



Ticker: 1586

# CHINA FINEBLANKING TECHNOLOGY

## 2022 Annual Report

Website for this annual report relevant information

MOPS: <https://mops.twse.com.tw>

Company website: <https://www.cftc-hc.com.tw>

Published on April 21, 2023

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**V. The trading venue where overseas securities are listed and traded and the method for inquiring information on such overseas securities: None**

**VI. Company website: <http://www.cftc-hc.com.tw>**

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## I. Report to Shareholders

Dear Shareholders:

CFTC is focusing on the operation optimization and improvements of the production and sales mix from the three directions of investment, business and management in 2022. Suffering from the global epidemic, chip shortages, inventory adjustments in the electronics industry, and changes in the global market, both revenues and profits are down slightly from last year. In the coming year, CFTC will focus on the introduction of new technologies, mold design and manufacturing capabilities, new product development, and new customers to find business opportunities and profitability with high-quality electronic parts, automotive parts and high-end bicycle parts.

### I. Main achievements of CFTC in 2022:

1. VCM Plates continued to launch new products in the hard disk drive (HDD) market this year and mass produce them; and benefiting from the increase in server hardware and cloud services, revenue of advanced models continued to grow.
2. The development of automotive parts forms six major business systems including gearboxes, door locks, engines and hydraulic pumps, seat adjusters and new energy; CFTC provides more than a thousand different process technologies to meet customer needs.
3. Expand the product diversity of high-end bicycles and electric vehicle parts and meet market demands.
4. Continue to invest in production line automation and Industry 4.0 to meet the mass production needs of new customers.

### II. Financial Performance:

Sales of CFTC in 2022 reached NT\$2.540 billion, NT\$100 million or 3.79% down from NT\$2.64 billion in 2021, while net income after tax fell to NT\$43 million this year down NT\$65 million from NT\$108 million the year before. The gross profit margin in 2022 is 12.94%, down from 19.38% in 2021 as a result of differences in the product and sales mix; the operating profit of 2022 went down to negative 0.82% from 7.02% in 2021. While the rate of net income after tax fell to 1.70% this year down 2.38% from 4.08% the year before.

	2022	2021
Revenues net	2,539,681	2,639,658
Gross profit	328,639	511,616
Operating expenses	349,431	326,378
Operating profit	(20,792)	185,238
Profit (loss) before tax	23,890	180,495
Profit (loss) after tax	43,134	107,662
Earnings per share (NT\$)	0.53	1.29

### III. Technology development:

With up to 90% of the mold design technology, mold making and product output being inhouse, CFTC is relatively mature and leading the industry in technology and process. The hard disk drive industry is trending towards clouds which, in turn, imposes more complex and demanding hard disk designs than before. CFTC also outruns competitors in precision production equipment. China Fineblanking Technology continues to invest in mold design and production effectiveness improvement. With a continuous talent pipeline for mold development, years of experience in mold development and automation processing, we spare no efforts in R&D and technology advancement, in order to stay on top of product trends, create core value with differentiation and maintain market leadership.

### IV. Overview of 2023 business plan:

#### (I) Business guidelines

1. Centered at CFTC Taiwan, the Company is to balance and optimize the production systems with overseas subsidiaries, and partner strategically with international leaders to develop high value-added products.
2. Actively develop new customers and expand the automotive product market.
3. We seek to enhance services to existing customers to maintain long-term cooperation and achieve win-wins.
4. Strengthen the advantages of close-to-customer services by overseas subsidiaries with strict quality control measures to control the progress of production at any time, meet the needs of customers, and ensure the production and quality of products.
5. Timely increase capital in line with the needs of business expansion without affecting profitability.

6. Create appropriate financial profits and safeguard shareholders' rights and interests by balancing funds' flexibility and safety.

(II) Production & marketing strategy

1. Expand operation scale and reduce operation risk: adopt the model of international division of labor, decentralized production bases, and production of scale to obtain cost advantages to strengthen the company's competitiveness, meet the needs of customers in overseas markets, and exercise enjoy a win-win relationship with customers.
2. We stay abreast of market movements, continue to invest in R&D, and constantly improve product quality. We develop the new generation of products in order to maintain market leadership and create new business opportunities.
3. Utilize funds from the capital market to strengthen the company's financial capabilities to face changes in the economy of the industry and support the company's future growth.
4. Consider the eco-friendly approach from the research and development stage; employ industry-academic cooperation and strategic supplier partnerships to meet the expectations of all stakeholders with respect to economy, society, environment, and technology based on "low-pollution process, net zero emissions, and high recycling" production processes.

V. Impact of market competition, regulatory and business environments

The growing concentration of the information technology industry means higher complexity in the scale and scope of our business. To counter the increasing risks, we will focus on technology, quality, precision, value added, and delivery speed in response to the changing competitive landscape.

VI. Development strategy

Going forward, China Fineblanking Technology expects a strong growth momentum given its leadership in technology and equipment. The future operation will focus on developing high-margin products. China Fineblanking Technology is dedicated to its core business in fine blanking by pursuing high-precision grinding and stamping technology. We hope to strike a balance between the two main businesses, i.e., hard-disk drive components and auto components, so that we can achieve sustainable operations. In addition to actively expanding the business of new products and new energy vehicle parts with major car manufacturers, CFTC is expanding the business of high-end bicycles, electric vehicles and other fine blanking goods to inject new growth momentum into the company.

In sum, we hope to return to the long-term support from our shareholders and employees by creating stable growth.

Chairman: Huang Yi-Xiang

## II. Company Introduction

### I. Founded on

November 9, 1992

### II. Company history

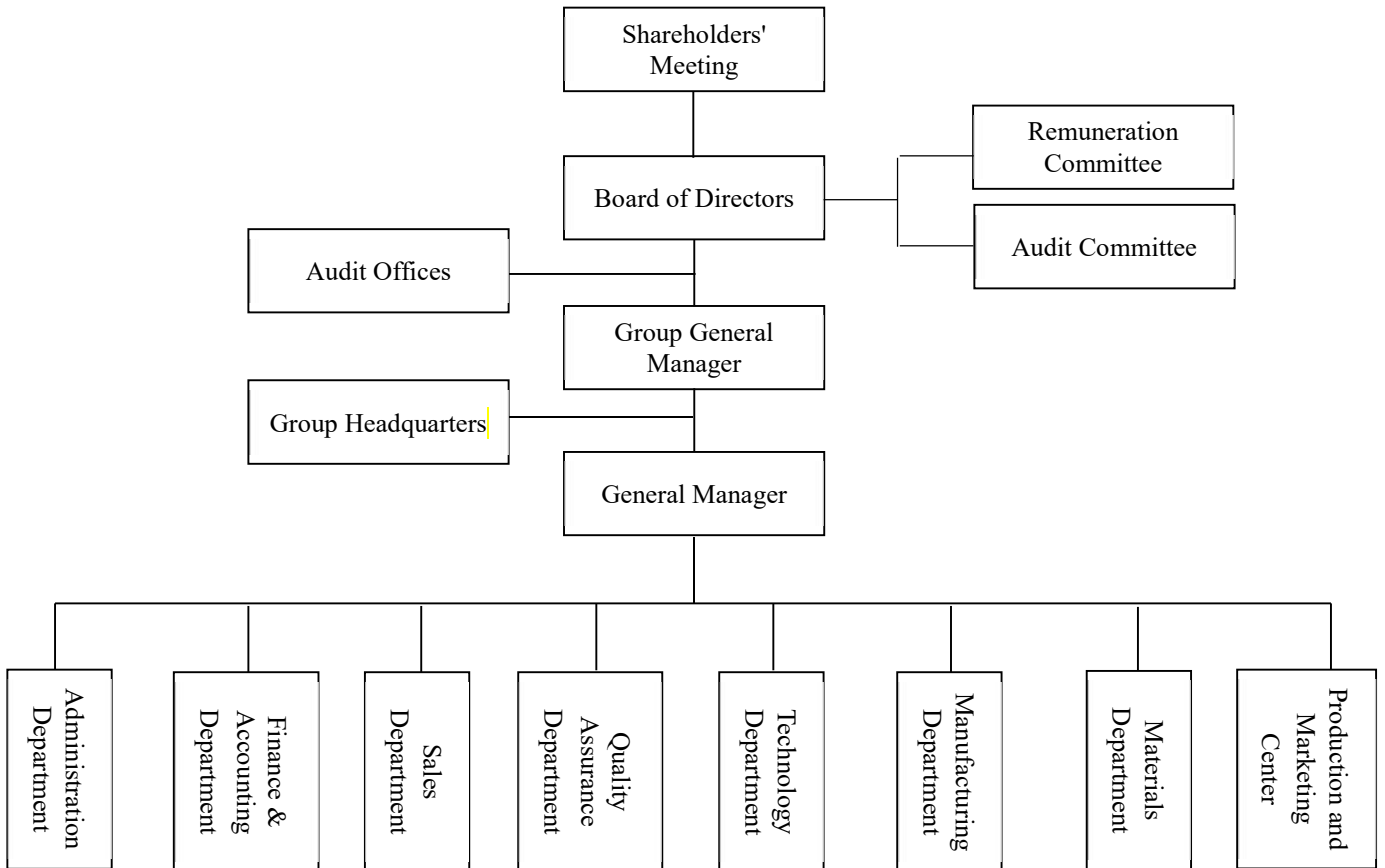
- 1992 Company establishment in November with a capital of NT\$12,000 thousand.
- 1994 Rights issue to increase the capital to NT\$20,000 thousand.
- 1996 Purchase of additional vertical axle power presses to boost productivity, and rights issue to increase the paid-in capital to NT\$28,000 thousand.
- 1997 Introduction of computers and the MIS system.
- 1998 Rights issue to increase the capital to NT\$50,000 thousand; facility expansion and purchase of one MFA fine-blanking press from FEINTOOL from Switzerland to enhance product precision; acquisition of the ISO9002 certificate for quality recognition.
- 1999 Purchase of electroless nickel plating equipment to lower costs and boost manufacturing competitiveness; capitalization of earnings and rights issue to increase the paid-in capital to NT\$70,000 thousand.
- 2000 Capitalization of earnings to increase the paid-in capital to NT\$81,700 thousand.
- 2001 Acquisition of the QS9000 certificate for quality recognition.
- 2003 In order to provide better customer services and expand production scale, invested CFTC Precision Sdn. Bhd. Malaysia; with paid-in capital at NT\$133,700 thousand by capitalization of retained earnings and a cash capital increase.  
Investment of US\$2,000 thousand in CHINA FINEBLANKING INTERNATIONAL CO., LTD. for the pressing facility of hard-disk drive components to reduce production cost; rights issue to increase the capital to NT\$163,700 thousand.
- 2004 Rights issue to increase the paid-in capital to NT\$207,700 thousand.
- 2005 Capital reduction by NT\$37,700 thousand and rights issue for NT\$70,000 thousand to increase the paid-in capital to NT\$240,000 thousand; acquisition of the TS16949 certificate for the quality system.
- 2007 Rights issue and capitalization of earnings and rights issue to increase the paid-in capital to NT\$373,903 thousand.
- 2008 Capitalization via stock dividends to employees to increase capital by NT\$6,000 thousand to NT\$379,903 thousand.  
Public offer of the Company's shares on August 18, 2008.
- 2009 Listed on the Emerging Market Exchange on November 27.
- 2010 The legal person director Chengxiyi Asset Management Co., Ltd. was dismissed in May it they transferred more than one half of the shares held while elected.  
Approved by the Investment Commission, MOEA for indirect investment US\$2,000 thousand in CFTC Precision (JiaXing) Limited in mainland China and raised the capital to US\$12,200 thousand.  
In October, the production line was relocated to the new factory building. Exercise of options by employees for 1,470 thousand shares to increase the Company's paid-in capital to NT\$394,603 thousand.
- 2011 Exercise of options by employees for 20 thousand shares and capitalization of earnings for 1,973 thousand shares to increase the capital to NT\$414,533 thousand
- 2012 In January, a cash capital increase occurred by issuing an initial 5,190 thousand shares before listing at TPEX and raised the capital to NT\$466,433 thousand.  
Listing on the Taipei Exchange (TPEX) on January 9.  
In February, Approved by the Investment Commission, MOEA for indirect investment US\$3,000 thousand in CFTC Precision (JiaXing) Limited in mainland China and raised the capital to US\$15,200 thousand.  
In August, approved by the Investment Commission, MOEA for indirect investment US\$3,000 thousand in CFTC Precision (JiaXing) Limited in mainland China and raised the capital to US\$18,200 thousand.
- 2013 In March, approved by the Investment Commission, MOEA for indirect investment US\$5,000 thousand in CFTC Precision (JiaXing) Limited in mainland China and raised the capital to US\$23,200 thousand in April.  
The major shareholder Zhongyang Special Opportunity Venture Capital Co., Ltd. was dismissed in August as it disposed all shareholdings.  
Hongchang Investment Co., Ltd. acquired 10.78% of the shares in August and became a major shareholder.
- 2014 In April, approved by the Investment Commission, MOEA for indirect investment US\$5,000 thousand in CFTC Precision (JiaXing) Limited in mainland China and raised the capital to US\$28,200 thousand million in August.

- 2015 In January, issued the 1st guaranteed convertible corporate bond of NT\$300,000 thousand with a period of three years.  
In March and July, approved by the Investment Commission, MOEA for indirect investment US\$3,000 thousand and US\$5,000 thousand in CFTC Precision (JiaXing) Limited in mainland China respectively, and raised the capital to US\$36,200 thousand million in December.  
Won the Enterprise Learning Award from the MOEA.  
Won the 18th Little Giant Award from the MOEA.  
Invest US\$2,000 thousand in CFTC Precision Sdn. Bhd. in cash, and raised the capital to MYR14,597 thousand in September.
- 2016 In June, re-elected the entire board of directors and organized the audit committee in June.  
In May, it was resolved to issue new shares through capitalization of retained earnings at an amount of NT\$45,203 thousand.  
In September, the board of directors was approved to issue 1,500,000 new shares for a capital increase, and raised the paid-in capital to NT\$695,694 thousand.  
Establishment via investments in the third place of CFTC Precision (HuaiAn) Limited and CFTC JiaXing Trading in May and November, respectively.
- 2017 In July, the independent directors convened a special shareholders' meeting to re-elect the entire board of directors.  
Completion of the conversion of the Company's first secured convertible bonds in Taiwan issued in 2015 for NT\$300,000 thousand, and the conversion was completed in 2017.  
Invest US\$1,000 thousand in CFTC Precision Sdn. Bhd. in cash, and raised the capital to MYR18,920 thousand in May.  
In April, approved by the Investment Commission, MOEA for indirect investment US\$830 thousand in CFTC Precision (HuaiAn) Limited in mainland China and raised the capital to US\$2,580 thousand in December.  
In December, approved by the Investment Commission, MOEA for indirect investment US\$1,500 thousand million in CFTC Precision (JiaXing) Limited in mainland China and raised the capital to US\$37,700 thousand in December.
- 2018 Invest US\$2,656 thousand in CFTC Precision Sdn. Bhd. in cash, and raised the capital to MYR30,288 thousand in November.  
In September, approved by the Investment Commission, MOEA for indirect investment US\$2,000 thousand in CFTC Precision (JiaXing) Limited in mainland China and raised the capital to US\$39,700 thousand in September
- 2019 In September, raised paid-in capital to NT\$801,512 thousand by capitalization of retained earnings.  
In May, the shareholders' meeting re-elected directors and independent directors.  
Won the labor model award by the Changhua County Government.  
Won the 1-start award of Vitality Changhua Workplace and Happy Enterprise by the Changhua County Government.  
Purchase land and factory buildings in Changhua Quanxing Industrial Park.
- 2020 In August, issued the 2nd guaranteed convertible corporate bond of NT\$200,000 thousand with a period of three years.  
In September, issued the 3rd guaranteed convertible corporate bond of NT\$200,000 thousand with a period of three years.  
Won 88th place in the category of other electronic components industry by the TOP5000 of CRIF.  
In October, raised paid-in capital to NT\$838,841 thousand by capitalization of retained earnings.  
Relocated the headquarters to No. 40, Xinggong Road, Shengang Township, Changhua County.
- 2021 In April, raised the paid-in capital to NT\$841,572 thousand by convert the 3rd unsecured convertible corporate bonds into shares.  
In August, raised the paid-in capital to NT\$841,805 thousand by convert the 3rd unsecured convertible corporate bonds into shares.  
In October, raised the paid-in capital to NT\$858,186 thousand by capitalization of retained earnings.  
In November, raised the paid-in capital to NT\$858,419 thousand by convert the 3rd unsecured convertible corporate bonds into shares.
- 2022 In May, the shareholders' meeting re-elected directors and independent directors.  
In November, raised the paid-in capital to NT\$858,716 thousand by convert the 3rd unsecured convertible corporate bonds into shares.

### III Corporate Governance Report

#### I. Organization

##### (I) Organizational structure



## (II) Functions of each main unit

Department	Key functions
Group General Manager	<p>Planning of the group's short-term and long-term business strategies</p> <p>Review of operational performances, periodical or ad-hoc, within the group based on internal management charters</p> <p>Assurance of safety of the group's assets and effective promotion of businesses</p>
Group Headquarters	<p>Call the board of directors' meeting; organize and host the board of directors' meeting.</p> <p>Corporate governance; subsidiary supervision.</p> <p>Raise, allocate, and build up corporate funds.</p>
Audit Offices	<p>Establishment of internal control and internal audit systems, modification and review of the robustness, reasonability and effectiveness of all the management systems.</p> <p>Review of annual audit plans, suggestions for improvement of audited problems and follow-up of improvement effectiveness.</p>
General Manager	<p>Planning of the Company's short-term and long-term business strategies.</p> <p>Review of operational performances, periodical or ad-hoc, within the Company based on internal management charters.</p> <p>Assurance of safety of the Company's assets and effective promotion of businesses.</p>
Administration Department	<p>Planning, design and integration of the information system, maintenance of hardware and software, and control of networking security and traffic flows.</p> <p>Automation of the Company's operational systems and maintenance of the email system, file server systems and website.</p> <p>Maintenance and procurement of information equipment and management of computer hardware and software.</p> <p>Planning, hosting or coordination of activities in relation to digital data, information systems or computer programming.</p> <p>Responsible for strategic human resource planning, human resource development and job design and job planning.</p> <p>Responsible for the planning and execution of education and training programs, fostering sufficient talents and maintaining a good talent environment.</p> <p>Responsible for performance management system maintenance and career planning and design.</p> <p>Responsible for managing company assets and ensure the effectiveness of assets.</p> <p>Responsible for administrative affairs and ensuring various administrative support.</p> <p>Responsible for the design and monitoring of occupational safety system, and providing a safe and healthy workplace.</p> <p>Responsible for the design and monitoring of environmental system in the factory area, and monitoring of various pollution.</p>
Finance & Accounting Department	<p>Annual budgetary planning.</p> <p>Responsible for accounting management operation.</p> <p>Handling of shareholders' meetings and shareholder services.</p> <p>Preparation of financial statements.</p>
Sales Department	<p>Planning and implementation of product marketing.</p> <p>Development of domestic and overseas markets, collection and analysis of market information, and promotion of sales.</p> <p>Planning of new products development and maintenance of customer relations.</p>
Quality Assurance Department	<p>Establishment of the quality management mechanism and external certifications.</p> <p>Quality control and quality improvement.</p> <p>Monitoring, control and analysis of product yields and quality.</p>
Technology Department	<p>Responsible for the research, development and maintenance of new processes, new technologies and new products.</p> <p>Development of technical documents and management of development projects.</p> <p>Product development, mold design planning and implementation.</p> <p>Proposal and implementation of design changes.</p>
Manufacturing Department	<p>Planning and implementation of production.</p> <p>Management of production lines and improvement/analysis of manufacturing processes.</p> <p>Maintenance and allocation of machinery and equipment on production lines.</p> <p>Structuring and improvement of mold manufacturing and assembly.</p>
Materials Department	<p>Management and procurement of materials.</p> <p>Responsible for warehouse management.</p>
Production and marketing center	<p>Coordination of production resources for overseas factories.</p> <p>Formulation and implementation of production strategies and scheduling.</p>

II. Directors, Supervisors, General Manager, Vice Presidents, Assistant Vice Presidents and Branch Supervisors

(I) Directors and supervisors

1. Director

March 31, 2023

Title	Nationality or location of registration	Name	Gender and age	Date of election (appointment)	Tenure	First election date	Shareholdings at the time of election		Shareholdings at the present		Current shareholdings by the spouse and minor children		Shareholdings under other people's names		Main experience (education)	Other positions held within the Company and with other companies	Other managers, directors or supervisors who are the spouse or relatives within second degrees			Notes
							No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relation	
Chairman	Republic of China (Taiwan)	Huang Yi-Xiang	Male 31-40 years old	2022.05.27	3 years	2017.07.17	1,679,655	1.96%	1,997,655	2.33%	5,765,378	6.71%	10,110	0.01%	Master, Department of Environmental and Safety and Health Engineering, National Kaohsiung University of Science and Technology Chairman, Yong Hong Engineering Chairman, Yong Hong Investment Consulting Co., Ltd. Chairman, Yong Hong Construction Director, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAn) Limited	Concurrently serving as the general manager of the company Chairman, Yong Hong Engineering Chairman, Yong Hong Investment Consulting Co., Ltd. Chairman, Yong Hong Construction Director, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAn) Limited	Director	Hsieh Ling	Spouse	Note 1
Director	Republic of China (Taiwan)	Hsieh Ling	Female 31-40 years old	2022.05.27	3 years	2018.05.23	5,765,378	6.72%	5,765,378	6.71%	1,997,655	2.33%	0	0%	English major, Department of Applied Foreign Languages, Tung-Fang Institute of Technology Supervisor, CFTC Precision (JiaXing) Limited Supervisor, CFTC Precision (HuaiAn) Limited	Supervisor, CFTC Precision (JiaXing) Limited Supervisor, CFTC Precision (HuaiAn) Limited	Chairman	Huang Yi-Xiang	Spouse	
Director	Republic of China (Taiwan)	Lu Yong-Gong	Male 61-70 years old	2019.05.24	3 years	2018.05.23	1,222,138	1.60%	NA	NA	NA	NA	NA	NA	Dalin High School Chairman, Chin Mei Cheng Enterprise	Chairman, Chin Mei Cheng Enterprise	None	None	None	Discharge on May 24, 2022; term of office expires
Director	Republic of China (Taiwan)	Tai Wen-Cheng	Male 51-60 years old	2022.05.27	3 years	2018.05.23	2,177,504	2.54%	2,177,504	2.53%	0	0%	0	0%	Lide Commercial and Industrial Vocational High School Yong Hong Construction	Yong Hong Construction	None	None	None	
Director	Republic of China (Taiwan)	Jacky Lo	Male 51-60 years old	2022.05.27	2 years	2020.05.28	1,413,392	1.65%	1,413,392	1.65%	0	0%	0	0%	Department of Economics, Feng Chia University Chairman, Trade King Enterprises Co., Ltd. Chairman, ALPHA Optical Co.,LTD. Director, JAKAN CO., LTD.	Chairman, Trade King Enterprises Co., Ltd. Chairman, ALPHA Optical Co.,LTD. Director, JAKAN CO., LTD.	None	None	None	

Title	Nationality or location of registration	Name	Gender and age	Date of election (appointment)	Tenure	First election date	Shareholdings at the time of election		Shareholdings at the present		Current shareholdings by the spouse and minor children		Shareholdings under other people's names		Main experience (education)	Other positions held within the Company and with other companies	Other managers, directors or supervisors who are the spouse or relatives within second degrees			Notes
							No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relation	
Director	Republic of China (Taiwan)	Chia-Chuan Investment	N/A	2022.05.27	3 years	2022.05.27	5,536,945	6.45%	5,536,945	6.45%	N/A	N/A	0	0%	N/A	N/A	N/A	N/A	N/A	
		Representative: Wu Chia-Chuan	Male 61~70 years old	2022.05.27	3 years	2022.05.27	382,869	0.45%	382,869	0.45%	0	0%	5,536,945	6.45%	Department of Mechanical Engineering, Chung Yuan Christian University Chairman, Chia-Chuan Investment Chairman, Flourish Precision Machining Co., Ltd. Director, Superior Plating Technology Director, Superior Plating Technology Director, Huicheng Investment Co., Ltd. Director, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAn) Limited	Chairman, Chia-Chuan Investment Chairman, Flourish Precision Machining Co., Ltd. Director, Superior Plating Technology Director, Huicheng Investment Co., Ltd. Director, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAn) Limited	None	None	None	
Independent director	Republic of China (Taiwan)	Wang Yuan-Hong	Male 51~60 years old	2022.05.27	3 years	2017.07.13	0	0%	NA	NA	NA	NA	NA	NA	Department of Business Administration, National Cheng Kung University Lawyer, DTT Attorneys-at-Law	Principal Attorney, Yong Hua Corporate Law Independent director, China Steel Chemical Corp. Independent Director, Daily Polymer Corp.	None	None	None	Resigned on May 30, 2022
Independent director	Republic of China (Taiwan)	Tsai Mei-E	Female 51~60 years old	2022.05.27	3 years	2017.07.13	0	0%	0	0%	0	0%	0	0%	Graduate Institute of Business Administration, National Taiwan University Department of Accounting, National Chengchi University Chief Operating Officer, ST&T Electric Corp. Vice President, Finance, MH GoPower Co., Ltd. Vice President, G&E Herbal Biotechnology Assistant Vice President, Hua Nan Securities	Amy, Mickey & May Consulting Firm Supervisor, Hong Ching Gas Station	None	None	None	
Independent director	Republic of China (Taiwan)	Huang Chin-Huang	Male 61~70 years old	2022.05.27	3 years	2017.07.13	0	0%	0	0%	0	0%	0	0%	PhD, Mechanical Engineering, Northwestern University Professor, Feng Chia University Dean, College of Engineering, Feng Chia University Head, Office of Industry-Academia Cooperation, Feng Chia University	Executive Vice President, Feng Chia University Director, WINSON Machinery Casting Co., Ltd Independent Director, Fulgent Sun Int (Holding) Co., Ltd Independent Director, BEST PRECISION INDUSTRIAL CO., LTD. Independent Director, ALFORMER Industrial Co., Ltd.	None	None	None	
Independent director	Republic of China (Taiwan)	Chen Fu-Pang	Male 31~40 years old	2022.05.27	1 year	2021.07.30	0	0%	0	0%	0	0%	0	0%	Master of Laws, Tunghai University Managing Director / Attorney, Yongsheng International Law Firm	Managing Director / Attorney, Yongsheng International Law Firm	None	None	None	

Note 1: If Chairperson and General Manager or equivalent (Chief Operating Officer) are the same person, spouse or relative of one degree to each other, please provide the reason, rationale, necessity and responding measures:

- The Company's Chairman serves as General Manager to boost operating efficiency and policy implementation. This also better enables the board to stay on top of the Company's operations.
- At present, the company has the following measures in place: (1) The current four independent directors have the required knowledge, skills, accomplishments and overall professionalism to perform business, and can effectively perform their supervisory functions. (2) More than half of the board members are neither employees nor managers.
- The Company has two facilities sites, one in Taiwan and the other in CFTC Precision (JiaXing), headed by professional managers. CEO of Taiwan Manufacturing Plant is Gloria Huang, CEO of CFTC Precision (JiaXing) Lu Hong-Yi.

2. Major shareholders of legal person shareholders

March 31, 2023

Names of legal person shareholders	Major shareholders of legal person shareholders
Chia-Chuan Investment	Wu Chia-Chuan (50%)
	Hsiao Shu-Fang (50%)

3. Major legal person shareholders' major shareholders

March 31, 2023

Name of the legal person	Major shareholders of the legal person
None	None

(II) Information of directors and supervisors

1. Disclosure of directors' professional qualifications and independent directors' independence

Requirements Name	Professional qualifications and experience	Independence	Number of other public companies where the individual serves as an independent director concurrently
Chairman Huang Yi-Xiang	Have more than five years of work experience in business, legal affairs, finance, accounting or company business, and currently serve as the chairman of Yong Hong Engineering, chairman of Yonghong Investment Consulting Co., Ltd., chairman of Yong Hong Construction, Director of CFTC Precision (JiaXing) Limited, director of CFTC Precision (HuaiAn) Limited, and under none of the conditions specified in Article 30 of the Company Act.	Non-independent directors, N/A.	None
Director Hsieh Ling	Have more than five years of work experience in business, legal affairs, finance, accounting or company business, and currently serve as a supervisor of CFTC Precision (JiaXing) Limited, a supervisor of CFTC Precision (HuaiAng) Limited and under none of the conditions specified in Article 30 of the Company Act.	Non-independent directors, N/A.	None
Director Lu Yong-Gong (Note 1)	Have more than five years of work experience in business, legal affairs, finance, accounting, or company business, and currently serve as the chairman of chin mei cheng enterprise co., ltd. and under none of the conditions specified in Article 30 of the Company Act.	Non-independent directors, N/A.	None
Director Tai Wen-Cheng	Have more than five years of work experience in business, legal affairs, finance, accounting, or company business, under none of the conditions specified in Article 30 of the Company Act.	Non-independent directors, N/A.	None
Director Jacky Lo	Have more than five years of work experience in business, legal affairs, finance, accounting or company business, and currently serve as the chairman of Chengken International Industrial Co., Ltd., the chairman of Hongwei Optoelectronics Co., Ltd., and the chairman of JAKAN CO., LTD. Directors and under none of the conditions specified in Article 30 of the Company Act.	Non-independent directors, N/A.	None
Representative of Chia-Chuan Investment Wu Chia-Chuan (Note 2)	Have more than five years of work experience in business, legal affairs, finance, accounting or company business, and currently serve as the chairman of Chia-Chuan Investment, chairman of Huiwang (Jiashan) Precision Machinery Co., Ltd., Huizuan Technology (Shares) Director of the company, director of Huicheng Investment (Shares) Co., Ltd., director of CFTC Precision (JiaXing) Limited, director of CFTC Precision (HuaiAn) Limited, and under none of the conditions specified in Article 30 of the Company Act.	Non-independent directors, N/A.	None
Independent director Wang Yuan- Hong (Note 3)	Have more than five years of work experience in business, legal affairs, finance, accounting or company business. He used to work as a lawyer at DTT and now is Principal Attorney, Yong Hua Corporate Law, Independent director, China Steel Chemical Corp., Independent Director, Daily Polymer Corp., and under none of the conditions specified in Article 30 of the Company Act.	(1) Not an employee of the company or its affiliates. (2) Not a director or supervisor of the company or its affiliates. (3) Be not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by a person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (4) Not the spouse, a relative within second degrees, or a direct relative within third degrees to any of the managers listed in (1) or personnel listed in (2) or (3)	2
Independent director Tsai Mei-E	Have more than five years of work experience in business, legal affairs, finance, accounting, or company business. He once worked as the Chief Operating Officer, ST&T Electric Corp., Vice President, Finance, MH GoPower Co., Ltd., Vice President, G&E Herbal Biotechnology, Assistant Vice President, Hua Nan Securities, and currently serving as Amy, Mickey & May Consulting Firm, Supervisor, Hong Ching Gas Station, and under none of the conditions specified in Article 30 of the Company Act.	(5) Be not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (6) The directors, supervisors or employees of other companies controlled by the same person control more than half of the company's director seats or voting shares.	0
Independent director Huang Chin- Huang	Have more than five years of experience as a lecturer in public and private colleges and universities in business, legal affairs, finance, accounting, or related departments required by the company's business. He once served as Professor, Feng Chia University, Dean, College of Engineering, Feng Chia University, Head, Office of Industry-Academia Cooperation, Feng Chia University; now he is the Executive Vice President, Feng Chia University, Director, WINSON Machinery Casting Co., Ltd, Independent Director, Fulgent Sun Int (Holding) Co., Ltd, Independent Director, BEST PRECISION INDUSTRIAL CO., LTD., independent director, ALFORMER Industrial Co., Ltd. and under none of the conditions specified in Article 30 of the Company Act.	(7) Not if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (8) Be not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company. (9) Be not professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received compensation.	3
Independent director Chen Fu-Pang	Have more than five years of work experience in business, legal affairs, finance, accounting, or company business, and currently serve as the Managing Director / Attorney, Yongsheng International Law Firm and under none of the conditions specified in Article 30 of the Company Act.	(10) Not the spouse or a relative within second degrees to another director (11) Not elected by the government, a legal person or its representative according to Article 27 of the Company Act	0

Note 1: Discharged on May 27, 2022

Note 2: Elected on May 27, 2022

Note 3: Resigned on May 30, 2022

## 2. Diversity and independence of the board of directors

### (1) Board diversity:

CFTC advocates and respects the policy of diversification of directors. In order to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors, according to Article 20 of the company's "Corporate Governance Practice Code", the composition of the board of directors should consider diversity. The number of directors concurrently being CFTC managerial officers should not exceed one-third of the number of directors, and an appropriate diversification policy should be drawn up according to its own operation, operation mode and development needs. See table below for knowledge, skills and accomplishments that members of the board of directors of the company possess.

