

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

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

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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, 2024 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with 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 12, 2025.



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, 2024 and 2023, 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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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, 2024 and 2023, 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 Kao, Yu-Lun and Chen, Chung-Che.

KPMG

Taipei, Taiwan (Republic of China)
March 12, 2025

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 and Report Originally Issued in Chinese)
CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar)

Assets		December 31, 2024		December 31, 2023		Liabilities and Equity		December 31, 2024		December 31, 2023	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note (6)(a))	\$ 449,309	12	414,492	10	2100	Short-term borrowings (Note (6)(h) and (8))	\$ 347,252	9	320,461	8
1140	Current contract assets (Note (6)(q))	57,369	1	58,917	1	2130	Current contract liabilities (Note (6)(q))	9,132	-	10,776	-
1150	Notes receivable, net (Note (6)(b) and (q))	94,529	2	85,200	2	2150	Notes payable	-	-	26	-
1170	Accounts receivable, net (Note (6)(b) and (q))	649,259	17	706,207	17	2170	Accounts payable	318,022	8	354,052	9
1200	Other receivables, net (Note (8))	55,094	1	49,053	1	2180	Accounts payable to related parties (Note (7))	2,467	-	10,579	-
1220	Current tax assets	288	-	213	-	2200	Other payables (Note (6)(i))	310,937	8	338,441	8
130X	Inventories (Note (6)(c))	502,359	13	579,852	14	2220	Other payables to related parties (Note (6)(i) and (7))	19,091	-	27,478	1
1410	Prepayments (Note (6)(d))	144,875	4	149,780	5	2230	Current tax liabilities	4,336	-	9,825	-
1470	Other current assets	236	-	240	-	2280	Current lease liabilities (Note (6)(l))	1,741	-	1,691	-
		<u>1,953,318</u>	<u>50</u>	<u>2,043,954</u>	<u>50</u>	2320	Long-term liabilities, current portion (Note (6)(k) and (8))	190,431	5	232,292	6
Non-current assets:						2399	Other current liabilities, others	1,339	-	786	-
1510	Non-current financial assets at fair value through profit or loss (Note (6)(j))	-	-	-	-			<u>1,204,748</u>	<u>30</u>	<u>1,306,407</u>	<u>32</u>
1600	Property, plant and equipment (Note (6)(e) and (8))	1,739,826	46	1,832,208	45	Non-Current liabilities:					
1755	Right-of-use assets (Note (6)(f) and (8))	31,840	1	32,316	1	2530	Bonds payable (Note (6)(j) and (8))	484,617	13	487,604	12
1780	Intangible assets	7,499	-	7,592	-	2540	Long-term borrowings (Note (6)(k) and (8))	567,483	15	734,686	18
1840	Deferred tax assets (Note (6)(n))	42,831	1	71,298	2	2570	Deferred tax liabilities (Note (6)(n))	68,007	2	82,656	2
1900	Other non-current assets (Note (6)(g))	83,842	2	88,834	2	2580	Non-current lease liabilities (Note (6)(l))	702	-	1,312	-
		<u>1,905,838</u>	<u>50</u>	<u>2,032,248</u>	<u>50</u>	2630	Long-term deferred revenue	2,491	-	4,123	-
						2645	Guarantee deposits received	278	-	271	-
								<u>1,123,578</u>	<u>30</u>	<u>1,310,652</u>	<u>32</u>
								<u>2,328,326</u>	<u>60</u>	<u>2,617,059</u>	<u>64</u>
						Total liabilities					
						Equity attributable to owners of parent (Note (6)(j) and (o)):					
						3110	Ordinary shares	868,495	22	863,123	21
						3200	Capital surplus	584,685	15	578,446	14
						3300	Retained earnings	371,034	10	346,316	9
						3400	Other equity interest	(73,060)	(2)	(124,368)	(3)
						3500	Treasury shares	(220,324)	(5)	(204,374)	(5)
								<u>1,530,830</u>	<u>40</u>	<u>1,459,143</u>	<u>36</u>
								<u>3,859,156</u>	<u>100</u>	<u>4,076,202</u>	<u>100</u>
						Total liabilities and equity					
								<u>3,859,156</u>	<u>100</u>	<u>4,076,202</u>	<u>100</u>
								<u>3,859,156</u>	<u>100</u>	<u>4,076,202</u>	<u>100</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 Comprehensive Income

