

**CHINA FINEBLANKING TECHNOLOGY CO., LTD.****Parent Company Only 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 parent company only 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 parent company only financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所

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## Independent Auditors' Report

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

### Opinion

We have audited the financial statements of CHINA FINEBLANKING TECHNOLOGY CO., LTD. (“the Company”), which comprise the balance sheets as of December 31, 2024 and 2023, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and 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 Financial Statements section of our report. We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 Company are producing and selling parts of HDD and parts of vehicles. The Company 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 Company'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)(g) "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.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the 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 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 parent company only financial statements are intended only to present the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**

**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	<b>Operating revenue (Note (6)(q) and (7))</b>	\$ 711,573	100	408,243	100
5000	<b>Operating costs (Notes (6)(c), (m), (r), (7) and (12))</b>	<u>561,969</u>	<u>79</u>	<u>416,394</u>	<u>102</u>
5900	<b>Gross profit (loss) from operations</b>	149,604	21	(8,151)	(2)
5910	Less: Unrealized gain or loss from sale	947	-	1,218	-
5920	Plus: Realized gain or loss from sale	<u>1,218</u>	<u>-</u>	<u>1,494</u>	<u>-</u>
5950	<b>Net gross profit (loss) from operations</b>	<u>149,875</u>	<u>21</u>	<u>(7,875)</u>	<u>(2)</u>
6000	<b>Operating expenses (Notes (6)(b), (m), (r) and (12)):</b>				
6100	Selling expenses	18,560	3	10,992	3
6200	Administrative expenses	58,361	8	62,192	15
6300	Research and development expenses	10,716	2	10,399	2
6450	Expected credit loss	<u>(245)</u>	<u>-</u>	<u>245</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>87,392</u>	<u>13</u>	<u>83,828</u>	<u>20</u>
6900	<b>Net operating income (loss)</b>	<u>62,483</u>	<u>8</u>	<u>(91,703)</u>	<u>(22)</u>
	<b>Non-operating income and expenses (Note (6)(l), (s) and (7)):</b>				
7100	Interest income	1,343	-	1,948	1
7010	Other income	10,099	2	8,292	1
7020	Other gains and losses, net	3,415	-	1,532	-
7050	Finance costs, net	(32,750)	(5)	(33,657)	(8)
7070	Share of profit (loss) of subsidiaries accounted for using equity method	<u>(525)</u>	<u>-</u>	<u>45,930</u>	<u>11</u>
	<b>Total non-operating income and expenses</b>	<u>(18,418)</u>	<u>(3)</u>	<u>24,045</u>	<u>5</u>
	<b>Profit (Loss) from continuing operations before tax</b>	44,065	5	(67,658)	(17)
7950	Less: Income tax expenses (benefit) (Note (6)(n))	<u>8,783</u>	<u>-</u>	<u>(13,345)</u>	<u>(3)</u>
	<b>Profit (Loss)</b>	<u>35,282</u>	<u>5</u>	<u>(54,313)</u>	<u>(14)</u>
8300	<b>Other comprehensive income:</b>				
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	64,134	9	(34,030)	(8)
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>2</u>	<u>(6,806)</u>	<u>(1)</u>
8300	<b>Other comprehensive income</b>	<u>51,308</u>	<u>7</u>	<u>(27,224)</u>	<u>(7)</u>
8500	<b>Total comprehensive income</b>	<u>\$ 86,590</u>	<u>12</u>	<u>(81,537)</u>	<u>(21)</u>
	<b>Earnings per share (Note (6) (p) (in New Taiwan Dollar))</b>				
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 parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**

**Statements of Changes in Equity**

**For the years ended December 31, 2024 and 2023**

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

	<u>Share capital</u>		<u>Retained earnings</u>				<u>Total other equity interest</u>		<u>Total equity</u>
	<u>Ordinary shares</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated retained earnings</u>	<u>Total retained earnings</u>	<u>Exchange differences on translation of foreign financial statements</u>	<u>Treasury shares</u>	
<b>Balance at January 1, 2023</b>	\$ 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 share	-	-	-	-	(8,126)	(8,126)	-	-	(8,126)
Stock dividends of ordinary share	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)
<b>Balance at December 31, 2024</b>	\$ <b>868,495</b>	<b>584,685</b>	<b>123,841</b>	<b>124,368</b>	<b>122,825</b>	<b>371,034</b>	<b>(73,060)</b>	<b>(220,324)</b>	<b>1,530,830</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**

**Statements of Cash Flows**

**For the years ended December 31, 2024 and 2023**

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

	<b>For the years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ 44,065	(67,658)
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	52,390	52,740
Amortization expense	3,625	5,645
Expected credit impairment (gain) loss	(245)	245
Interest expense	32,750	33,657
Interest income	(1,343)	(1,948)
Share of loss (profit) of subsidiaries accounted for using the equity method	525	(45,930)
Gain on disposal of property, plant and equipment	(216)	(869)
Unrealized profit from sales	947	1,218
Realized profit on from sales	(1,218)	(1,494)
Amortization of deferred revenue	(1,632)	(2,567)
<b>Total adjustments to reconcile profit</b>	<u>85,583</u>	<u>40,697</u>
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in contract assets	(385)	206
Decrease in notes receivable	632	136
Increase in accounts receivable	(11,446)	(36,611)
(Increase) decrease in other receivable	(6,253)	14,136
Decrease in inventories	36,263	31,207
Decrease in prepayments	682	1,527
Decrease in other current assets	5	32
<b>Total changes in operating assets</b>	<u>19,498</u>	<u>10,633</u>
Decrease in contract liabilities	(7,512)	(22)
Decrease in notes payable	(26)	(156)
Increase in accounts payable	64,941	41,388
Increase (decrease) in other payables	8,628	(10,577)
Increase in other current liabilities	14,912	45
<b>Total changes in operating liabilities</b>	<u>80,943</u>	<u>30,678</u>
<b>Total changes in operating assets and liabilities</b>	<u>100,441</u>	<u>41,311</u>
<b>Total adjustments</b>	<u>186,024</u>	<u>82,008</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**