Name	Diversified core	Nationality	Sex	CFTC employee	Basic composition				Independent director's term of office (less than 3 years)	Professional background				Professional knowledge and skills						
					Age					Accounting	Finance	Legal affairs	Lecturer of colleges and universities (CFTC operation related)	Business	Operational judgment	Operational management ability	Crisis handling ability	Leadership and decision-making ability	Industry knowledge	International market orientation
					31-40 years old	51-60 years old	61-70 years old	71-80 years old												
Director	Huang Yi-Xiang	Republic of China (Taiwan)	Male	✓	✓								✓	✓	✓	✓	✓	✓		
	Hsieh Ling		Female		✓									✓	✓	✓	✓	✓	✓	
	Lu Yong-Gong (Note 1)		Male				✓							✓	✓	✓	✓	✓	✓	
	Tai Wen-Cheng		Male				✓							✓	✓	✓	✓	✓	✓	
	Jacky Lo		Male				✓							✓	✓	✓	✓	✓	✓	
	Wu Chia-Chuan (Note 2)		Male					✓							✓	✓	✓	✓	✓	✓
Independent director	Wang Yuan-Hong (Note 3)		Male				✓				✓			✓	✓	✓	✓	✓	✓	
	Tsai Mei-E		Female				✓			✓	✓			✓	✓	✓	✓	✓	✓	
	Huang Chin-Huang		Male					✓				✓		✓	✓	✓	✓	✓	✓	
	Chen Fu-Pang		Male			✓				✓		✓		✓	✓	✓	✓	✓	✓	

Note 1: Discharged on May 27, 2022

Note 2: Newly appointed on May 27, 2022

Note 3: Resigned on May 30, 2022

Board of directors diversification	Goal achievement
Independent directors account for more than one-third of the board	Achieved
Directors who concurrently serve as CFTC managerial officers account for up to one third of the board	Achieved
Sufficient and diverse professional knowledge and skills	Achieved

### (2) Independence of the board of directors:

The board now has 8 directors, including 3 independent directors and 1 employee director, accounting for 37.5% and 12.5% of the board respectively; seats of independent directors account for more than one-third of the board. CFTC independent directors meet the requirements of independent directors set by Securities and Futures Bureau, Financial Supervisory Commission; directors have no circumstances set in Article 26-3, paragraph 3 and paragraph 4, of the Securities and Exchange Act; CFTC board of directors is independent (Please refer to "Disclosure of directors' professional qualifications and independent directors' independence" on page 11 of this annual report); see "Director information" on page 8-9 of this annual report for their education, experiences, gender, and career path.

(III) General Manager, Vice Presidents, Assistant Vice Presidents and Branch Supervisors

March 31, 2023

Title	Nationality	Name	Sex	Date of election (appointment)	Shareholdings		Current shareholdings by the spouse and minor children		Shareholdings under other people's names		Education and work experience	Other positions held within the Company	Managers who are the spouse or relatives within second degrees			Notes
					No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relation	
Group General Manager	Republic of China (Taiwan)	Huang Yi-Xiang	Male	2017.07.17	1,997,655	2.33%	5,765,378	6.71%	10,110	0.01%	Master, Department of Environmental and Safety and Health Engineering, National Kaohsiung University of Science and Technology Chairman, Yong Hong Engineering Chairman, Yong Hong Investment Consulting Co., Ltd. Chairman, Yong Hong Construction Director, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAn) Limited	Concurrently serving as the general manager of the company Chairman, Yong Hong Engineering Chairman, Yong Hong Investment Consulting Co., Ltd. Chairman, Yong Hong Construction Director, CFTC Precision (JiaXing) Limited Director, CFTC Precision (HuaiAn) Limited	None	None	None	Note 1
Group Vice President and CEO of Taiwan Manufacturing Plant	Republic of China (Taiwan)	Gloria Huang	Female	2018.02.10 2019.08.07	113,259	0.13%	0	0%	0	0%	Department of Mechanical Material Engineering, Provincial Yunlin Industrial Junior College Head of Quality Assurance Section, CFTC Sales Department, CFTC Manager of the General Manager's Office, CFTC Senior Manager of Group Quality Assurance, CFTC Special assistant, CFTC Senior Manager of the group headquarters, CFTC Assistant Manager of the group headquarters, CFTC	None	None	None	None	
Vice president, CFTC Taiwan Plant	Republic of China (Taiwan)	Hsieh Chien-Min	Male	2022.05.10	160,032	0.19%	0	0%	0	0%	Master of Advanced Management, Fengjia University Senior Manager, Min Aik Precision Industrial Co., Ltd. President of Manufacturing Site, MATC Assistant Vice President, China Fineblanking Technology Co., Ltd.	None	None	None	None	
CEO of CFTC Precision (JiaXing)	Republic of China (Taiwan)	Lu Hong-Yi	Male	1999.09.01	609,617	0.71%	0	0%	0	0%	Department of Library Management, Fu Jen Catholic University Engineer, Ho-Hsin Communications International, Inc.	None	None	None	None	
Assistance Vice President, Sales	Republic of China (Taiwan)	Huang Shu-Fang	Female	2019.02.21	43,962	0.05%	0	0%	0	0%	Procurement & Warehouse Manager, Yens-Rong International Inc. Salesperson, Shan Shen Enterprise Head of Sales Department, CFTC Deputy Manager of Business Department, CFTC Business Manager of Hard Disk Business Division, CFTC Special assistant, CFTC Sales Assistant, CFTC Sales Assistant and R&D Supervisor, CFTC	None	None	None	None	
Assistant Vice President, Finance Head of Corporate Governance, CFT	Republic of China (Taiwan)	Mercer Chen Yi-Chuang	Male	2019.08.07	30,699	0.04%	0	0%	0	0%	Master's degree, Department of Finance, National Yunlin University of Science and Technology Assistant Manager, TC Bank Assistant Manager, Dah Chung Bills Finance Corp. Finance Manager, Shining Building Business Co., Ltd.	None	None	None	None	
Accounting Manager	Republic of China (Taiwan)	Howard Liao Jen-Chieh	Male	2020.09.18	0	0%	0	0%	0	0%	Master's degree, Department of Accounting, Soochow University Audit Manager, KPMG Taiwan Assistant Manager, Department of Management, Sunspring Metal Corporation Finance Manager, Winstar Display Co., Ltd.	None	None	None	None	

Note 1: If General Manager or equivalent (Chief Operating Officer) and Chairperson are the same person, spouse or relative of one degree to each other, please provide the reason, rationale, necessity and responding measures:

- The Company's Chairman serves as General Manager to boost operating efficiency and policy implementation. This also better enables the board to stay on top of the Company's operations.
- At present, the company has the following measures in place: (1) The current four independent directors have the required knowledge, skills, accomplishments and overall professionalism to perform business, and can effectively perform their supervisory functions. (2) More than half of the board members are neither employees nor managers. (3) The Company has two facilities sites, one in Taiwan and the other in CFTC Precision (JiaXing), headed by professional managers. CEO of Taiwan Manufacturing Plant is Gloria Huang, CEO of CFTC Precision (JiaXing) Lu Hong-Yi.

### III. Remunerations to Directors, Supervisors, General Manager, and Vice Presidents during the most recent year

#### 1. Remuneration of directors and independent directors

Unit: NT\$ thousand / thousand shares

Title	Name	Remunerations to directors								A + B + C + D as % of profit (loss) after tax		Remuneration received as an employee								A + B + C + D + E + F + G as % of profit after tax		Remuneration from the Company's investees or the Company's parent
		Remuneration (A)		Pension (B)		Director remuneration (C)		Business expenses (D)				Salary, bonuses and special disbursements (E)		Pension (F)		Employee remuneration (G)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	Cash	Stocks	Cash	Stocks	The Company	All companies in the financial report	
Chairman	Huang Yi-Xiang	0	0	0	0	113	113	54	54	0.39%	0.39%	3,312	3,312	0	0	241	0	241	0	8.62%	8.62	0
Director	Hsieh Ling	0	0	0	0	113	113	54	54	0.39%	0.39%	0	0	0	0	0	0	0	0	0.39%	0.39%	0
Director (Note 1)	Lu Yong-Gong	0	0	0	0	45	45	12	12	0.13%	0.13%	0	0	0	0	0	0	0	0	0.13%	0.13%	0
Director	Tai Wen-Cheng	0	0	0	0	113	113	36	36	0.35%	0.35%	0	0	0	0	0	0	0	0	0.35%	0.35%	0
Director	Jacky Lo	0	0	0	0	113	113	36	36	0.35%	0.35%	0	0	0	0	0	0	0	0	0.35%	0.35%	0
Director (Note 2)	Wu Chia-Chuan, Representative of Chia-Chuan Investment	0	0	0	0	68	68	30	30	0.23%	0.23%	0	0	0	0	0	0	0	0	0.23%	0.23%	0
Independent Director (Note 3)	Wang Yuan-Hong	200	200	0	0	0	0	24	24	0.52%	0.52%	0	0	0	0	0	0	0	0	0.52%	0.52%	0
Independent director	Huang Chin-Huang	480	480	0	0	0	0	48	48	1.22%	1.22%	0	0	0	0	0	0	0	0	1.22%	1.22%	0
Independent director	Tsai Mei-E	480	480	0	0	0	0	54	54	1.24%	1.24%	0	0	0	0	0	0	0	0	1.24%	1.24%	0
Independent director	Chen Fu-Pang	480	480	0	0	0	0	48	48	1.22%	1.22%	0	0	0	0	0	0	0	0	1.22%	1.22%	0

1. Please describe the policy, system, standard and structure of the remunerations to independent directors, elaborate on the relation between factors such as duties, risks, and time commitment with remuneration amounts:

(1) The policy, system standard and structure of the remunerations to director are based on "Remuneration Committee Charter".

(2) Independent directors are also tasked with the functioning of "Remuneration Committee" and "Audit Committee", the remuneration to enhance corporate governance and risk management, incentivize and retain talents, assess and monitor the Company's remuneration system for directors, supervisors and managers. They control and manage existing and potential risks, and focus on operational management, asset assessment, and investment management, in order to review and monitor the Company's operational performance. Meanwhile, they also assist the board in the management, assessment and review of risks on a regular basis. Therefore, commensurate remunerations are provided.

2. Compensation to services rendered by directors for companies contained in the financial statements in the most recent year (e.g. non-employee consultants of the parent company, companies contained in the financial statements, and investees) other than those disclosed in the said table: None.

Note 1: Discharged on May 27, 2022

Note 2: Elected on May 27, 2022

Note 3: Resigned on May 30, 2022

2. Supervisor's compensation: N/A as CFTC has an audit committee instead.

3. Compensation of general manager and vice president

Unit: NT\$ thousand / thousand shares

Title	Name	Salary (A)		Pension (B)		Bonuses and special disbursements (C)		Employee remuneration (D)				A + B + C + D as a % of profit after tax		Remuneration from the Company's investees or the Company's parent
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash	Stocks	Cash	Stocks			
Group General Manager	Huang Yi-Xiang	3,072	3,072	0	0	240	240	241	0	241	0	8.24%	8.24%	0
Group Vice President CEO of Taiwan Manufacturing Plant	Gloria Huang	2,138	2,138	2019	2019	154	154	154	0	154	0	5.92%	5.92%	0
Vice president, CFTC Taiwan Plant	Hsieh Chien-Min	797	797	48	48	0	0	31	0	31	0	2.03%	2.03%	0
CEO of CFTC Precision (JiaXing)	Lu Hong-Yi	0	3,802	0	0	0	0	0	0	0	0	0%	8.81%	0

4. The name of the managerial officers who distributes employee remuneration and the distribution situation

Unit: NTS thousand; December 31, 2022

	Title	Name	Stocks	Cash	Total	% of total amount to after tax net income
Managers	Group General Manager	Huang Yi-Xiang	0	569	569	1.32%
	Group Vice President CEO of Taiwan Manufacturing Plant	Gloria Huang				
	Vice president, CFTC Taiwan Plant	Hsieh Chien-Min				
	Assistance Vice President, Sales	Huang Shu-Fang				
	Assistant Vice President, Finance Head of Corporate Governance, CFTC	Mercer Chen Yi- Chuang				
	Accounting Manager	Howard Liao Jen-Chieh				

5. Ratio of total remuneration paid by the company and all companies in the consolidated statements to the company's directors, supervisors, general managers and vice presidents versus after-tax profits stated in the parent company only and consolidated financial statements in the last two years

Unit: NTS thousand

Remuneration paid to	2021				2022			
	Total remuneration		% of total remuneration to after tax net income		Total remuneration		% of total remuneration to after tax net income Percentage	
	The Company	All the companies in the consolidated financials	The Company	All the companies in the consolidated financials	The Company	All the companies in the consolidated financials	The Company	All the companies in the consolidated financials
Director	7,627	7,627	7.08	7.08	6,154	6,154	14.27	14.27
General Manager and vice presidents	7,625	8,583	7.08	7.97	6,983	10,785	16.19	25.00
Total	15,252	16,210	14.16	15.05	12,279	16,081	28.47	37.28

6. The policy, standard and combination of remuneration, the procedure of setting remuneration, and the correlation with business performance and future risks

- (1) Directors: The remuneration of directors and supervisors includes remuneration, business execution expenses, remuneration for earnings distribution, and salaries and remuneration received by directors being employees concurrently. Remuneration and business execution expenses of directors and supervisors shall be determined by the board of directors (as authorized) based on the articles of incorporation, responsibilities and contributions to the company, and reference to peer standards. Earnings distribution as remunerations are defined by the Company's Articles of Incorporation and the board proposes reasonable distributions within the scope of responsibilities. The distributions are made after resolution from the shareholders' meeting. The salaries and bonuses as employees shall be issued according to the Company's salary standards.
- (2) General manager and vice president: remuneration of the general manager and vice presidents includes salary, bonus, retirement pension, business execution expenses and employee bonus, which are determined according to the results of their annual operation and management performance, and the performance is assessed on the basis of the achievement of business and profit goals, the effectiveness of budget execution and control, and the anticipated future risks.

#### IV. Functioning of corporate governance

##### (I) Operation of the board of directors

##### 1. See below for attendance and presence of directors in 9 board of director meetings (A) in the most recent year

Title	Name	No. of times attended in person (B)	No. of times attended by authorized persons	Actual attendance rate (%) (B/A)	Remarks (Note)
Chairman	Huang Yi-Xiang	9	0	100%	
Director	Hsieh Ling	9	0	100%	
Director	Tai Wen-Cheng	6	0	67%	
Director	Lu Yong-Gong	2	2	50%	Discharged (Note 1)
Director	Jacky Lo	6	2	67%	
Director	Chia-Chuan Investment Representative: Wu Chia-Chuan	5	0	100%	Newly appointed (Note 2)
Independent director	Wang Yuan-Hong	4	0	80%	Resigned (Note 3)
Independent director	Tsai Mei-E	9	0	100%	
Independent director	Huang Chin-Huang	8	1	89%	
Independent director	Chen Fu-Pang	8	1	89%	

Note 1: May 27, 2022 discharged, 4 attendances required.

Note 2: Newly appointed on May 27, 2022, 5 attendances required.

Note 3: Resigned on May 30, 2022, 5 attendances required.

##### 1 Other matters to be included:

- I. In event of any of the following circumstances with the functioning of the board, it is necessary to describe the board meeting dates, sessions, discussed contents, as well as opinions from independent directors and the Company's response to such opinion:
  - (I) Matters listed in Article 14-3 of the Securities and Exchange Act: resolutions made as shown in the annual report page 34 to page 36, regarding matters listed in Article 14-3 of the Securities and Exchange Act: Approved by all attending independent directors without any dissenting opinion.
  - (II) Any other documented objections or qualified opinions raised by independent directors against board resolutions in relation to matters other than those described above: None.
- II. Directors' recusal from issues with conflict of interest: Please provide the name of the director concerned, proposal contents, reason for recusal, participation in discussion and voting results:
  - (1) On January 14, 2022, the board of directors discussed the "2021 annual performance appraisal results of the company's managerial officers and the proposed year-end bonus". This proposal involved personal stakes of Chairman Huang Yi-Xiang and Director Hsieh Ling, so they recused themselves from discussion and voting of the proposal, it was then approved by all attending directors (independent directors inclusive) without any dissenting opinion.
  - (2) On March 25, 2022, the board of directors discussed the "2021 director's and employee remuneration and distribution proposal". This proposal involves personal stakes of Chairman Huang Yi-Xiang, Director Hsieh Ling, Director Tai Wen-Cheng and Director Jacky Lo, so they disassociate themselves from the discussion and voting of the proposal, it is then approved by all attending directors (independent directors inclusive) without any dissenting opinion.
  - (3) On March 25, 2022, the board of directors discussed the "CFTC managerial officers remuneration adjustment proposal". This proposal involved the personal stakes of Chairman Huang Yi-Xiang and Director Hsieh Ling, so they recused themselves from the discussion and voting of the proposal, it was then approved by all attending directors (independent directors inclusive) without any dissenting opinion.
  - (4) On August 5, 2022, the board of directors discussed the "Appointment of the sixth remuneration committee members proposal". This proposal involved personal stakes of independent directors Tsai Mei-E, Huang Chin-Huang and Chen Fu-Pang, so they recused themselves from the discussion and voting of the proposal, it was then approved by all attending directors (independent directors inclusive) without any dissenting opinion.
- III. TWSE/TPEX listed companies shall disclose information on board of directors' self- or peer-assessment including evaluation cycle, scope, method, and contents, and note down the assessment results in form "2. Results of board of director assessment".
- IV. Objectives for strengthening the functions of the board of directors in the current year and the most recent year (such as setting up an audit committee, improving information transparency) and the progress of its implementation:
  - (1) In order to establish good corporate governance and assist the directors to perform their duties and improve the effectiveness of the board of directors, the 12th board of directors in its 19th board meeting on March 25, 2021 has approved to appoint Chen Yi-Chuang, the manager of the group headquarters, as the chief officer of corporate governance according to the "Taipei Exchange Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of TPEX Listed Companies"
  - (2) On November 11, 2021, at the 24th meeting of the 12th board of directors, the company formulated the "Ethical Corporate Management Best Practice Principles" to actively prevent unethical acts; CFTC's Group Headquarters shall be in charge of ethical management to formulate, monitor, and execute the implementation of ethical management policy and prevention plans, and report to the board of directors on a regular basis.

2. The results of board of directors assessment

Assessment cycle	Assessment period	Assessment scope	Assessment method	Assessment contents
Once a year	2022/01/01 to 2022/12/31	Including the performance reviews on the board, individual directors, and function committees	Including self-assessments by the board, self-assessments by directors, peer reviews, and performance reviews by external professional institutions and experts or in other appropriate manners	<p>(1) Performance review of the board: including at least the involvement in the Company's operations, the quality of decisions by the board, the organization and structure of the board, election (appointment) and continued education of directors, and internal control.</p> <p>(2) Performance review of individual directors: including at least the understanding of the Company's goals and missions, the acknowledgement of a director's responsibilities, the involvement in the Company's operations, the management and communication of internal relations, the professionalism and continued education of directors, and internal control.</p> <p>(3) Performance review of function committees: the involvement in the Company's operations, the acknowledgement of the function committee's responsibilities, the quality of decisions by the function committee, the composition of the function committee, election (appointment) of members, and internal control.</p>

(II) Information on the operation of the Audit Committee:

(I) See below for attendance and presence of independent directors in 8 audit committee meetings (A) in the most recent year:

Title	Name	No. of times attended in person (B)	No. of times attended by authorized persons	Attendance rate in person (%) (B/A)	Notes
Independent director	Wang Yuan-Hong	4	0	100%	Resigned on 2022.05.30, 4 attendances required.
Independent director	Tsai Mei-E	8	0	100%	Re-appointed on 2022.05.27, 8 attendances required.
Independent director	Huang Chin-Huang	7	1	87.5%	Re-appointed on 2022.05.27, 8 attendances required.
Independent director	Chen Fu-Pang	7	1	87.5%	Re-appointed on 2022.05.27, 8 attendances required.
Other matters to be included:					
<p>I. For Audit Committee meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' objections, reservations or major proposals, resolution by the committee and how the company has responded to such opinions:</p> <p>(I) The matters under Article 14-5 of the Securities and Exchange Act.</p> <p>(II) Other than those described above, any resolutions not approved by the Audit Committee but approved by more than two-thirds of all directors: None.</p> <p>II. The audit committee of the company is composed of 4 independent directors. It is aimed to assist the board of directors in performing its supervision on the company's quality and ethical implementation of accounting, auditing, financial reporting processes and financial control. The Audit Committee held 8 meetings in 2022, and the matters audited include:</p> <ol style="list-style-type: none"> <li>Financial statements and accounting policies and procedures</li> <li>Internal control system and related policies and procedures</li> <li>Transactions of major assets or derivatives</li> <li>Major capital loan and endorsement or guarantee</li> <li>Offering or issuing securities</li> <li>Regulation compliance</li> <li>Related party transactions and possible conflicts of interest among managerial officers and directors</li> <li>Qualifications, independence and performance evaluation of attesting CPAs</li> <li>Appointment, dismissal or remuneration of attesting CPAs</li> <li>Appointment and dismissal of chief officers of finance, accounting or internal audit</li> <li>Performance of the Audit Committee</li> <li>Audit committee performance self-assessment questionnaire</li> </ol> <p>➤ Review financial reports The board of directors prepared the company's 2021 business report, financial statements, and earnings distribution proposals; the financial statements have been attested by KPMG Taiwan along with audit report. The said business report, financial statements, and earnings distribution proposals have been reviewed by the Audit Committee and found to be consistent.</p> <p>➤ Assess the effectiveness of the internal control system The audit committee evaluates the effectiveness of the policies and procedures of the company's internal control system (including finance, operation, risk management, information security, outsourcing, and legal compliance), and reviews the company's audit department and attesting CPAs, as well as regular reports for the executives (including risk management and regulation compliance). The Audit Committee believes that the company's risk management and internal control systems are effective, and the company has adopted necessary control mechanisms to monitor and correct violations.</p> <p>➤ Appointment of Attesting CPAs The audit committee is entrusted to monitor the independence of the attesting CPA firm to ensure the fairness of the financial statements. In general, the attesting CPA firm shall provide no services other than those related with tax and other specifically approved services. Services provided by the attesting CPA firm shall be subject to approval by the Audit Committee. In order to ensure the independence of the attesting CPA firm, the Audit Committee shall formulate an independence assessment form with reference to Article 47 of Certified Public Accountant Act and the Accountants' Professional Ethics Gazette No. 10 "Integrity, Fairness, Objectivity, and Independence" to assess its CPAs' independence, professionalism and eligibility and relations with CFTC in terms of related parties, mutual business or financial interests, and other items. On March 25, 2022, the 26 meeting of the 3rd audit committee and the 27th meeting of the 12th board meeting on March 25, 2022 reviewed and approved that the CPAs Jacky Chen and David Chen of KPMG Taiwan are independent and capable of being the company's financial and taxation attesting CPA.</p>					
Date/session	Matters listed by Article 14-5 of the Securities and Exchange Act:				In addition to the abovementioned, any resolutions by over two thirds of the board but without approval from Audit Committee
2022.01.14 Meeting 24, the 3rd Office	<ol style="list-style-type: none"> <li>Dissolution and liquidation of subsidiary CFTC PRECISION SDN BHD</li> <li>Amend some texts of "Accounting System", "Management SOP for financial statement preparation" and "Procedures for Acquisition or Disposal of Assets"</li> <li>Changes in the company's chief officer of audit</li> <li>CFTC is to buy back the company's ordinary shares over the counter of securities firms in accordance with Article 28-2 of the Securities and Exchange Act, and to formulate the "12th repurchase share transfer to employee measures"</li> </ol>				None
2022.02.22 Meeting 25, the 3rd Office	<ol style="list-style-type: none"> <li>Raise overhaul budget for fine blanking workshop at the new plant of subsidiary CFTC Precision (JiaXing) Limited</li> <li>Subsidiary CFTC Precision (JiaXing) Limited applied for a loan line from financial institutions</li> <li>CFTC applied for a loan line from financial institutions</li> </ol>				None
2022.03.25 Meeting 26, the 3rd Office	<ol style="list-style-type: none"> <li>CFTC 2021 business report, financial statements and earnings distribution proposal</li> <li>CFTC 2021 earnings distribution cash dividends</li> <li>Review of fees to external accountants</li> <li>Assessment on the independence of external accounts</li> <li>to some articles of the "Procedures for Acquisition or Disposal of Assets"</li> <li>CFTC 2021 "Internal Control Effectiveness Assessment" and "Internal Control System Statement"</li> <li>Lift the ban on the company's newly appointed directors, independent directors and their representatives to work with peers</li> <li>Change CFTC Precision (JiaXing) Limited plant's press procurement and raise its budget amount</li> <li>Regarding the company's accounts receivable, other receivables, prepayments, deposits being 3 months overdue the normal credit period and of significant amount: assessment suggests that there is not a case capital lending</li> </ol>				None
2022.05.10 Meeting 27, the 3rd Office	<ol style="list-style-type: none"> <li>CFTC financial statements for Q1 2022</li> <li>Formulated the company's "Sustainable Development Best Practice Principles" and amend the "Administrative Measures for Transactions with Related Parties, Group Enterprises and Specific Companies" and the "Salary and Remuneration Committee Organization Regulations"</li> <li>CFTC applied for a loan line from financial institutions</li> <li>Regarding the company's accounts receivable, other receivables, prepayments, deposits being 3 months overdue the normal credit period and of significant amount as of March 31, 2022: assessment of them suggests there is not a case of capital lending.</li> <li>Add more CFTC Precision (JiaXing) Limited plant's CDC equipment procurement and budget amount</li> <li>Amend the Internal Control System and Internal Audit Implementation Rules</li> </ol>				None
2022.06.02 Meeting 1, the 4th Office	<ol style="list-style-type: none"> <li>CFTC is to buy back the company's ordinary shares over the counter of securities firms in accordance with Article 28-2 of the Securities and Exchange Act, and to formulate the "13th repurchase share transfer to employee measures"</li> </ol>				None
2022.08.05 Meeting 2, the 4th Office	<ol style="list-style-type: none"> <li>CFTC financial statements for Q2 2022</li> <li>Add more capital expenditure budget amount for subsidiary CFTC Precision (JiaXing) Limited's newest plant</li> <li>CFTC applied for a loan line from financial institutions</li> <li>Subsidiary CFTC Precision (JiaXing) Limited applied for a loan line from financial institutions, and endorsed by CFTC</li> <li>Subsidiary CFTC Precision (JiaXing) Limited applied for a loan line from financial institutions</li> <li>Distribute earnings in cash dividend by subsidiary CFTC Precision (JiaXing) Limited</li> </ol>				None

	7. Regarding the company's accounts receivable, other receivables, prepayments, deposits being 3 months overdue the normal credit period and of significant amount as of June 30, 2022: assessment suggests there is not a case of capital lending.	
2022.11.10 Meeting 3, the 4th Office	<ol style="list-style-type: none"> <li>1. CFTC financial statements for Q3 2022</li> <li>2. 2023 budget of the company and its subsidiaries</li> <li>3. Issuance of new shares for the third issuance of unsecured convertible bonds in Taiwan</li> <li>4. Amend texts of the "Administrative measures for internal material information and prevention against insider trading"</li> <li>5. CFTC 2023 audit plan</li> <li>6. CFTC applied for a loan line from financial institutions (including changes in quotas and conditions)</li> <li>7. Subsidiary CFTC Precision (HuaiAn) Limited applied for a loan line from financial institutions, endorsed by CFTC</li> <li>8. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company</li> <li>9. Subsidiary CFTC Precision (JiaXing) Limited, intends to loan funds to CFTC Precision (HuaiAn) Limited</li> <li>10. Regarding the company's accounts receivable, other receivables, prepayments, deposits being 3 months overdue the normal credit period and of significant amount as of September 30, 2022: assessment suggests there is not a case of capital lending.</li> <li>11. Changes in the company's chief officer of audit</li> <li>12. Plan to formulate the general principles for the policy on pre-approving non-assurance service</li> </ol>	None
2022.12.06 Meeting 4, the 4th Office	<ol style="list-style-type: none"> <li>1. CFTC is to buy back the company's ordinary shares over the counter of securities firms in accordance with Article 28-2 of the Securities and Exchange Act, and to formulate the "13th repurchase share transfer to employee measures"</li> <li>2. Audit report format change</li> </ol>	None
<p>I. Please describe the names of the independent directors, proposal contents, the reasons for recusal and participation in voting for proposals with conflict of interest: None.</p> <p>II. Communication between independent directors and Internal Chief Auditor and external accountants (including material matters in finance and business, communication methods and results):</p> <ol style="list-style-type: none"> <li>1. Internal Chief Auditor submitted an audit report to independent directors during the month following the completion of audits. There was no objection raised by independent directors.</li> <li>2. Internal Chief Auditor attended regular board meetings and presented audit reports. here was no objection raised by independent directors.</li> <li>3. Independent directors regularly communicated with external accountants face-to-face and in writing regarding the financial status.</li> </ol>		

(2) Supervisors' participation in the operation of the board of directors: N/A.

