179	(122,941)	-
Total revenue	<u>\$ 546,729</u>	<u>1,968,510</u>	<u>147,383</u>	<u>(122,941)</u>	<u>2,539,681</u>
<b>Reportable segment profit or loss</b>	<u>\$ 67,496</u>	<u>169,284</u>	<u>(214,456)</u>	<u>1,566</u>	<u>23,890</u>

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and non-current assets are based on the geographical location of the assets.

Revenue from external customers:

<b>Region</b>	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Taiwan	\$ 108,100	128,480
Asia	2,043,149	2,231,573
Europe	141,675	155,900
Other	17,666	23,728
Total	<u>\$ 2,310,590</u>	<u>2,539,681</u>

Non-current assets:

<b>Region</b>	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
China	\$ 905,781	1,031,796
Taiwan	1,055,169	1,104,767
Total	<u>\$ 1,960,950</u>	<u>2,136,563</u>

Non-current assets include property, plant and equipment, investment property, right-of-use assets, intangible assets and other non-current assets.

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(d) Major customers

The major customer which possesses over 10% of consolidated revenues were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Customer A from HDD parts division	<b>\$ 292,852</b>	<b>511,389</b>