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

**For the years ended December 31, 2024 and 2023**

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

	<b>For the years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Cash inflow generated from operations	230,089	14,350
Interest received	1,343	1,948
Interest paid	(19,425)	(19,362)
Income taxes paid	(9,563)	(1,957)
<b>Net cash flows (used in) from operating activities</b>	<b>202,444</b>	<b>(5,021)</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(14,177)	(29,549)
Proceeds from disposal of property, plant and equipment	216	1,027
Decrease in refundable deposits	-	34
Acquisition of intangible assets	(832)	(650)
Repatriation of subsidiary surpluses	64,200	-
(Increase) decrease in other non-current assets	(1,510)	23,454
<b>Net cash flows (used in) from investing activities</b>	<b>47,897</b>	<b>(5,684)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	142,000	90,000
Decrease in short-term loans	(47,000)	(220,000)
Proceeds from issuing bonds	-	508,359
Repayments of bonds	-	(385,383)
Proceeds from long-term loans	50,000	179,000
Repayments of long-term loans	(263,842)	(150,104)
Other payables to related parties	(70,575)	-
Repayments of lease liabilities	(2,721)	(2,705)
Cash dividends paid	(8,126)	(16,169)
Payments to acquire treasury shares	(15,950)	(8,627)
<b>Net cash used in financing activities</b>	<b>(216,214)</b>	<b>(5,629)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>34,127</b>	<b>(16,334)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>136,903</b>	<b>153,237</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 171,030</b>	<b>136,903</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**

**Notes to the 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.).

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

The accompanying 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 (IFRSs Accounting Standards) endorsed by the Financial Supervisory Commission (FSC), R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its 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 Company 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 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

- (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 Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

(Continued)

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
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"> <li>● 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.</li> <li>● 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.</li> <li>● 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.</li> </ul>	January 1, 2027

(Continued)

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

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

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

**(a) Statement of compliance**

These 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”).

**(b) Basis of preparation**

**(i) Basis of measurement**

The 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 Company entities is determined based on the primary economic environment in which the entities operate. The 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.**  
**Notes to the Financial Statements**

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company 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 Company 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 Company 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.**  
**Notes to the Financial Statements**

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

The Company 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 or a 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 Company 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 Company 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.

(e) 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.

(f) 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 Company 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.**  
**Notes to the 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 Company 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 Company 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 Company 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.**  
**Notes to the Financial Statements**

The Company 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 Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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

The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company 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 Company 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company 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.

### Notes to the Financial Statements

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company 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 Company 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 Company's procedures for recovery of amount due.

#### 4) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company 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 Company 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.**  
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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 Company 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 Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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.**  
**Notes to the Financial Statements**

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

7) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Company 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.

(g) 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.

(h) Subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(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 Company.

(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.

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

Land is not depreciated.

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

Buildings	
Plant main buildings	10~50 years
Other	5~50 years
Machinery	3~20 years
Molding equipment	2~3 years
Office and other equipment	3~10 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 Company 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 Company 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 Company's incremental borrowing rate. Generally, the Company 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;

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**  
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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 Company'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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When the Company 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 Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**  
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(k) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company 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	3~5 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 Company 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.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**  
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(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

(i) Sale of goods

The Company manufactures and sells hard disk drive components and auto parts. The Company 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 Company 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 Company 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.

(ii) Financial components

The Company 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 Company 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 Company recognizes the difference between the fair valued of the loan, calculated at market rate, and the proceed received as deferred revenue, which is amortized as other income on a systematic basis. When the proceed of the loan is utilized to acquire assets, the difference is regarded as a deduction to the cost of acquired assets and amortized on a systematic basis as a reduction of depreciation expense.

(o) Employee benefits

(i) Defined contribution plans

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

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**  
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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 Company 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 (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company 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

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**  
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(iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

- (i) the Company 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

The related information on the operating segments is disclosed in the consolidated financial statements.

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

In preparing these 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 Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

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

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

(a) The loss allowance of accounts receivables

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

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

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

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

Please refer to Note 6(t), financial instruments for assumptions used in measuring fair value.

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

(a) Cash and cash equivalents

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Cash on hand and petty cash	\$ 80	80
Cash in banks	170,950	136,823
	<b>\$ 171,030</b>	<b>136,903</b>

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

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

(b) Notes and accounts receivable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Notes receivable	\$ 1,655	2,287
Accounts receivable	125,024	113,578
Less: Loss allowance	<u>-</u>	<u>(245)</u>
	<u><b>\$ 126,679</b></u>	<u><b>115,620</b></u>

The Company 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 Company 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	<u>\$ 126,679</u>	0%	<u>-</u>
	<u>December 31, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 114,650	0%	-
1 to 30 days past due	578	0.1%	1
31 to 60 days past due	164	5%	8
121 to 180 days past due	<u>473</u>	30%~100%	<u>236</u>
	<u><b>\$ 115,865</b></u>		<u><b>245</b></u>

Please refer to Note 6(t) for the Company'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:

	<u>For the years ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Balance at January 1	\$ 245	-
Impairment losses (recersed) recognized	<u>(245)</u>	<u>245</u>
Balance at December 31	<u><b>\$ -</b></u>	<u><b>245</b></u>

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

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

## (c) Inventories

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Raw materials	\$ 11,827	23,763
Work in progress	29,919	19,112
Finished goods	<u>46,707</u>	<u>81,841</u>
	<u>\$ 88,453</u>	<u>124,716</u>

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

	<u>For the years ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Cost of goods sold	\$ 560,237	379,748
Unallocated fixed manufacturing overheads	-	28,547
(Reversal of write-downs) Write-down of inventories	(5,026)	5,701
Loss on scrap	<u>6,758</u>	<u>2,398</u>
	<u>\$ 561,969</u>	<u>416,394</u>

As of December 31, 2024 and 2023, the Company 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) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Subsidiaries	<u>\$ 1,799,351</u>	<u>1,799,671</u>

- (i) Please refer to consolidated financial statement of 2024.
- (ii) As of December 31, 2024 and 2023, the investments accounted for using the equity method of the Company had not been pledged as collateral.