(III) Corporate governance execution status and deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies":

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Has the Company formulated and disclosed its corporate governance guidelines according to the requirements set by the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" ?	V		Based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies", the company formulated the "Corporate Governance Best-Practice Principles" as approved by the board of directors on August 24, 2010 and amended it according to relevant regulations and actual requirements on March 16, 2015 and November 4, 2020; the updated one will be available on the MOPS and CFTC's website at page "Investment Section / Corporate Governance / Important company regulations".	In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Ownership structure and shareholders' equity (I) Has the Company formulated internal procedures to handle suggestions and questions from shareholders as well as disputes and litigations with shareholders, and implemented these procedures accordingly? (II) Does the Company have the list of major shareholders that control the Company and ultimate controllers of these major shareholders? (III) Has the Company established and implemented risk control and firewall mechanisms with affiliated companies? (IV) Has the Company formulated internal rules to prohibit insiders from trading marketable securities by using non-public information?	V		(I) The company has appointed a spokesperson and an acting spokesperson and built up stakeholder pages for communication with shareholders, and entrusted Grand Fortune Securities to handle stock affairs matters, legal counsel consulting related legal issues. (II) CFTC obtains shareholding of its directors, managerial officers, and shareholders with shares accounting for 10% or more of outstanding shares every month in accordance with Article 25 of the Securities and Exchange Act, and obtains a list of shareholders with shares account for 5% or more of outstanding shares from TDCC at the end of each quarter. CFTC is reasonably in control of major shareholders and their end controllers. (III) The company has formulated the "Administrative Measures for Transactions with Related Parties, Group Enterprises and Specific Companies" and related internal controls. (IV) The company has formulated the "Administrative measures for internal material information and prevention against insider trading" to prohibit internal personnel from using unpublished information on the market to buy and sell securities; CFTC organizes training programs on this for internal personnel from time to time; it hands over the manual on internal personnel's equity transactions through the Taipei Exchange to help their compliance with relevant regulations; CFTC will do this again when surveying shareholdings of internal personnel according to Article 25 of the Securities Exchange Act each month.	In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
III. Composition and responsibility of the board (I) Does the board of directors formulate a diversity policy, specific management objectives and implement them accordingly? (II) In addition to Remuneration Committee and Audit Committee required by laws, has the Company voluntarily set up other function committees?	V V V		(I) Article 3 of the company's "Regulations Governing the Election of Directors and Independent Directors" and Chapter 3 of the "Corporate Governance Code" contains a policy of diversification of directors to ensure the diversity of directors, and avail it on the company's website and MOPS. To achieve the goal of corporate governance, the board of directors shall have the following capabilities: 1. Operational judgment. 2. Accounting and financial analysis.	In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>(III) Has the Company formulated the guidelines on reviews and assessment methods of the board's performance, conducted annual performance reviews, reported the results to the board, and incorporated the results into the remuneration of individual directors and the nomination for re-elections?</p> <p>(IV) Has the Company regularly assessed the independence of external accountants?</p>	V		<p>3. Operation and management.  4. Crisis management.  5. Industry knowledge.  6. International market knowledge.  7. Leadership.  8. Decision-making.</p> <p>(II) In order to implement corporate governance and improve the sustainable management policy, the company has formulated the "sustainable development policy" centered on "customer and consumer first, continuous improvement, listening and communication", and implements them with thorough "Sustainable Development Committee".</p> <p>(III) The company's "Board of Directors Performance Evaluation Method" was revised with the approval of the Remuneration Committee on November 4, 2020 and passed by the resolution of the Board of Directors on November 4, 2020. The company completes the evaluation of the board as scheduled every year, and the evaluation results of 2022 will be submitted to the board of directors on March 24, 2023. This is a reference for the performance, salary and nomination of individual directors. The evaluation results have been submitted in accordance with laws and regulations before the end of the first quarter.</p> <p>(IV) The board of directors of the company evaluates the independence and suitability of attesting CPAs at least once a year. The 2023 assessment on independence and suitability of the attesting CPAs in 2023 has been approved by the board of directors on March 24, 2023 and obtained the "Statement of Independence" and "Audit Quality Indicators (AQIs)" information issued by the CPAs. The company's assessment items for the independence and suitability of CPAs include:</p> <ol style="list-style-type: none"> <li>1. Has no direct or significant indirect financial interests with the company.</li> <li>2. There is no mutual financing or guarantee with the firm, its affiliates and members of the audit team.</li> <li>3. There is no commercial relationship with the company's directors or managerial officers that affects independence.</li> <li>4. There is no strategic alliance of material interests with the company's controlling shareholders, directors, supervisors, or managerial officers.</li> <li>5. Not serving as a director, supervisor or managerial officers of the company or having a direct and significant impact on the audit work.</li> </ol>	

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies												
	Yes	No	Summary													
			<p>6. Not providing services for directors, supervisors, managerial officers or equivalent positions of the company.</p> <p>7. Not accepting gifts or presents of great value from the company.</p> <p>8. No CPAs remain unchanged for seven years.</p> <p>9. No close relative relationship with the directors, supervisors and managerial officers of the company.</p> <p>10. Obtained a statement of independence from the CPA.</p> <p>11. Obtained the audit quality index information provided by the CPA.</p>													
IV. Has the TWSE/TPEX listed company appointed suitable personnel of an appropriate number for corporate governance and designated a corporate governance officer in charge of corporate governance affairs (including but not limited to preparation of materials required by directors and supervisors for performing tasks; assistance to directors and supervisors in legal compliance; organization of board meetings and shareholders' meetings as required by laws; and production of board meeting and shareholders' meeting meetings)?	V		<p>(I) Corporate governance chief officer The CFTC board of directors approved to appoint Mr. Chen Yi-Chuang, the financial assistant of the group headquarters, the chief officer of corporate governance on March 25, 2021. He has more than three years of experience in handling the financial works and board of directors meetings of a publicly offered company, and meets the qualifications of a corporate governance chief officer.</p> <p>(II) Responsibility and authority of corporate governance chief officer</p> <ol style="list-style-type: none"> <li>1. Plan and handle matters related to meetings of the board of directors and shareholders each year.</li> <li>2. Provide the information required by the directors to execute their business and provide meeting materials seven days before the board meeting.</li> <li>3. Record minutes of board of directors and shareholder meetings.</li> <li>4. Assist directors in their appointment and continuing education.</li> <li>5. Supervise and improve the implementation of the company's corporate governance.</li> <li>6. Assist directors in complying with the law and regulations.</li> </ol> <p>(III) Corporate governance unit's continuous education</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Course title</th> <th>Organizer</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>2022/04/12</td> <td>Review laws and regulations on the board of directors and functional committees (audit, remuneration) and key points of audit</td> <td>Internal Audit Association of the Republic of China</td> <td>3.0</td> </tr> <tr> <td>2022/06/14</td> <td>Fund lending, endorsement, and asset disposal regulations and practices</td> <td>Internal Audit Association of the Republic of China</td> <td>3.0</td> </tr> </tbody> </table>	Date	Course title	Organizer	Hours	2022/04/12	Review laws and regulations on the board of directors and functional committees (audit, remuneration) and key points of audit	Internal Audit Association of the Republic of China	3.0	2022/06/14	Fund lending, endorsement, and asset disposal regulations and practices	Internal Audit Association of the Republic of China	3.0	In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
Date	Course title	Organizer	Hours													
2022/04/12	Review laws and regulations on the board of directors and functional committees (audit, remuneration) and key points of audit	Internal Audit Association of the Republic of China	3.0													
2022/06/14	Fund lending, endorsement, and asset disposal regulations and practices	Internal Audit Association of the Republic of China	3.0													

Assessment items	Functioning				Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies		
	Yes	No	Summary				
			2022/08/05	Review on Taiwanese businessman's management and M&A strategies from the perspective of global politics and economies	COSDA, ROC	3.0	
			2022/07/13	Sustainable development roadmap - industry focus conference	TWSE/TPEX	2.0	
			2022/10/06	Release of reference guidelines for independent directors and audit committees to exercise their powers and promotion for directors and supervisors	TWSE/TPEX	3.0	
V. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers), set up a special area for stakeholders on the company website, and properly responded to issues of corporate social responsibility concerned by stakeholders?	V		The company has appointed a spokesperson and an acting spokesperson and built up stakeholder pages ( <a href="https://www.cftc-hc.com.tw">https://www.cftc-hc.com.tw</a> ) to provide employees, customers, suppliers, and other stakeholders a communication channel, responds to major issues of their concern in a timely manner, and reveals the company's financial status and corporate governance actions.				In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VI. Has the Company commissioned a professional shareholder service agency to handle shareholders' meeting affairs?	V		The company entrusted "Grand Fortune Securities" to handle various stock affairs.				In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure (I) Has the Company established a website to disclose information in finance, business and corporate governance? (II) Has the Company adopted other information disclosure methods (e.g. establishment of an English-language website, designation of personnel to collect and disclose company information, implemented a spokesperson system, and	V		(I) The URL of the company's website is <a href="https://www.cftc-hc.com.tw">https://www.cftc-hc.com.tw</a> (including the area for stakeholders), which provides the up-to-date financial and corporate governance information, and disclose them in MOPS in accordance with regulations. (II) The company has appointed spokesperson and acting spokesperson with contacts for investors at <a href="mailto:service@cftc.tw">service@cftc.tw</a> . CFTC designates personnel to collect and disclose company information, and hold conference calls; relevant information of the meeting will be uploaded to the MOPS with links to the investor pages on the official website.				In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
publication of capital market events on the company website)? (III) Has the Company published and filed annual financial reports within two months after the end of each fiscal year and before deadlines the financial reports for the first, second, and third quarters and operating results updates each month?			(III) The company's financial reports are announced and declared before the given schedule once approved by the board of directors; the revenue figures of each month is reported before the 10th of the next month in accordance with regulations.	
VIII. Is there any other important information that can help to understand the Company's corporate governance functioning? (including but not limited to employees' rights; employees' care; investor relations; supplier relations; stakeholders' rights; further education for directors and supervisors; implementation of risk management policies and risk measurement criteria; implementation of customer policies; and purchase of liability insurance for directors and supervisors)?	V		<p>(I) Employee rights and care The company has set up employee career paths for them to plan their career development, and establishes labor-management meetings and welfare committees to protect the rights and interests of employees and provide employee care.</p> <p>(II) Investor relations and rights of stakeholders The company's official website (including the stakeholder area) has established a communication channel for stakeholders (including investors), to provide the information on corporate governance, financial status, sales, and shareholders, and respond to CFTC's progress in sustainable development and other issues concerned by the stakeholders.</p> <p>(III) Supplier relations CFTC maintains long-term partnerships with suppliers and enjoys smooth communication and transparent procurement information. The company's supplier management methods include written assessments, factory visit assessments, obtaining inspection certificates, and promoting the importance of corporate social responsibility to grow with suppliers together.</p> <p>(IV) Directors' training and education In 2022, the directors (including independent directors) of the company have taken training courses in hours specified in the "Training and education guidelines for directors and supervisors of TWSE/TPEX listed companies".</p> <p>(V) Implementation of risk management policies and risk measurement standards is subject to risk management and assessment according to internal regulations established in accordance with the law and regulations.</p> <p>(VI) Implementation of customer policies 1. The company has established a customer complaint system to deal with customer complaints from the official website, (<a href="mailto:service@cftc.tw">service@cftc.tw</a>), telephone and customer service mailbox; complaints will be reviewed to determine their causes, units liable to them, and required countermeasures for remedy, and respond appropriately to consumers to protect their rights and interests.</p>	In line with the requirements set by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			(VII) Purchase of liability insurance for directors: Addressing the compensation liabilities that the directors and important staff should bear according to law within the scope of their business, the company has renewed the liability insurance of Fubon Insurance on February 25, 2023 to reduce and disperse risks of material damages to the company and shareholders due to errors or negligence, the insured amount, coverage and insurance premium rate and other important contents of the liability insurance were submitted to the latest board meeting on February 23, 2023.	
<p>IX. Addressing corporate governance evaluation results released by the Corporate Governance Center of TWSE in the most recent year: present situations improved and strengthening matters and measures for those that have not improved according to their priority.</p> <p>Addressing indicators of poor scores noted by the 8th Corporate Governance Evaluation Results announced in 2022: CFTC has reviewed and improved them with progress as indicated below:</p> <p>Internal regulations continue to handle related matters and measures, and will fulfill corporate social responsibilities to exercise corporate governance.</p> <ol style="list-style-type: none"> <li>1. The company has disclosed the diversity policy of the board of directors in the 2021 annual report and website.</li> <li>2. The company has simultaneously uploaded the English annual report 7 days before the 2021 shareholders' meeting.</li> <li>3. The company has simultaneously uploaded the English meeting notice, meeting handbook and supplementary materials for the meeting 30 days before the shareholders' meeting since 2021.</li> <li>4. The company has appointed the corporate governance managerial officers on March 25, 2021 to take charge of corporate governance-related affairs, and noted the scope of authority and training status in the annual report and the company website.</li> <li>5. The company has simultaneously released important information in English since 2021.</li> <li>6. The company has uploaded the annual financial report in English 7 days before the 2021 shareholders' meeting.</li> <li>7. The company has voluntarily disclosed in the 2022 annual report the amount and nature of non-audit professional fees paid to attesting CPAs firm's affiliates.</li> <li>8. The company has been invited to participate in the conference call at the following times, and the interval between the first and last calls is more than three months. <ol style="list-style-type: none"> <li>(1) On August 26, 2022, CFTC was invited to participate in the online conference call held by Hua Nan Securities.</li> <li>(2) On April 19, 2022, CFTC was invited to participate in the online conference call held by SinoPac Securities.</li> </ol> </li> </ol>				

(IV) If the company has a remuneration committee or a nomination committee, disclose its composition and operation:

(1) Data on the members of Remuneration Committee

Identity	Requirements	Professional qualifications and experience	Independence	Number of Remuneration Committee roles assumed with other public companies
	Name			
Independent director	Wang Yuan-Hong (Note)	Please refer to page 10 for disclosure of information related to the professional qualifications of directors and the independence of independent directors	<p>(1) Be not employees of the company or its affiliates.</p> <p>(2) Be not director or supervisor of the company or its affiliates.</p> <p>(3) Be not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.</p> <p>(4) Not the spouse, a relative within second degrees, or a direct relative within third degrees to any of the managers listed in (1) or personnel listed in (2) or (3).</p> <p>(5) Be not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act</p> <p>(6) Not if a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company</p> <p>(7) Not if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution</p> <p>(8) Be not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.</p> <p>(9) Be not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that has provided commercial, legal, financial, accounting or related services to the company or any affiliate of the company within the past 2 years.</p> <p>(10) Not a spouse or relative within the second degree of kinship of any other director.</p> <p>(11) Not the government, juridical person, or representative thereof elected as per Article 27 of the Company Act.</p>	2
Convener and independent directors	Tsai Mei-E			0
Independent director	Huang Chin-Huang			3
Independent director	Chen Fu-Pang			0

Note: Resigned on May 30, 2022.

(2) Information on the operation of the Remuneration Committee

I. The company's salary and compensation committee consists of 4 members.

II. The term of office of the current committee members: from May 27, 2022 to May 26, 2025. The salary and compensation committee has held 4 meetings (A) in the most recent year. The qualifications and attendance of the members are as follows:

Title	Name	No. of times attended in person (B)	No. of times attended by authorized persons	Actual attendance rate (%) (B/A)	Notes
Convener	Wang Yuan-Hong	3	0	100%	Resigned on May 30, 2022.
Member	Tsai Mei-E	4	0	100%	Served as convener on May 30, 2022.
Member	Huang Chin-Huang	4	0	100%	
Member	Chen Fu-Pang	4	0	100%	

Other matters to be included:

- If the board of directors defy or amend the recommendations by the compensation committee, note down the date of the meeting, term of the board, the contents of the proposal, the resolution of the board of directors, and measures taken by XTM against the recommendations made; (if the package approved by the board is better than that of the compensation committee, give variations' value and reasons): None.
- If with respect to any resolution of the compensation committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, the opinion shall be stated in the meeting minutes, including the meeting date, term of the committee, the contents of the proposal, the measures taken by XTM for the said members and their recommendation: None.

(V) Progress in practicing sustainable development; status of and causes to deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Ye s	N o	Summary	
I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (concurrent) unit to promote sustainable development, governed by the senior management as authorized by the board of directors, which supervises the implementation?	V		The company has set up a sustainable development committee, appointed the general manager as the chairman, and the functional groups are: corporate governance group, employee relations group, environment friendly group, and customer and partner relationship group.	No material difference
II. Does the Company conduct risk assessments of environmental, social, and corporate governance issues related to company operations as per the principle of materiality? Has the Company formulated relevant risk management policies or strategies?	V		Conducting risk assessments and formulating the following countermeasures for the environmental, social and corporate governance issues related to the company's operation. 1. Evaluation and control of the company's overall operations and goals. 2. Monitor compliance with laws and regulations. 3. Risk assessment and control on environment, safety and hygiene.	No material difference
III. Environmental issues (I) Has the Company established an environment management system suitable to the characteristics of the industry it operates in?	V		The company continues to operate the ISO14001 environmental management system, and is audited by external agencies every year.	No material difference
(II) Is the Company committed to improving energy efficiency and adopting recycled materials with low environmental impact?	V		The company is committed to protecting the local environment, invests tens of millions of NT dollars in environment protection every year. Regarding air pollution, sewage treatment facilities, and hazardous waste treatment and disposal, CFTC has dedicated personnel responsible for management, operation and maintenance, and daily services. Regarding recyclable packaging materials: CFTC reuses them to reduce the generation of waste, reuse sorted wastes in the factory, and entrust a professional environment protection service provider for their disposal.	No material difference
(III) Has the Company assessed its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues?	V		Climate change is driving the consumption of electricity and water for cooling chillers; CFTC has been improving the circulation efficiency of pipelines and upgrade surrounding facilities to reduce the risks caused by climate change. In 2021, CFTC will work with solar energy operators to install solar power generation panels on the roof of the factory buildings. CFTC expects that in the future, the factory area will provide sufficient electricity consumption and sell excess electricity. In recent years, CFTC has planned the following facilities for energy saving, labor-saving specific automation, and waste reduction: 1. Mount solar panels on the roof of the factory buildings 2. Introduce energy-saving labeled LED lighting fixtures 3. Automatic feeder	No material difference

		<p>4. Sewage treatment plant 5. Air pollution control tower 6. Water recycling equipment</p>	
<p>(IV) Has the Company counted the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and formulated policies on greenhouse gas reduction, water consumption reduction, or other waste management?</p>	V	<p>The company started taking greenhouse gas inventory in 2019 and covering the following the scopes: Carbon emissions from electricity consumption, 2. Natural gas consumption, 3. Energy consumption by transportation equipment, 4. Employee activities. Greenhouse gas emissions in 2020 were 1,184.61 tons CO<sub>2</sub>e, up 252.98 metric from 2019 due to more energy being used in production to deliver more products. In 2020, water consumption down 1520 degrees from 2019. Built an underground water storage tank of capacity around 300 tons when constructing the Quanxing factory, together with the water tower in the factory, CFTC ends up with a water storage capacity at about 500 tons, enough to support the operation of the factory for about 3 days. The electroplating process water recycling plan ended in 2021 saves water consumption as expected. Greenhouse gas emissions up 138.13 metric tons from 2020 to 1,322.74 tons of CO<sub>2</sub>e in 2021 due to more energy used in the production for more goods delivered The water recycling equipment completed in 2021 can recycle 80 tons of water per day, and save water consumption.</p>	No material difference
<p>IV. Social issues (I) Has the Company formulated relevant management policies and measures according to applicable laws and international human rights instruments?</p>	V	<p>In order to safeguard social welfare, fulfill corporate social responsibilities and protect stakeholders, the company has complied with relevant laws and international human rights conventions, and formulated human rights policies including: 1. Provide a fair working environment 2. Protect and care for vulnerable groups 3. Construct a healthy and safe workplace 4. Establish a labor-management consultation mechanism 5. Information security and privacy protection</p>	No material difference
<p>(II) Has the Company formulated and implemented reasonable employee benefit policies (including wages, holidays and other benefits), and reflected operating performances or results in employees' wages?</p>	V	<p>The company has established "Employee Reward System Management SOP", "Salary Management SOP", "Year-end Bonus Management SOP", "Attendance Operation Management SOP", "Personnel Assessment Management SOP", "Personnel Promotion Management SOP", "Employee Care Subsidy Implementation Rules" as the basis for employee remuneration management.</p>	No material difference
<p>(III) Has the Company provided a safe and healthy workplace to employees and regularly offered employees training and education in safety and health?</p>	V	<p>In accordance with the Occupational Safety and Health Act and relevant regulations, the company employed the ISO45001 occupational safety management system to promote occupational safety management in the factory. In addition to establishing various automatic safety inspection program, the company implements daily management operations, and sets up protective devices for hazardous equipment, provide machine operation standards for employees' compliance. In addition to daily cleaning the operating environment, employees are taught labor safety concepts from time to time, and regular</p>	No material difference

			inspections of the operating environment, implementation of on-the-job labor safety training, and regular employee fire drills. The company's facilities and equipment is maintained in good condition to ensure safe working environment for employees.	
(IV) Has the Company established an effective career development program for employees?	V		In order to strengthen the career development training, the company plans the "Enterprise Human Resources Improvement Plan" every year and arranges annual training and professional ability appraisal, and invites external lecturers to the company to train employees on core functions and management functions, and consult employees about their own future career planning.	No material difference
(V) Addressing issues of customer health and safety, customer privacy, marketing and labeling of products and services, does the company follow relevant laws and international standards, and formulate relevant consumer or customer rights protection policies and complaint procedures?	V		The company maintains good communication channels with customers, and provide transparent and effective customer complaint handling procedures for products and services. The company's marketing and labeling of products and services follow relevant laws and regulations and international standards.	No material difference
(VI) Has the Company formulated a suppliers management policy by requiring suppliers to comply with the regulations governing environmental protection, occupational health and safety and workers and human rights?	V		Supplier management policy: stable quality, timely delivery, reduce procurement risk, improve local economy, and improve supplier's CSR compliance. Organize an audit team with members from units of Quality Assurance, Technology, Purchasing, and ESH to assess and coach suppliers in terms of quality, delivery, environment protection, occupational safety and health, and labor rights. In 2022, no suppliers lost their vendor qualification with CFTC.	No material difference
V. Has the Company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as ESG reports that discloses the Company's non-financial information? Have the aforesaid reports obtained the certification or guarantee from third party verification organizations?		V	The company has prepared a sustainability report according to the GRI Standards by the Global Reporting Initiative, guidelines and dimension set by "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies", and "GRI Core Options", to disclose CFTC's strategy, objectives, acts, and performance indicators on major issues. At present, no confirmation or guarantee opinions from third-party verification units have been obtained.	No confirmation or guarantee opinions from third-party verification units have been obtained as no budget has been allocated.
VI. Where the Company has formulated its own sustainable development code in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please specified the differences between the implementation and the principles: CFTC board of directors has approved to set up its own "Sustainable Development Best Practice Principles" and use it to review its progress and formulate improvement measures on May 10, 2022. There has been no major difference in implementation so far.				
VII. Other important information that facilitates the understanding of the promotion of sustainable development: (I) The Company has established and implemented its "environmental policies and targets" according to relevant laws in environmental protection, in order to enhance environmental management. (II) The Company participates in community activities from time to time and are actively involved in campaigns for community building and environmental friendliness. (III) The Company has established the "Procedures for Handling Opinions from Employees" and provided a channel for employees to voice their thoughts. Ad-hoc meetings (such as labor relation meetings, employee workshops) are convened so that personnel of different levels from different departments can speak up their opinions. (IV) The Company has established Plans for "Automatic Inspections on Labor Safety, Fire Prevention and Awareness of Hazards", in order to ensure the safety and health of employees.				

(VI) Performance of ethical corporate management and deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons thereof:

Assessment items	Functioning			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons thereof
	Yes	No	Summary	
<p>I. Formulation of ethical business policy and measures</p> <p>(I) Has the Company formulated business ethics policies, approved by the board, and disclosed its policy and practice of business ethics in charters and documents to external parties? Have the board and senior management proactively implemented these policies?</p> <p>(II) Has the Company established a risk assessment mechanism for unethical behaviors, conducted regular analysis and evaluation of the operating activities within the scope of business and with a higher level of risks for unethical behaviors, and referred to the findings for the structuring of action plans for prevention of unethical behaviors, by covering at least the preventive measures described in Article 7-2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>(III) Has the Company formulated operating procedures and behavior guidance to prevent unethical behaviors and put in place a system for disciplinary actions, complaints and appeals? Are these measures properly implemented and regularly reviewed?</p>	V		<p>(I) The company has formulated the “Corporate Governance Practice Code”, “Ethical Corporate Management Best Practice Principles”, “Ethical Corporate Management Procedures and Behavior Guidelines”, “Directors and Managers Ethical Code of Conduct”, and directors, managerial officers and all employees are required to abide by.</p> <p>(II).CFTC has specifically prohibited unethical practices in its “Ethical Corporate Management Best Practice Principles”, and stresses the importance of ethical conduct in monthly meetings. In case of any unethical conduct, the offender shall be subject to penalties according to work rules to prevent unethical conduct.</p> <p>(III) The company's “Ethical Corporate Management Best Practice Principles” and “Ethical Corporate Management Operation Procedures and Behavior Guidelines” have defined prevention measures against business operation with higher risks of unethical conducts as set in the paragraph 2 of Article 7 of the “Ethical Management Code of Listed OTC Companies” or other business scopes, and set up complaint channels such as employee opinion and whistleblower mailboxes on the company website and in employee canteens.</p>	No material difference
<p>II. Implementation of business ethics</p> <p>(I) Has the Company assessed the track records of business ethics of counterparties and incorporated code of conduct in the contracts with counterparties?</p> <p>(II) Has the Company established a dedicated unit under the board to drive business ethics, and reported to the board regularly (at least once a year)</p>	V		<p>(I) CFTC has defined the rights and obligations of both parties’ unethical business activities prevention measures in contracts entered along with confidentiality clauses.</p> <p>(II) The group headquarters of the company is responsible for the formulation of ethical management policies and prevention measures, and reports to the board of directors on a regular basis. The latest report was made on February 23, 2023 by the group headquarters to the board of directors covering the implementation of the ethical management policy in 2022.</p>	No material difference

Assessment items	Functioning			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor
	Yes	No	Summary	
<p>regarding the implementation and supervision of business ethics policies and prevention of unethical behaviors?</p> <p>(III) Has the Company formulated policies to mitigate conflict of interest, and provided appropriate channels for statements?</p> <p>(IV) Has the Company established an effective accounting system and internal control system to implement business ethics, formulated audit plans according to the results of risk assessments conducted by internal auditors on unethical behavior risks, and referred to these plans as the basis for inspection and prevention of unethical behaviors or as the basis for audits by external accountants?</p> <p>(V) Has the Company regularly provided training and education, internally and externally, on business ethics?</p>			<p>(III) The company has formulated the “Ethical Conduct Code for Directors and Managers” with clear policy against conflicts of interest, and encourages the reporting of any illegal or violation of the code of ethical conduct.</p> <p>(IV) The audit unit of the company draws up an annual audit plan based on the risk assessment results, performs the plan accordingly, and reports the audit results to the board of directors on a regular basis.</p> <p>(V) The company regularly organizes internal education and training program on ethical management in monthly meetings and encourages employees to sign up for external ones.</p>	
<p>III. Functioning of the whistleblowing system</p> <p>(I) Has the Company established a whistleblowing system and a reward scheme with an accessible channel for reporting and designated appropriate personnel to deal with the alleged persons?</p> <p>(II) Has the Company formulated standard procedures for investigating of whistleblowers’ reports, follow-ups and relevant confidentiality mechanisms after the completion of investigations?</p> <p>(III) Has the Company adopted measures to protect the whistleblowers from improper treatment?</p>	V		<p>(I) The company has set up complaint channels such as employee opinion and report mailboxes on the company website and in employee canteens. The administrative unit shall designate personnel to deal with every report received.</p> <p>(II).CFTC defines the operating procedures and related confidentiality mechanisms for accepting reports in the “Ethical Corporate Management Best Practice Principles” and “Ethical Corporate Management Procedures and Behavior Guidelines”.</p> <p>(III) The company keeps the identity of the whistleblower and the content of the report absolutely confidential to protect the whistleblower from being improperly treated.</p>	No material difference
<p>IV. Enhancement of information disclosure</p> <p>Has the Company disclosed its business ethics principles and effectiveness to date on its website and via the Market Observation Post System (MOPS)?</p>	V		CFTC has disclosed the “Corporate Governance Practice Code”, “Ethical Corporate Management Best Practice Principles”, “Ethical Corporate Management Procedures and Behavior Guidelines”, “Directors and Managers Ethical Code of Conduct” and their implementation on the company's official website and the MOPS.	No material difference
<p>V. Deviation from its own “Ethical Corporate Management Best Practice Principles” in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies ” and the reasons thereof: None.</p>				

Assessment items	Functioning			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
VI. Other important information that helps to understand the Company's functioning of business ethics: (such as review and amendment of its business ethics principles) <p>(I) The company abides by relevant laws and regulations and internal control systems, and strictly prohibits unethical or illegal acts; In addition to internal publicity and inspection by audit office, a legal affairs office and legal counsel is available for providing legal advice. The company has formulated the "Ethical Corporate Management Best Practice Principles", "Ethical Corporate Management Procedures and Behavior Guidelines", "Directors and Managers Ethical Code of Conduct", and updates them according to laws and regulations or professional advice from time to time.</p> <p>(II) The company's "Board meeting handbook" contains the system of "recusal due to conflicts of interest" requiring directors in a board meeting to give opinions and answer questions for (instead of discussing or voting on) proposals which may harm the interests of the company due to interests of their own or the legal person they represent, and they shall not exercise their voting rights on behalf of other directors.</p>				

(VII) If the company has formulated corporate governance codes and related regulations, disclose its inquiry methods:

1. The company's official website <https://www.cftc-hc.com.tw> /投資人專區/公司治理/公司重要規章
2. MOPS <https://mops.twse.com.tw/mops/web/index> /公司治理/公司治理架構/訂定公司治理之相關規程規則

(VIII) Disclose other important information helpful to enhance the understanding of the operation of corporate governance, if any:

Please refer to the MOPS <https://mops.twse.com.tw/mops/web/index> and CFTC official website <https://www.cftc-hc.com.tw>

(IX) Regarding the implementation of the internal control system, disclose the following:

## CHINA FINEBLANKING TECHNOLOGY

### Statement of the Internal Control System

Date: March 24, 2023

We hereby declare the results of self-inspection over the internal control system in 2022:

- I. The Company is aware that the establishment, implementation and maintenance of its internal control system is the responsibility of the board and management. The Company has established its internal control system. The purpose is to provide reasonable assurance about the effectiveness and efficiency (including profitability, performance and protection of asset security) of operations; reliability, timeliness and transparency of reporting; and compliance with relevant laws and regulations.
- II. Any internal control system has its inherent limitations. No matter how robust the design it, an effective internal control system can only provide reasonable assurance for the abovementioned three goals. Meanwhile, any change in the environment or circumstances may alter the effectiveness of the internal control system. However, the Company's internal control system is equipped with a self-monitoring mechanism. As soon as any deficiency is identified, the Company immediately takes actions for rectification.
- III. The Company determines the effectiveness in the design and implementation of its internal control system according to the effectiveness criteria specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies". The effectiveness criteria specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies are based on the process of management and control. The internal control system is divided into five elements: (1) control environment; (2) risk assessment; (3) control operations; (4) information and communication; (5) supervision. Each elements contains a number of items. Please refer to the Regulations Governing Establishment of Internal Control Systems by Public Companies for details of the abovementioned items.
- IV. The Company has referred to the abovementioned criteria for internal control systems to inspect the effectiveness in the design and implementation of its own internal control system.
- V. Based on the results of the said inspection, CFTC believes that the design and execution of the internal control system (including the supervision and management of subsidiaries) of the company over collecting information on the progress of meeting the goal of operation efficiency and effectiveness, reliability, timeliness, and transparency of reports, and regulation conformity as of December 31, 2022 are effective and reasonably capable of meeting the above-mentioned goals.
- VI. This statement will constitute a major part of the Company's annual report and prospectus and will be disclosed. Any illegal matters such as falseness or concealment regarding the above disclosed contents shall involve legal liabilities under Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- VII. This statement is approved by the audit committee and board meeting on March 24, 2023. Among the 7 directors present, none of them have objections and all agree with the content of this statement, we hereby declare so.