For the years ended December 31, 2024 and 2023

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

		<u>2024</u>		<u>2023</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Notes (6)(q) and (14))	\$ 2,572,580	100	2,310,590	100
5000	Operating costs (Notes (6)(c)(m)(r), (7) and (12))	<u>2,170,804</u>	<u>84</u>	<u>2,054,576</u>	<u>88</u>
5900	Gross profit from operations	<u>401,776</u>	<u>16</u>	<u>256,014</u>	<u>12</u>
6000	Operating expenses (Notes (6)(m)(r) and (12)):				
6100	Selling expenses	61,996	3	46,708	2
6200	Administrative expenses	183,121	7	173,441	8
6300	Research and development expenses	124,901	5	104,799	4
6450	Expected credit impairment gain (Note (6)(b))	<u>(988)</u>	<u>-</u>	<u>(1,328)</u>	<u>-</u>
	Total operating expenses	<u>369,030</u>	<u>15</u>	<u>323,620</u>	<u>14</u>
6900	Net operating income (loss)	<u>32,746</u>	<u>1</u>	<u>(67,606)</u>	<u>(2)</u>
	Non-operating income and expenses (Notes (6)(l)(s) and 12):				
7100	Interest income	2,836	-	2,214	-
7010	Other income	31,080	1	31,151	1
7020	Other gains and losses, net	10,979	-	8,042	-
7050	Finance costs, net	<u>(36,474)</u>	<u>(1)</u>	<u>(47,207)</u>	<u>(2)</u>
	Total non-operating income and expenses	<u>8,421</u>	<u>-</u>	<u>(5,800)</u>	<u>(1)</u>
	Profit (Loss) from continuing operations before tax	41,167	1	(73,406)	(3)
7950	Less: Income tax expenses (benefit) (Note (6)(n))	<u>5,885</u>	<u>-</u>	<u>(19,093)</u>	<u>(1)</u>
	Profit (Loss)	<u>35,282</u>	<u>1</u>	<u>(54,313)</u>	<u>(2)</u>
8300	Other comprehensive income:				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	64,134	2	(34,030)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note (6)(n))	<u>12,826</u>	<u>-</u>	<u>(6,806)</u>	<u>-</u>
8300	Other comprehensive income	<u>51,308</u>	<u>2</u>	<u>(27,224)</u>	<u>(1)</u>
	Total comprehensive income	<u>\$ 86,590</u>	<u>3</u>	<u>(81,537)</u>	<u>(3)</u>
	Earnings per share (Note (6)(p)) (in new Taiwan Dollars)				
9750	Basic earnings per share	<u>\$ 0.43</u>		<u>(0.67)</u>	
9810	Diluted earnings per share	<u>\$ 0.42</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, 2024 and 2023
(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	
Balance at January 1, 2023	\$ 858,988	555,218	119,528	119,793	181,519	420,840	(97,144)	(195,747)	1,542,155
Loss	-	-	-	-	(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 shares	-	-	-	-	(16,169)	(16,169)	-	-	(16,169)
Stock dividends of ordinary shares	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
Balance at December 31, 2023	863,123	578,446	123,841	97,144	125,331	346,316	(124,368)	(204,374)	1,459,143
Profit	-	-	-	-	35,282	35,282	-	-	35,282
Other comprehensive income	-	-	-	-	-	-	51,308	-	51,308
Total comprehensive income	-	-	-	-	35,282	35,282	51,308	-	86,590
Appropriation and distribution of retained earnings:									
Cash dividends of ordinary shares	-	-	-	-	(8,126)	(8,126)	-	-	(8,126)
Stock dividends of ordinary shares	2,438	-	-	-	(2,438)	(2,438)	-	-	-
Special reserve appropriated	-	-	-	27,224	(27,224)	-	-	-	-
Conversion of convertible bonds	2,934	6,239	-	-	-	-	-	-	9,173
Purchase of treasury share	-	-	-	-	-	-	-	(15,950)	(15,950)
Balance at December 31, 2024	\$ 868,495	584,685	123,841	124,368	122,825	371,034	(73,060)	(220,324)	1,530,830

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, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollar)

	For the years ended December 31	
	2024	2023
Cash flows from operating activities:		
Profit (loss) before tax	\$ 41,167	(73,406)
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	183,048	185,823
Amortization expense	19,782	19,398
Expected credit impairment gain	(988)	(1,328)
Interest expense	36,474	47,207
Interest income	(2,836)	(2,214)
Loss on disposal of property, plant and equipment	162	2,946
Amortization of deferred revenue	(1,632)	(2,567)
Total adjustments to reconcile profit	234,010	249,265
Changes in operating assets and liabilities:		
Decrease (increase) in contract assets	3,582	(9,898)
Increase in notes receivable	(6,396)	(1,082)
Decrease (increase) in accounts receivable	78,136	(74,748)
(Increase) decrease in other receivables	(6,041)	20,495
Decrease in inventories	95,925	130,924
(Increase) decrease in prepayments	(5,862)	8,843
Decrease in other current assets	4	31
Total changes in operating assets	159,348	74,565
Decrease in contract liabilities	(1,644)	(476)
Decrease in notes payable	(26)	(156)
(Decrease) increase in accounts payable	(55,148)	59,433
(Decrease) increase in other payables	(45,666)	44,665
Increase in other current liabilities	553	44
Total changes in operating liabilities	(101,931)	103,510
Total changes in operating assets and liabilities	57,417	178,075
Total adjustments	291,427	427,340
Cash inflow generated from operations	332,594	353,934
Interest received	2,836	2,214
Interest paid	(27,796)	(37,904)
Income taxes paid	(9,520)	(2,825)
Net cash flows from operating activities	298,114	315,419

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, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollar)

	For the years ended December 31	
	2024	2023
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(29,344)	(28,395)
Proceeds from disposal of property, plant and equipment	7,775	5,823
Acquisition of intangible assets	(2,726)	(650)
Decrease in refundable deposits	-	34
Increase in other non-current assets	(34,632)	(23,277)
Net cash flows used in investing activities	(58,927)	(46,465)
Cash flows from financing activities:		
Increase in short-term loans	324,581	421,453
Decrease in short-term loans	(305,063)	(744,965)
Proceeds from issuing bonds	-	508,359
Repayments of bonds	-	(385,383)
Proceeds from long-term loans	81,173	179,000
Repayments of long-term loans	(295,104)	(150,104)
Repayments of lease liabilities	(2,721)	(2,705)
Cash dividends paid	(8,126)	(16,169)
Payments to acquire treasury shares	(15,950)	(8,627)
Net cash flows used in financing activities	(221,210)	(199,141)
Effect of exchange rate fluctuations on cash held	16,840	(6,405)
Net increase in cash and cash equivalents	34,817	63,408
Cash and cash equivalents, beginning of the period	414,492	351,084
Cash and cash equivalents, end of the period	\$ 449,309	414,492

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, 2024 and 2023

(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 12, 2025.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (IFRS Accounting Standards) endorsed by the Financial Supervisory Commission (FSC), 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, 2024:

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

- (b) The impact of IFRS Accounting Standards endorsed 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, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Section 4.1 of IFRS 9 and the related disclosure requirements of IFRS 7

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

- (c) The impact of IFRS Accounting Standards endorsed by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

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

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other 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”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Sections 3.1 and 3.3 of IFRS 9 and the related disclosure requirements of IFRS 7
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(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 financial instruments that have been 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.

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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, 2024	December 31, 2023	
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. Bud 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 were completed on January 17, 2025.

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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.

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

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

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in 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.

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle ;
- (ii) It is held primarily for the purpose of trading ;
- (iii) It is due to be settled within twelve months after the reporting period ; or
- (iv) The Group does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(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.