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

(e) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Molds</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other facilities</u>	<u>Construction in progress and testing equip</u>	<u>Total</u>
<b>Cost or deemed cost:</b>									
Balance on January 1, 2024	\$ 479,357	321,587	349,555	83,919	12,536	-	8,481	210	1,255,645
Additions	-	934	9,751	-	189	-	-	3,311	14,185
Reclassification	-	1,671	6,747	-	-	-	-	(1,671)	6,747
Disposal	-	-	(90)	(26,337)	-	-	-	-	(26,427)
Balance on December 31, 2024	<u>\$ 479,357</u>	<u>324,192</u>	<u>365,963</u>	<u>57,582</u>	<u>12,725</u>	<u>-</u>	<u>8,481</u>	<u>1,850</u>	<u>1,250,150</u>
Balance on January 1, 2023	\$ 479,357	321,356	348,492	83,627	12,536	96	8,581	210	1,254,255
Additions	-	231	21,638	-	-	-	-	-	21,869
Reclassification	-	-	7,836	292	-	-	-	-	8,128
Disposal	-	-	(28,411)	-	-	(96)	(100)	-	(28,607)
Balance on December 31, 2023	<u>\$ 479,357</u>	<u>321,587</u>	<u>349,555</u>	<u>83,919</u>	<u>12,536</u>	<u>-</u>	<u>8,481</u>	<u>210</u>	<u>1,255,645</u>
<b>Depreciation and impairment loss:</b>									
Balance on January 1, 2024	\$ -	28,036	123,955	77,731	11,592	-	4,229	-	245,543
Depreciation	-	10,762	33,230	4,942	297	-	440	-	49,671
Disposal	-	-	(90)	(26,337)	-	-	-	-	(26,427)
Balance on December 31, 2024	<u>\$ -</u>	<u>38,798</u>	<u>157,095</u>	<u>56,336</u>	<u>11,889</u>	<u>-</u>	<u>4,669</u>	<u>-</u>	<u>268,787</u>
Balance on January 1, 2023	\$ -	17,374	121,588	69,779	11,224	96	3,889	-	223,950
Depreciation	-	10,662	30,620	7,952	368	-	440	-	50,042
Disposal	-	-	(28,253)	-	-	(96)	(100)	-	(28,449)
Balance on December 31, 2023	<u>\$ -</u>	<u>28,036</u>	<u>123,955</u>	<u>77,731</u>	<u>11,592</u>	<u>-</u>	<u>4,229</u>	<u>-</u>	<u>245,543</u>
<b>Carrying amounts:</b>									
Balance on December 31, 2024	<u>\$ 479,357</u>	<u>285,394</u>	<u>208,868</u>	<u>1,246</u>	<u>836</u>	<u>-</u>	<u>3,812</u>	<u>1,850</u>	<u>981,363</u>
Balance on January 1, 2023	<u>\$ 479,357</u>	<u>303,982</u>	<u>226,904</u>	<u>13,848</u>	<u>1,312</u>	<u>-</u>	<u>4,692</u>	<u>210</u>	<u>1,030,305</u>
Balance on December 31, 2023	<u>\$ 479,357</u>	<u>293,551</u>	<u>225,600</u>	<u>6,188</u>	<u>944</u>	<u>-</u>	<u>4,252</u>	<u>210</u>	<u>1,010,102</u>

(i) During 2024, the Company has capitalized borrowing costs related to the acquisition of the equipment and construction of the factory of \$8, calculated using a capitalization rate of 2.153%~2.278%.

(ii) As of December 31, 2024 and 2023, the property, plant and equipment of the Company had been pledged as collateral for long and short-term borrowings; please refer to Note 8.

(f) Right-of-use assets

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

	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
<b>Cost:</b>			
Balance at January 1, 2024	\$ 5,624	1,042	6,666
Additions	1,707	454	2,161
Disposals	(3,231)	(370)	(3,601)
Balance at December 31, 2024	<u>\$ 4,100</u>	<u>1,126</u>	<u>5,226</u>

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

	<b>Transportation equipment</b>	<b>Office equipment</b>	<b>Total</b>
Balance at January 1, 2023	\$ 5,587	1,042	6,629
Additions	2,554	-	2,554
Disposals	(2,517)	-	(2,517)
Balance at December 31, 2023	<u>\$ 5,624</u>	<u>1,042</u>	<u>6,666</u>
<b>Accumulated depreciation and impairment losses:</b>			
Balance at January 1, 2024	\$ 2,994	704	3,698
Depreciation	2,500	219	2,719
Disposal	(3,231)	(370)	(3,601)
Balance at December 31, 2024	<u>\$ 2,263</u>	<u>553</u>	<u>2,816</u>
Balance at January 1, 2023	\$ 3,021	496	3,517
Depreciation	2,490	208	2,698
Disposal	(2,517)	-	(2,517)
Balance at December 31, 2023	<u>\$ 2,994</u>	<u>704</u>	<u>3,698</u>
<b>Carrying amounts:</b>			
Balance at December 31, 2024	<u>\$ 1,837</u>	<u>573</u>	<u>2,410</u>
Balance at January 1, 2023	<u>\$ 2,566</u>	<u>546</u>	<u>3,112</u>
Balance at December 31, 2023	<u>\$ 2,630</u>	<u>338</u>	<u>2,968</u>

## (g) Other non-current assets

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Prepayments for equipment's	\$ 18,605	28,765
Guarantee deposits paid	3,917	3,917
Other non-current assets	10,072	6,963
	<u>\$ 32,594</u>	<u>39,645</u>

(i) During 2024 and 2023, the Company has capitalized borrowing costs related to the acquisition of the equipment and construction of factory of \$68 and \$515, calculated using a capitalization rate of 2.153%~2.278% and 2.026%~2.153%, 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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Unsecured bank loans	<u>\$ 195,000</u>	<u>100,000</u>
Unused short-term credit lines	<u>\$ 100,000</u>	<u>215,000</u>
Range of interest rates	<u>2.22%~2.46%</u>	<u>2.05%~2.25%</u>

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

(i) As of December 31, 2024 and 2023, the Company had borrowed the unsecured bank loans amounted to \$142,000 and \$90,000; and had been repaid at the amounts of \$47,000 and \$222,000, respectively.