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Chairman: Huang Yi-Xiang

General Manager: Huang Yi-Xiang

2. Disclosure of the audit report (if any) by external accountants commissioned to conduct audits on the internal control system: None.

(X) From the beginning of last year to the publication date of the annual report, if XTM and/or its employees have been punished in accordance with the law, or the company has penalized its employees for violating the provisions of the internal control system, and the result of the punishment may have a significant impact on shareholders' rights and interests or securities prices, explain the violation, the content of the punishment, and any countermeasures

April 21, 2023

Penalties on the Company	Improvement
None	N/A

(XI) Material resolutions of the shareholders' meeting and the board of directors from the beginning of last to the publication date of the annual report.

1. Material resolutions and their implementation of the Shareholders' Meeting

Date	Meeting name	Material resolutions	Implementation
2022.05.27	Shareholders' meeting	1. Ratify the 2021 business report, financial statements and earnings distribution proposal.	1. Done according to the resolution. 2. Set September 7, 2022 as the ex-dividend base date, and the dividends distributed on September 28, 2022 in accordance with the resolution of the board of directors. (Cash dividend of NT\$0.65 per share)
		2. Draw up of the "Ethical Corporate Management Best Practice Principles".	It has been posted on the company's website, and updated as required.
		3. Report on the liquidation of subsidiary CFTC PRECISION SDN BHD.	According to the relevant laws and regulations of Malaysia. This may take about 1 to 1.5 years according to the relevant laws and regulations of Malaysia.
		4. Amend some texts of the "Procedures for Acquisition or Disposal of Assets".	It has been posted on the company's website, and updated as required.
		5. Re-elect directors of CFTC.	Directors re-elected registered on June 30, 2022.

2. Material resolutions by the board of directors and their implementation

Date	Session	Proposal
2022.01.14	Meeting 25, the 12th Office	1. Dissolution and liquidation of subsidiary CFTC PRECISION SDN BHD 2. Amend some texts of "Accounting System", "Management SOP for financial statement preparation" and "Procedures for Acquisition or Disposal of Assets" 3. Changes in the company's chief officer of audit 4. Assessment results of the 2021 CFTC managerial officers and the year-end bonus distribution program 5. CFTC is to buy back the company's ordinary shares over the counter of securities firms in accordance with Article 28-2 of the Securities and Exchange Act, and to formulate the "12th repurchase share transfer to employee measures" 6. Remuneration program of CFTC factory's audit chief officers
2022.02.22	Meeting 26, the 12th Office	1. Re-elect directors of CFTC. 2. Matters related to convening the 2022 shareholders' meeting 3. Raise overhaul budget for fine blanking workshop at the new plant of subsidiary CFTC Precision (JiaXing) Limited 4. Subsidiary CFTC Precision (JiaXing) Limited applied for a loan line from financial institutions 5. CFTC applied for a loan line from financial institutions
2022.03.25	Meeting 27, the 12th Office	1. CFTC 2021 business report, financial statements and earnings distribution proposal 2. CFTC 2021 earnings distribution cash dividends 3. Review of fees to external accountants 4. Assessment on the independence of external accounts 5. 2021 Director and employee remuneration and distribution program 6. to some articles of the "Procedures for Acquisition or Disposal of Assets" 7. CFTC 2021 "Internal Control Effectiveness Assessment" and "Internal Control System Statement" 8. Amend the convening of the 2022 shareholders' meeting 9. Nominate directors and independent directors candidates list

Date	Session	Proposal
		<ul style="list-style-type: none"> <li>10. Lift the ban on the company's newly appointed directors, independent directors and their representatives to work with peers</li> <li>11. Change CFTC Precision (JiaXing) Limited plant's press procurement and raise its budget amount</li> <li>12. Regarding the company's accounts receivable, other receivables, prepayments, deposits being 3 months overdue the normal credit period and of significant amount: assessment suggests that there is no case of capital lending.</li> <li>13. Remuneration adjustment program of CFTC managerial officers</li> </ul>
2022.05.10	Meeting 28, the 12th Office	<ul style="list-style-type: none"> <li>1. CFTC financial statements for Q1 2022</li> <li>2. Formulated the company's "Sustainable Development Best Practice Principles" and amend the "Administrative Measures for Transactions with Related Parties, Group Enterprises and Specific Companies" and the "Salary and Remuneration Committee Organization Regulations"</li> <li>3. CFTC applied for a loan line from financial institutions</li> <li>4. Regarding the company's accounts receivable, other receivables, prepayments, deposits being 3 months overdue the normal credit period and of significant amount as of March 31, 2022: assessment of them suggests there is not a case of capital lending.</li> <li>5. Appointment and remuneration program of CFTC vice president</li> <li>6. Add more CFTC Precision (JiaXing) Limited plant's CDC equipment procurement and budget amount</li> <li>7. Amend the Internal Control System and Internal Audit Implementation Rules</li> </ul>
2022.05.27	Meeting 1, the 13th Office	<ul style="list-style-type: none"> <li>1. Elect the chairman of the company</li> </ul>
2022.06.02	Meeting 2, the 13th Office	<ul style="list-style-type: none"> <li>1. CFTC is to buy back the company's ordinary shares over the counter of securities firms in accordance with Article 28-2 of the Securities and Exchange Act, and to formulate the "13th repurchase share transfer to employee measures"</li> </ul>
2022.08.05	Meeting 3, the 13th Office	<ul style="list-style-type: none"> <li>1. CFTC financial statements for Q2 2022</li> <li>2. Add more capital expenditure budget amount for subsidiary CFTC Precision (JiaXing) Limited's newest plant</li> <li>3. CFTC applied for a loan line from financial institutions</li> <li>4. Subsidiary CFTC Precision (JiaXing) Limited applied for a loan line from financial institutions, and endorsed by CFTC</li> <li>5. Subsidiary CFTC Precision (JiaXing) Limited applied for a loan line from financial institutions</li> <li>6. Distribute earnings in cash dividend by subsidiary CFTC Precision (JiaXing) Limited</li> <li>7. Regarding the company's accounts receivable, other receivables, prepayments, deposits being 3 months overdue the normal credit period and of significant amount as of June 30, 2022: assessment suggests there is not a case of capital lending.</li> <li>8. Appoint members of the sixth remuneration committee</li> </ul>
2022.11.10	Meeting 4, the 13th Office	<ul style="list-style-type: none"> <li>1. CFTC financial statements for Q3 2022</li> <li>2. 2023 budget of the company and its subsidiaries</li> <li>3. Issuance of new shares for the third issuance of unsecured convertible bonds in Taiwan</li> <li>4. Amend texts of the "Administrative measures for internal material information and prevention against insider trading"</li> <li>5. CFTC 2023 audit plan</li> <li>6. CFTC applied for a loan line from financial institutions (including changes in quotas and conditions)</li> <li>7. Subsidiary CFTC Precision (HuaiAn) Limited applied for a loan line from financial institutions, endorsed by CFTC</li> <li>8. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company</li> <li>9. Subsidiary CFTC Precision (JiaXing) Limited, intends to loan funds to CFTC Precision (HuaiAn) Limited</li> <li>10. Regarding the company's accounts receivable, other receivables, prepayments, deposits being 3 months overdue the normal credit period and of significant amount as of September 30, 2022: assessment suggests there is not a case of capital lending.</li> <li>11. Changes in and remuneration program of the company's chief officer of audit</li> <li>12. Plan to formulate the general principles for the policy on pre-approving non-assurance service</li> </ul>
2022.12.06	Meeting 5, the 13th Office	<ul style="list-style-type: none"> <li>1. CFTC is to buy back the company's ordinary shares over the counter of securities firms in accordance with Article 28-2 of the Securities and Exchange Act, and to formulate the "13th repurchase share transfer to employee measures"</li> <li>2. Audit report format change</li> </ul>

Date	Session	Proposal
2023.02.23	Meeting 6, the 13th Office	<ol style="list-style-type: none"> <li>1. Draft the 2023 shareholders' meeting related matters</li> <li>2. By-elect independent directors of the company</li> <li>3. Adjust the 2023 audit program of subsidiary CFTC Precision (JiaXing) Limited and CFTC Precision (HuaiAn) Limited</li> <li>4. Amend texts of the following SOPs (alternate management, notes operation management, budget management, stock affairs management, personal information protect management, Code of Practice for Corporate Governance, Sustainable Development Best Practice Principles and board meeting handbook).</li> <li>5. Issuance of new shares for the third issuance of unsecured convertible bonds in Taiwan</li> <li>6. CFTC applies for loan lines from financial institutions</li> <li>7. Appoint CFTC information security chief officer and staff members</li> </ol>
2023.03.24	Meeting 7, the 13th Office	<ol style="list-style-type: none"> <li>1. The company's 2022 business report, financial statements and earnings distribution plan</li> <li>2. The company's 2022 earnings distribution cash dividend proposal</li> <li>3. Issuance of new shares via capitalization of retained earnings</li> <li>4. Assess independence and suitability of the company's attesting CPAs</li> <li>5. Appoint the company's attesting CPAs and review their professional fees</li> <li>6. Amend the convening of the 2023 shareholders' meeting</li> <li>7. Nomination of independent director candidates list</li> <li>8. Lift the ban on the company's independent directors to work with peers.</li> <li>9. CFTC applies for loan lines from financial institutions</li> <li>10. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions</li> <li>11. 2022 Director's and employee remuneration and their distribution program</li> <li>12. The company's 2022 "Assessment over CFTC internal control effectiveness" and "Internal control system statement" proposal</li> <li>13. Amend the internal control system and internal audit execution guidelines</li> </ol>

(XII) Outline of different opinions (in writing or on record) by directors or supervisors on major resolutions passed by the Board of Directors from the beginning of last year to the publication date of the annual report.

Date	Meeting name	Proposal	Resolution
None	-	-	-

(XIII) List of chairman, general manager, accounting chief officer, financial chief officer, internal audit chief officer, corporate governance chief officer, and R&D chief officer resigned and dismissed the beginning of last year to the publication date of the annual report.

#### Summary of resignations and dismissals of key personnel

April 21, 2023

Title	Name	Date of taking office	Date of dismissal	Reason for resignation or dismissal
Audit chief officer	Hsu Chen-Hsin	2022/01/14	2022/11/09	Resigned due to personal career planning

Note: Key personnel refers to Chairperson, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Corporate Governance Officer, and R&D heads

#### V. Professional fees for attesting CPAs

##### Professional fees for attesting CPAs

Unit: NT\$ thousand

Name of the accounting firm	Name of CPA	Audit period	Audit fees	Non-audit fees	Total	Remarks
KPMG Taiwan	CPA Jacky Chen	2022/01/01~2022/12/31	3,370	1,006	4,376	List of non-audit professional fees: NT\$400 thousand for project inspection, NT\$48 thousand for industrial and

	CPA David Chen	2022/01/01~2022/12/31			commercial registration, NT\$558 thousand for others (NT\$50 thousand for capital increase through capitalization of retained earning of investments in mainland China, NT\$28 thousand for filing the return of earnings of investments in mainland China, NT\$180 for report on transfer price, NT\$300 thousand for tax compliance audit).
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## VI. Changes in CPAs

### (I) Previous external accountants

Replacement date	January 15, 2020		
Reason for the change	In line with the Company's operational development and internal management requirements		
Explanation whether the client or the accountants terminated or declined the appointment	Contract parties	Accountants	Client
	Condition		
	Termination of the mandate		V
Declined to accept (continue with) the appointment			
Issuance of audit opinions other than unqualified opinions and reasons for such opinions during the most recent two years	None		
Different opinions from the issuer's	Yes	Accounting principles or practices	
		Disclosure of financial reports	
		Scope or steps of audits	
		Others	
	None	V	
	Explanation		
Other disclosures (Those that should be disclosed as set in article 10-6-1-4 to 10-6-1-7)	N/A		

### (II) Current external accountants

Name of the accounting firm	KPMG Taiwan
Name of the CPAs	CPA Jacky Chen; CPA David Chen
Date of appointment	January 15, 2020
Consultation with regard to the accounting treatments or accounting principles for specific transactions and the likely opinion to be issued on financial reports, and results of consultation before appointment	None
Successor CPA vs. predecessor CPA Matters of dissent opinions in writing	None

(III) The prior CPA shall reply by mail against dissenting opinions over article 10-1-6-1 and 10-1-6-2-3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies in 10 days: None.

VII. Chairperson, General Manager, finance or accounting managers who worked in the accounting firm who audit the Company's reports or its affiliates during the most recent year: None.

VIII. Changes in shareholding and shares transferred and pledged by directors, managerial officers and shareholders with 10% shareholdings or more in the most recent year and as of the publication date of the annual report

## (I) Changes in shareholding by directors, supervisors, managerial officers and major shareholders:

Unit: share

Title	Name	2022		As of April 21, 2023	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairman-cum-President	Huang Yi-Xiang	318,000	0	0	0
Director	Hsieh Ling	0	570,000	0	(300,000)
Director	Lu Yong-Gong (Note 1)	0	0	NA	NA
Director	Tai Wen-Cheng	0	200,000	0	0
Director	Jacky Lo	0	0	0	0
Director	Chia-Chuan Investment (Note 2)	0	0	0	0
Director's legal representative	Wu Chia-Chuan - Chia-Chuan Investment (Note 3)	0	0	0	0
Independent director	Wang Yuan-Hong (Note 4)	0	0	NA	NA
Independent director	Tsai Mei-E	0	0	0	0
Independent director	Huang Chin-Huang	0	0	0	0
Independent director	Chen Fu-Pang	0	0	0	0
Group Vice President CEO of Taiwan Manufacturing Plant	Gloria Huang	0	0	0	0
Vice president, CFTC Taiwan Plant	Hsieh Chien-Min(Note 5)	0	0	0	0
Assistance Vice President, Sales	Huang Shu-Fang	0	0	0	0
Finance Manager	Mercer Chen Yi-Chuang	0	0	0	0
Accounting Manager	Howard Liao Jen-Chieh	0	0	0	0

Note 1: Discharged on May 23, 2022, number of shares held and pledged as of the date of discharge.

Note 2: Appointed on May 27, 2022, number of shares held and pledged as of the date of appointment.

Note 3: Appointed on May 27, 2022, number of shares held and pledged as of the date of appointment.

Note 4: Discharged on May 30, 2022, number of shares held and pledged as of the date of discharge.

Note 5: Appointed on May 10, 2022, number of shares held and pledged as of the date of appointment.

(II) The counterparty of the transferred is a related party: None.

(III) The counterparty of the pledged to is a related party: None.

IX. Relationship between the top ten shareholders

April 21, 2023

Name	Shareholdings by the person himself/herself		Current shareholdings by the spouse and minor children		Shareholdings under other people's names		Names and spousal relationships or relatives within second degrees among the top ten shareholders		Notes
	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	Name (or name)	Relation	
Liu,Ching-I	8,305,000	9.67%	0	0%	0	0%	None	None	-
Hsieh Ling	5,765,378	6.71%	1,997,655	2.33%	0	0%	Huang Yi-Xiang	Spouse	-
Chia-Chuan Investment	5,536,945	6.45%	0	0%	0	0%	None	None	-
Shen Bing-Yuan	3,816,102	4.44%	0	0%	0	0%	None	None	-
Chang,Chih-Fu	3,330,021	3.88%	0	0%	0	0%	None	None	-
Wu Chih-Wei	2,677,000	3.12%	0	0%	0	0%	None	None	-
Tai Wen-Cheng	2,177,504	2.54%	0	0%	0	0%	None	None	-
Huang Yi-Xiang	1,997,655	2.33%	5,765,378	6.71%	0	0%	Hsieh Ling	Spouse	-
Chang Chia-Wen	1,750,589	2.04%	0	0%	0	0%	None	None	-
Wang,Li-Chun	1,742,534	2.03%	0	0%	0	0%	None	None	-

X. Number of shares held and shareholding percentage of the Company, the Company's directors, supervisors, managerial officers and directly or indirectly controlled entities on the same investee

Unit: share; March 31, 2023

Investee	Investment by the Company		Investment by directors, supervisors, managers or enterprises directly or indirectly controlled		Total investment	
	No. of shares	Percentage of ownership	No. of shares	Percentage of ownership	No. of shares	Percentage of ownership
China Fineblanking Group Co., Ltd.	40,080	100.00	0	0	40,080	100.00
CFTC Precision Sdn. Bhd.	30,288	100.00	0	0	30,288	100.00
China Fineblanking International Co., Ltd.	40,080	100.00	0	0	40,080	100.00
CFTC Precision (JiaXing) Limited	Non-shareholding structure	100.00	0	0	Non-shareholding structure	100.00
CFTC Precision (HuaiAn) Limited	Non-shareholding structure	100.00	0	0	Non-shareholding structure	100.00

## IV. Fund Raising

### I. Capital and shares

#### (I) Source of capital share

##### 1. Formation of share capital

Month/year	Issuance price (NT\$ 1)	Authorized share capital		Paid-in share capital		Notes		
		No. of shares (in 1,000)	Amount (NT\$ thousand)	Number of shares (in thousands)	Amount (NT\$ thousand)	Sources of share capital	Contribution to share capital with non-cash assets	Other
November 1992	10,000	1.2	12,000	1.2	12,000	Founding share capital	None	Note 1
August 1994	10,000	2	20,000	2	20,000	Rights issue to raise NT\$8,000 thousand	None	Note 2
June 1996	10,000	2.8	28,000	3	28,000	Rights issue to raise NT\$8,000 thousand	None	Note 3
November 1998	10,000	5	50,000	5	50,000	Rights issue to raise NT\$22,000 thousand	None	Note 4
November 1999	10.00	7,000	70,000	7,000	70,000	Rights issue to raise NT\$14,000 thousand Capitalization of earnings for NT\$6,000 thousand	None	Note 5
January 2001	10.00	8,170	81,700	8,170	81,700	Capitalization of earnings for NT\$11,700 thousand	None	Note 6
July 2002	10.00	25,000	250,000	13,370	133,700	Rights issue to raise NT\$26,000 thousand Capitalization of earnings by NT\$26,000 thousand	None	Note 7
October 2003	10.00	25,000	250,000	16,370	163,700	Rights issue to raise NT\$30,000 thousand	None	Note 8
August 2004	15.00	25,000	250,000	18,370	183,700	Rights issue to raise NT\$20,000 thousand	None	Note 9
August 2004	10.00	25,000	250,000	20,770	207,700	Capitalization of earnings by NT\$24,000 thousand		
August 2005	10.00	25,000	250,000	24,000	240,000	Make up for losses and reduce capital by NT\$37,700 thousand Cash capital increase NT\$70,000 thousand	None	Note 10
October 2007	25.00	50,000	500,000	34,000	340,000	Rights issue to raise NT\$100,000 thousand	None	Note 11
October 2007	10.00	50,000	500,000	37,390	373,903	Capitalization of earnings by NT\$33,903 thousand (including stock dividends to employees for NT\$4,496 thousand)		
June 2008	10.00	50,000	500,000	37,990	379,903	Capitalization of earnings by NT\$6,000 thousand (including stock dividends to employees for NT\$6,000 thousand)	None	Note 12
April 2010	17.50	50,000	500,000	38,860	388,603	Exercise employee stock options; Employees purchase stocks of NT\$8,700 thousand	None	Note 13
July 2010	17.50	50,000	500,000	39,320	393,203	Exercise employee stock options; Employees purchase stocks of NT\$4,600 thousand	None	Note 14
December 2010	16.02	50,000	500,000	39,460	394,603	Exercise employee stock options; Employees purchase stocks of NT\$1,400 thousand	None	Note 15
September 2011	16.02	50,000	500,000	39,480	394,803	Exercise employee stock options; Employees purchase stocks of NT\$200 thousand	None	Note 16
September 2011	10.00	50,000	500,000	41,453	414,533	Capitalization of earnings by NT\$19,730 thousand	None	Note 17
January 2012	18.50	50,000	500,000	46,643	466,433	Rights issue to raise NT\$51,900 thousand	None	Note 18
October 2015	10.00	50,000	500,000	45,106	451,063	Cancellation of treasury shares by NT\$15,370 thousand	None	Note 19
April 2016	29.00	50,000	500,000	47,768	477,683	Convert convertible bonds into new shares: NT\$26,620 thousand	None	Note 20
September 2016	10.00	100,000	1,000,000	52,288	522,886	Capitalization of capital surplus	None	Note 21
October 2016	29.00	100,000	1,000,000	54,569	545,694	Convert convertible bonds into new shares: NT\$22,808 thousand	None	Note 22
December 2016	19.40	100,000	1,000,000	69,569	695,694	Rights issue to raise NT\$150,000 thousand	None	Note 23
June 2017	25.90	100,000	1,000,000	70,160	701,601	Convert convertible bonds into new shares: NT\$5,907 thousand	None	Note 24
October 2017	25.90	100,000	1,000,000	70,430	704,304	Convert convertible bonds into new shares: NT\$2,703 thousand	None	Note 25
November 2017	25.90	100,000	1,000,000	73,006	730,057	Convert convertible bonds into new shares: NT\$25,753 thousand	None	Note 26
March 2018	25.90	100,000	1,000,000	75,732	757,315	Convert convertible bonds into new shares: NT\$27,258 thousand	None	Note 27
August 2018	10.00	100,000	1,000,000	76,488	764,888	Capitalization of earnings by NT\$7,573 thousand	None	Note 28
September 2019	10.00	150,000	1,500,000	80,151	801,512	Capitalization of earnings by NT\$36,624 thousand	None	Note 29
October 2020	10.00	150,000	1,500,000	83,884	838,841	Capitalization of earnings by NT\$37,329 thousand	None	Note 30
April 2021	10.00	150,000	1,500,000	84,157	841,572	Convert convertible bonds into new shares: NT\$2,731 thousand	None	Note 31
August 2021	10.00	150,000	1,500,000	84,180	841,805	Convert convertible bonds into new shares: NT\$233 thousand	None	Note 32
October 2021	10.00	150,000	1,500,000	85,818	858,186	Capital increase by capitalization of retained earnings: NT\$16,380 thousand	None	Note 33
December 2021	10.00	150,000	1,500,000	85,841	858,419	Convert convertible bonds into new shares: NT\$233 thousand	None	Note 34

November 2022	10.00	150,000	1,500,000	85,871	858,716	Convert convertible bonds into new shares: NTS\$296 thousand	None	Note 35
March 2023	10.00	150,000	1,500,000	85,898	858,988	Convert convertible bonds into new shares NTS\$271 thousand	None	Note 36

Note 1: Approved by Official Document (Economy-1992) Incorporation-Three-Hsin-Zi No. 393936 issued on November 9, 1992  
Note 2: Approved by Official Document (Economy-1994) Incorporation-Three-Kuei- Zi No. 419685 issued on August 10, 1994  
Note 3: Approved by Official Document (Economy-1996) Incorporation-Three-Bing- Zi No. 187573 issued on June 25, 1996  
Note 4: Approved by Official Document (Economy-1998) Incorporation-Three-Geng- Zi No. 261327 issued on November 20, 1998  
Note 5: Rights issue and change of the face value from NTS\$10,000 per share to NTS\$10 per share approved by Official Document (Economy-1999) Zhong-Tzu No. 88993564 issued on November 26, 1999  
Note 6: Approved by Official Document (Economy-2001) Zhong- Zi No. 9031576110 issued on January 12, 2001  
Note 7: Approved by Official Document Economy-Authorization-Shang- Zi No. 09101266850 issued on July 11, 2002  
Note 8: Approved by Official Document Economy-Authorization-Zhong- Zi No. 09232769480 issued on October 8, 2003  
Note 9: Approved by Official Document Economy-Authorization-Zhong- Zi No. 09332579580 issued on August 17, 2004  
Note 10: Approved by Official Document Economy-Authorization-Zhong- Zi No. 09432589480 issued on August 2, 2005  
Note 11: Approved by Official Document Economy-Authorization-Zhong- Zi No. 09632961600 issued on October 29 2, 2007  
Note 12: Approved by Official Document Economy-Authorization-Zhong- Zi No. 09732575520 issued on July 4, 2008  
Note 13: Approved by Official Document Economy-Authorization-Zhong- Zi No. 09931912790 issued on April 14, 2010  
Note 14: Approved by Official Document Economy-Authorization-Zhong- Zi No. 09932317780 issued on July 19, 2010  
Note 15: Approved by Official Document Economy-Authorization-Zhong- Zi No. 09932927300 issued on December 9, 2010  
Note 16: Approved by Official Document Economy-Authorization-Zhong- Zi No. 10032487500 issued on September 7, 2011  
Note 17: Approved by Official Document Economy-Authorization-Zhong- Zi No. 10032561370 issued on September 27, 2011  
Note 18: Approved by Official Document Economy-Authorization-Zhong- Zi No. 10131594130 issued on January 30, 2012  
Note 19: Approved by Official Document Economy-Authorization-Zhong- Zi No. 10433818660 issued on October 14, 2015  
Note 20: Approved by Official Document Economy-Authorization-Zhong- Zi No. 10533422590 issued on April 21, 2016  
Note 21: Approved by Official Document Economy-Authorization-Shang- Zi No. 10501216930 issued on September 2, 2016  
Note 22: Approved by Official Document Economy-Authorization-Shang- Zi No. 10501247050 issued on October 20, 2016  
Note 23: Approved by Official Document Economy-Authorization-Shang- Zi No. 10501281630 issued on December 7, 2016  
Note 24: Approved by Official Document Economy-Authorization-Shang- Zi No. 10601063040 issued on May 18, 2017  
Note 25: Approved by Official Document Economy-Authorization-Shang- Zi No. 10601146370 issued on October 18, 2017  
Note 26: Approved by Official Document Economy-Authorization-Shang- Zi No. 10601162200 issued on November 27, 2017  
Note 27: Approved by Official Document Economy-Authorization-Shang- Zi No. 10701020120 issued on March 2, 2018  
Note 28: Approved by Official Document Economy-Authorization-Shang- Zi No. 10701108770 issued on August 29, 2018  
Note 29: Approved by Official Document Economy-Authorization-Shang- Zi No. 10801127730 issued on September 19, 2019  
Note 30: Approved by Official Document Economy-Authorization-Shang- Zi No. 10901191780 issued on October 15, 2020  
Note 31: Approved by Official Document Economy-Authorization-Shang- Zi No. 11001064170 issued on April 23, 2021  
Note 32: Approved by Official Document Economy-Authorization-Shang- Zi No. 11001146110 issued on August 18, 2021.  
Note 33: Approved by Official Document Economy-Authorization-Shang- Zi No. 11001190700 issued on October 18, 2021.  
Note 34: Approved by Official Document Economy-Authorization-Shang- Zi No. 11001219530 issued on December 2, 2021  
Note 35: Approved by Official Document Economy-Authorization-Shang- Zi No. 11101221420 issued on November 11, 2022  
Note 36: Approved by Official Document Economy-Authorization-Shang- Zi No. 11230037950 issued on March 17, 2023

## 2. Types of shares issued

Unit: share; March 31, 2023

Types of shares	Authorized share capital			Notes
	No. of shares outstanding	No. of shares not issued	Total	
Ordinary shares listed on Taipei	85,898,813	64,101,187	150,000,000	

## 3. Shelf registration: N/A

### (II) Shareholder structure

March 31, 2023

Shareholder Structure	Government agencies	Financial institutions	Other legal persons	Foreign institutions and foreigners	Individuals	Total
No. of persons	0	1	29	22	11,768	11,820
No. of shares held	0	157,568	13,617,173	1,598,317	70,525,755	85,898,813
Percentage of	0.00%	0.18%	15.85%	1.86%	82.10%	100.00%

Note: The company has no Chinese investors' holding interests.