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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 and Fair value through profit or loss (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
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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 ;

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

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.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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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.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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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:

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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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	2~20 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
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- 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.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(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	2~10 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
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(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.

(Continued)

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(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;

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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- (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
- (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 reverse, 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.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

In preparing these consolidated financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

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 (i.e. as prices) or indirectly (i.e. 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 Note 6(t), Financial instruments for assumptions used in measuring fair value.

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash on hand and petty cash	\$ 169	167
Cash in banks	<u>449,140</u>	<u>414,325</u>
	<u><u>\$ 449,309</u></u>	<u><u>414,492</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, 2024</u>	<u>December 31, 2023</u>
Notes receivable	\$ 94,529	85,200
Accounts receivable	653,713	711,477
Less: Loss allowance	<u>(4,454)</u>	<u>(5,270)</u>
	<u><u>\$ 743,788</u></u>	<u><u>791,407</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, 2024</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 712,064	0%	-
1 to 30 days past due	22,020	0.1%	22
31 to 60 days past due	4,969	5%	248
61 to 120 days past due	5,989	10%~16.43%	984
121 to 180 days past due	2,091	30%~100%	2,091
More than 181 days past due	<u>1,109</u>	70%~100%	<u>1,109</u>
	<u><u>\$ 748,242</u></u>		<u><u>4,454</u></u>

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	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
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	2,663	70%~100%	2,663
	\$ 796,677		5,270

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:

	For the years ended December 31	
	2024	2023
Balance at January 1	\$ 5,270	6,698
Impairment losses reversed	(988)	(1,328)
Effects of changes in foreign exchange rates	172	(100)
Balance at December 31	\$ 4,454	5,270

As of December 31, 2024 and 2023, the notes and accounts receivable of the Group were not pledged as collateral.

(c) Inventories

	December 31, 2024	December 31, 2023
Raw materials	\$ 65,108	91,663
Work in progress	288,684	200,529
Finished goods	148,567	287,660
	\$ 502,359	579,852

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For the years ended December 31, 2024 and 2023, the components of the cost of sales were as follows:

	For the years ended December 31	
	2024	2023
Cost of goods sold	\$ 2,164,053	2,011,099
Unallocated fixed manufacturing overhead	-	28,547
Reversal of write-downs (write-down of inventories)	(7,535)	6,252
Loss on scrap	14,286	8,678
	\$ 2,170,804	2,054,576

As of December 31, 2024 and 2023, the Group did not provide any inventories as collateral for its loans.

During the year ended December 31, 2024, the reversal of write-downs was due to destocking of inventories.

(d) Prepayments

	December 31, 2024	December 31, 2023
Supplies inventory (including mold components and spare parts)	\$ 105,027	117,689
Other prepayments	39,848	32,091
	\$ 144,875	149,780

(e) Property, plant and equipment

The movements of the property, plant and equipment of the Group were as follows:

	Land	Buildings and construction	Machinery and equipment	Molds	Transportation equipment	Office equipment	Leasehold improvements	Other facilities	Construction in progress and testing equip	Total
Cost or deemed cost:										
Balance on January 1, 2024	\$ 479,357	744,193	1,724,251	326,105	8,450	49,055	-	8,481	210	3,340,102
Additions	-	934	19,593	4,896	394	224	-	-	3,311	29,352
Reclassification	-	1,671	25,659	11,758	-	-	-	-	(1,671)	37,417
Disposal	-	-	(20,385)	(57,488)	(1,130)	(4,477)	-	-	-	(83,480)
Effect of movements in exchange rates	-	14,747	49,348	7,983	291	1,248	-	-	-	73,617
Balance on December 31, 2024	\$ 479,357	761,545	1,798,466	293,254	8,005	46,050	-	8,481	1,850	3,397,008
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	\$ 479,357	744,193	1,724,251	326,105	8,450	49,055	-	8,481	210	3,340,102

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	Land	Buildings and construction	Machinery and equipment	Molds	Transportation equipment	Office equipment	Leasehold improvements	Other facilities	Construction in progress and testing equip	Total
Depreciation and impairment loss:										
Balance on January 1, 2024	\$ -	158,986	999,537	298,135	7,208	39,799	-	4,229	-	1,507,894
Depreciation	-	29,952	125,152	20,707	493	2,648	-	440	-	179,392
Disposal	-	-	(16,424)	(54,102)	(1,017)	(4,000)	-	-	-	(75,543)
Effect of movements in exchange rates	-	4,677	32,160	7,378	249	975	-	-	-	45,439
Balance on December 31, 2024	<u>\$ -</u>	<u>193,615</u>	<u>1,140,425</u>	<u>272,118</u>	<u>6,933</u>	<u>39,422</u>	<u>-</u>	<u>4,669</u>	<u>-</u>	<u>1,657,182</u>
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>
Carrying amounts:										
Balance on December 31, 2024	<u>\$ 479,357</u>	<u>567,930</u>	<u>658,041</u>	<u>21,136</u>	<u>1,072</u>	<u>6,628</u>	<u>-</u>	<u>3,812</u>	<u>1,850</u>	<u>1,739,826</u>
Balance on January 1, 2023	<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>
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>

(i) During 2024, the Group has capitalized borrowing costs related to the acquisition of the equipment and construction of the factory of \$342, calculated using a capitalization rate of 2.153%~3.65%.