(i) Other payables (including related parties)

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Outsourced processing expenses payable	\$ 12,953	10,902
Wages and salaries payable	15,237	11,661
Mold-processing expenses payable	680	1,098
Employee compensation payable	909	601
Payable on repairing	4,755	6,053
Labor/health insurance payable	3,012	2,447
Payable on loans	37,307	107,882
Others	24,939	17,690
	<b><u>\$ 99,792</u></b>	<b><u>158,334</u></b>

(j) Bonds payable

The details of bonds payable were as follows:

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

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
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	<b><u>\$ 484,617</u></b>	<b><u>487,604</u></b>
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	<b><u>\$ 22,553</u></b>	<b><u>23,021</u></b>

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

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

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

On August 30 and August 31, 2023, the Company 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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**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**  
**Notes to the Financial Statements**

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 year ended December 31, 2024, and 2023.

(k) Long-term borrowings

The details were as follows:

	<b>December 31, 2024</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity date</b>	<b>Amount</b>
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
				726,657
Less: current portion				(190,252)
Total				<b>\$ 536,405</b>
Unused long-term credit lines				<b>\$ 239,200</b>

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

	<b>December 31, 2023</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity date</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.8%~2.3%	2024.08.16~2028.05.18	\$ 256,733
Secured bank loans	TWD	0.7%~2.15%	2026.03.15~2039.10.31	679,956
				936,689
Less: current portion				(202,003)
Total				<b>\$ 734,686</b>
Unused long-term credit lines				<b>\$ 239,200</b>

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

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

(iii) As of December 31, 2024 and 2023, the Company had borrowed the secured and unsecured bank loans of amounted to \$50,000 and \$179,000; and had been repaid at the amounts of \$263,842 and \$150,104, respectively.

(l) Lease liabilities

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

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

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

The amounts recognized in profit or loss were as follows:

	<b>For the year ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Interest on lease liabilities	<b>\$ 67</b>	<b>72</b>
Expenses relating to short-term leases	<b>\$ 471</b>	<b>618</b>

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

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

	<b>For the year ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Total cash outflow for leases	\$ <u>3,259</u>	<u>3,395</u>

The Company 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

The Company 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 Company 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:

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

(n) Income taxes

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

	<b>For the years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Current tax expense		
Current period	\$ 6,386	-
Adjustment for prior periods	-	136
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	<u>2,397</u>	<u>(13,481)</u>
Income tax expense (benefit)	<b>\$ <u>8,783</u></b>	<b><u>(13,345)</u></b>

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

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

	<b>For the years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
profit (Loss) excluding income tax	\$ 44,065	(67,658)
Income tax the Company's domestic tax rate	8,813	(13,532)
Non-deductible expenses	(30)	92
Underestimation (overestimation) in prior period	-	136
Others	-	(41)
	<b>\$ 8,783</b>	<b>(13,345)</b>

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

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

(iv) Deferred tax assets and liabilities

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

	<b>Inventory valuation losses</b>	<b>Deductible losses</b>	<b>Other</b>	<b>Total</b>
Deferred tax assets:				
Balance at January 1, 2024	\$ 1,811	20,883	19,659	42,353
Recognized in profit or loss	(1,005)	(15,814)	(227)	(17,046)
Recognized in other comprehensive income	-	-	(12,826)	(12,826)
Balance at December 31, 2024	<b>\$ 806</b>	<b>5,069</b>	<b>6,606</b>	<b>12,481</b>
Balance at January 1, 2023	\$ 671	-	13,058	13,729
Recognized in profit or loss	1,140	20,883	(205)	21,818
Recognized in other comprehensive income	-	-	6,806	6,806
Balance at December 31, 2023	<b>\$ 1,811</b>	<b>20,883</b>	<b>19,659</b>	<b>42,353</b>

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

	<u>Investment income overseas</u>	<u>Other</u>	<u>Total</u>
Deferred tax liabilities:			
Balance at January 1, 2024	\$ 81,429	1,227	82,656
Recognized in profit or loss	<u>(13,422)</u>	<u>(1,227)</u>	<u>(14,649)</u>
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	<u>9,016</u>	<u>(679)</u>	<u>8,337</u>
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)

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

Due to the conversion right of the bondholders 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.

(Continued)

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

A resolution was passed during the general meeting of shareholders held on May 31, 2023 for the issuance of 404 thousand new shares by retained earnings with par value of \$10 dollar per share, amounting to \$4,042. On September 14, 2023, the chairman of the Board of Directors authorized the increase of capital by the 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 share 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:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
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	<u>31,891</u>	<u>32,359</u>
	<u>\$ 584,685</u>	<u>578,446</u>

(iii) Retained earnings

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

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

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

(Continued)

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

1) Legal reserve

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

2) Special reserve

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

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

In accordance with the aforesaid Rule, a special reserve is set aside from the current years' net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of contra accounts in shareholder's equity shall qualify for additional distributions. As of December 31, 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			
Total		<u>\$ <u>10,564</u></u>		<u><u>20,211</u></u>

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:

(Continued)

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

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

(iv) Treasury shares

On 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.

On 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 \$15,950.