## (III) Diversity of ownership

## 1. Diversity of ownership of common shares: (face value at NT\$10)

March 31, 2023

No. of shares held by each shareholder	No. of shareholders	No. of shares held	Percentage of ownership
1-999	7,734	310,916	0.36%
1,000-5,000	2,990	5,464,190	6.36%
5,001-10,000	501	3,252,549	3.79%
10,001-15,000	226	2,564,845	2.99%
15,001-20,000	76	1,285,534	1.50%
20,001-30,000	87	2,062,723	2.40%
30,001-40,000	52	1,792,889	2.09%
40,001-50,000	30	1,368,948	1.59%
50,001-100,000	49	3,335,622	3.88%
100,001-200,000	34	4,742,402	5.52%
200,001-400,000	12	3,405,486	3.97%
400,001-600,000	9	4,420,993	5.15%
600,001-800,000	3	1,885,617	2.19%
800,001-1,000,000	2	1,805,896	2.10%
>1,000,001	15	48,200,203	56.11%
Total	11,820	85,898,813	100.00%

## 2. Diversity of ownership of special shares: CFTC has no special shares issued.

## (IV) List of major shareholders

unit: share ; March 31, 2023

Names of major shareholders	No. of shares held	Percentage of ownership
Liu, Ching-I	8,305,000	9.67%
Hsieh Ling	5,765,378	6.71%
Chia-Chuan Investment	5,536,945	6.45%
Shen Bing-Yuan	3,816,102	4.44%
Chang, Chih-Fu	3,330,021	3.88%
Wu Chih-Wei	2,677,000	3.12%
Tai Wen-Cheng	2,177,504	2.54%
Huang Yi-Xiang	1,997,655	2.33%
Chang Chia-Wen	1,750,589	2.04%
Wang, Li-Chun	1,742,534	2.03%

## (V) Share price, net worth, earnings, dividends and related information in the last two years

Unit: NT\$1,000 / 1,000 shares

Year		2021	2022	As of April 21, 2023 (Note 8)	
Item					
Market price per share (Note 1)	Highest	54.50	42.40	35.00	
	Lowest	38.80	32.10	32.10	
	Average	43.21	37.76	33.80	
Book value per share (Note 2)	Before distribution	19.43	19.01	19.01	
	After distribution	18.78	Note a	Note a	
Earnings per share	Weighted average number of shares		83,529	82,029	82,029
	Earnings per share (Note 3)	Before retrospective adjustment	1.29	0.53	0.53
		After retrospective adjustment	1.29	Note a	Note a
Dividends per share	Cash dividends		0.65	Note a	Note a
	Bonus shares	Stock dividends via capitalization of earnings	-	Note a	Note a
		Stock dividends via capitalization of capital surplus	-	-	-
	Cumulative unpaid dividends (Note 4)		-	-	-
Return on investment	P/E ratio (Note 5)		36.15	71.70	-
	Price to dividend ratio (Note 6)		71.74	190.00	-
	Cash dividend yield (Note 7)		1.39	0.53	-

\* The market prices retrospectively adjusted for stock dividends via capitalization of earnings or capital surplus and cash dividends should be disclosed.

Note a: The resolution of the board of directors on March 24, 2023 proposing ways to deal with the 2022 after tax earnings of NT\$43,134 thousand: set aside NT\$4,313 thousand as legal reserve, distribute NT\$16,169 thousand in cash dividends (NT\$0.20 per share), and distribute NT\$4,042 thousand in bonus stock dividends (NT\$0.05 per share). This part is yet to be reported and resolved by the shareholders' meeting.

Note 1: The highest and the lowest market prices of ordinary shares for each year, and the calculation of the average market prices based on trading values and trading volumes for each year.

Note 2: Please fill in figures based on the number of shares issued at the end of the year and distribution adopted by the board of directors or the next year's shareholders' meeting.

Note 3: Earnings per share before and after retrospective adjustment for bonus shares and other situations.

Note 4: Cumulative unpaid dividends during the year if the equity security issuance requirements allow the distribution of such unpaid dividends until the year with earnings.

Note 5: P/E ratio = average closing price per share during the year / earnings per share

Note 6: Price to dividend ratio = average closing price per share during the year / cash dividends per share

Note 7: Cash dividend yield = cash dividends per share / average closing price per share during the year

Note 8: Book value per share and earnings per share based on the audited (reviewed) financials for the most recent quarter as of the publication date of the annual report; other columns based on the annual data as of the publication date of the annual report As of the publication date of the annual report, the financial report for Q1 2023 has not yet been announced, so the net value and earnings per share of Q4 2022 are filled in instead.

## (VI) Company dividend policy and implementation status

## 1. Dividend policy specified in the Articles of Incorporation:

Any earnings in a fiscal year shall be first utilized for tax payments and offsetting prior losses before

setting aside a legal reserve at 10% of the remaining profits. However, this is not applicable if the legal reserve has reached the same amount as paid-in capital. If required by laws, a special reserve may be recognized or reversed. Any remaining earnings, along with cumulative undistributed earnings, may be distributed as dividends to shareholders based on the proposal from the board and resolution by the shareholders' meeting. If the distribution of dividends via capitalization of the legal reserve or capital surplus will be in cash in part or in all, the attendance of at least two thirds of directors for the board meeting and the consent from more than half of the attending directors are required. Subsequent reporting should be made to the shareholders' meeting.

The Company's dividend policy is based on its current and future development, the investment environment, funding requirements and the competitive landscape overseas, as well as shareholders' interest. No less than 50% of the distributable earnings each year should be distributed as dividends. However, distributions may not be made if the cumulative distributable earnings are less than 1% of the paid-in capital. Earnings may be distributed in the form of cash dividends or stock dividends. Cash dividends may not fall below 10% of the total dividends.

2, The proposed dividend distribution in 2022:

Unit: NT\$

Item	Amount	
<b>Undistributed earnings at the beginning of the period</b>		138,384,340
Add: reversal of the special reserve under equity	22,649,556	
Add: after tax net income in 2022	43,133,718	
Appropriation:		
Less: legal reserve	(4,313,372)	
<b>Earnings available for distribution</b>		199,854,242
Distribution items:		
Less: cash dividend (0.20/share) * 80,844,813 shares	(16,168,963)	
Less: stock dividend (0.05/share) * 80,844,813 shares	(4,042,250)	
<b>Undistributed earnings at the end of the period</b>		179,643,029

Note 1: 85,898,813 issued shares – 5,054,000 treasury shares = 80,844,813 outstanding shares.

Note 2: The surplus in 2022 will be distributed first.

(VII) The impact of the bonus shares proposed at this shareholders' meeting on the company's operating performance and earnings per share:

The Company does not publish financial forecasts. Therefore, change in operating performance, pro forma earnings per share or P/E ratio is not applicable.

(VIII) Remuneration of employees, directors and supervisors

1. Percentage or scope of remunerations to employees, directors and supervisors stated in the Articles of Incorporation:

If the Company reports profits for the year, no less than 2% of the profits should be distributed as remunerations to employees and no more than 5% distributed as remunerations to directors and supervisors. In case of any cumulative losses, it is necessary to offset such losses first. Remunerations to employees are distributed in stocks or cash according to the decision by the board. Such remunerations may be distributed to qualified employees of subordinate companies. The distribution of remunerations to employees, directors, and supervisors should be reported to the shareholders' meeting.

2. Basis of estimates for remunerations to employees, director and supervisors for the period, calculation for the number of shares eligible for stock dividends as employees' remunerations, and accounting treatment of any discrepancy between the actual distributed amount and the estimated amount:

(1) Basis of amount estimated for employee and director remuneration: the after tax net income of the current year and the range of distribution stipulated in the company's articles of association; the board of directors proposes the 2022 employee remuneration at NT\$1,138,340 and director remuneration at NT\$569,171.

(2) The Company did not distribute stock dividends for the period.

(3) Accounting treatment for any discrepancy between the actual distributed amount and the estimated amount for the period: At the end of a fiscal year and in case of material change to the distributed amount decided by the board, the change shall be recognized as the expenses for the year. If the amount is changed again by the resolution of the shareholders' meeting, the discrepancy shall be treated as change to accounting estimates and recognized during the year of the resolution by the shareholders' meeting.

3. Remuneration distribution approval by the board:

(1) Remunerations to employees, directors and supervisors in cash or stocks Difference in amounts, reasons and treatment of any discrepancy from estimated amount and recognized expenses for the year:

the board of directors proposes the 2022 employee remuneration at NT\$1,138,340 and director remuneration at NT\$569,171.

(2) The amount of employees' remunerations issued with stocks and such as amount as a percentage of net incomes in the parent company's or the individual financial report during the period and as a percentage of the total amount of employees' remunerations: N/A

4. Differences between actual and recognized remuneration of employees, directors and supervisors in the previous year (including the number of shares distributed, amount and stock price), if any: present the amount, reasons for the discrepancy, and countermeasures taken:

Year: 2021; Unit: NT\$

Item	Amount to be distributed according to the resolution of the shareholders' meeting	Amount to be distributed according to the proposal by the board	Difference	Reason for the difference
Directors' remunerations	1,442,004	1,442,004	0	—
Employees' remunerations	2,884,009	2,884,009	0	—

(IX) CFTC shares bought back by CFTC:

1. CFTC shares bought back by CFTC (completed)

March 31, 2023

Program numbering	10th	11th	12th	13th	14th
Purpose	Transfer of shares to employees	Transfer of shares to employees	Transfer of shares to employees	Transfer of shares to employees	Transfer of shares to employees
Repurchase period	2020.03.20-2020.05.18	2021.05.14-2021.07.12	2022.01.20-2022.03.10	2022.06.06-2022.08.04	2022.12.09-2023.01.17
Price range	23.10-56.71	28.56-69.43	28.25-61.65	26.46-58.22	23.66-50.42
Repurchased shares by type and by number	Ordinary shares 1,500,000 shares	Ordinary shares 2,349,000 shares	Ordinary shares 1,020,000 shares	Ordinary shares 1,098,000 shares	Ordinary shares 587,000 shares
Amount of the repurchased shares	NT\$52,511,865	NT\$100,872,223	NT\$41,604,120	NT\$42,028,487	NT\$19,868,690
Repurchased shares as a percentage of the program (%)	50%	78.3%	51%	54.9%	58.7%
No. of shares cancelled and transferred	1,500,000 shares	0 share	0 share	0 share	0 share
No. of cumulative treasury shares	0 share	2,349,000 shares	3,369,000 shares	4,467,000 shares	5,054,000 shares
Cumulative treasury shares as a percentage of the Company's number of issued shares (%)	0%	2.73%	3.92%	5.20%	5.88%

II. Corporate bonds

Types of corporate bonds	Second issuance of secured convertible bonds in Taiwan	Third issuance of unsecured convertible bonds in Taiwan
Issuance date	August 31, 2020	September 1, 2020
Par value	NT\$100,000	NT\$100,000
Place of issuance and trading	Issued in Taiwan and traded on Taipei Exchange	Issued in Taiwan and traded on Taipei Exchange
Issued price	100% of the par value	100% of the par value
Amount raised	NT\$200 million	NT\$200 million
Interest rate	0% coupon rate	0% coupon rate

Period	Three year and mature on August 31, 2023	Three year and mature on September 1, 2023
Guarantor	Taiwan Cooperative Bank Ltd.	Taiwan Cooperative Bank Ltd.
Trustee	Bank SinoPac	Bank SinoPac
Underwriter	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Securities Co., Ltd.
Attorney	No share certificates required as no physical securities were produced	No share certificates required as no physical securities were produced
Accountant	No share certificates required as no physical securities were produced	No share certificates required as no physical securities were produced
Repayment methods	Unless bondholders convert their holdings into the Company's ordinary shares according to Article 10 of the Regulations Governing the Issuance and Conversion of these convertible bonds, or the bonds are called before maturity according to Article 18, or the Company repurchases the bonds from securities brokers and subsequently cancels these bonds, the Company shall make full repayment in cash at the par value for all outstanding bonds upon maturity.	Unless bondholders convert their holdings into the Company's ordinary shares according to Article 10 of the Regulations Governing the Issuance and Conversion of these convertible bonds, or the bonds are called before maturity according to Article 18, or the Company repurchases the bonds from securities brokers and subsequently cancels these bonds, the Company shall make full repayment in cash at 100.7519% of the par value (or 0.25% real yield) for all outstanding bonds upon maturity.
Outstanding principal	NT\$200,000,000	NT\$184,000,000
Call or early repayment clauses	Article 18 of the Regulations Governing the Issuance and Conversion of the Company's second secured convertible bonds in Taiwan	Article 18 of the Regulations Governing the Issuance and Conversion of the Company's third unsecured convertible bonds in Taiwan
Covenants	None	None
Name of the credit rating agency, rating date and ratings of the corporate bonds	None	None
Other rights attached	As of the publication date of the annual report, amount of the ordinary shares converted (exchanged or shares subscribed), overseas depositary receipts or other marketable securities	None
	Regulations governing issuance and conversion (exchange or share subscription)	At present, 376,646 ordinary shares have been converted at amount NT\$16,000,000.
	Please refer to the Regulations Governing the Issuance and Conversion of the Company's second secured convertible bonds in Taiwan.	Please refer to the Regulations Governing the Issuance and Conversion of the Company's third unsecured convertible bonds in Taiwan.
Possible dilution of equity and impact on the current shareholders' equity due to issuance, conversion, exchange or share subscription and issuance conditions	There is no dilution before convertible bondholders ask to exercise their conversion rights. Bondholders may choose to convert at favorable time points during the convertible period. Therefore, the dilution is deferred and distributed. At present, the par value of convertible corporate bonds in circulation is NT\$200,000 thousand. According to the current conversion price of NT\$41.36, if all of them are converted into ordinary shares of the company, it will be 4,835,589 shares. The possible dilution ratio is 5.32%, and the dilution effect on the original shareholders should not be significant.	There is no dilution before convertible bondholders ask to exercise their conversion rights. Bondholders may choose to convert at favorable time points during the convertible period. Therefore, the dilution is deferred and distributed. Currently, the face value of convertible corporate bonds in circulation is NT\$184,000 thousand. According to the current conversion price of NT\$40.45, if all of them are converted into ordinary shares of the company, there will be 4,548,825 shares. The dilution ratio is 5.02% at the most, and the dilution effect on the original shareholders is not very significant.
Name of the custodian for the exchangeable underlying	N/A	N/A

Data of convertible bonds

Types of corporate bonds		Second issuance of secured convertible bonds in Taiwan		
Year		2021	2022	As of April 21, 2023
Item				
Convertible corporate bonds at market price	Highest	127.50	121.00	103.50
	Lowest	109.50	103.50	100.70
	Average	118.48	112.19	101.82
Conversion price		42.09	41.36	41.36
Issuance date and conversion price at issuance		Issuance date: August 31, 2020 Conversion price at issuance: NT\$46		
Exercise of conversion obligations		Issuance of new shares		

Data of convertible bonds

Types of corporate bonds		Third issuance of unsecured convertible bonds in Taiwan		
Year		2021	2022	As of April 21, 2023
Item				
Convertible corporate bonds at market price	Highest	125.25	108.50	100.80
	Lowest	103.00	98.55	98.55
	Average	110.24	102.40	100.20
Conversion price		41.17	40.45	40.45
Issuance date and conversion price at issuance		Issuance date: August 31, 2020 Conversion price at issuance: NT\$46		
Exercise of conversion obligations		Issuance of new shares		

III. Special shares

: None.

IV. Overseas depository receipt

: None.

V. Employee stock option certificates

(I) Update on employee stock options not yet mature as of the publication date of the annual report and its impact on shareholders' equity: None.

(II) As of the publication date of this annual report, the names of the managers who have obtained employee stock options, and the top ten employees who have obtained the largest numbers of employee stock options and subscribed to shares: None.

VI. New restricted employee shares

(I) Update on the restricted shares to employees with vesting conditions not yet fully satisfied as of the publication date of the annual report and the impact on shareholder equity: None.

(II) Names of the managers who have obtained restricted employee shares and the top ten employees with the largest number of restricted employee shares as of the publication date of this annual report: None.

VII. New shares issued for merger or acquiring shares of another company

: None.

VIII. Progress on planned use of capital

(I) Details of prior public issuances or private placements of marketable securities not yet completed or already completed during the most three years but benefits yet to be materialized: None.

(II) Utilization of each aforesaid project, analysis on implementation and comparison with the benefits originally expected during the most recent quarter as of the publication date of the annual report: N/A.

## V. Operations

### I. Businesses

#### (I) Business scope

##### 1. Main activities:

- (1) Manufacturing and distribution of a variety of molds and components
- (2) Manufacture, processing and trading of metal and plastic parts of various computer parts, sewing machine parts, camera parts, automobile and motorcycle parts, bicycle parts, mechanical hardware parts.
- (3) Processing of machine tools.
- (4) Import/export, distribution and installation of a variety of domestic and overseas machine tools, materials, components, and automation electro-mechanical equipment.
- (5) Import and export of the aforesaid items.
- (6) Surface cleaning of hardware parts.
- (7) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Main products and sales breakdown:

Unit: NT\$ thousand

Main products	2021		2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Hard-disk drive components	748,684	28.4	527,447	20.8
Auto and motorcycle components	1,793,239	67.9	1,868,030	73.6
Others	97,735	3.7	144,204	5.6
Total	2,639,658	100.0	2,539,681	100.0

##### 3. Current products:

- (1) Hard-disk drive components
  - A. Voice coil motor (VCM) for hard-disk drives
- (2) Auto components
  - A. Gearbox components
  - B. Car door locks and seats
  - C. Hydraulic pumps
  - D. Brakes
  - E High-end bicycle parts
  - F Other stamping parts

##### 4. New products under development:

Since its establishment, the company has been focusing on the development of new products and the improvement of technology and quality. It is committed to be a professional manufacturer of stamping parts. In the future, it will continue to develop high-capacity, miniaturized hard disk drive-related parts, and automobiles, motorcycles, bicycles and other precision stamping components.

## (II) Industry overview

### 1. Current status and development of the industry:

#### A. Hard-disk drive industry

Traditional hard disk drives (HDD) are mainly used in the enterprise-level hard disk, personal computer (PC) and notebook computer (NB) markets around the world. Yet they are waning amid the rising trend of tablets and smart phones. However, cloud storage, big data, the Internet of Things and other markets demand storage of large amounts of data. This leaves HDDs with an upper hand in terms of capacity and price. However, the falling price of NAND Flash will push the price-performance ratio of solid-state drives (SSD) gradually downward, leading it to outrun the HDD market at an even greater pace.

Western Digital acquired Hitachi Global Storage Technologies, Inc. (HGST) and became the global leader in the hard-disk drive market. Soon after, Seagate acquired Samsung's hard-disk drive business. Western Digital, Seagate and Toshiba are the only three players in the marketplace. Each hard-disk drive manufacturer has built their own walled ecosystems, with suppliers they work with on a long-term basis. Meanwhile, the technological barrier is high, certification is demanding and time-consuming for component manufacturers. It is, therefore, difficult for new entrants to break into the supply chain. Known for outstanding technology, Taiwanese companies play a pivotal role in the global supply chain of hard-disk drives and are less likely to be phased-out by customers.

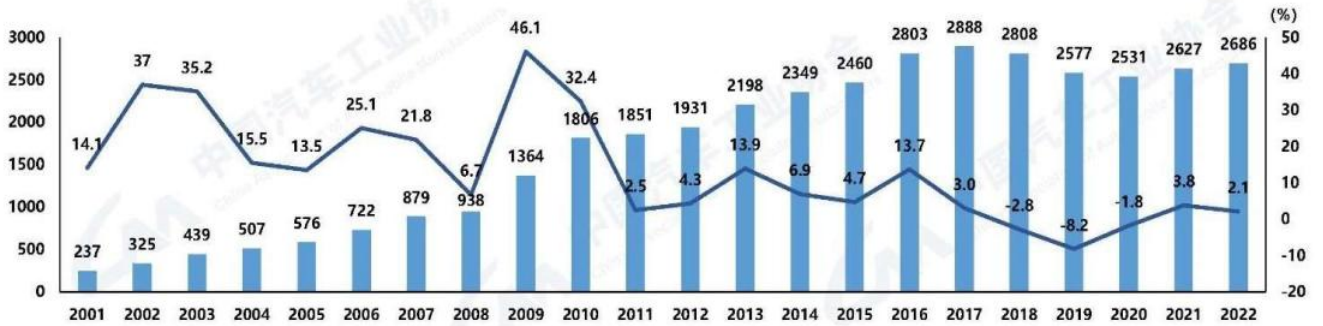
#### B. Automobile industry

Suffering from the Covid-19 pandemic in 2020, the Chinese government launched strategies to expand domestic demand and policies to promote consumption. According to data released by the China Association of Automobile Manufacturers, the annual production and sales of automobiles in 2020 is 25.225 million and 25.311 million, respectively, a slight decline of 2% and 1.9% down from last year and 5.5% and 6.3% better off than 2020. In general, the automobile industry fared better than expected.

According to Chen, Shih-Hua, deputy secretary-general of the China Association of Automobile Manufacturers, the year-on-year decline in automobile production and sales in 2020 is leveling off which, in turn, showing the automobile industry has strong development resilience and internal momentum. The monthly trend of auto production and sales suggests that the year 2020 started weak but finished strong. The market began to recover gradually in April, with year-over-year growth in monthly production and sales. In December, the production and sales of cars posted growth for nine consecutive months. "As far as the market segments are concerned, the commercial vehicle segment led the recovery and posted significant annual growth. The passenger car market dropped for the year but the decline narrowed to below 6%. The monthly sales of passenger vehicles started to increase in September, and contributed to the market momentum more than the commercial vehicle segment. This indicates the recovery of consumers' demand."

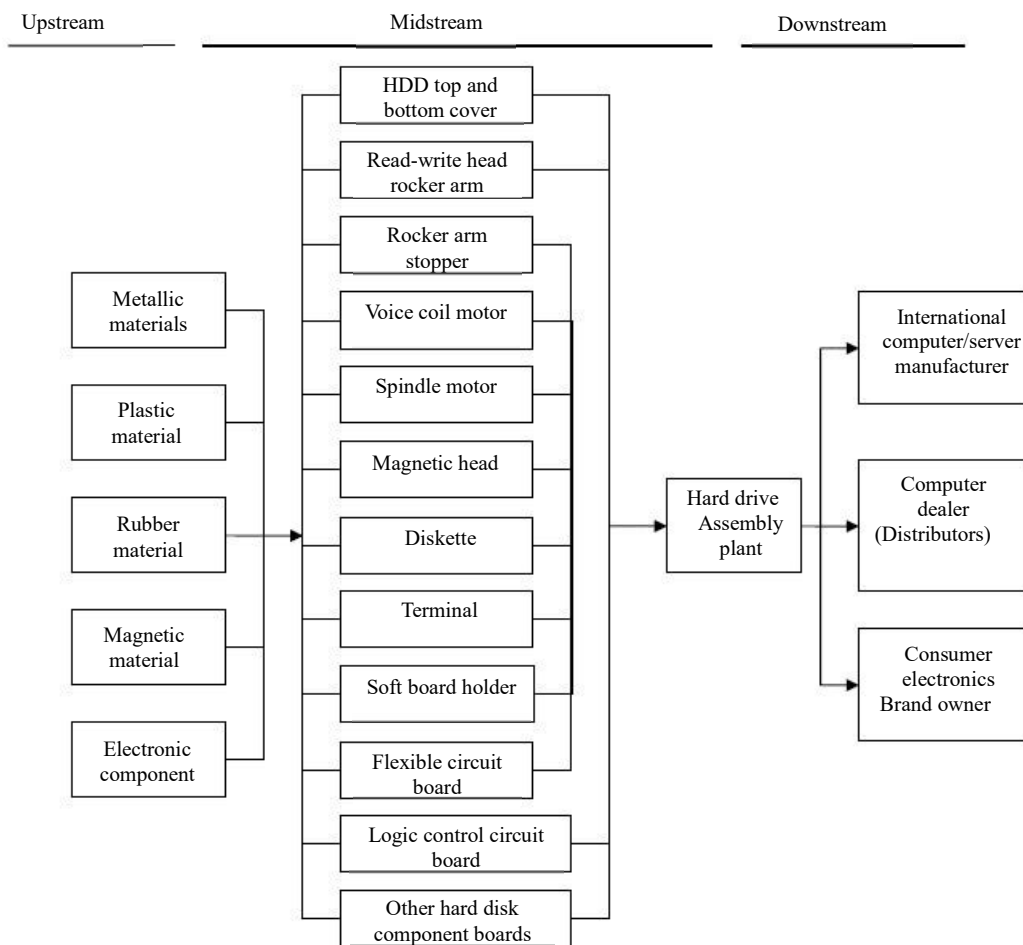
It is worth noting that the production and the sales of Chinese new energy vehicles in 2020 reached 1.366 million units and 1.367 million units, respectively, up by 7.5% and 10.9% year-over-year and reversing the downward trend from the previous year. He said, "The monthly trend of production and sales indicates that the new energy vehicle segment started to grow in July, at a greater pace each month and hit a record high in December."

With car sales up 4% YoY to over 26 million unit in 2021, China's auto industry showed positive recovery growth. Where new energy vehicles reached 1.8 million at a soaring 40% year-on-year. "Electrification, intelligence, connectivity, and digitalization are accelerating the transformation and upgrade of the automobile industry. As the new energy vehicle segment will be driven by market instead of by policy, rapid growth is expected", said Chen, Shih-Hua.



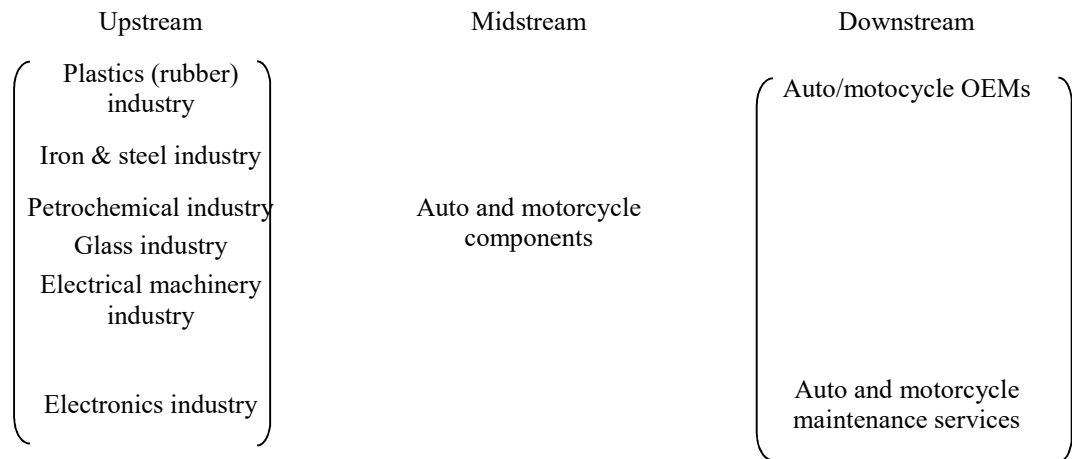
2. Upstream, midstream, and downstream of the industry:

A. Hard-disk drive industry



B. Automobile industry

Automobile and motorcycle components are used by automobile and motorcycle manufacturers for making new cars and maintenance service providers for replacement of parts. The metal and non-metal components may cover a wide range of industries, including petrochemical, glass, steel, rubber, mechanic, and electronics. This is one of the leading industries for each country. Below is an illustration of the upstream, midstream and downstream of the auto and motorcycle components industry:



### 3. Product development trends:

- A. Light metals are increasingly one of the key materials for the structure of new consumer electronics products.

Given the global trend for light weight and energy efficiency, three light metals, i.e., aluminum, magnesium and titanium, and their alloys are gradually becoming key materials for the structure of next-generation products. They can compete with engineering plastics in terms of lightness, strength-to-weight ratio, rigidity, and durability. The components made with aluminum and magnesium are often lighter than plastic products. In addition to strengths and rigidity, light metals serve certain functions (such as aluminum/magnesium for heat dissipation and conductivity; titanium/aluminum for erosion resistance). This broadens the applicability of light metals. Meanwhile, light metals and alloys are much easier to recycle and reuse compared to plastics; as a result, they are increasingly the preferred materials for the structure of new generation of products amid the global trend for environmental protection.

- B. The metal stamping industry will move towards equipment automation, high-speed production and high-precision product

(A) Equipment automation

The manufacturing industries in Taiwan are faced with challenges such as labor shortage and rising wages. The traditional single-operation approach with high cost but low efficiency is no longer sufficient to cope with international competition today. Continuous production is required, such as the integration of single operations at different workstations into a continuous and automated workflow. This reduces the dependence on labor and lowers the inventory levels between different manufacturing processes. It is necessary to achieve higher throughputs and product value-added and lower costs in order to stay in the competition. With the advancement of software technology, program controllers and state-of-the-art sensors, mold design, processing and quality inspection are increasingly automated. Automation is the trend for the stamping industry going forward.

(B) High-speed production

The production efficiency of stamping is mainly a function of the processing speed of stamping presses and the precision of molds. To boost production efficiency, equipment of high stroke rates will be in demand. This combined with the design of multi-cavity molds can increase capacity by folds. Manufacturing yields can be enhanced with a variety of automated inspection devices and feeding systems. In sum, the speed of stamping production will be much higher in the future.

(C) High-precision products

Information, electronics and transportation industries are all asking for smaller, lighter and thinner products. Stamping will also become increasingly sophisticated, as a growing number of stamping components are required for the mechanical structure of consumer electronics products. The industry's competitiveness comes from equipment, speed of mold developments, quality and delivery. The requirement for mold precision is extremely high. Full-size inspections are conducted on each component. Key size confirmations are made after assembly. High-precision metrology equipment is, therefore, a must.

### 4. Product competition:

There is a large number of producers of stamping components. In fact, the products made with molds and stamping can be found in a wide range of applications in electronics, automobile and machinery industries. Different manufacturers are involved in different products. Therefore, it is difficult to

obtain market share related data. Main competitors of CFTC in terms of products for the enterprise-level hard disks and automobile and motorcycle components, are A & T Materials Tech LTD., Min Aik Precision Industrial Co., Ltd., and Zhixing Precision Machinery Co., Ltd. CFTC is outperforming them with its years of experience in mold development, plenty of advanced automated machinery and equipment, and capacities to satisfy the different needs of customers. The Company's main clients are leading OEMs, as our products and technology are well recognized. We are highly competitive compared to peers.

(III) Technology and R&D overview

1. R&D expenses during the most recent year and as of the publication date of the annual report:

Unit: NT\$ thousand

Item \ Year	2022	As of April 21, 2023 (Note)
R&D expenses	94,225	18,359
R&D as percentage of sales (%)	3.71%	3.82%

Note: not reviewed by external accountants

2. Products successfully developed in the most recent year (2022):

Year	Product	Product application and description
111	Complex surface forming technology for chain rings	Most bicycles are driven by a transmission system composed of chains and chain rings. The complex surface of the chain ring is the key factor determining smoothness of the transmission. Addressing this functional requirement, CFTC is developing composite forming technology based on finite element analysis and optimized forming data to meet diversified product requirements and improve technical competitiveness.
	Micro-collapse angle forming technology	Aiming at lower material costs, product designs are trending toward being lighter and smaller. This makes the collapse angle a key factor in determining the contact area and thickness. This technology can be applied to car door locks, hand brakes and seat belts with less material costs and the more strength at the same thickness.