(ii) As of December 31, 2024 and 2023, 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:

	Land	Transportation equipment	Office equipment	Total
Cost:				
Balance at January 1, 2024	\$ 33,897	5,624	1,042	40,563
Additions	-	1,707	454	2,161
Disposals	-	(3,231)	(370)	(3,601)
Effect of movements in exchange rates	1,183	-	-	1,183
Balance at December 31, 2024	<u>\$ 35,080</u>	<u>4,100</u>	<u>1,126</u>	<u>40,306</u>
Balance at January 1, 2023	\$ 34,531	5,587	1,042	41,160
Additions	-	2,554	-	2,554
Disposals	-	(2,517)	-	(2,517)
Effect of movements in exchange rates	(634)	-	-	(634)
Balance at December 31, 2023	<u>\$ 33,897</u>	<u>5,624</u>	<u>1,042</u>	<u>40,563</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2024	\$ 4,549	2,994	704	8,247
Depreciation	937	2,500	219	3,656
Disposal	-	(3,231)	(370)	(3,601)
Effect of movements in exchange rates	164	-	-	164
Balance at December 31, 2024	<u>\$ 5,650</u>	<u>2,263</u>	<u>553</u>	<u>8,466</u>

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	<u>Land</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Balance at January 1, 2023	\$ 3,707	3,021	496	7,224
Depreciation	924	2,490	208	3,622
Disposals	-	(2,517)	-	(2,517)
Effect of movements in exchange rates	(82)	-	-	(82)
Balance at December 31, 2023	<u>\$ 4,549</u>	<u>2,994</u>	<u>704</u>	<u>8,247</u>
Carrying amounts:				
Balance at December 31, 2024	<u>\$ 29,430</u>	<u>1,837</u>	<u>573</u>	<u>31,840</u>
Balance at January 1, 2023	<u>\$ 30,824</u>	<u>2,566</u>	<u>546</u>	<u>33,936</u>
Balance at December 31, 2023	<u>\$ 29,348</u>	<u>2,630</u>	<u>338</u>	<u>32,316</u>

As of December 31, 2024 and 2023, 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, 2024</u>	<u>December 31, 2023</u>
Prepayments for equipment's	\$ 23,484	36,570
Guarantee deposits paid	3,917	3,917
Other non-current assets	<u>56,441</u>	<u>48,347</u>
	<u>\$ 83,842</u>	<u>88,834</u>

(i) During 2024 and 2023, the Group has capitalized borrowing costs related to the acquisition of the equipment and construction of factory of \$68 and \$1,177, calculated using a capitalization rate of 2.153%~2.278% and 2.026%~4.16%, respectively.

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

(h) Short-term borrowings

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Unsecured bank loans	\$ 289,038	264,210
Secured bank loans	<u>58,214</u>	<u>56,251</u>
Total	<u>\$ 347,252</u>	<u>320,461</u>
Unused short-term credit lines	<u>\$ 1,031,425</u>	<u>1,097,926</u>
Range of interest rates	<u>2.22%~3.60%</u>	<u>2.05%~4.45%</u>

(i) As of December 31, 2024 and 2023, the Group had borrowed the unsecured bank loans amounted to \$324,581 and \$421,453, and had been repaid at the amount of \$305,063 and \$744,965, respectively.

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

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(i) Other payables (including related parties)

	December 31, 2024	December 31, 2023
Payable on expendables	\$ 33,274	38,096
Outsourced processing expenses payable	125,934	158,205
Wages and salaries payable	52,501	45,609
Mold-processing expenses payable	680	1,114
Payable on machinery and repairing	16,311	22,841
Packing expenses payable	5,364	7,175
Payable on construction	3,248	15,908
Others	92,716	76,971
	\$ 330,028	365,919

(j) Bonds payable

The details of bonds payable were as follows:

	December 31, 2024	December 31, 2023
Secured convertible bonds	\$ 201,477	202,416
Unsecured convertible bonds	283,140	285,188
	\$ 484,617	487,604

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

	December 31, 2024	December 31, 2023
Total convertible corporate bonds issued	\$ 504,522	504,522
Unamortized discounted corporate bonds payable	(9,958)	(16,614)
Cumulative converted and redeemed amount	(9,947)	(304)
Corporate bonds issued balance at year end	\$ 484,617	487,604
Embedded derivative –call and put options, included in non-current financial assets at fair value through profit or loss	\$ -	-
Equity component – conversion options, included in capital surplus – stock options	\$ 22,553	23,021

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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"> · 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. · 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. · 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. 	<ul style="list-style-type: none"> · 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. · 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 100.7519% of the principal amount of the bond (the real yield is 0.25%). · 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.

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, 2024 and 2023.

(k) Long-term borrowings

The details were as follows:

	December 31, 2024			
	Currency	Rate	Maturity date	Amount
Unsecured bank loans	TWD	0.93%~2.43%	2025.05.11~2028.05.18	\$ 142,034
Secured bank loans	TWD	0.83%~2.28%	2026.03.15~2039.10.31	584,623
Secured bank loans	CNY	3.45%	2026.05.03	31,257
				757,914
Less: current portion				(190,431)
Total				\$ 567,483
Unused long-term credit lines				\$ 239,200

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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	December 31, 2023			
	Currency	Rate	Maturity date	Amount
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>

- (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 0.7% in 2023.

As of December 31, 2023, the Group had borrowed secured bank loans of \$35,000. The annual interest rates of loans was 0.7%, 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, 2024 and 2023, the Group had borrowed the secured and unsecured bank loans of amounted to \$81,173 and \$179,000; and had been repaid at the amounts of \$295,104 and \$150,104, respectively.

(l) Lease liabilities

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

	December 31, 2024	December 31, 2023
Current	<u>\$ 1,741</u>	<u>1,691</u>
Non-current	<u>\$ 702</u>	<u>1,312</u>

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

The amounts recognized in profit or loss were as follows:

	For the year ended December 31	
	2024	2023
Interest on lease liabilities	<u>\$ 67</u>	<u>72</u>
Expenses relating to short-term leases	<u>\$ 4,582</u>	<u>4,715</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:

	For the year ended December 31	
	2024	2023
Total cash outflow for leases	\$ 7,370	7,492

The Group leases machinery equipment for a period between 1 to 3 years. Some leases include an option to renew the lease for an 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, 2024 and 2023, the pension costs incurred from the contributions to the Bureau of Labor Insurance as follows:

	For the years ended December 31	
	2024	2023
Operating costs	\$ 3,323	3,134
Selling expenses	1,734	1,890
	\$ 5,057	5,024

(ii) For the years ended December 31, 2024 and 2023, the foreign subsidiary recognized pension costs according to local laws as follows:

	For the years ended December 31	
	2024	2023
Operating costs	\$ 22,043	12,825
Selling expenses	6,384	4,528
Total	\$ 28,427	17,353

(n) Income taxes

(i) The components of income tax in the years 2024 and 2023 were as follows:

	For the years ended December 31	
	2024	2023
Current tax expense (benefit)		
Current period	\$ 6,386	-
Adjustment for prior periods	(2,499)	972
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	1,998	(20,065)
Income tax expense (benefit)	\$ 5,885	(19,093)

(Continued)

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

(ii) Reconciliations of income tax and profit before tax for 2024 and 2023 were as follows:

	For the years ended December 31	
	2024	2023
Profit (loss) excluding income tax	\$ 41,167	(73,406)
Income tax the Company's domestic tax rate	8,234	(14,681)
Effect of tax rates in foreign jurisdiction	(688)	10,968
Non-deductible expenses	1,368	1,002
Research and development expenses deduction	(4,630)	(17,863)
Current-year losses for which no deferred tax asset was recognized	-	92
Adjustment in recognized temporary differences	4,073	389
Underestimation (overestimation) in prior period	(2,499)	972
Others	27	28
	\$ 5,885	(19,093)

(iii) The amount of income tax recognized in other comprehensive income (loss) for the years ended December 31, 2024 and 2023 was as follows:

	For the years ended December 31	
	2024	2023
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statement	\$ 12,826	(6,806)

(iv) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2024 and 2023 were as follows:

	Inventory valuation losses	Deductible losses	Other	Total
Deferred tax assets:				
Balance at January 1, 2024	\$ 6,676	43,512	21,110	71,298
Recognized in profit or loss	(750)	(15,416)	(481)	(16,647)
Recognized in other comprehensive income	-	-	(12,826)	(12,826)
Exchange differences on translation of foreign financial statement	171	792	43	1,006
Balance at December 31, 2024	\$ 6,097	28,888	7,846	42,831

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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	Inventory valuation losses	Deductible losses	Other	Total
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	<u>\$ 6,676</u>	<u>43,512</u>	<u>21,110</u>	<u>71,298</u>

	Investment income overseas	Other	Total
Deferred tax liabilities:			
Balance at January 1, 2024	\$ 81,429	1,227	82,656
Recognized in profit or loss	(13,422)	(1,227)	(14,649)
Balance at December 31, 2024	<u>\$ 68,007</u>	<u>-</u>	<u>68,007</u>
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>

(v) The Company's income tax returns for the years through 2022 were assessed by the tax authorities.

(o) Capital and other equity

(i) Ordinary shares

As of December 31, 2024 and 2023, 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 86,849 thousand shares and 86,312 thousand shares, respectively.

The reconciliation of shares outstanding for 2024 and 2023 was as follows:

(in thousands of shares)

	Ordinary Shares	
	2024	2023
Balance on January 1	86,312	85,899
Capital increase by conversion of convertible bonds	293	9
Capital increase by retained earnings	244	404
Balance on December 31	<u>86,849</u>	<u>86,312</u>

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

Due to the conversion right of the bondholder in 2023, the Company converted the convertible bonds into \$9 thousand new shares, with par value of \$NTD10 per share, amounting to \$93. The relevant statutory registration procedures have since been completed by March 25, 2024.

Due to the conversion right of the bondholder in 2024, the Company converted the convertible bonds into \$293 thousand new shares, with par value of \$NTD10 per share, amounting to \$2,934. The relevant statutory registration procedures have since been completed by September 10, 2024.

A resolution was passed during the general meeting of shareholders held on May 31, 2023 for the issuance of 10 thousand new shares by retained earnings with par value of \$10 dollar per share, amounting to \$9. On September 14, 2023, the chairman of the Board of Directors authorized the increase of capital by the Bond 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.

A resolution was passed during the general meeting of shareholders held on May 30, 2024 for the issuance of 244 thousand new shares by retained earnings with par value of \$10 dollar per share, amounting to \$2,438. On October 16, 2024, the chairman of the Board of Directors authorized the increase of capital by the Bond of Directors on August 10, 2024 to set the capital increase record date as November 17, 2024. The relevant statutory registration procedures have since been completed by December 6, 2024.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2024	December 31, 2023
Premium from issuing new shares	\$ 303,851	303,851
Premium from converting bonds	213,324	206,617
Share-based payment	33,259	33,259
Treasury share transactions	2,360	2,360
Issuance of convertible bonds	31,891	32,359
	\$ 584,685	578,446

(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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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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.

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, 2024 and 2023, the special reserve appropriated from the undistributed earnings amounted to \$124,368 and \$97,144.

3) Earnings distribution

The amounts of earnings distribution on the appropriations of earnings for 2023 and 2022 had been approved during the shareholders' meeting on May 30, 2024 and May 31, 2023, respectively.

	<u>2023</u>		<u>2022</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	\$ 0.10	8,126	0.20	16,169
	dollar		dollar	
Share	0.03	<u>2,438</u>	0.05	<u>4,042</u>
	dollar		dollar	
Total		<u>\$ 10,564</u>		<u>20,211</u>

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

The amounts of cash dividends on the appropriations of earnings for 2024, and the amount of shares dividends of appropriations of earnings for 2024, had been approved and proposed, respectively during the board meeting on March 12, 2025 as follows:

	2024	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.30 dollar	30,389

(iv) Treasury shares

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.

At August 10, 2024, the Company decided to repurchase shares (the fifteenth time) as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 1,000,000 shares between August 12, 2024 to October 11, 2024. The expected range of repurchased price is between \$21.39 dollar to \$49.65 dollar TWD. The Company had repurchased 500,000 shares, and the actual average share price was \$31.90 dollar TWD per share. The total amount of shares repurchased was \$15,590.