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

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

The Company changes of treasury shares were 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	<b>5,554,000</b>	<b>5,054,000</b>

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

## (v) Other equity items

	<b>Exchange differences on translation of foreign financial statements</b>
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:

	<b>For the years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
<b>Basic earnings per share</b>		
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>
<b>Diluted earnings per share</b>		
Profit/(loss) attributable to ordinary shareholders of the Company Effect of dilutive potential ordinary shares	\$ 35,282	
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)	\$ 96,654	
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.**  
**Notes to the Financial Statements**

## (q) Revenue from contracts with customers

## (i) Details of revenue

<b>For the year ended December 31, 2024</b>				
	<b>Parts of HDD</b>	<b>Parts of vehicles</b>	<b>Management &amp; operations</b>	<b>Total</b>
Major products/services lines:				
Sales of goods	\$ 587,676	69,803	36,390	693,869
Other sales revenue	-	-	17,704	17,704
Total	<u>\$ 587,676</u>	<u>69,803</u>	<u>54,094</u>	<u>711,573</u>
Timing of revenue recognition:				
Products transferred at a point in time	<u>\$ 587,676</u>	<u>69,803</u>	<u>54,094</u>	<u>46,880</u>
<b>For the year ended December 31, 2023</b>				
	<b>Parts of HDD</b>	<b>Parts of vehicles</b>	<b>Management &amp; operations</b>	<b>Total</b>
Major products/services lines:				
Sales of goods	\$ 300,064	61,299	34,792	396,155
Other sales revenue	-	-	12,088	12,088
Total	<u>\$ 300,064</u>	<u>61,299</u>	<u>46,880</u>	<u>408,243</u>
Timing of revenue recognition:				
Products transferred at a point in time	<u>\$ 300,064</u>	<u>61,299</u>	<u>46,880</u>	<u>408,243</u>

## (ii) Contract balances

	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>January 1, 2021</b>
Notes receivables	\$ 1,655	2,287	2,423
Account receivables (including related parties)	125,024	113,578	76,967
Less: Loss allowance	-	(245)	-
Total	<u>\$ 126,679</u>	<u>115,620</u>	<u>79,390</u>
Contract assets—products selling	<u>\$ 385</u>	<u>-</u>	<u>206</u>
Contract liabilities—advance sales receipts	<u>\$ 298</u>	<u>7,810</u>	<u>7,832</u>

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

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

(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 employee's 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:

	<b>For the years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Interest income	\$ 1,343	1,948

(ii) Other income

The details of other income were as follows:

	<b>For the years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Other income	\$ 10,099	8,292

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

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>For the years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Gains on disposals of property, plant and equipment	\$ 216	869
Gain on foreign currency exchange	4,925	2,244
Others	(1,726)	(1,581)
	<b>\$ 3,415</b>	<b>1,532</b>

(iv) Finance costs

The details of finance costs were as follows:

	<b>For the years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Interest expense	\$ 26,640	27,906
Amortization of discounts of bond	6,186	6,266
Less: interest capitalized	(76)	(515)
	<b>\$ 32,750</b>	<b>33,657</b>

(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 \$347,483 and \$295,659 in 2024 and 2023.

2) Concentration of credit risk

Credit risk is managed by each business unit subject to the Company'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 Company'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.

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

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 Company are considered to have low risk because of the trade partners and performance partners are financial institutions above investment grade. As a result, they did not make allowance for loss.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 years</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2024</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 195,000	196,602	196,602	-	-	-
Notes and trade payable (including related parties)	138,440	138,440	138,440	-	-	-
Other payables (including related parties)	99,792	99,792	99,792	-	-	-
Bonds payable	484,617	494,575	-	494,575	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	726,657	798,235	201,473	218,840	95,102	282,820
Lease liabilities	2,443	2,492	1,774	593	125	-
	<u>\$ 1,646,949</u>	<u>1,730,136</u>	<u>638,081</u>	<u>714,008</u>	<u>95,227</u>	<u>282,820</u>
<b>December 31, 2023</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 100,000	102,196	102,196	-	-	-
Notes and trade payable (including related parties)	73,525	73,525	73,525	-	-	-
Other payables (including related parties)	158,334	158,334	158,334	-	-	-
Bonds payable	487,604	504,218	-	504,218	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	936,689	1,023,632	216,229	334,119	151,316	321,968
Lease liabilities	3,003	3,069	1,735	1,334	-	-
	<u>\$ 1,759,155</u>	<u>1,864,974</u>	<u>552,019</u>	<u>839,671</u>	<u>151,316</u>	<u>321,968</u>

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

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2024			December 31, 2023		
	Foreign Currency	Exchange Rate	TWD	Foreign Currency	Exchange Rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 6,582	32.7850	215,798	4,802	30.7050	147,459
<u>Non-monetary items</u>						
USD:TWD	54,619	32.7850	1,790,619	58,181	30.7050	1,786,451
MYR:TWD	1,944	7.0655	13,732	2,062	6.4110	13,220
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	3,737	32.7850	122,505	4,810	30.7050	147,694

2) Sensitivity analysis

The Company'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 in 2024 and 2023, would have increased (decreased) the net profit after tax by \$746 and \$ 2, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2023.

3) Foreign exchange gain and loss on monetary items

Since the Company 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 \$4,925 and \$2,244, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company'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.

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**CHINA FINEBLANKING TECHNOLOGY CO., LTD.**  
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If the interest rate had increased / decreased by 10 basis points, the Company's net income would have increased / decreased by \$737 for the year ended December 31, 2024 and \$829 for the year ended December 31, 2023, with all other variable factors remaining constant. This is mainly due to the Company'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 Company's financial assets, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	<b>December 31, 2024</b>				
	<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 171,030	-	-	-	-
Notes and accounts receivables	126,679	-	-	-	-
Other receivables (including related parties)	49,469	-	-	-	-
<b>Total</b>	<b>\$ 347,178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 921,657	-	-	-	-
Notes and accounts payables (including related parties)	138,440	-	-	-	-
Other payables (including related parties)	99,792	-	-	-	-
Lease liabilities	2,443	-	-	-	-
Bonds payables	484,617	-	482,615	-	482,615
<b>Total</b>	<b>\$ 1,646,949</b>	<b>-</b>	<b>482,615</b>	<b>-</b>	<b>482,615</b>
<b>December 31, 2023</b>					
	<b>Book Value</b>	<b>Fair Value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 136,903	-	-	-	-
Notes and accounts receivables	115,620	-	-	-	-
Other receivables (including related parties)	43,216	-	-	-	-
<b>Total</b>	<b>\$ 295,739</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	December 31, 2023				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Bank loans	\$ 1,036,689	-	-	-	-
Notes and accounts payables (including related parties)	73,525	-	-	-	-
Other payables (including related parties)	158,334	-	-	-	-
Lease liabilities	3,003	-	-	-	-
Bonds payables	<u>487,604</u>	<u>-</u>	<u>482,989</u>	<u>-</u>	<u>482,989</u>
Total	<u>\$ 1,759,155</u>	<u>-</u>	<u>482,989</u>	<u>-</u>	<u>482,989</u>

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

3) There have been no transfers from each level for the years ended December 31, 2024 and 2023.