(IV) Long- and short-term business development plans

1. Short-term development plan:

- ① China Fineblanking Technology in Taiwan serves as the R&D hub, working with the production systems of overseas subsidiaries and developing high-value added products via cooperation with domestic and foreign leading players.
- ② We proactively develop new clientele in Taiwan and overseas and expand our footprint in the auto products market.
- ③ We seek to enhance services to existing customers to maintain long-term cooperation and achieve win-wins.
- ④ We create service advantage by leveraging the geographic proximity of overseas subsidies to customers. With robust quality assurance measures and continued control over production progress, we strive to meet customers' needs by keeping up our production and quality.
- ⑤ Without affecting our profitability, we raise funds with rights issues or bank loans in a timely basis to meet the capital requirement for expansion.
- ⑥ We balance between funding flexibility and security and where appropriate, seek to create financial profits.

2. Long-term development plan:

- ① We plan for expansions. To reduce operating risks, obtain a cost advantage and enhance competitiveness, we will diversify production bases and expand production scale with international division of labor. This is to meet with overseas market requirements of customers so that we create win-wins for ourselves and customers.
- ② We stay abreast of market movements, continue to invest in R&D, and constantly improve product quality. We develop the new generation of products in order to maintain market leadership and create new business opportunities.
- ③ We access funding from the capital market and strengthen our financial capability to respond to business cycles and support our future growth. Support of our future growth

## II. Market, production and distribution

### (I) Market analysis

#### 1. Sales (supply) area of main products (services):

Unit: NTS thousand

Market \ Year		2022		Major products					
		Sales	%	HDD		Auto		Others	
				Sales	%	Sales	%	Sales	%
Domestic sales		1,825,998	71.90	0	0	1,688,611	90.40	137,387	95.27
Overseas sales	Asia	534,055	21.03	527,447	100.00	2,433	0.13	4,175	2.90
	Europe	155,900	6.14	0	0	153,258	8.20	2,642	1.83
	Other countries	23,728	0.93	0	0	23,728	1.27	0	0
	Subtotal	713,683	28.10	527,447	100.00	179,419	9.60	6,817	4.73
Total revenues		2,539,681	100.00	527,447	100.00	1,868,030	100.00	144,204	100.00

#### 2. Market shares:

The Company is a specialist supplier of hard-disk drive components and stamped parts for automobiles and motorcycles. Given the extensive application of stamped metal parts, the Company's products are used in different industries and come in a variety of materials and specifications. Average selling prices depend on the end products. Meanwhile, other stamping service providers in Taiwan are small in scale, it is difficult to obtain the data on market sizing.

### 3. Demand, supply and growth prospects:

#### A. Hard-disk drive market

##### (A) Traditional hard-disk drives (HDD) and solid-state drives (SSD)

The disk markets now come in two types of products: the traditional computer hard disks (HDD) and the emerging solid state drives (SSD). The HDDs are accessing data using a read-write head driven by voice coil motors. Steady contacts of the read-write head and the disk plates will affect the reading speed and the life of the hard disk. This, in turn, is determined by the driving ability of the voice coil motor and makes it one of the key components of any HDDs. In contrast, SSDs do not use VCMs to control magnetic heads for data access. Rather, SSDs record data by changing voltage values and hence no VCMs are required.

##### (B) Trends in the global hard-disk drive market

HDDs are primarily used in personal computers and notebooks. Given the evolution of storage technology and environment, SSDs are starting to erode the market share of HDDs. This is also due to declining shipments of personal computers and notebooks and the increasing penetration of tablets and smartphones. Meanwhile, the advancement of network transmission speeds has been driving the demand for storage capacity sitting in light and compact notebooks and tablets. Therefore, SSDs have been gaining popularity with advantage in high-speed transmission. The announcement from Microsoft to stop supporting updates of WindowsXp from April 8, 2014 is expected to create replacement demand for personal computers and notebooks. Given the emergence of Big Data and the rising demand for cloud storage have seen mushrooming of data centers set up by large companies. Given the capacity and price advantages, HDDs still have a dominate presence in the marketplace for personal computers, notebooks and clouds. The low cost for HDDs means market acceptance in these segments where price competition is fierce. In other words, HDD shipments are expected to drop somewhat but HDDs will maintain a market presence. According to figures released by Statista data, 375.56, 320.04, 260.3, and 259.1 million units of HDD were delivered respectively from 2018 to 2022, and another 182 million units is projected for 2022.

It's clear that the HDD shipment is going down continuously amid weakening demands and outdated technology. The latest statistics for HDD suggest that its shipments may halve in 2022 as almost every player in the industry is suffering falling sales volumes. Seagate, the dominant leader of the industry, is worst hit by the falling shipment. Its sales volume is down 43.7% from last year with a market share of 42.9%; Western Digital suffered about the same with deliveries down 43% from last year and market share at 35.1%; Toshiba slightly outperformed the two by delivering 39.3% less than last year and with a market share of 22%.

Taken together, HDD shipments fell by 42.5% in 2022.

However, this avalanche in 2022 is mainly due to macroeconomic factors and industry-wide destocking.

All three HDD makers were hit by overall market trends. Market analysts noted that the biggest challenges come from falling demand for enterprise cloud storage businesses and industry-wide destocking: the nearline HDD shipments may drop to between 10~11 million units in Q4 2022.

However, this avalanche in 2022 is mainly due to macroeconomic factors and industry-wide destocking.

##### (C) HDD prices stabilize due to market oligopoly

In March 2011, Western Digital acquired Hitachi's hard-disk drive business. In April, Seagate acquired Samsung's hard-disk drive business. This left the market with three players only: Western Digital, Seagate, and Toshiba. The oligopolistic structure of the hard-disk drive market after industry consolidation has reduced pricing pressure. Hence, HDDs enjoy a relatively stable pricing environment. After the acquisitions, Western Digital and Seagate combined have over 80% market shares.

##### (D) Higher penetration of SSDs for notebooks expected

SSDs use NAND Flash as the storage media. The absence of mechanical structures that wear and tear means SSDs are not bounded by mechanical or physical constraints that HDDs have. SSDs are ideal for mobile and handheld devices given the speedy data access and the absence of noise caused by rotations, heat generated by motors, read heads vulnerable to vibrations, or weight brought by mechanical structures. Also, the low power consumption and high reliability of NAND Flash avoids the problem of heat dissipation and the noise from fans. In sum, SSDs have higher reliability than HDDs but the cost is still too high.

HDDs have been playing a key role in computers, AV devices, and data storage centers for a long time. This is not the case in recent years as emerging SSDs (based on NAND Flash) have been chipping away the market at a fast pace.

Hard drives are data storage devices used to store and access digital information. They are non-

volatile memories, which means they retain data even when power is lost. The main competing technology for secondary storage is flash memory in the form of solid-state drives. Today, HDDs typically offer greater recording capacity, better price per unit of storage, and a longer product lifespan, while SSDs are faster, generally more durable, and consume less power.

The global SSD market is heavily influenced by three factors. First: the shortage of wafers at the beginning of 2021 results in over demand by SSD. Soaring price and profit of SSD attracted more module factories rushing into the market. Blessed by SSD main control IC makers' supports, market shares of module industry leaders expanded, thanks to their dominant power in the supply chain. Second: shipment of SSD products by Chinese suppliers went down as output by new control IC makers from China got limited by a thinning wafer supply. Third: demands from the gaming industry remained strong in the wake of Covid-19, as the number of people purchasing brand name gaming computers and notebooks increased.

Global shipment of SSDs up 11% from last year to 127 million units in 2021, according to TrendForce.

In spite of the larger capacity and better price when compared to SSD in the desktop and server markets (specifically NAS and local storage space), prices of 512GB SSDs are rivaling that of HDDs in the sector of high-performance notebooks. TrendForce, another market research firm, showed more depressing news to the HDD industry. In 2022, 92% of notebooks sold were equipped with SSDs while that rate may go up to 96% in 2023. That is, demands for HDD look to be diminishing further.

## B. Auto components market

### (A) Summary for the domestic market

The COVID-19 outbreak in 2020 was a heavy blow to all industries all over the world. The automobile industry was particularly hit hard. The supply chain was disrupted and production lines around the world were suspended. Demand dropped. As result, the global auto production is expected to shrink by over 20%. The car markets in France and Italy took the heaviest blow, with a decline of about 25%. China as the world's largest car market is expected to decline by c. 15%. As the complete car output in China doubled during the past decade and reached 25.7 million units in 2019, the production of auto parts emerged, with most products going overseas, mainly to the U.S., Japan, South Korea and Germany. The COVID-19 pandemic may be a catalyst for the accelerated transformation of auto OEMs and component suppliers. After all, technology integration and electrification are the mega trends for the future. Shipment of cars in China have not declined significantly due to growing commercial vehicles, and trucks contributed the lion's share of the growth.

In 2021, two challenges loomed over the automobile manufacturing industry: changing terminal consumption patterns (car rental, logistics, and individual consumers) and a large-scale transition from fuel to electric due to global environment protection awareness. Most of the electric vehicles launched by traditional automakers in the early stage were low-priced models. They were low in gross margins and growth rate when compared to that of the mid-to-high-priced market. (The IHS Markit report noted that the mid-to-high-priced electric vehicles will enjoy a 24% CAGR from 2021 to 2025 while their low price rivals record a mere 5% in China, the number one car market in the world). Therefore, the research team believes that traditional car giants such as Ford and General Motors should speed up their transformation and launch mid-to-high-end passenger electric vehicles to survive the auto market.

In response to the fast-changing market, traditional automakers are not only transforming to electric vehicles but also upgrading the human-computer interaction experience between drivers and conventional vehicles. Indeed, they are taking this as one of the key tasks in the future by working together with technology giants. Take example. Ford is partnering with Google to embed the Android systems in cars after 2023 and provide Over-the-Air (OTA) program for remote update functions and more real-time networking capabilities as models of TESLA have done long time ago. Emerging electronic car makers in China are even more aggressive and innovative in the investment and integration of human-computer interaction interface. To be honest, they may have outrun TESLA in certain aspects of user experience.

The car component sector in Taiwan is known for strengths in flexible manufacturing at a large variety and small volumes. As the industry players continue to invest in R&D and production technology, the sector has gained international competitiveness.

Year/sector	2022	2021	2020	2019	2018	2017
Car sector/growth	1,958 / 1.95%	1,921 / 12.62%	1,705 / 1.89%	1,674 / 0.24%	1,670 / -8.79%	1,831 / -3.92%
Motorcycle sector/growth	512 / -9.75%	568 / -10.61%	635 / 9.92%	578 / 8.88%	531 / -12.23%	605 / 13.72%
Bicycle sector/growth	894 / 29.50%	673 / 16.09%	580 / -10.69%	650 / 27.04%	512 / 8.94%	470 / -8.74%
Car components sector/growth	2,373 / 5.04%	2,271 / 11.50%	2,026 / -9.00%	2,226 / -1.37%	2,257 / -2.55%	2,316 / 1.61%
Motorcycle components sector/growth	566 / 0.89%	561 / 10.99%	507 / 9.92%	473 / -3.93%	492 / -3.53%	510 / 2.62%
Bicycle components sector/growth	1,295 / 20.23%	1,077 / 46.57%	773 / 7.49%	722 / 9.23%	661 / 15.36%	573 / 7.21%
Total/growth	7,598 / 7.38%	7,071 / 14.09%	6,227 / -1.47%	6,322 / 3.27%	6,122 / -2.90%	6,305 / 0.66%
As % of Manufacturing Industries	4.42%	4.40%	4.89%	4.78%	4.36%	4.84%

NT\$100 million

Source: Internet Statistical Information Inquiry System, MOEA, compiled by the Taiwan Vehicle Industry Association. Car components exclude car electronics.

Despite the fluctuating domestic market of complete vehicles in recent years, the annual export value of auto parts has been growing on the basis of accumulated competitive strength. Value of export rose 1.70% to a record breaking amount of NT\$214.9 billion in 2017, then down 10.26% to NT\$192.7 billion in 2020 due to the hit of Covid-19, up 14.58% to NT\$220.8 billion in 2021, and up 3.86% to another record breaking value of NT\$229.3 billion in 2022 as the world economy bottomed out in the wake of Covid-19.

Exports of Car Components from Taiwan

Year	2022	2021	2020	2019	2018	2017	2016
Amount	2,293	2,208	1,927	2,148	2,147	2,149	2,113
Growth	3.86%	14.58%	-10.26%	0.02%	-0.11%	1.70%	-1.47%

NT\$100 million

Source: Customs import and export statistics, compiled by the Taiwan Vehicle Industry Association.

With years of efforts the complete vehicle manufacturing industry in Taiwan has equaled the foreign brands in car quality. Thanks to R&D investments in recent years, the industry is providing models in line with requirements of local car drivers and improving customer satisfaction to win recognition of local consumers. Market share of domestic cars peaked to 87.2% in 2004, falling to 54.68% by 2022.

In addition to meeting the domestic demand for car repair and maintenance, car components manufactured in Taiwan are mostly exported. The key products for the aftermarket include auto lamps, bumpers, rear view mirrors, tires and components, interior/exterior rubbers and plastic parts, and car body parts.

Taiwan's auto parts industry has the advantages of being low-volume, diverse, and flexible. The industry is now capable of battling in the global markets based on its continuous R&D investment and technology improvements.

Auto components manufacturers in Taiwan look more competitive than auto OEMs from Taiwan in the global market. This is primarily due to the limited size of the Taiwan auto market. Component makers need to reach out to overseas markets in order to achieve economy of scale. To survive and thrive in others' territories, it is necessary to have competitive technology and cost structure.

It's hard for the industry to gain shares in the domestic automobile markets in Taiwan. The industry

players have actively joined the international division of labor system, expanded export sales, and invested and set up factories in mainland China and Southeast Asia to break through the bottleneck of survival and development.

#### (B) Global auto market

Sales of global automobiles have been doomed in last three years. First, the COVID-19 pandemic forced countries to enact border closure measures. The shortage of chips and the supply chain shutdown greatly interrupted the car production schedule. The war waged by Russian on Ukraine in 2022 worsened the outlook of the car industry even further. The motor1.com media noted that the automotive industry is looking at another year of turbulence due to the ongoing geopolitical tensions and inflation.

Research and projection by analyst Juan Felipe Munoz of the Jato Dynamics, global sales of passenger cars, light commercial vehicles and pickups in mature markets are expected to remain stable while the outlook for developing countries may be mixed. Global car sales are expected to down 1.9% from 2021 to approximately 79.4 million units in 2022. In 2023, sales are expected to be between 79 and 81 million units, depending on various assumptions.

On the rosy side, China and India, the world's number 1 and 4 new car markets are expected to have more cars registered. In China, thanks to increasing supply and re-opening of markets, electric vehicles sales will be up 8% and push the overall market to grow by 12% by the end of the year.

In Europe, uncertain factors including the economic situation, the war in Ukraine, and rising car prices are likely to cap the growth at 3% by the end of 2023. While electric vehicles are booming, fueled in part by public incentives and more competitive offers, consumers are finding it increasingly difficult to afford more expensive vehicles.

Russia will continue to affect economic development due to the war, and the auto market will be significantly affected after international brands have withdrawn out of there. Auto sales in 2022 will drop by 65% compared with 2021. In 2023, sales are expected to continue to decline at lower a speed between 10% and 15%

In summary, the following factors will determine the global auto market in the future:

- Production capacity of global automakers will be affected by unresolved supply chain issues, especially chip shortages; the situation may slowly improve in second half of the year except in the case of high-end chips. The overall auto market will not improve significantly.
- The growth of the electric vehicle market will vary with that of the Chinese market. Thanks to low possibility of falling oil prices and the popularity of charging facilities, the price of China's own brand electric vehicles covers a wide range, and its total market is likely to jump again from 5.5 million units this year to 8 million units as (the monthly sales volume has reached the level of 600,000 units). This will accelerate the development progress of electric vehicle models by brand owners joint ventured with domestic players.
- Global sales of electric vehicles is about 10 million units this year. If the with the Chinese electric vehicle market hits 8 million units next year then the global sales would reach 15 million units if following the same logical projection.
- China's independent brands will look at overseas markets to accelerate their growth. Due to the slow development of new electric vehicles, major manufacturers from Germany and Japan will suffer a significant decline in market share. Tesla and other new electric vehicle brands are chipping away at the markets from older players. In addition, with the help of its local battery factory, Korean brands will continue to gain market share and create good sales.
- The issue of intelligence will become the focus after electrification, and the L2+ city navigation assistance function will be the next main battlefield of the car factory. It is too early for fully automatic driving technology to be implemented, and the war of capital consumption will force some technology companies to slow down and turn to L2+ technology that can make immediate profits.
- The development of smart cockpits is accelerating. Speech recognition, biometrics recognition, and AR/VR applications will get more momentum.
- Battery factories, first-tier suppliers, and high-end chip supplier industries will have increasing influences on the automotive industry. In the future, automated automotive factories will gradually lose their dominance over the auto industry.
- The United States' "anti-globalization" IRA inflation reduction policy by the Biden Administration, a typical "anti-globalization" example, has been postponed to Q2 2023 due to protests from countries around the world. Its worth watching the relaxation of conditions imposed on the localization of the local electric vehicle industry in this period.

Toyota, the dominant leader in the world auto industry, remain skeptical about the future of car

electrification. This leaves it little time to adapt to the new trend as China, the United States, and Europe have been eyeing the electric vehicles for long time. Instead, its rivals in Japan, including Honda, Mazda, and Subaru, have firmly moved towards the era of electric vehicles. Strategies to be adopted by Toyota will shape the markets occupied by major automakers in the next few years.

(C) Auto parts manufacturing industry in China

The sudden outbreak of the “black swan” of Covid-19 has dealt another blow to the global auto industry suffered by huge downward pressure. The impacts on the auto parts companies are even more crucial as evidenced by falling performance or even red bottom lines.

The auto industry first saw the disruption of the supply chain in the first half of the year. This was followed with the crisis of chip shortage during the second half of the year. Both resulted in sweeping impacts on the industry. Fortunately, the global auto demand gradually picked up in the second half of the year. Most auto component manufacturers slowly climbed from the trough. The production was first resumed throughout China, as a result of infection prevention and control. As China is the largest OEM market in the world, it was a great support for Chinese parts makers and multinational component manufacturers selling into China.

Despite the impact of the epidemic, the parts and components industry has not “stopped” playing the drama of corporate mergers and spinoffs. As the pandemic has become the new norms, changes in the industry deepen the sense of crisis for auto parts companies. The heated discussion of software-defined vehicles and the buzzwords in the capital market such as electrification and intelligence are accelerating the transformation of the auto parts industry, particularly for the long-established names. The growing popularity of smart cars is bringing tech and software companies into the game, and speeding up the restructuring of the auto parts industry.

■ Keyword 1: Death of the supply chain

COVID-19 crashed the auto supply chain that was seemingly robust in the good old days. This was particularly the case in the first few months of the pandemic. Lockdowns in many countries and regions caused massive disruptions of the global auto supply chain and headaches common to industry players. This has promoted the industry to reflect on the security and challenged the interdependence of the global auto supply chain.

Meanwhile, the pandemic highlights the problems of the auto supply chain in China - big but not strong, with shortcomings and chokepoints. Studies show that 70% of the production equipment for Chinese OEMs are imported. About 80% of production equipment for engines and gearboxes are imported. Approximately 90% of the instruments for R&D, tests and inspections are imported. Nearly 100% of the special function materials are imported. This is the reason why industry players advocate the leverage of new energy and smart technologies as the breakthrough points to complement and strengthen the supply chain.

■ Keyword 2: Paying for software

The industry’s discussion of software-defined vehicle gathered momentum this year. This provides a great opportunity for software companies, as well as tech players in radar, semiconductor and high-precision maps to enter the game. Meanwhile, OEMs including Volkswagen, Toyota, SAIC, Great Wall and Changan are all working on software.

The revolution of auto software is dismantling the rock solid, century-old supply chain of fossil fuels. The rulebook governing the roles and relations of OEMs and component makers is being rewritten. New business models are emerging. The time has come for paying for software (represented by OTA, over-the-air). Tesla pre-installed AutoPilot software in 2016. Users can decide whether they would like to activate the applications based on their needs. Tesla has been generating revenues via OTA upgrades. This has become an important part of the business model. Daimler and Ford are also developing ways of charging for software. The traditional business model for auto parts is seeing tremendous changes.

■ Keyword 3: Chip shortage

The global shortage of chips has finally hit the auto industry. A few OEMs have suspended production due to chip shortage. For instance, Volkswagen recently indicated that the pandemic has affected the chip supply for certain auto electronics components. Meanwhile, the full recovery of the Chinese market is pushing up demand. All these factors contribute to the chip shortage and the risk of production suspension for some OEMs.

As intelligence and electrification continue in the auto industry, chips are finding their ways to a growing variety of applications in cars. In other words, chips are increasingly important. Many companies are experiencing chip supply tightness, disruption or price hikes. However, uncertainty remains in the pandemic. NXP, Texas Instrument, Infineon, Renesas and STM who collectively have the lion’s share of the global auto chip market may suspend production due to COVID-19 at any time. In the country, the demand for high-end auto chips is met by imports. The chip shortage is another

grim reminder that China should develop its own high-end chips.

■ Keyword 4: Marginalization of multinational components

The four mega trends are gradually changing the landscape of traditional auto parts industry. Software and tech firms are increasingly focused on the auto supply chain. Batteries, electric-machinery and electrical control suppliers are becoming more and more influential given their pivotal role in new energy vehicles.

Component suppliers are at a disadvantage in face of OEMs in the fossil fuel era. However, this situation is different for new energy vehicles. OEMs are more than willing to bundle with battery manufacturers to ensure a stable supply of batteries. For instance, CATL has become the leading battery supplier to Mercedes-Benz. BYD and Toyota have established a joint venture. Daimler invested in Farasis Energy. Volkswagen increased its stake in Guoxuan High-Tech. All these activities highlight the importance of battery suppliers. It is hardly surprising many industry players bet on new energy vehicles as the breakthrough point for the Chinese auto parts industry.

Startups aiming to make cars more intelligent are mushrooming in Silicon Valley in the U.S., Germany, Israel, and China. Tech heavyweights including Google, Baidu, Apple, and Huawei have all jumped on the bandwagon, to compete with multinational component leaders such as Bosch, Continental, and ZF Friedrichshafen.

■ Keyword 5: M&A, spinoff, and upgrade

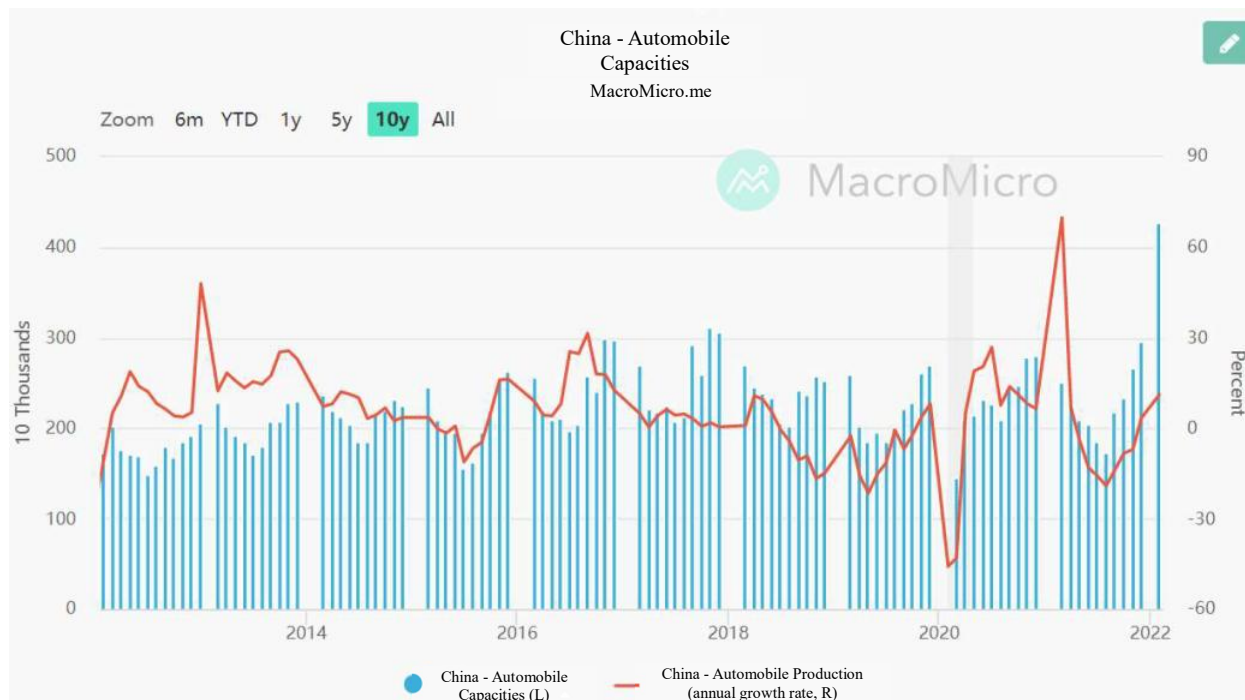
Traditional auto parts manufacturers are experiencing the largest and toughest transformation and upgrade in face of the four mega trends. Continental and ZF Friedrichshafen have recently announced their strategic plans for the next few years, with an emphasis on new energy, connectivity, autonomous driving, software and digitalization.

Industry mergers and spinoff continues. BorgWarner took over Delphi Automotive for US\$3.3 billion. ZF Friedrichshafen acquired WABCO for US\$7 billion. Infineon also completed the acquisition of Cypress for Euro 9 billion in April 2020. Some companies chose restructuring by spinning out, via initial public offers, of the businesses with better prospects. LG Chem recently announced the carve-out of its battery business (as a 100% owned subsidiary), in order to cover its market value.

■ Keyword 6: In-sourcing

The disruption of the global auto parts supply due to COVID-19 presented opportunities for Chinese OEMs to pursue in-sourcing, instead of relying on multinational suppliers. Meanwhile, Tesla continues to source components in China. Ningbo Xusheng Auto Technology, Huayu Automotive Systems, Fuyao Glass, Joyson KSS Auto Safety, and Ningbo Huaxiang Electronic have generated considerable revenues by supplying to Tesla.

According to the forecasts by CAAM (China Association of Automobile Manufacturers), the demand for commercial vehicles is driven by “New Infrastructure”, phase-out of old and tired vehicles, and policy measures such as speed limits. The Chinese market for commercial vehicles is expected to exceed 5 million units, a record high level. The vibrant commercial vehicle market is an opportunity for relevant component suppliers. While the diesel engine companies enjoyed good growth, the parts and components companies related to commercial vehicles, including transmissions, axles, oil, and vehicle urea, welcomed their “rise against the trend” in 2021. In addition, the promulgation of certain regulations has been driving the demand for components such as disk brakes, air suspension and the warning system for friction liners in the commercial vehicle market.



(D) Development trends

A report by PwC suggests that the global auto industry is in for massive change by 2030. By 2030, the fleet size in Europe is expected to reduce from 280 million to 200 million units. In the U.S., the number will drop from 270 million to 212 million over the same period. In comparison, the fleet size in China will increase from the 180 million to 280 millions units for the same period. In China, car sharing and autonomous driving is growing much faster than in the west. China will be the leading market for the transformation of cars.

The report also indicates the following five trends for the transformation of the global auto industry:

- I. Electrified — “Zero emissions” will be a global initiative. The power for electric vehicles will come from renewable energy, so that mobility does not produce carbon emissions.
- II. Autonomous — The rapid development of artificial intelligence, machine learning and deep neural networks is making autonomous driving a reality. No human intervention will be required even if a highly complex traffic situation. This will redefine the use of personality mobility platforms.
- III. Shared — The development of autonomous driving is making sharing an economically viable concept. Users no need to search for shared vehicles in the proximity. Rather, car sharing will be an easy on-demand service.
- IV. Connected — This word represents two ideas. On one hand, it is about Car2Car and Car2X communication, i.e. the connectivity between vehicles or with traffic infrastructure (e.g., traffic lights). On the other hand, it refers to the connectivity between passengers and the outside world. In the future, passengers will be able to communicate, work, browse webpages and use multimedia apps when on the road.
- V. Yearly updated — The life cycle of auto products was about five to eight years in the past. However, the trends for electrification, autonomous driving, connectivity, and sharing are accelerating the innovation of auto products, and shortening the product lifecycles to annual updates for the integration of the latest hardware and software. Given the high cost of new cars, users naturally will not purchase new cars each year. Short cycles of innovation will be achieved primarily via regular updates of shared vehicles.

4. Competitive niches:

- A. Speed of mold development and advantage in capacity to meet procurement needs of customers  
As a professional press forging company for high-precision metal products, the Company’s core value sits in the capability in mold design. Precision and mold development speed are critical to capacity ramp-ups. Customers typically provide a design concept or drawings. At this juncture, Engineering Department can provide preliminary design suggestions via collaborative development with customers, and produce samples quickly for functionality test and verification by customers. By leveraging the trial production experience, the Company can quickly and precisely provide sample molds for certification by customers and proceed with scale production. This saves customers the troubles of looking for mold vendors and alternative capacities.

B. Stable customer relations and order flows

With years of experience in precision and continuous stamping, the Company is known for technology, quality, after-sale services and prompt deliveries. We have a stable clientele, as we are highly recognized by many companies in Taiwan and overseas, including leading international players. The Company has established long-term or partnership relations with key customers via the sharing of market intelligence and the development of products. We work with our customers in market development by exchanging thoughts and requirements. As the forging and stamping of metal products rely on the forging and stamping of molds, and molds are retained by the forging and stamping companies, the mastery of molds ensures orders from customers. Based on this industry characteristic, the Company has established a competitive niche.

C. Vertical integration to ensure cost control

The Company has long-standing experience in forging, stamping and mold development and the capability in the integration and planning of manufacturing processes, from mold design, stamping to electroplating. We develop with our suppliers the processing equipment dedicated to specific manufacturing steps. The fully integrated manufacturing workflows ensure cost control, timely deliveries and price competitiveness.

5. Positive and negative factors for development, and responding measures:

Positive factors

A. Bright outlook for the industry and the market

The development of information and consumer electronics products is growing in speed and diversity. The breakthrough in the application and demand of thin hard-disk drives over recent years is set to push for new technology, better quality and cost structure. The increasing penetration of thin hard-disk drives will drive the demand for hard-disk drives and relevant components.