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 share as follows:

(in thousands of shares)

	Treasury shares	
	2024	2023
Balance at Beginning	5,054,000	4,796,000
Increase in the period	500,000	258,000
Balance at Ending	5,554,000	5,054,000

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(v) Other equity items

	<u>Exchange differences on translation of foreign financial statements</u>
Balance at January 1, 2024	\$ (124,368)
Exchange differences on foreign operations	<u>51,308</u>
Balance at December 31, 2024	<u><u>\$ (73,060)</u></u>
Balance at January 1, 2023	\$ (97,144)
Exchange differences on foreign operations	<u>(27,224)</u>
Balance at December 31, 2023	<u><u>\$ (124,368)</u></u>

(p) Earnings per share

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

	<u>For the years ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Basic earnings per share		
Profit/(loss) attributable to ordinary shareholders of the Company	\$ <u>35,282</u>	<u>(54,313)</u>
Weighted average number of ordinary (thousands shares)	<u>81,468</u>	<u>81,496</u>
Basic earnings per share (dollars)	<u><u>\$ 0.43</u></u>	<u><u>(0.67)</u></u>
Diluted earnings per share		
Profit/(loss) attributable to ordinary shareholders of the Company	\$ 35,282	
Effect of dilutive potential ordinary shares		
Interest expense on convertible bonds, net of tax	<u>4,949</u>	
Profit/(loss) attributable to ordinary shareholders of the Company (diluted)	<u><u>\$ 40,231</u></u>	
Weighted average number of ordinary (thousands shares)	81,468	
Effect of dilutive potential ordinary shares		
Effect of employee share bonus (thousands shares)	33	
Effect of conversion of convertible bonds (thousands shares)	<u>15,153</u>	
Weighted average number of ordinary (Including adjustment of effect of dilutive potential ordinary shares) (thousands shares)	<u>96,654</u>	
Diluted earnings per share (dollars)	<u><u>\$ 0.42</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.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(q) Revenue from contracts with customers

(i) Details of revenue

	For the year ended December 31, 2024			
	Parts of HDD	Parts of vehicles	Management & operations	Total
Major products/services lines:				
Sales of goods	\$ 587,676	1,875,540	36,606	2,499,822
Other sales revenue	-	-	72,758	72,758
Total	\$ 587,676	1,875,540	109,364	2,572,580
Timing of revenue recognition:				
Products transferred at a point in time	\$ 587,676	1,875,540	109,364	2,572,580

	For the year ended December 31, 2023			
	Parts of HDD	Parts of vehicles	Management & operations	Total
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	\$ 300,064	1,934,457	76,069	2,310,590
Timing of revenue recognition:				
Products transferred at a point in time	\$ 300,064	1,934,457	76,069	2,310,590

(ii) Contract balances

	December 31, 2024	December 31, 2023	January 1, 2023
Notes receivables	\$ 94,529	85,200	85,666
Account receivables	653,713	711,477	647,795
Less: Loss allowance	(4,454)	(5,270)	(6,698)
Total	\$ 743,788	791,407	726,763
Contract assets—products selling	\$ 57,369	58,917	50,087
Contract liabilities—advance sales receipts	\$ 9,132	10,776	11,252

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(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's estimated employee compensation for 2024 was \$909 and estimated directors' remuneration was \$454. The Company reported pre-tax losses in 2023, hence no remuneration was provided for employees or directors. 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 2024 and 2023. 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 2023 and 2022.

(s) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2024	2023
Interest income	\$ 2,836	2,214

(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2024	2023
Other income	\$ 31,080	31,151

Other income is mainly subsidy, sample and rental income.

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2024	2023
Losses on disposals of property, plant and equipment	\$ (162)	(2,946)
Gain on foreign currency exchange	14,971	14,789
Others	(3,830)	(3,801)
	\$ 10,979	8,042

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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Due to the leased equipment, the Group incurred depreciation expenses in 2024 and 2023 and reported them under other gains and losses amounting to \$4,389 and \$2,870, respectively.

For the year ended 2024, the Group incurred amortization expenses of \$2,351 due to the leased equipment, and it was stated as non-operating income and expenses.

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2024	2023
Interest expense	\$ 30,698	42,118
Amortization of discounts of bond	6,186	6,266
Less: interest capitalized	(410)	(1,177)
	\$ 36,474	47,207

(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 was both \$1,305,391 and \$1,313,702 in 2024 and 2023.

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.

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

(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>
December 31, 2024						
Non-derivative financial liabilities						
Short-term loans	\$ 347,252	350,332	350,332	-	-	-
Notes and trade payable (including related parties)	320,489	320,489	320,489	-	-	-
Other payables (including related parties)	330,028	330,028	330,028	-	-	-
Bonds payable	484,617	494,575	-	494,575	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	757,914	830,926	201,654	251,350	95,102	282,820
Lease liabilities	<u>2,443</u>	<u>2,492</u>	<u>1,774</u>	<u>593</u>	<u>125</u>	<u>-</u>
	<u>\$ 2,242,743</u>	<u>2,328,842</u>	<u>1,204,277</u>	<u>746,518</u>	<u>95,227</u>	<u>282,820</u>
December 31, 2023						
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	<u>3,003</u>	<u>3,069</u>	<u>1,735</u>	<u>1,334</u>	<u>-</u>	<u>-</u>
	<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>

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:

	<u>December 31, 2024</u>			<u>December 31, 2023</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>TWD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 5,762	32.7850	188,911	4,783	30.7050	146,871
USD:CNY	9,112	7.3213	298,751	9,362	7.0961	287,463
EUR:CNY	446	7.6239	15,237	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	85	32.7850	2,794	45	30.7050	1,391
USD:CNY	14	7.3213	455	23	7.0961	718
JPY:CNY	17	0.0469	3	637	0.0502	138

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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 2024 and 2023, would have increased (decreased) the net profit after tax by \$3,997 and \$3,457, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same for 2023.

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 2024 and 2023, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$14,971 and \$14,789, 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.