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

(u) Financial risk management

(i) Overview

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

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

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

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company'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 Company'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 Company's internal rating criteria, etc. To lower certain issuers' or counter parties' credit risk, credit enhancing instruments(such like sales receipts and insurance) will be taken at the appropriate time.

The Company 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 Company does not centralize its sales to any single customer, therefore the credit risks of accounts receivables do not significantly concentrate.

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

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company 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.

3) Guarantee

The Company only provide guarantee to wholly owned subsidiaries. As of December 31, 2024 and 2023, please refer to Note7(b) for the guarantees provided to the subsidiaries.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

As of December 31, 2024 and 2023, the Company's unused credit line were amounted to \$339,200 and \$454,200, 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 Company'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 Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the TWD, US Dollar (USD), Malaysian Ringgit (MYR) and Chinese Yuan (CNY). The currencies used in these transactions are the TWD, USD, and MYR.

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 Company, which are mainly TWD and USD. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company 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.

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

2) Interest rate risk

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

3) Other market price risk

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

(v) Capital management

The Company'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 Company 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 Company 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, and other equity interest plus net debt.

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

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Total liabilities	\$ 1,737,979	1,862,127
Less: cash and cash equivalents	(171,030)	(136,903)
Net debt	<u>\$ 1,566,949</u>	<u>1,725,224</u>
Total equity	<u>\$ 1,530,830</u>	<u>1,459,143</u>
Adjusted equity	<u>\$ 3,097,779</u>	<u>3,184,367</u>
Debt-to-equity ratio at 31 December	<u>50.58%</u>	<u>54.18%</u>

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

(Continued)

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

**(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 financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
China Fineblanking Group Co., Ltd. (CFTC Group)	A subsidiaries
CFTC Precision Sdn. Bhd. (CFTC Malaysia)	A subsidiaries
China Fineblanking International Co., Ltd. (CFTC International)	A subsidiaries
CFTC Precision (Jia-Xing) (CFTC Jia-Xing)	A subsidiaries
CFTC (Huai-An) Limited (CFTC Huai-An)	A subsidiaries
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) Sales

The amounts of significant sales by the Company to related parties were as follows:

	<b>For the years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Subsidiaries – CFTC Jia-Xing	\$ <u>446</u>	<u>1,332</u>

The sale price to the above related parties was determined through mutual agreement based on the market rates. The trade credit term for related parties was 90 days while third-party suppliers was between 60-120 days. The accounts receivables-related parties were not guaranteed.

(ii) Purchases

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

	<b>For the years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Subsidiaries – CFTC Jia-Xing	\$ <u>4,641</u>	<u>68,117</u>

(Continued)

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

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 CFTC Jia-Xing was 90 days.

(iii) Receivables to related parties

The receivables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Other receivables	Subsidiaries – CFTC Jia-Xing	\$ <u>12</u>	<u>34</u>

(iv) 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	Subsidiaries – CFTC Jia-Xing	\$ 56,112	38,427
Other payables	Other related-party – Yung-Hung Engineering	111	102
Other payables	Other related-party – Feng-Jia Industry	12	8
Other payables	Other related-party – Ping-Ho Environmental	2,770	1,205
Other payables	Other related-party – Cingjing Exhibition industry	<u>361</u>	<u>-</u>
		<u>\$ 59,366</u>	<u>39,742</u>

(v) Borrowings from related parties

The borrowings from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Other payables	Subsidiaries – CFTC Jia-Xing	\$ <u>37,307</u>	<u>107,882</u>

In 2023 and 2024, The Company paid the subsidiaries amounting to \$4,151 and \$3,650, respectively as interest expense for the loan mentioned above.

The Company' borrowings from related parties are calculated at the TAIPX 90-day interest rate of the year in which the related parties are approved, and are unsecured loans.

(Continued)

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

## (vi) Guarantees

The Company provided guarantees to subsidiary company. As of December 31, 2024, the guarantee ceiling was \$89,560 (2023:\$186,061) and the usage amount was \$0 (2023:\$0). In 2024 and 2023, the subsidiary company paid the Company \$44 and \$801 as handling fee for the guarantee mentioned above. which was recognized as other income in the statements of comprehensive income.

## (vii) Other incomes and expenses

<u>Account</u>	<u>Categories</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Manufacturing overhead- outsourcing cost	Subsidiaries – CFTC Jia-Xing	<u>\$ -</u>	<u>1,821</u>

The price of outsourcing cost 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 CFTC Jia-Xing was 90 days.

## (viii) Other

- 1) Due to operational requirements, the Company purchased chemicals and consumables from Feng-Jia Industry in 2024 and 2023 and reported manufacturing overhead amounted to \$39 and \$15, respectively.
- 2) Due to operational requirements, the Company 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.
- 3) Due to operational requirements, the Company 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.
- 4) In 2024, the Company appointed Cingjing Exhibition industry to handle sludge, incurring expenses amounting to \$912, which was reported as manufacturing overhead.