B. High entry barriers for new entrants

The hard-disk drive industry is known for market share concentration, technology intensity, rapid product cycles and innovation requirements. Compared to other industries, the hard-disk drive industry is relatively closed and the entry barrier in production and technology is high. To ensure the maximum speed and efficiency and stay ahead of the curve in technology and at the marketplace, the relation between upstream and downstream players in the hard-disk drive industry is close-knit. As a result, it is difficult for outsiders to enter the ecosystem.

C. Mold R&D capability

Since inception in 1992, the Company has cumulated extensive experience in mold design and metal components stamping. All of our in-house designers have more than 10 years of experience, and our design talent pipeline comes from top performers in mold repairs. This allows them to incorporate experience values into mold design. We also recruit juniors from undergraduate and postgraduate programs, so that the team can marry practice and theory. We are a leading player among peers because of our vertical integration, from quick turnaround in mold development, high-precision stamping processes and product quality testing. Electronic components are key to the quality and functionality of end products and applications. The vibrant development of the electronics industry means product functions are constantly changing. Time to market is essential for new products, from development to launch. Components are increasingly sophisticated and complex too. With extensive experience in stamping mold designs, timely production of quality and high-precision products over the years, we have established a great reputation among customers.

D. Overseas subsidiary capacities to stay close to the market and on top of the demand

To expand overseas markets and provide real-time services to customers, we have established facilities in Malaysia and China. This allows us to keep abreast of the market dynamics and information and provide the best service to customers in the proximity.

E. Long-standing cooperation with world-class companies

Our main customers are global leading companies, with robust financial structure and operations. The Company has established cooperative ties with customers in product R&D and production, after years of efforts in the hard-disk drive market. Our quality and service is well-recognized by customers.

Unfavorable factors and countermeasures:

A. Raw materials prices subject to market volatility

Response: Our cost of steel plates, a major raw material, is subject to the fluctuation of the global steel prices. We seek to reduce procurement costs via development of new suppliers and alternative

sources and pre-booking in batches. The Company strives to improve production technology and manufacturing processes and boost overall competitiveness with higher yields and efficiency and better mold development capability. Meanwhile, we attempt to reduce costs, including administration and marketing expenses, and increase unit prices by communicating with customers.

**B. High concentration of sales and hence operating risks**

Response: Given the high market concentration and entry barriers, small players will be hard pressed to enter the hard-disk drive market. The market is dominated with global players. In other words, our main clients are international leading companies, with stable finance and operations. To diversity the concentration of sales and the resulting operating risks, we have been expanding our footprint to the overseas auto parts market over recent years. With our efforts gradually paying off, we hope to reduce operating risks with higher contributions from other businesses.

**C. High-precision stamping requirements and hence high risks of quality failure**

Response: The requirement for precision of stamping products is high. Quality consistency management throughout the manufacturing process is the key to profitability. The Company introduces high-precision production equipment and implements a robust manufacturing process management system, in order to boost product quality. We have started with the development of dedicated production models and began to see improvement in manufacturing efficiency and quality control. Hopefully these initiatives can boost the group's revenue and profit and mitigate the cost of quality failure.

**(II) Main applications and manufacturing processes of key products**

**1. Main applications of key products**

Main products	Main applications
Hard-disk drives - voice coil motors (VCMs)	The VCM control the read-write head's range of data access and writing and resumes its position upon the shut-down of the hard-disk drive, to avoid data damage due to disk scratches. It guides the radial movement of the read-write head, in order to change tracks for data reading and writing.
Gearbox components	Shifter in a manual or auto gearbox of cars
Oil plates	Hydraulic system in heavy-duty cranes and crawler excavators
Seat height adjuster	For adjustment of car seat height
Doors and locks	Side doors and truck locks of cars
Brake blocks	Brake pads for heavy trucks

**2. Manufacturing processes of key products**

**A. Hard-disk drive industry**

Mold tooling setup → material requisition → stamping → inspection frequency → vibration inspection → inspection frequency → quality inspection → electroplating → PQC → warehousing of accepted products

**B. Automobile industry**

Mold tooling setup → Mold tooling fine-tuning → stamping → sand-slinger → vibration inspection → thermal treatment → electroplating → PQC → warehousing of accepted products

**(III) Supply of major raw materials**

Major raw materials	Suppliers	Supply status
Steel plates	Hubei Dafan , Suzhou Xianglou , Shanghai Gugao etc.	Good

(IV) List of main suppliers (customers) during the most recent two years :

1. List of supplies accounting for at least 10% of purchase of goods during either of the past two years

Unit: NT\$ thousand

Item	2021				2022				As of the end of the prior quarter in 2023 (Note)			
	Name	Amount	As % of annual purchase of goods	Relation with the issuer	Name	Amount	As % of annual purchase of goods	Relation with the issuer	Name	Amount	As % of purchase of goods during the most recent quarter of the current year	Relation with the issuer
1	Vendor A	198,779	16.95	None	Vendor A	193,622	17.53	None	-	-	-	-
2	Vendor B	179,116	15.27	None	Vendor B	155,866	14.11	None	-	-	-	-
3	Vendor C	159,364	13.59	None	Vendor C	126,237	11.43	None	-	-	-	-
4	Vendor D	125,503	10.70	None	Vendor D	93,318	8.45	None	-	-	-	-
	Others	509,942	43.49		Others	535,447	48.48					
	Net purchase of goods	1,172,704	100.00	-	Net purchase of goods	1,104,490	100.00	-	-	-	-	-

Note: As of the publication date of the annual report, the financial report of 2023 Q1 has not yet been announced.

2. List of customers accounting for at least 10% of sales during either of the past two years

Unit: NT\$ thousand

Item	2021				2022				As of the end of the prior quarter in 2023 (Note)			
	Name	Amount	As % of annual sales	Relation with the issuer	Name	Amount	As % of annual sales	Relation with the issuer	Name	Amount	As % of sales during the most recent quarter of the current year	Relation with the issuer
1	Customer A	747,998	28.34	None	Customer A	511,389	20.14	None	-	-	-	-
2	Customer B	179,119	6.79	None	Customer B	283,639	11.17	None	-	-	-	-
	Others	1,712,541	64.87		Others	1,744,653	68.69					
	Net sales	2,639,658	100.00	-	Net sales	2,539,681	100.00	-	-	-	-	-

Note: As of the publication date of the annual report, the financial report of 2023 Q1 has not yet been announced.

## (V) Production volumes and values during the most recent two years

Unit: 1,000 pieces; NT\$ thousand

Output value Main products(or by department)	Year	2021			2022		
		Capacity	Output	Production value	Capacity	Output	Production value
Hard-disk drive components		101,090	99,400	988,551	94,705	65,314	819,836
Auto and motorcycle components		102,832	101,013	1,559,722	108,802	105,838	1,577,209
Others		2,491	2,471	39,181	5,239	5,177	79,014
Total		206,413	202,884	2,587,454	208,746	176,329	2,476,059

## (VI) Sales volumes and values during the most recent two years

Unit: 1,000 pieces; NT\$ thousand

Sales Quantity Main products(or by department)	Year	2021				2022			
		Domestic sales		Overseas sales		Domestic sales		Overseas sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Hard-disk drive components				108,406	748,684			58,274	527,447
Auto and motorcycle components		93,426	1,631,646	5,346	161,593	100,704	1,688,611	5,497	179,419
Others		2,261	94,913	121	2,822	3,785	137,387	102	6,817
Total		95,687	1,726,559	113,873	913,099	104,489	1,825,998	63,873	713,683

III. Distribution of the number, average tenure, average age and education backgrounds of employees during the most recent two years and as of the publication date of this annual report

Year		2021	2022	As of April 21, 2023
No. of employees	No. of managers	94	111	2019
	No. of technical personnel	77	83	85
	No. of general personnel	797	773	725
	Total	968	967	918
Average age (years)		36.49	36.84	36.89
Average tenure (years)		5.12	5.55	5.86
Distribution of education levels	PhD	0.10%	0.10%	0.11%
	Master's degree	1.14%	1.24%	1.20%
	College	27.79%	29.68%	30.72%
	Senior high school	31.40%	32.37%	31.59%
	Below senior high school	39.57%	36.61%	36.38%

IV. Environmental protection expenses

Any losses (including damages) due to environmental pollutions (disclosure of the penalty date, official document number, the laws and regulations violated, and penalty details required for any breach of environmental laws and regulations according to environmental audits) during the most recent year and as of the publication date of the annual report; estimated amounts at the present and possibly in the future, and responding measures.

The Company has not incurred losses or been imposed with penalty due to environmental pollution during the most recent year and as of the publication date of the annual report.

V. Labor relations.

(I) List the company's employee welfare measures, advanced education, training, and retirement systems and their implementation, as well as the agreement between labor and management and the protection measures for employees' rights and interests:

(1) Employee benefits

- A. Labor insurance and health insurance (according to the regulations governing labor insurance and health insurance)
- B. Group insurance
- C. Distribution of employees' remunerations
- D. Subscription of rights issue shares by employees
- E. Year-end bonuses
- F. Benefits: for weddings, funerals, celebrations, and birthday gift vouchers
- G. Bonuses for the Chinese New Year and festivals: gift vouchers for the Chinese New Year; Labor Day; Dragon Boat Festival, and Mid-Autumn Festivals and other holidays
- H. Leisure and recreation: employee travel, employee activities (lunar year end festival), society activities, employee lounges, gymnasiums.
- I. Training & education: pre-boarding training for new hires; on-the-job training; health promotion activities; work-life balance activities

(2) Retirement system

The Company has formulated the retirement system according to the Labor "Labor Standards Act" and the "Labor Pension Act".

(3) Training & education

The Company has established the "Guidelines for Employees' Training & Education" and encourages employees to participate in a variety of training and education programs.

(4) Agreements with labor

CFTC has been enjoying good relationships between labor and management since its foundation. The rights and obligations of both parties have been handled in accordance with the company's work rules. CFTC holds regular "Personnel review meeting", "Labor management meeting" and "Occupational safety and health meeting" to unite the relationship between labor and management for consensus on labor and employment conditions, occupational safety and health and other related matters.

(5) Measures to protect employees' rights

The Company has established work rules for employees. These rules are properly implemented to protect employees' rights.

(II) Any losses due to labor disputes (disclosure of the penalty date, official document number, the laws and regulations violated, and penalty details required for any breach of the Labor Standards Act according to labor audits) during the most recent year and as of the publication date of the annual report; estimated amounts at the present and possibly in the future; and responding measures. If a reasonable estimate cannot be made, it is necessary to provide the facts why this is the case.

The Company has not experienced labor disputes.

## VI. Information security management

(I) Detail the information security risk management framework, information security policies, specific management plans, and resources invested in information security management among others:

Information security policy

1. Information security policy "Build up secure information environment and improve service and operational efficiency".
2. Set up information security management guidelines according to relevant government regulations (including Criminal Code of the Republic of China, The Classified National Security Information Protection Act, Patent Act, Trademark Act, Copyright Act, and Personal Data Protection Act), and the information department is responsible for the setup and implementation of information security systems.
3. Subject new information system to information security risk assessment in advance to prevent the occurrence of situations that endanger the security of the system.
4. Clearly define permission of information systems and network services according to functions and responsibilities of users to prevent unauthorized access. Cross-job permissions can be obtained only with approval in advance.
5. Comply with network security policies and regulations. In case of any violation against network security, restrict or revoke the offenders' rights to access network resources in accordance with information security regulations.
6. Establish a management mechanism for information software and hardware, and take corresponding measures to deal with risks related to information processing.
7. Enter hardware maintenance contracts with maintenance service providers to maintain their normal operation and fast response in case of hardware failure.
8. Ensure that the recovery plan can effectively operate when an emergency occurs, and perform system recovery drills every six months.

#### Management solution

Implementation measures	Implementation method
1. Software security, prohibiting the use of pirated software	Computer devices under the control of the company shall be monitored by the IT unit, keep them away from pirate software, and control the installation authority. CFTC shall obtain license for operating systems or applications required by employees, and only the IT unit shall install them.
2. Social engineering management	Deploy enterprise communication software, separate official/private information platforms, log in through internal authentication of the company, all members are company employees, prevent exposure of confidential information, and archive operation log for future reference.
3. Personal device management	Set up management measures for personal information devices brought into office; detail their application and use, subject them to control of the company's information security policy, and enter into agreements with CFTC for the use of personal information devices in office to prevent information exposure by hackers or employees.
4. Spam management	Employ firewalls, anti-virus software, and spam filters to block malicious mails, and promote information security awareness, especially for malicious mail, from time to time.

(II) List the losses suffered, possible impacts and countermeasures due to major information security incidents in the most recent year and as of the date of publication of the annual report; regarding those that cannot be reasonably estimated, note down the causes thereof:

The company has no major information security incidents.

#### VII. Important contracts

As of the publication date of the annual report, list of contract parties, key contents, restrictive clauses and start/end dates of sales and supply contracts, technical cooperation contracts, engineering contracts, long-term loan contracts and any other contracts still in force or due in the most recent year and important enough to affect shareholders' equity

April 21, 2023

Nature of contract	Contract parties	Start/end dates	Key contents	Restrictive clause
Loan agreement	Chang Hwa Bank	April 25, 2018 to April 25, 2023	Machinery loan	None
Loan agreement	Chang Hwa Bank	September 25, 2018 to September 25, 2023	Machinery loan	None
Loan agreement	Land Bank of Taiwan	May 11, 2020 to May 11, 2025	Credit loan	None
Loan agreement	Land Bank of Taiwan	October 8, 2020 to October 8, 2025	Credit loan	None
Loan agreement	Taiwan Cooperative Bank	December 7, 2017 to December 7, 2022	Credit loan	None
Loan agreement	Taiwan Cooperative Bank	November 5, 2019 to October 31, 2039	Collateralized loan	None
Loan agreement	Taiwan Cooperative Bank	May 22, 2020 to May 15, 2030	Collateralized loan	None
Loan agreement	Taiwan Cooperative Bank	September 9, 2020 to August 15, 2027	Credit loan	None
Loan agreement	Agricultural Bank of Taiwan	December 17, 2021 to December 17, 2023	Credit loan	None
Loan agreement	Agricultural Bank of Taiwan	June 8, 2020 to May 15, 2025	Credit loan	None
Loan agreement	Bank of Panhsin	August 16, 2022 to August 16, 2024	Credit loan	None

## VI. Financial overview

I. Condensed balance sheet and comprehensive income statement for the last five years, with name of the attesting CPA and audit opinion

(I) Summary balance sheet (consolidated) - IFRS

Unit: NT\$ thousand

Item	Year	Financial data during the past five years (Note 1)					Financial information as of April 21, 2023 (Note 3)
		2018	2019	2020	2021	2022	
Current assets		1,876,446	1,789,472	2,018,378	2,227,946	2,100,121	-
Property, plant and equipment		884,551	1,631,876	1,858,752	1,962,289	1,973,742	-
Intangible asset		6,111	6,822	8,320	11,213	10,050	-
Other assets		334,337	222,581	201,646	209,634	189,377	-
Total assets		3,101,405	3,650,751	4,087,096	4,411,082	4,273,290	-
Current liabilities	Before distribution	1,511,295	1,552,122	1,236,218	1,414,206	1,898,164	-
	After distribution	1,547,919	1,556,788	1,301,740	1,467,813	(Note 2)	-
Non-current liabilities		154,441	726,358	1,282,947	1,375,372	832,971	-
Total liabilities	Before distribution	1,665,736	2,278,480	2,519,165	2,789,578	2,731,135	-
	After distribution	1,702,360	2,283,146	2,584,687	2,843,185	(Note 2)	-
Equity attributable to shareholders of the parent		1,435,669	1,372,271	1,567,931	1,621,504	1,542,155	-
Share capital		764,888	801,512	838,841	858,419	858,988	-
Capital surplus		512,998	512,998	528,557	553,362	555,218	-
Retained earnings	Before distribution	365,331	309,916	405,553	431,313	420,840	-
	After distribution	292,083	267,921	323,651	377,706	(Note 2)	-
Other equity interest		(87,006)	(131,613)	(124,488)	(119,793)	(97,144)	-
Treasury shares		(120,542)	(120,542)	(80,532)	(101,797)	(195,747)	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	1,435,669	1,372,271	1,567,931	1,621,504	1,542,155	-
	After distribution	1,399,045	1,367,605	1,502,409	1,567,897	(Note 2)	-

Note 1: All the above financial data audited or reviewed by external accountants.

Note 2: Amounts after distribution not listed as the earnings distribution not yet resolved by the shareholders' meeting.

Note 3: As of the publication date of the annual report, the financial report of 2023 Q1 has not yet been announced.

## (II) Summary balance sheet (parent) - IFRS

Unit: NT\$ thousand

Item	Year	Financial data during the past five years (Note 1)					Financial information as of April 21, 2023 (Note 3)
		2018	2019	2020	2021	2022	
Current assets		611,087	499,077	549,366	547,099	451,117	-
Property, plant and equipment		108,313	633,102	846,809	988,892	1,030,305	-
Intangible asset		1,137	2,081	3,244	3,440	3,498	-
Other assets		1,574,612	1,558,632	1,781,106	1,900,544	1,872,188	-
Total assets		2,295,149	2,692,892	3,180,525	3,439,975	3,357,108	-
Current liabilities	Before distribution	707,652	595,006	329,904	473,577	1,012,912	-
	After distribution	744,276	599,672	395,426	527,184	(Note 2)	-
Non-current liabilities		151,828	725,615	1,282,690	1,344,894	802,041	-
Total liabilities	Before distribution	859,480	1,320,621	1,612,594	1,818,471	1,814,953	-
	After distribution	896,104	1,325,287	1,678,116	1,872,078	(Note 2)	-
Equity attributable to shareholders of the parent		1,435,669	1,372,271	1,567,931	1,621,504	1,542,155	-
Share capital		764,888	801,512	838,841	858,419	858,988	-
Capital surplus		512,998	512,998	528,557	553,362	555,218	-
Retained earnings	Before distribution	365,331	309,916	405,553	431,313	420,840	-
	After distribution	292,083	267,921	323,651	377,706	(Note 2)	-
Other equity interest		(87,006)	(131,613)	(124,488)	(119,793)	(97,144)	-
Treasury shares		(120,542)	(120,542)	(80,532)	(101,797)	(195,747)	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	1,435,669	1,372,271	1,567,931	1,621,504	1,542,155	-
	After distribution	1,399,045	1,367,605	1,502,409	1,567,897	(Note 2)	-

Note 1: All the above financial data audited or reviewed by external accountants.

Note 2: Amounts after distribution not listed as the earnings distribution not yet resolved by the shareholders' meeting.

Note 3: As of the publication date of the annual report, the financial report of 2023 Q1 has not yet been announced.

## (III) Summary Income Statement (consolidated) - IFRS

Unit: NT\$ thousand (NT\$ for earnings per share)

Item \ Year	Financial data during the past five years (Note 1)					Financial information as of April 21, 2023 (Note 3)
	2018	2019	2020	2021	2022	
Revenues	2,453,364	2,092,780	2,295,575	2,639,658	2,539,681	-
Gross profit	457,402	310,217	495,035	511,616	328,639	-
Operating profit (loss)	168,154	61,466	229,730	185,238	(20,792)	-
Non-operating income and expenses	(13,579)	(23,939)	(16,984)	(4,743)	44,682	-
Earnings before tax	154,575	37,527	212,746	180,495	23,890	-
Income from continuing operations	102,009	20,061	137,632	107,662	43,134	-
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	102,009	20,061	137,632	107,662	43,134	-
Other comprehensive income (after tax)	(28,196)	(46,835)	7,125	4,695	22,649	-
Total comprehensive income	73,813	(26,774)	144,757	112,357	65,783	-
Net income attributable to shareholders of the parent	102,009	20,061	137,632	107,662	43,134	-
Net income attributable to non-controlling interest	-	-	-	-	-	-
Total comprehensive income attributable to shareholders of the parent	73,813	(26,774)	144,757	112,357	65,783	-
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share (Note 2)	1.29	0.26	1.69	1.29	0.53	-

Note 1: All the above financial data audited or reviewed by external accountants.

Note 2: Earnings per share retroactively adjusted according to the weighted average number of shares outstanding of the current year.

Note 3: As of the publication date of the annual report, the financial report of 2023 Q1 has not yet been announced.

## (IV) Summary Income Statement (parent) - IFRS

Unit: NT\$ thousand (NT\$ for earnings per share)

Item \ Year	Financial data during the past five years (Note 1)					Financial information as of April 21, 2023 (Note 3)
	2018	2019	2020	2021	2022	
Revenues	981,446	639,315	797,210	843,117	670,472	-
Gross profit	190,291	93,356	144,872	154,500	112,192	-
Operating profit (loss)	99,927	9,210	53,771	37,774	14,207	-
Non-operating income and expenses	31,821	18,178	120,568	102,100	41,003	-
Earnings before tax	131,748	27,388	174,339	139,874	55,210	-
Income from continuing operations	102,009	20,061	137,632	107,662	43,134	-
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	102,009	20,061	137,632	107,662	43,134	-
Other comprehensive income (after tax)	(28,196)	(46,835)	7,125	4,695	22,649	-
Total comprehensive income	73,813	(26,774)	144,757	112,357	65,783	-
Net income attributable to shareholders of the parent	102,009	20,061	137,632	107,662	43,134	-
Net income attributable to non-controlling interest	-	-	-	-	-	-
Total comprehensive income attributable to shareholders of the parent	73,813	(26,774)	144,757	112,357	65,783	-
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share (Note 2)	1.29	0.26	1.69	1.29	0.53	-

Note 1: All the above financial data audited or reviewed by external accountants.

Note 2: Earnings per share retroactively adjusted according to the weighted average number of shares outstanding of the current year.

Note 3: As of the publication date of the annual report, the financial report of 2023 Q1 has not yet been announced.

(V) Names of the attesting CPA and audit opinion in the last five years

1. Names of the attesting CPA and audit opinion in the last five years.

Year	Names of external accountants	Name of the organization	Audit opinions
2018	CPA Tony Huang Tzu-Ping ; CPA Martin Yen Wen-Pi	Ernst & Young Taiwan	Unqualified opinion
2019	CPA Tony Huang Tzu-Ping ; CPA Martin Yen Wen-Pi	Ernst & Young Taiwan	Unqualified opinion
2020	CPA Jacky Chen; CPA David Chen	KPMG Taiwan	Unqualified opinion
2021	CPA Jacky Chen; CPA David Chen	KPMG Taiwan	Unqualified opinion
111	CPA Jacky Chen; CPA David Chen	KPMG Taiwan	Unqualified opinion

2. Change of external accountants, accounting firms during the past five years and the reason for the change explained by the previous and current external accountants:

(1) To meet the company's operational development and internal management needs, the financial statements were attested by CPA Jacky Chen and David Chen of KPMG Taiwan instead from Q1 2020.

## II. Financial analysis for the most recent five years

### (I) Financial Analysis (Consolidated) - IFRS

Item		Year (Note 1)	Financial analysis for the most recent five years					As of April 21, 2023 (Note 2)
			2018	2019	2020	2021	2022	
Financial structure (%)	Liabilities to assets ratio		53.71	62.41	61.64	63.24	63.91	-
	Ratio of long-term capital to property, plant and equipment		179.77	128.60	153.38	152.72	120.34	-
Liquidity %	Current ratio		124.16	115.29	163.27	157.54	110.64	-
	Quick ratio		67.87	68.26	103.77	94.37	60.25	-
	Interest coverage ratio		576.60	216.63	867.34	865.82	161.13	-
Operating efficiency	Accounts receivable turnover (time)		3.28	3.02	3.30	3.64	3.50	-
	Days sales outstanding		111.28	120.86	110.61	100.27	104.29	-
	Inventory turnover (times)		3.96	3.34	3.61	3.58	3.14	-
	Accounts payable turnover (times)		6.76	6.11	5.52	5.69	6.27	-
	Days inventory outstanding		92.17	109.28	101.10	101.91	106.24	-
	Property, plant, and equipment turnover (times)		2.83	1.66	1.32	1.38	1.29	-
	Total asset turnover (times)		0.81	0.62	0.59	0.62	0.58	-
Profitability	Return on assets (%)		4.21	1.36	4.13	2.98	1.71	-
	Return on equity (%)		6.96	1.43	9.36	6.75	2.73	-
	Earnings before tax to paid-in capital ratio (%)		20.21	4.68	25.36	21.03	2.78	-
	Net margin (%)		4.16	0.96	6.00	4.08	1.70	-
	Earnings per share (NT\$)		1.36	0.26	1.69	1.29	0.53	-
Cash flows	Operating cash flow ratio (%)		3.50	30.53	25.43	17.29	1.11	-
	Cash flow adequacy ratio (%)		34.49	48.50	63.15	61.20	57.48	-
	Cash re-investment ratio (%)		1.46	12.00	7.74	4.22	(0.85)	-
Leverage	Operating leverage		1.66	7.16	1.28	4.15	(27.41)	-
	Financial leverage		1.24	2.10	1.14	1.15	0.35	-

#### Reason for changes in financial ratios during the most recent two years (with 20% change or above):

- Share of long-term funds over real estate, plant and equipment: corporate bonds payable transferred to current liabilities result in less non-current liabilities and lower ratio thereof.
- Current ratio and quick ratio: corporate bonds payable transferred to current liabilities result in more current liabilities and higher ratio thereof.
- Interest coverage ratio: less profit in 2022 results in lower ratio thereof.
- Profitability: less profit in 2022 results in lower relative rate of return, net profit rate, EPS than in 2021.
- Cash flow ratio: less net cash flow from operating activities and more current liabilities results in lower ratio.
- Cash reinvestment ratio: less net cash flow from operating activities result in lower ratio.

Leverage: net business loss in 2022 results in lower ratio.

Note 1: All the above financial data audited or reviewed by external accountants.

Note 2: As of the publication date of the annual report, the financial report of 2023 Q1 has not yet been announced.

Note 3: The calculation of financial ratios at the end of this table is as follows:

1. Financial structure

(1) Liabilities to assets ratio = total liabilities / total assets

(2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment

2. Liquidity

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities

(3) Interest coverage ratio = earnings before interest and taxes / interest expenses

3. Operating efficiency

(1) Accounts receivable turnover (including accounts receivable and notes receivable due to operating activities) = net sales / average accounts receivable (including accounts receivable and notes receivable due to operating activities)

(2) Days sales outstanding = 365 / accounts receivable turnover

(3) Inventory turnover = cost of goods sold / average inventory

(4) Accounts payable turnover (including accounts payable and notes payable due to operating activities) = cost of goods sold / average accounts payable (including accounts payable and notes payable due to operating activities)

(5) Days inventory outstanding = 365 / inventory turnover

(6) Property, plant, and equipment turnover = net sales / net average property, plant and equipment

(7) Total asset turnover = net sales / average total assets

4. Profitability

(1) Return on assets = (net income + interest expense × (1 - tax rate)) / average total assets

(2) Return on equity = net income / average total equity

(3) Net margin = net income / net sales

(4) Earnings per share = (Net income attributable to shareholders of the parent - preferred share dividends) / weighted average number of issued shares

5. Cash flows

(1) Operating cash flow ratio = Net cash flow from operating activities / current liabilities

(2) Cash flow adequacy ratio = Net cash flows from operating activities during the past five years / (capital expenditure + increase in inventory + cash dividends) during the past five years

(3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).

6. Leverage:

(1) Operating leverage = (net revenues - variable costs and expenses) / operating profits

(2) Financial leverage = operating profits / (operating profits - interest expenses)

## (II) Financial analysis (parent company only) – IFRS

Item		Year (Note 1)	Financial analysis for the most recent five years					As of April 21, 2023 (Note 2)
			2018	2019	2020	2021	2022	
Financial structure (%)	Liabilities to assets ratio		37.45	49.04	50.70	62.86	62.46	-
	Ratio of long-term capital to property, plant and equipment		1,465.66	331.37	336.63	299.97	227.52	-
Liquidity %	Current ratio		86.35	83.88	166.52	115.52	44.54	-
	Quick ratio		62.59	58.04	118.29	81.09	23.66	-
	Interest coverage ratio		1,310.92	293.98	1,138.97	955.71	338.05	-
Operating efficiency	Accounts receivable turnover (time)		3.23	2.51	4.08	5.11	5.96	-
	Days sales outstanding		113.00	145.42	89.46	71.43	61.24	-
	Inventory turnover (times)		8.95	6.00	7.51	6.67	4.12	-
	Accounts payable turnover (times)		3.96	2.64	3.55	4.00	3.44	-
	Days inventory outstanding		40.78	60.83	48.60	54.72	88.59	-
	Property, plant, and equipment turnover (times)		11.82	1.72	1.08	0.92	0.66	-
	Total asset turnover (times)		0.43	0.26	0.27	0.28	0.23	-
Profitability	Return on assets (%)		4.84	1.27	5.14	3.98	2.13	-
	Return on equity (%)		6.96	1.43	9.36	6.75	2.73	-
	Earnings before tax to paid-in capital ratio (%)		17.22	3.42	20.78	16.29	6.43	-
	Net margin (%)		10.39	3.14	17.26	12.77	6.43	-
	Earnings per share (NT\$)		1.36	0.26	1.69	1.29	0.53	-
Cash flows	Operating cash flow ratio (%)		4.96	24.82	19.32	28.98	3.06	-
	Cash flow adequacy ratio (%)		27.82	30.73	14.51	28.63	36.57	-
	Cash re-investment ratio (%)		1.14	4.87	1.95	2.28	(0.88)	-
Leverage	Operating leverage		1.88	11.11	2.95	4.55	10.77	-
	Financial leverage		1.12	(1.88)	1.45	1.76	(1.58)	-

## Reason for changes in financial ratios during the most recent two years (with 20% change or above):

- Share of long-term funds over real estate, plant and equipment: corporate bonds payable transferred to current liabilities result in less non-current liabilities and lower ratio thereof.
  - Current ratio and quick ratio: corporate bonds payable transferred to current liabilities result in more current liabilities and higher ratio thereof.
  - Interest coverage ratio: less profit in 2022 results in lower ratio thereof.
  - Inventory turnover rate and average sales days: less sales results in more average inventory leads to lower inventory turnover rate and longer average sales days.
  - Real estate, plant and equipment turnover rate: less revenue in 2022, results in lower turnover rate.
  - Profitability: less profit in 2022 results in lower relative rate of return, net profit rate, EPS than in 2021.
  - Operating cash flow ratio: lower ratio due to a reduction in net cash flows from operating activities
  - Cash flow adequacy ratio: more net cash flow of operating activities in the last five years results in higher ratio.
  - Cash reinvestment ratio: less net cash flow from operating activities result in lower ratio.
- Leverage: less operation profit result in higher operating leverage and lower financial leverage.

Note 1: All the above financial data audited or reviewed by external accountants.

Note 2: As of the publication date of the annual report, the financial report of 2023 Q1 has not yet been announced.