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 \$884 for the year ended December 31, 2024 and \$1,030 for the year ended December 31, 2023, 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:

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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	December 31, 2024				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 449,309	-	-	-	-
Notes and accounts receivables	743,788	-	-	-	-
Other receivables	55,094	-	-	-	-
Total	\$ 1,248,191	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 1,105,166	-	-	-	-
Notes and accounts payables (including related parties)	320,489	-	-	-	-
Other payables (including related parties)	330,028	-	-	-	-
Lease liabilities	2,443	-	-	-	-
Bonds payables	484,617	-	482,615	-	482,615
Total	\$ 2,242,743	-	482,615	-	482,615
December 31, 2023					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 414,492	-	-	-	-
Notes and accounts receivables	791,407	-	-	-	-
Other receivables	49,053	-	-	-	-
Total	\$ 1,254,952	-	-	-	-
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	-	482,989	-	482,989
Total	\$ 2,508,622	-	482,989	-	482,989

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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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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, 2024 and 2023.

(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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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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.

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, 2024 and 2023, the Group's unused credit line were amounted to \$1,270,625 and \$1,337,126, 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.

(Continued)

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

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.

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, 2024, the Group's capital management strategy is consistent with the prior year as of December 31, 2023 to ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2024 and 2023, is as follows:

	December 31, 2024	December 31, 2023
Total liabilities	\$ 2,328,326	2,617,059
Less: cash and cash equivalents	(449,309)	(414,492)
Net debt	\$ 1,879,017	2,202,567
Total equity	\$ 1,530,830	1,459,143
Adjusted equity	\$ 3,409,847	3,661,710
Debt-to-equity ratio at 31 December	55.11%	60.15%

As of December 31, 2024, the capital management method of the Group has no change.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(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
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
Cingjing Exhibition Industry Co., Ltd. (Cingjing Exhibition Industry)	The entity's director 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>2024</u>	<u>2023</u>
Other related – Flourish Precision	\$ <u>5,611</u>	<u>21,483</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, 2024</u>	<u>December 31, 2023</u>
Accounts payables	Other related – Flourish Precision	\$ 2,467	10,579
Other payables	Other related – Flourish Precision	15,837	26,163
Other payables	Other related – Feng-Jia Industry	12	8
Other payables	Other related – Yung-Hung Engineering	111	102
Other payables	Other related – Ping-Ho Environmental	2,770	1,205
Other payables	Other related – Cingjing Exhibition Industry	<u>361</u>	<u>-</u>
		<u>\$ 21,558</u>	<u>38,057</u>

(Continued)

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

(iii) Other

- 1) Due to operational requirements, the Group entrusts Flourish precision for the processing of its products. During 2024 and 2023, the manufacturing overhead-outsourced amounted to \$48,911 and \$57,982, respectively.
- 2) Due to operation requirements, the Group purchased chemicals and consumables from Feng-Jia Industry in 2024 and 2023 and reported manufacturing overhead amounted to \$39 and \$15, respectively.
- 3) Due to operational requirements, the Group appointed Ping-Ho Environmental to provide wastewater treatment services in 2024 and 2023 and reported manufacturing overhead amounted to \$12,510 and \$4,332 respectively.
- 4) Due to operational requirements, the Group purchased items required for the manufacturing process from Yung-Hung Engineering in 2024 and 2023 and reported manufacturing overhead amounting to \$217 and \$174, respectively.
- 5) In 2024, the Group appointed Cingjing Exhibition Industry to handle sludge, incurring expenses amounting to \$912, which was reported as manufacturing overhead.

(c) Key management personnel compensation

	For the years ended December 31	
	2024	2023
Short-term employee benefits	\$ 15,479	14,506
Post-employment benefits	184	167
	\$ 15,663	14,673

(8) Pledged assets:

Pledged assets	Object	December 31, 2024	December 31, 2023
Other receivables – restricted deposit	Collateral for loans and bonds payables	\$ 43,391	40,240
Other receivables – certificate of deposit	Natural gas guarantee	400	400
Property, plant and equipment	Collateral for loans and bonds payables	947,505	982,603
Right-of-use assets	"	29,128	29,045
		\$ 1,020,424	1,052,288

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(9) Commitments and contingencies:

The Board of Directors of the Company 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. The Company has terminated the investment plan with the Administration of Central Taiwan Science Park, and the deposit has not yet been received.

(10) Losses due to major disasters:None

(11) Subsequent events:

On February 10, 2025, the Company's special shareholders' meeting resolved to increase the capital Enactment private placement Cash in order to supplement the Company's Working capital and Repayment Bank Loan. Within the Scope of not more than 30,000 shares, the chairman of the board was authorized to carry out the procedure in one or two installments within one year from the date of the extraordinary shareholders' meeting resolution. In addition, on February 10, 2025, the Board of directors resolved to issue 20,000 ordinary share for the first time through private placement, with a par principal amount of NT\$10 per share and a subscription price of NT\$22.4 per share, for a total amount of NT\$448,000,000. The Benchmarks date for the capital increase was February 24, 2025.

(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	2024			2023		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary	\$ 308,648	132,036	440,684	262,845	137,415	400,260	
Labor and health insurance	23,302	7,797	31,099	18,313	7,355	25,668	
Pension	25,366	8,118	33,484	15,959	6,418	22,377	
Remuneration of directors	-	766	766	-	294	294	
Others	16,422	10,678	27,100	16,006	10,703	26,709	
Depreciation	150,603	28,056	178,659	153,407	29,546	182,953	
Amortization	11,317	6,114	17,431	14,040	5,358	19,398	

In 2023 and 2022, the depreciation expense resulting from renting out equipment was \$4,389 and \$2,870, respectively, which was recorded under other gains and losses.