## (c) Key management personnel compensation

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

(Continued)

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

**(8) Pledged assets:**

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Other receivables – restricted deposit	Collateral for loans and bonds payables	\$ 43,391	40,240
Property, plant and equipment	"	804,260	834,755
Other receivables-certificate of deposit	Natural gas guarantee	400	400
		<u>\$ 848,051</u>	<u>875,395</u>

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

By item	By function	For the year ended December 31					
		2024			2023		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		\$ 99,406	39,205	138,611	69,266	42,345	111,611
Labor and health insurance		9,557	3,781	13,338	9,007	4,084	13,091
Pension		3,323	1,734	5,057	3,134	1,890	5,024
Remuneration of directors		-	766	766	-	294	294
Others		5,481	2,757	8,238	4,201	2,814	7,015
Depreciation		48,652	3,738	52,390	48,978	3,762	52,740
Amortization		2,142	1,483	3,625	4,320	1,325	5,645

(Continued)

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

For the years ended December 31, 2024 and 2023, the information on the number of employees and employee benefit expense of the Company is as follows:

	<u>2024</u>	<u>2023</u>
Number of employees	<u>222</u>	<u>209</u>
Number of directors who were not employees	<u>9</u>	<u>9</u>
The average employee benefit	<u>\$ 776</u>	<u>684</u>
The average salaries and wages	<u>\$ 651</u>	<u>558</u>
Percentage of average employee salary expense adjusted	<u>16.67 %</u>	<u>-</u>
Remuneration to supervisors	<u>\$ -</u>	<u>-</u>

Items of salary and compensation for the Directors, Independent Directors, managers, and general employees are set out as follows:

(a) Independent Directors:

- (i) Regardless of the operating profit or loss, the Company shall pay the remuneration for Independent Directors monthly (or quarterly or semi-annually) and make adjustments based on their participation in the Company's operations and the value of their contributions.
- (ii) Independent Directors are not included in the distribution of remunerations for Directors and the allocation of other bonuses.
- (iii) Based on the actual demands for business execution, the Company provides expenses such as traffic allowances.

(b) Other Directors:

- (i) The remuneration for other Directors is determined based on their participation in the Company's operations and the value of their contributions, with reference to the standards within the industry.
- (ii) Remuneration for Directors shall be appropriated according to the ratio stipulated in the Company's Articles of Association.
- (iii) Based on the actual demands for business execution, the Company provides expenses such as traffic allowances.

(c) Managers:

- (i) The monthly fixed salary is determined according to the salary standards for the titles.
- (ii) Performance bonuses are allocated according to the results of the operating performance evaluation.
- (iii) Year-end bonuses are distributed according to the results of the employee performance evaluation.

(Continued)

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

- (iv) Remuneration for employees shall be appropriated according to the ratio stipulated in the Company's Articles of Association.
- (v) The Company provides supervisory differential pay and traffic allowances based on the duties and standards.
- (d) Other employees:
  - (i) Regular salaries comprise basic salaries, duty allowances, supervisory differential pay, professional differential pay, technical skill pay, and meal allowances.
  - (ii) Non-regular salaries comprise the overtime pay, rental allowance, fuel allowance, other pays, dragon boat festival bonus, moon festival bonus, and year-end bonus.

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

**(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 Company:

## (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 Jia-Xing	The Company	Other receivables	Yes	55,734	-	-	5.58%	Note 1	-	-	-	-	-	695,662	695,662
1	CFTC Jia-Xing	The Company	Other receivables	Yes	13,102	-	-	5.60%	Note 1	-	-	-	-	-	695,662	695,662
1	CFTC Jia-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 Jia-Xing	The Company	Other receivables	Yes	13,826	13,805	13,805	5.55%	Note 1	13,805	-	-	-	-	695,662	695,662
1	CFTC Jia-Xing	The Company	Other receivables	Yes	4,166	4,160	4,160	5.58%	Note 1	4,160	-	-	-	-	695,662	695,662
1	CFTC Jia-Xing	The Company	Other receivables	Yes	8,514	8,501	8,501	5.60%	Note 1	8,501	-	-	-	-	695,662	695,662
1	CFTC Jia-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's 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	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.

(Continued)

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

- (iii) Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates and joint ventures): None
- (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 days	Normal	Normal	(10,355)	(4.60) %	-
CFTC Huai-An	CFTC Jia-Xing	Subsidiary of the Company	Sale	115,010	98.72 %	90 days	Normal	Normal	10,355	99.77 %	-

(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 Note 6(j)

(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			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	(2,106)	277	Note 1
The Company	CFTC Precision Sdn. Bhd.	Malaysia	Property management	MYR 30,288	MYR 30,288	30,288	100.00 %	13,732	(802)	(802)	-
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	(USD65)	-	-

Note1 : 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	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%	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) (USD389)	100.00%	(12,545) (USD389)	50,889 (USD1,552)	-

(Continued)

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

(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”.

(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:**

Please refer to the consolidated financial statements of 2024.

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

**Statement of cash and cash equivalents**

**December 31, 2024**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Cash	Petty cash	\$ <u>80</u>	
Bank deposit	Demand deposit	73,877	
	Foreign currency deposit	96,935	\$2,957(USD) with foreign exchange rate at \$32.785
	Foreign currency deposit	<u>138</u>	\$31(RMB) with foreign exchange rate at \$4.478
		<u>170,950</u>	
		<u>\$ <b>171,030</b></u>	

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

**Statement of changes in investments accounted for using the equity method**

**For the year ended December 31, 2024**

**(Expressed in thousands of New Taiwan Dollars, thousands of US Dollars,  
thousands of MYR Dollars, in thousands shares)**

Entity	Balance on January 1, 2024		Increase in current period		Decrease in current period		Balance on December 31, 2024		Market price or total equity amount		Valuation basis	Details of collateral	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of voting interest	Amount	Price per share			Total amount
CFTC Group	USD 40,080	\$ 1,786,451	-	65,541	-	66,373	USD 40,080	100.00 %	1,785,619	USD 1.36	1,785,619	Equity method	None
CFTC Malaysia	MYR30,288	13,220	-	1,314	-	802	MYR30,288	100.00 %	13,732	MYR 0.06	13,732	"	"
		<u>\$ 1,799,671</u>		<u>66,855</u>		<u>67,175</u>			<u>1,799,351</u>				

Note: 1. Increase in current period due to investment gain recognized under equity method \$2,450, share of other comprehensive income of subsidiaries accounted for using equity method \$64,134 and deferred gross profit \$271.