For the year ended 2024, the Group incurred amortization expenses of \$2,351 due to the leased molds, and it was stated as non-operating income and expenses.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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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	55,734	-	-	5.58 %	Note 1	-		-	-	-	695,662	695,662
1	CFTC Jin-Xing	The Company	Other receivables	Yes	13,102	-	-	5.60 %	Note 1	-		-	-	-	695,662	695,662
1	CFTC Jin-Xing	CFTC Huai-An	Other receivables	Yes	22,725	22,390	22,390	3.50 %	Note 2	-	The operating turnover	-	-	-	695,662	695,662
1	CFTC Jin-Xing	The Company	Other receivables	Yes	13,826	13,805	13,805	5.55 %	Note 1	13,805		-	-	-	695,662	695,662
1	CFTC Jin-Xing	The Company	Other receivables	Yes	4,166	4,160	4,160	5.58 %	Note 1	4,160		-	-	-	695,662	695,662
1	CFTC Jin-Xing	The Company	Other receivables	Yes	8,514	8,501	8,501	5.60 %	Note 1	8,501		-	-	-	695,662	695,662
1	CFTC Jin-Xing	The Company	Other receivables	Yes	10,397	10,381	10,381	5.65 %	Note 1	10,381		-	-	-	695,662	695,662

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	306,166	172,710	89,560	-	-	5.82 %	612,332	Y	N	Y
1	CFTC Jia-Xing	CFTC Huai-An	4	612,332	60,578	31,346	31,346	-	2.04 %	612,332	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, 2024 (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	115,010	16.93%	90 dyas	Normal	Normal	(10,355)	(4.60)%	Note
CFTC Huai-An	CFTC Jia-Xing	Subsidiary of the Company	Sale	115,010	98.72%	90 dyas	Normal	Normal	10,355	99.77%	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: None
- (ix) Trading in derivative instruments: Please refer to notes 6(j).
- (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	Sale	446	Normal	0.02%
0	The Company	CFTC Jia-Xing	1	Purchase	4,641	Normal	0.18%
0	The Company	CFTC Jia-Xing	1	Accounts payable	56,112	Normal	1.45%
0	The Company	CFTC Jia-Xing	1	Other payable	37,307	Loans and interest	0.97%
0	The Company	CFTC Jia-Xing	1	Financial costs, net	4,151	Loans and interest	0.16%
1	CFTC Jia-Xing	The Company	2	Sale	4,641	Normal	0.18%
1	CFTC Jia-Xing	The Company	2	Purchase	446	Normal	0.02%
1	CFTC Jia-Xing	The Company	2	Accounts receivable	56,112	Normal	1.45%
1	CFTC Jia-Xing	The Company	2	Other receivable	37,307	Loans and interest	0.97%
1	CFTC Jia-Xing	The Company	2	Interest income	4,151	Loans and interest	0.16%
1	CFTC Jia-Xing	CFTC Huai-An	3	Sale	2,329	Normal	0.09%
1	CFTC Jia-Xing	CFTC Huai-An	3	Purchase	115,010	Normal	4.47%
1	CFTC Jia-Xing	CFTC Huai-An	3	Accounts payable	10,355	Normal	0.27%
1	CFTC Jia-Xing	CFTC Huai-An	3	Other receivable	22,492	Loans and interest	0.58%
1	CFTC Jia-Xing	CFTC Huai-An	3	Interest income	884	Loans and interest	0.03%
2	CFTC Huai-An	CFTC Jia-Xing	3	Purchase	2,329	Normal	0.09%
2	CFTC Huai-An	CFTC Jia-Xing	3	Sale	115,010	Normal	4.47%
2	CFTC Huai-An	CFTC Jia-Xing	3	Accounts receivable	10,355	Normal	0.27%
2	CFTC Huai-An	CFTC Jia-Xing	3	Other payable	22,492	Loans and interest	0.58%
2	CFTC Huai-An	CFTC Jia-Xing	3	Interest expenses	884	Loans and interest	0.03%

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

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: Reconciliated in the preparation of consolidated report.

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(b) Information on investees:

The following is the information on investees for the years ended December 31, 2024 (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, 2024			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2024	December 31, 2023	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 %	1,785,619	100.00 %	(2,106)	277	Note 1 Note 2
The Company	CFTC Precision Sdn. Bhd.	Malaysia	Property management	MRY 30,288	MRY 30,288	30,288	100.00 %	13,732	100.00 %	(802)	(802)	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 54,619	100.00 %	USD (65)	-	Note 1

Note 1: Reconciliated 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, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2024	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)	10,440 (USD324)	100.00%	100.00%	10,440 (USD324)	1,739,156 (USD53,047)	122,355 (USD3,933)
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)	(12,545) (USD(389))	100.00%	100.00%	(12,545) (USD(389))	50,889 (USD1,552)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,255,918	1,664,822 (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”.

(Continued)

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(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
LIU, CHING-I		7,354,000	8.46 %
CHIA-CHUAN Investment Co. LTD		6,082,869	7.00 %
HSIEH, LING		5,811,630	6.69 %

- (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, 2024, the Company repurchased a total of 5,554,000 shares, represented 6.39% 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 produce 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.

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

(Continued)

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

For the years ended December 31, 2024	Parts of HDD	Parts of vehicles	Management &operation	Reconciliation and elimination	Total
Revenue from external customers	\$ 587,676	1,875,540	109,364	-	2,572,580
Intersegment revenues	2,835	114,419	5,172	(122,426)	-
Total revenue	<u>\$ 590,511</u>	<u>1,989,959</u>	<u>114,536</u>	<u>(122,426)</u>	<u>2,572,580</u>
Reportable segment profit or loss	<u>\$ 102,719</u>	<u>193,528</u>	<u>(256,010)</u>	<u>930</u>	<u>41,167</u>
For the years ended December 31, 2023					
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>
Reportable segment profit or loss	<u>\$ (5,563)</u>	<u>210,939</u>	<u>(278,176)</u>	<u>(606)</u>	<u>(73,406)</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:

Region	For the years ended December 31	
	2024	2023
Taiwan	\$ 123,451	108,100
Asia	2,291,088	2,043,149
Europe	142,893	141,675
Other	15,148	17,666
Total	<u>\$ 2,572,580</u>	<u>2,310,590</u>

Non-current assets:

Region	For the years ended December 31	
	2024	2023
China	\$ 845,097	905,781
Taiwan	1,017,910	1,055,169
Total	<u>\$ 1,863,007</u>	<u>1,960,950</u>

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

(d) Major customers

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

	For the years ended December 31	
	2024	2023
Customer A from HDD parts division	<u>\$ 473,619</u>	<u>292,852</u>