2. Decrease in current period due to investment loss recognized under equity method \$2,975 and repatriatio of subsidiary surpluses of \$64,200.

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

**Statement of changes in property, plant and equipment**

**For the year ended December 31, 2024**

**(Expressed in thousands of New Taiwan Dollars)**

Please refer to Note 6(e), for the regarding information.

**Statement of short-term bills payable**

**December 31, 2024**

<u>Type of borrowings</u>	<u>Explanation</u>	<u>Ending balance</u>	<u>Contract period</u>	<u>Range of interest rates</u>	<u>Credit line</u>	<u>Mortgages</u>
Unsecured loans	Short-term borrowings	\$ <u>195,000</u>	Within 1 year	2.22%~2.46%	295,000	None

**Statement of bonds payable**

**December 31, 2024**

Please refer to Note 6(j), for the regarding information.

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

**Statement of long-term borrowings**

**December 31, 2024**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Creditor</u>	<u>Summary</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest rate</u>	<u>Mortgages</u>
Taiwan Cooperative Bank	Secured loans	\$ 360,378	2019.10.31~2039.10.31	2.28 %	Property, plant & equipment
Agricultural Bank of Taiwan	Project loans	13,837	2020.06.08~2025.05.15	0.93 %	None
Taiwan Cooperative Bank	"	79,124	2020.09.09~2027.08.15	0.98 %	Property, plant & equipment
Taiwan Cooperative Bank	"	67,370	2020.05.22~2030.05.15	0.98 %	"
Taiwan Cooperative Bank	"	20,708	2021.07.19~2028.07.15	0.98 %	"
Agricultural Bank of Taiwan	"	17,709	2021.03.29~2026.03.15	0.93 %	"
Chang Hwa Commercial Bank, Ltd.	"	13,927	2022.10.21~2027.10.15	0.83 %	"
Chang Hwa Commercial Bank, Ltd.	"	25,407	2022.10.21~2027.10.15	0.83 %	"
Agricultural Bank of Taiwan	Unsecured loans	50,000	2024.12.09~2025.06.07	2.36 %	None
The Shanghai Commercial & Savings Bank, Ltd.	"	14,167	2023.05.08~2026.05.08	2.33 %	"
Taiwan Cooperative Bank	"	34,786	2023.05.25~2028.05.25	2.38 %	"
Land Bank of Taiwan	"	1,032	2023.05.18~2028.05.18	2.43 %	"
Land Bank of Taiwan	"	4,128	2023.05.18~2028.05.18	2.43 %	"
Land Bank of Taiwan	"	4,817	2023.06.29~2028.05.18	2.43 %	"
Land Bank of Taiwan	"	<u>19,267</u>	2023.06.29~2028.05.18	2.43 %	"
		726,657			
Less: Current portion		<u>(190,252)</u>			
		<u>\$ 536,405</u>			

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

**Statement of operating revenue**

**For the year ended December 31, 2024**

**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
HDD Parts	About 51,870 thousand pieces	\$ 587,676	
Vehicle parts	About 2,209 thousand pieces	69,803	
Others		<u>54,094</u>	
Net operating revenue		<u><u>\$ 711,573</u></u>	

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

**Statement of operating costs**

**For the year ended December 31, 2024**

**(Expressed in thousands of New Taiwan Dollars)**

Item	Amount
Merchandise inventories	
Merchandise inventories, beginning of year	\$ 21,957
Add: merchandise inventories purchased, net	10,590
Others	64
Less: merchandise inventories, end of year	(10,817)
Charge to expenses	(30)
Merchandise inventories scrapped	(16)
Cost of goods sold for merchandise inventories	21,748
Direct material	
Raw material, beginning of year	26,330
Add: raw material purchased	263,617
Others	370
Less: raw material, end of year	(13,284)
Sale of material	(1,203)
Sale of scraps	(44,523)
Charge to expenses	(56,971)
Others	(20)
Direct material used	174,316
Direct labor	77,164
Manufacturing overhead	258,501
Manufacturing cost	509,981
Add: Work in process, beginning of year	19,666
Work in process purchased	601
Less: Work in process, end of year	(29,990)
Work in process scrapped	(2,500)
Sale of work in process	(78)
Charge to expenses	(14)
Cost of goods manufactured	497,666
Add: Finished goods, beginning of year	65,819
Less: Finished goods, end of year	(38,392)
Charge to expenses	(180)
Finished goods scrapped	(4,242)
Others	(441)
Manufacturing cost	520,230
Sale of raw material and work in process	1,281
Inventory valuation losses	(5,026)
Cost of scrapped	6,758
Others	16,978
Operating cost	\$ 561,969

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

**Statement of manufactruing overhead**

**For the year ended December 31, 2024**

**(Expressed in thousands of New Taiwan Dollars)**

Item	Amount
Indirect labor	\$ 28,606
Depreciation expense	48,652
Repair expense	19,989
Utilities expense	18,676
Chemicals	57,618
Other expense (note)	84,960
	<b>\$ 258,501</b>

(Note) The amount of the accounts included did not exceed 5% of the balance of other expense.

**Statement of operating expenses**

Item	Selling expense	General and administrative expense	Research and development expense	Total
Salary expense	\$ 4,613	25,845	6,341	36,799
Labor and health insurance	530	2,476	776	3,782
Advertisement expense	1,078	-	-	1,078
Shipping expense	7,811	263	141	8,215
Travelling expenses	1,381	864	217	2,462
Depreciation expense	332	3,017	389	3,738
Professional service fees	80	5,308	44	5,432
Other expense (note)	2,735	20,588	2,808	26,131
Total	<b>\$ 18,560</b>	<b>58,361</b>	<b>10,716</b>	<b>87,637</b>

(Note) The amount of the accounts included did not exceed 5% of the balance of other expense.