## **CHINA FINEBLANKING TECHNOLOGY**

### **Review Report from Audit Committee**

The board of directors of the company has prepared the 2022 business report, 2022 financial statements, and 2022 profit distribution statement. The financial statements have been attested by CPA Jacky Chen and David Chen of KPMG Taiwan (entrusted by the board of directors) along with audit report.

The Audit Committee has inspected the abovementioned business report, financial statements and proposal for earnings distribution and found no cause for objection. Hence, this review report is issued according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

CFTC 2023 Shareholders' meeting

CHINA FINEBLANKING TECHNOLOGY

Convener of the Audit Committee: Tsai Mei-E

March 24, 2023

IV. Financial statements of the latest fiscal year: see page 91 to 152.

V. The parent company only financial statements attested by CPA of the latest fiscal year: see page {153 to 212 .

VI. Impact on the Company's financials in event of financial difficulty experienced by the Company or its affiliates during the most recent year and as of the publication date of this annual report: None.

## VII. Review and analysis of financials and financial performance and risks

### I. Financial position

#### (I) Analysis of financial status

Unit: NT\$ thousand

Item	Year	2021	2022	Difference	
				Amount	%
Current assets		2,227,946	2,100,121	(127,825)	(5.74%)
Property, plant and equipment		1,962,289	1,973,742	11,453	0.58%
Intangible asset		11,213	10,050	(1,163)	(10.37%)
Other assets		209,634	189,377	(20,257)	(9.66%)
Total assets		4,411,082	4,273,290	(137,792)	(3.12%)
Current liabilities		1,414,206	1,898,164	483,958	34.22%
Non-current liabilities		1,375,372	832,971	(542,401)	(39.44%)
Total liabilities		2,789,578	2,731,135	(58,443)	(2.10%)
Share capital		858,419	858,988	569	0.07%
Capital surplus		553,362	555,218	1,856	0.34%
Retained earnings		431,313	420,840	(10,473)	(2.43%)
Other equity interest		(119,793)	(97,144)	22,649	(18.91%)
Treasury shares		(101,797)	(195,747)	(93,950)	92.29%
Total equity		1,621,504	1,542,155	(79,349)	(4.89%)
Reason for changes (20% change or above and for a changed amount no less than NT\$10 million):					
1. Current liabilities: reclassification of payable corporate bonds due in one year to current liabilities result in more current liabilities.					
2. Non-current liabilities: reclassification of payable corporate bonds due in one year to current liabilities result in more non-current liabilities.					
3. Treasury stocks: due to the purchase of treasury stocks.					

#### (II) Give future response plan for those with significant impact:

1. Improvement of manufacturing processes, production and operating efficiency to boost competitiveness
2. Continued reduction of costs
3. Enhancement of product quality
4. Robust and comprehensive services to meet customers' needs

## II. Financial performance

### (I) Financial performance analysis table:

Unit: NT\$ thousand

Item	Year	2021	2022	Difference	
				Amount	%
Revenues		2,639,658	2,539,681	(99,977)	2,639,658
Cost of goods sold		2,128,042	2,211,042	83,000	2,128,042
Gross profit		511,616	328,639	(182,977)	511,616
Operating expenses		326,378	349,431	23,053	326,378
Operating profit (loss)		185,238	(20,792)	(206,030)	185,238
Non-operating income and expenses		(4,743)	44,682	49,425	(4,743)
Earnings before tax		180,495	23,890	(156,605)	180,495
Income tax expense		72,833	(19,244)	(92,077)	72,833
Net income (loss)		107,662	43,134	(64,528)	107,662
Other comprehensive income (after tax)		4,695	22,649	17,954	4,695
Total comprehensive income		112,357	65,783	(46,574)	112,357
20% change or above and for a changed amount no less than NT\$10 million in the last two years:					
1. Operating gross profit: due to differences in product mix.					
2. Operating profit: due to weakening operating gross profit.					
3. Non-operating income and expenses: due to gains in foreign currency exchange transactions.					
4. Net profit before tax: due to weakening operating profit.					
5. Income tax: mainly due to weakening earnings in the current period and the reversal of overestimates made earlier.					
6. Net profit (loss) for the current period: due to weakening net profit before tax.					
7. Other comprehensive gains and losses for the current period (net after tax): due to the increase in exchange differences from the translation of financial statements of foreign operating institutions.					
8. Total comprehensive profit and loss for the current period: due to the less net profit for the current period and the more exchange differences by conversion financial statements of units abroad.					

### (II) Expected sales volume and its basis:

The Company expects continued growth in sales volume for the next year, primarily due to industry dynamics and the Company's development direction, and near-term operating targets.

### (III) Possible impact on the company's future financial business:

There is no material change in the Company's operation and hence no material impact on the Company's finance going forward.

### (IV) Future response plan: N/A.

### III. Cash flows

#### (I) Analysis of cash flow changes in the most recent year:

Unit: %

Item \ Year	2021	2022	Change %
Operating cash flow ratio (%)	17.29	1.11	(93.58%)
Cash flow adequacy ratio (%)	61.20	57.48	(6.08%)
Cash re-investment ratio (%)	4.22	(0.85)	(120.14%)
Analysis of change:			
1. Cash flow ratio: less net cash flow from operating activities and more current liabilities results in lower ratio.			
2. Appropriate ratio of cash flow: more capital expenditure, inventory, and cash dividend in the last five years results in lower ratio.			
3. Cash reinvestment ratio: less net cash flow from operating activities results in lower ratio.			

#### (II) Improvement plan for insufficient liquidity:

The Company is still in the growth stage and there is no concern for a lack of liquidity.

#### (III) Cash liquidity analysis for the coming year:

Unit: NT\$ thousand

Cash at the beginning of the period	Net cash flows from operating activities during the year	Net cash outflows from investing and financing activities during the year	Cash at the end of the period	Measures to fund the cash gap	
				Investment plan	Financing plan
351,084	334,076	327,828	357,332	N/A	N/A
Analysis of cash flow change:					
1. Business activities: net cash inflow expected from business activities due to the expansion of business scale and revenue growth in the next year.					
2. Investment activities: net cash outflow expected from investment activities due to the purchase of machines and equipment by factories JiaXing (China) and Quanxing (Taiwan).					
3. Financing activities: net cash outflow expected from financing activities due to repay bank loans and distribute cash dividends.					

### IV. The impact of major capital expenditures in the most recent years on financial business

CFTC shall purchase machinery and equipment and performance improvement by capital expenditure in 2022; these are business required. Capital expenditures result in more depreciation expenses and are required for business expansion in future; they would have positive impacts on the company's financial business in the future.

As of December 31, 2022 the company's debt ratio rose 0.67% to 63.91% from 63.24% as of the same day in 2021. The company's major capital expenditures in recent years have no impact on financial business, and financial operations are also extremely conservative.

### V. Reinvestment policy in the most recent years, main reasons for its profit or loss, improvement plan, and investment plan for the next year

#### (I) Equity investment policy

The Company makes equity investments for operational needs or future growth. Detailed assessments are conducted on the organizational type of investees, purpose of investments, location of investees, market conditions, business development and financial status, in order to develop investment suggestions as a reference to management's decision-making. Meanwhile, the Company has established the Procedures for Acquisition or Disposal of Assets for management and control of investees, in order to stay on top of the financial and business status of investees. The Company has put in place the Guidelines for Monitoring and Management of Subsidiaries as part of the internal control system, so as to urge subsidiaries to come up with their own operational procedures for major finance and business issues and supervise the implementation of these procedures by subsidiaries. The purpose is to establish a

management mechanism for operational risks of subsidiaries and maximize the performance of businesses.  
 (II) Reason for profit or loss of equity investment and improvement plan  
 CFTC recognized NT\$24,713 thousand reinvestment income in 2022, down NT\$93,499 thousand from NT\$118,212 thousand in 2011. See below for details of and main causes to this:

Unit: NT\$ thousand

Company name	Investment (loss) recognized in 2022	Main reason for profits (losses)	Improvement plan
CFTC PRECISION SDN BHD	5,351	1. Only a portion of the personnel are left to deal with accounting matters due to the completion of phased tasks. Gains in this period: due to transferring accounts payables on the account that have passed the entitled claim prescription to other income	In order to reduce the company's operating costs, the board of directors approved the liquidation and dissolution procedures January 14, 2022, and the relevant liquidation procedures are still in progress
CHINA FINEBLANKING GROUP CO., LTD	19,362	Less profit than that of last period due to difference in product mix. CFTC Precision (JiaXing) plans to continue investing in new product development (especially automobile and motorcycle products) and win orders, and strengthen quality control to increase profits; CFTC Precision (HuaiAn) will activate assets to increase profits.	N/A

(III) Investment plan for the next year: None.

VI. Risks and assessments during the most recent year and as of the publication date of this annual report

(I) Impact of interest rate changes, exchange rate changes, and inflation on the Company's profit and loss and responding measures going forward:

Unit: NT\$ thousand

Item/year	2021	2022
Revenues net	2,639,658	2,539,681
Net interest expense	23,569	39,079
Interest expense as % of net revenues	0.89%	1.54%
Exchange gains (losses)	(12,282)	47,941
Exchange gains (losses) as % of net revenues	(0.47%)	1.89%

1. Changes in interest rates: net interest expenses account for 0.89% and 1.54% of net operating income in the last two years respectively; changes in interest rates have no significant impact on the company's operations as both are minor. Going forward, the Company will keep a close eye on interest rate changes and adopt responding measures when necessary (such as adjustment of cash flows and pursuit of favorable interest rates), in order to mitigate the impact of interest rate changes on profitability.
2. Changes in exchange rates: value of export sales account for 34.59% and 28.10% of the total revenue in the last two years respectively; most collections and payments are in US dollars. The company's net foreign exchange gains and losses account for -0.47% and 1.89% of the net operating income in the last two years respectively; In order to cope with exchange rate risks, CFTC not only collects information on international finance, exchange rates and interest rates as a reference for timing the foreign exchange settlement but also hedges on Fx forward or SWAP based on amount in foreign currency. As the Company gradually expands operations, it will stay on top of exchange rate changes and adopt the following hedging measures:
  - a. Conservative quotations to customers by taking into account the exchange rate changes, in order to avoid material influence on the Company's profits due to exchange rate fluctuations.
  - b. Acquisition of hedging quotas for derivatives from reputable banks in Taiwan to mitigate exchange rate risks when required.
  - c. Appropriate timing of currency conversions and payments for goods by the finance departments by considering funding needs and exchange rate fluctuations in order to manage exchange rate risks.
3. Inflation: suffering from the outbreak of COVID-19 pandemic, major economies in Europe, America and Japan adopted quantitative easing policies which led to soaring prices of raw materials around the world. Inflation is now hurting every industry. When in time of inflation, CFTC not only closely monitors price fluctuations, but also actively sources raw material and improves production efficiency to reduce production costs, maintains good relations with customers, and timely raises prices of products to reflect changes in production costs. This enables CFTC to effectively reduce the impact of inflation on the company's profits.

(II) Policies regarding highly-risky, highly-leveraged investments, lending, endorsements and guarantees, and derivatives trading; main reasons for related profits or losses, and responding measures

- (1) The Company has established the Guidelines for Endorsements and Guarantees in providing endorsements and guarantees to subsidiaries for funding requirements.
- (2) The Company has established the Regulations Governing Lending to Others for any loans with subsidiaries for funding requirements.
- (3) To appropriately mitigate exchange rate risks, the Company's board approved on May 13, 2013 the hedging activities for the net risk position of transaction exposures (due to imports/exports), according to the Procedures for Acquisition or Disposal of Assets.
- (4) Except for the abovementioned, the Company does not engage in highly-risky, highly-leveraged investments, lending, endorsements and guarantees, and derivatives trading.

(III) R&D projects and expected R&D expenses:

(1) R&D projects:

- a. Composite material processing technology: CFTC is developing applications of stamp-forging combo technology in composite material processing according to the processing characteristics of materials, and developing customer product's functional requirements specific molds to meet product requirements.

- b. Material substitution and optimization: Optimization of the manufacturing processes for materials production; processing of selected appropriate materials according to product/feature requirements; cost control via the setup of materials production flows.
- c. Stamp-forging combo technology: Incorporating cold forging technology into the consecutive stamping dies to deform materials in large area and change geometry and thickness of the workpiece in larger scale. The benefits to have workpieces go through larger changes in thickness, geometry, dimension, and employ more compact materials to meet the product's requirements for parts.
- d. Deep drawing forming technology for square battery case: addressing the development of square battery case and its characteristics in geometry, combine the deep drawing and thinning drawing to make cases with required geometry, wall thickness, and tolerance; take forging equipment, technology, and material yield into account when optimizing the production cost-effectiveness.

(2) Expected R&D expenses:

With NT\$94,225 thousand invested in R&D, the latter accounted for 3.71% of revenue in 2022; more may be needed depending on the progress of new product development.

(IV) Impact of major policy and law changes, domestic and overseas, on the Company's finance and business and responding measures:

The company's daily operations are handled in compliance with relevant laws and regulations at home and abroad, and it keeps an eye on policy development trends and changes in regulations, collects information to provide references for decision-making by executives, and consults relevant professionals to adjust operating strategies in a timely manner. So far, CFTC has not seen any impacts on financial business by major changes in domestic and foreign policy and regulations.

(V) The impact of technological (including information security risks) and industrial changes on the company's financial business and countermeasures thereof:

Technology and industry changes have certain influence on the Company's finance and business. However, metal components produced by the Company with high-precision stamping technology has a wide range of applications. This somewhat mitigates the impact of technology and industry change on the Company's finance and business. The Company will continue to keep abreast of product and industry trends, in order to adjust strategies in a timely manner. The product portfolios will be expanded continuously in order to develop new clientele and mitigate the impact of technology and industry change.

CFTC employs the following control measures to prevent:

- (1) Set up network firewall
- (2) Set up and update anti-virus software from time to time
- (3) E-mail control
- (4) Dedicated personnel in server room access control.
- (5) ERP system access and backup permission control

So far, the company has not experienced any major cyber attacks or information security incidents.

(VI) Impact of company image changes on the Company's crisis management and responding measures:

Since inception, the Company has been striving to strengthen internal management, focus on core businesses, maintain its image and adhere to relevant laws and regulations. This is the reason why the Company has not yet experienced any crisis management due to change of corporate image.

(VII) Expected benefits and potential risks of M&As ongoing, and responding measures:

CFTC has no plans for mergers and acquisitions in most recent year and as of the publication date of the annual report. In case such plan arises in the future, it will be handled in accordance with the company's "Procedures for Acquisition or Disposal of Assets", with a prudent assessment attitude, considering whether it can bring specific performance to the company, so as to truly protect the company interests and shareholders' equity.

(VIII) Expected benefits and potential risks of facility expansions, and responding measures:

The Quanxing factory at Changhua County was purchased in October 2019. In February 2020, the factory received subsidies from the "Welcoming businessmen back to Taiwan program", and invested it in the expansion of the factory area and machinery and equipment. The expansion plan will be completed in three years from 2019 to 2021 and contribute in the expansion of business scale and revenue growth. The expansion project of Quanxing factory at Changhua County has received interest subsidies (1.5%) from the "Welcoming businessmen back to Taiwan program". This helps reduce investment costs and accelerate return on investments.

(IX) Risks associated with purchase or sales concentration and responding measures:

1. Risks of purchase concentration and responding measures:

The main material for the manufacturing and processing of precision metal products is steel coils. The value chain of the iron and steel industry is in a pyramid structure. In the case of China Steel Corporation, the products from the same blast furnace are different as a result of different subsequent procedures. Therefore, China Steel Corporation uses a quota system to manage orders. Distributors serve as a reservoir between China Steel Corporation's blast furnace capacity and the demand from the market. China Fineblanking Technology pre-orders with distributors and purchases from the spot to diversify procurement risks. Meanwhile, the subsidiary CFTC Precision (JiaXing) Limited develops sources from Bao Steel in China and from Europe, to ensure a diversity of material sources. This mitigates the risk of supply concentration from a small number of manufacturers in Taiwan and maintains good relations with all suppliers to ensure the reliability of supplies. In sum, the Company should not have the risk of supply shortage or disruption due to purchase concentration.

2. Risks of sales concentration and responding measures:

As of December 2022, the company's sales of hard disk drive parts accounted for about 21.57% of the total sales. The total amount is contributed by just one customer due to the ecology of the industry. This is not a risk to be worried about as the supply chain and the two parties maintain a good long-term relationship. Addressing this, CFTC has been working on reducing concentration of products and actively penetrating the market of automobile and motorcycle parts. Sales of the latter have been growing and account for 72.84% of the total revenue in 2022. CFTC will be more active in developing new customers, dispersing sales and reducing the risk of sales concentration.

(X) Impact and risk of significant transfers or change of stakes by directors, supervisors or major shareholders with at least 10% holdings, and responding measures:

As of the publication date of the annual report, there has been no large-scale transfer or replacement of shares by directors, supervisors, or shareholders holding more than 10% of the outstanding shares.

(XI) Impact and risk of change of control, and responding measures:

As of the publication date of the annual report, there has been no major change in directors and the main management team, so there is no significant impact on the operation of the company.

(XII) Litigation or non-litigation events: It is necessary to describe major litigations, non-litigations or administrative litigations with confirmed judgments or still ongoing involved by the Company or any of its directors, supervisors, General Manager, de facto responsible persons, major shareholders with at least 10% stakes or any of the subordinated companies. If the outcome may have material influence on shareholders' equity or securities prices, it is necessary to disclose the matters in contention, underlying amounts, start dates, main parties involved and progress as of the publication date of the annual report:

1. Feilong Engineering Co., Ltd. requested the company to pay NT\$1,107 thousand for plant repairs and expansion costs. CFTC denied it as some quotes of tasks were higher than the market price and had not been accepted. The Taiwan Changhua District Court decided at first instance on October 8, 2020 that the Company should pay NT\$899,000. The Company then hired lawyers for an appeal during the statutory time limit. However, the case was finalized by the Taiwan High Court Taichung Branch Court on September 8, 2021 that CFTC is to pay the counterparty NT\$1,016 thousand. The company has estimated and recorded a loss of NT\$830 thousand for the difference in payment in 2021. In 2021, The company has estimated and recorded the loss of compensation interest of NT\$117 thousand. The payment was made in 2021, and the case was closed.

2. The former chairman of the company filed a lawsuit against the company on August 4, 2020 for land occupation and house demolition and return of land. The land occupation case was finalized by the Taiwan High Court Taichung Branch Court on March 23, 2022, and cited CFTC is to pay the counterparty NT\$159 thousand, so the company has estimated and recorded the loss of NT\$219 thousand in 2022 (including litigation costs and compensation interest). The house demolition and return of land case was finalized by the Taiwan High Court Taichung Branch Court on November 9, 2022 and CFTC has been ordered to pay the counterparty NT\$2,240 thousand (including litigation compensation fees), so the company has estimated and recorded the loss of NT\$998 thousand (balance of payment less rent paid) in 2022 (including compensation interest). The above-mentioned land occupation and house demolition and land return related payments have been made in 2022, and the case is closed.

(XIII) Other important risks and responding measures:

Information security is critical in modern company operations. The company has set up measures covering information security assessments, emergency response, computer room physical and environmental safety protection, and regularly implements relevant maintenance to ensure operational safety. In the era of big data, all the company's internal information are saved in the ERP system. CFTC

is irregularly checking the security of the computer room and adopt remote backup methods to reduce the probability of risk occurrence as this would reduce the risk of storage and data protection failure; CFTC is designating security officer to control data access permission to prevent the risk of information exposure by employees intentionally. CFTC has appointed information security officer and dedicated personnel on February 23, 2023 to plan, monitor and implement information security management system.

VII. Other important matters  
: None.

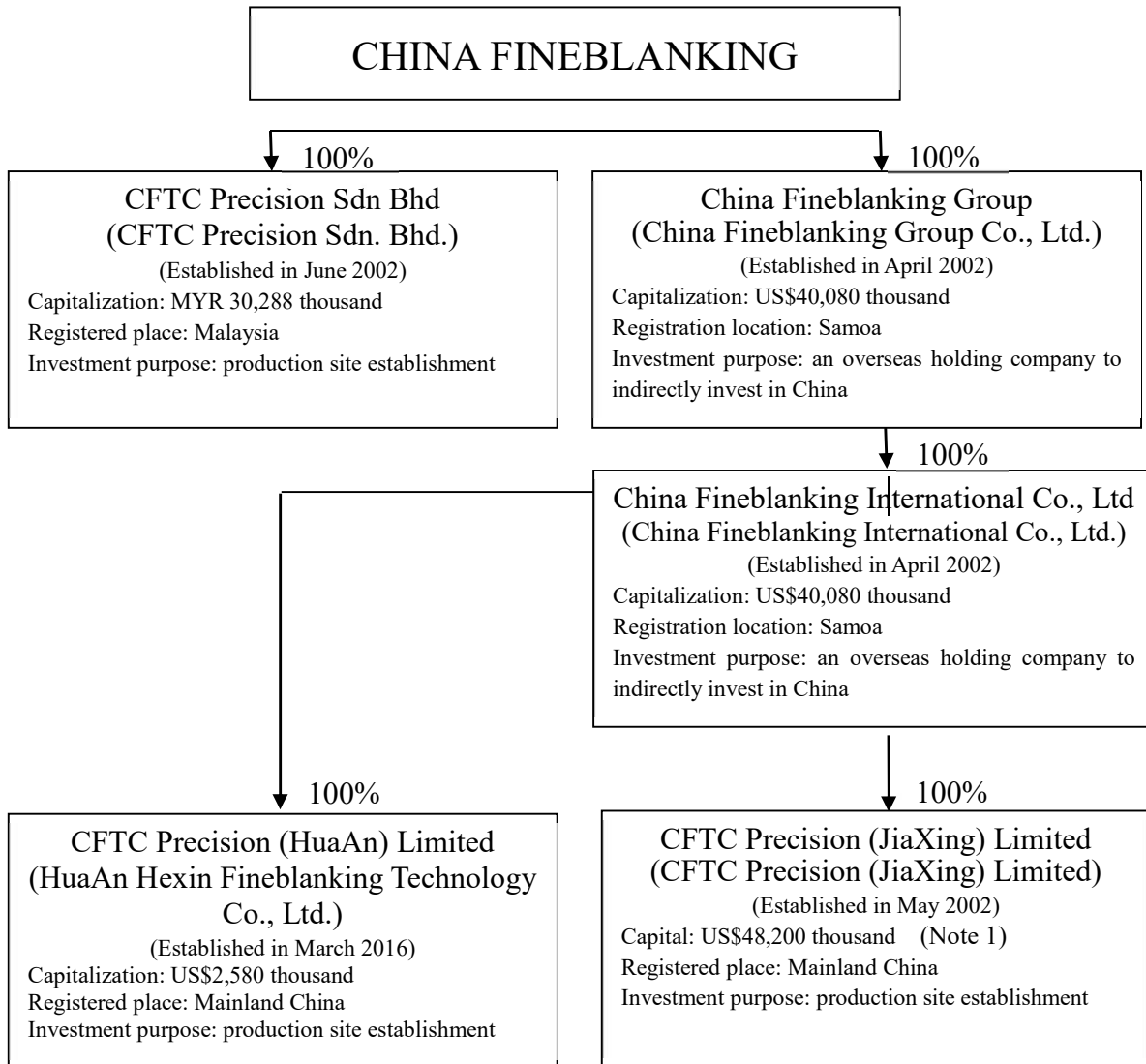
## VIII. Special notes & supplements

### I. Affiliated companies

#### (I) Summary of affiliated companies

##### 1. Organizational chart of affiliated companies

December 31, 2022



Note 1: US\$ 48,200 thousand is the sum of accumulative remittance of investment from Taiwan to CFTC Precision (JiaXing) Limited, US\$37,500 thousand, and the latter's capitalization through retained earnings, US\$10,700 thousand.

## 2. Basic data of affiliated companies

Unit: thousand; December 31, 2022

Company name	Establishment date	Address	Capitalization	Scope of businesses
CHINA FINEBLANKING GROUP CO.,LTD	April 2, 2002	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$40,080	International investment
CFTC PRECISION SDN BHD	October 2, 2002	Plo 346, Lot 84769, Jalan Perak, 81700, Pasir Gudang, Johor, Malaysia	MYR 30,288	Property Management (Note 1)
CHINA FINEBLANKING INTERNATIONAL CO.,LTD	April 2, 2002	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$40,080	International investment
CFTC Precision (JiaXing) Limited	May 15, 2002	No. 1, Tianshan Road, Jiashan Economic Development Zone, Zhejiang Province, China	US\$48,200 (Note 2)	Manufacturing, processing, buying and selling of hardware, machinery and mold components
CFTC Precision (HuaAn) Limited	January 22, 2016	No. 11, Kaiming South Road, Huaian Economic and Technical Development Zone, Jiangsu, China	US\$2,580	Manufacturing, process, buying and selling of calculator, machinery and iron pallet components

Note 1: CFTC PRECISION SDN BHD has completed phased tasks. CFTC has been approved by the board of directors on January 14, 2022 to liquidate and dissolve it to reduce operating costs. The relevant liquidation procedures are still in progress

Note 2: US\$ 48,200 thousand is the sum of accumulative remittance of investment from Taiwan to CFTC Precision (JiaXing) Limited, US\$37,500 thousand, and the latter's capitalization through retained earnings, US\$10,700 thousand.

3. Data inferring the same shareholders for controlling and subordinated companies: None.

4. Businesses involved by the group and its affiliated companies: international investment; manufacturing, processing, buying and selling of hardware, machinery and mold components

5. Names and shareholders of directors, supervisors, and General Managers of affiliated companies:

Unit: 1,000 shares

Company name	Title	Name or representative	Shareholdings	
			No. of shares	Shareholding %
CHINA FINEBLANKING GROUP CO.,LTD	Director	CHINA FINEBLANKING TECHNOLOGY CO.,LTD Representative: Huang Yi-Xiang	40,080	100%
CFTC PRECISION SDN BHD	Director	CHINA FINEBLANKING TECHNOLOGY CO.,LTD Representative: Gloria Huang	30,288	100%
CHINA FINEBLANKING INTERNATIONAL CO.,LTD	Director	CHINA FINEBLANKING GROUP CO.,LTD Representative: Huang Yi-Xiang	40,080	100%
CFTC Precision (JiaXing) Limited	Director	CHINA FINEBLANKING INTERNATIONAL CO.,LTD Representative: Lu Hong-Yi	—	—
CFTC Precision (HuaAn) Limited	Director	CHINA FINEBLANKING INTERNATIONAL CO.,LTD Representative: Lu Hong-Yi	—	—

## 6. Operational status of affiliated companies

Unit: NT\$ thousand; December 31, 2022

Company name	Capitalization	Total assets	Total liabilities	Book value	Revenues	Operating profit	Net income (loss)	Earnings per share NT\$ (after tax)
China Fineblanking Group Co.,Ltd.	1,257,010	2,788,464	1,007,093	1,781,371	1,992,149	(36,966)	16,337	-
CFTC Precision Sdn.Bhd	233,442	15,603	622	14,981	0	(505)	5,351	-
China Fineblanking International Co.,Ltd	1,257,010	2,788,464	1,007,093	1,781,371	1,992,149	(36,966)	16,337	-
CFTC Precision (JiaXing) Limited	1,502,384	2,667,971	956,629	1,711,341	1,897,669	(29,060)	23,186	-
CFTC Precision (HuaAn) Limited	82,131	144,709	75,288	69,422	94,485	(7,906)	(6,849)	-

### (II) Consolidated business report of affiliated companies, consolidated financial statements of affiliated companies and relationship report of affiliated companies

In 2022 (from January 1, 2022 to December 31, 2022), the affiliates that should be included in the consolidated financial statements of affiliates according to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” and those should be included in the consolidated financial statements of parent and subsidiary companies according to IFRS Communique 10 are the same, and information of the former has been disclosed in the latter. As a result, CFTC shall not prepare the consolidated financial statements of affiliates separately. (Please refer to pages 91~152)

II. Status of privately placed securities in most recent years and as of the date of publication of the annual report  
: None.

III. Holding or disposal of the company's stocks by subsidiaries in the most recent year and as of the publication date of the annual report  
: None.

IV. Other necessary supplementary explanations

**Follow-up of commitments made upon listing on Taipei Exchange**

Company listed on Taipei Exchange: **CHINA FINEBLANKING TECHNOLOGY CO., LTD.** Ticker: **1586** IPO date: **January 9, 2012**

Commitments made upon listing on Taipei Exchange	Progress update of commitments	Index of submitted attachments	Comment from Taipei Exchange after review
<p>II. Commit to add “The company shall not give up the capital increase to China Fineblanking Group Co., Ltd (hereinafter referred to as CFTC Group) in coming years; CFTC Group shall not give up the capital increase to Fineblanking International Co., Ltd (hereinafter referred to as CFTC International) in coming years; CFTC International shall not give up the capital increase to CFTC Precision (JiaXing) Limited in future years; to give up the said capital increase to or dispose these companies due to partnership concerns or other matters approved by the Center, shall subject to special approval by the board of directors of the CHINA FINEBLANKING TECHNOLOGY CO., LTD.” in the “Procedures for Acquisition or Disposal of Assets”; in case of any changes to the latter, CFTC shall avail the information on MOPS and report to the Taipei Exchange in advance.” In case of further amendment of the Procedures for Acquisition or Disposal of Assets, it is necessary to disclose as material information via Market Observation Post System (MOPS) and issue a letter to Taipei Exchange for reference.</p>	<p>I.</p> <ol style="list-style-type: none"> <li>1. The shareholders' meeting of CFTC approved to add the said commitment in the “Procedures for Acquisition or Disposal of Assets” on June 25, 2012, and shall abide by the commitment when updating the procedure in the future.</li> <li>2. On May 24, 2019, the shareholders’ meeting approved to amend some texts of the “Procedures for Acquisition or Disposal of Assets” (the commitment “to get listed on TPEX” set in item 13.4 remain intact), and the amended procedure has been availed on MOPS the same day.</li> <li>3. TPEX agreed the said “TPEX listing” commitment by memo Zheng Gui Jian Zi No.1100013867 on December 16, 2021 and CFTC board of directors approved the following in the board meeting on January 14, 2022: (1) proceed with the dissolution and liquidation of subsidiary CFTC PRECISION SDN BHD; (2) amend some texts of the “Procedures for Acquisition or Disposal of Assets” and present the amendment in the 2022 shareholders' meeting for discussion and disclosure.</li> <li>4. On May 27, 2022, the shareholders’ meeting approved to amend some texts of the “Procedures for Acquisition or Disposal of Assets” (the commitment “to get listed on TPEX” set in item 13.4 included), and the amended procedure has been availed on MOPS the same day.</li> </ol> <p>II. Progress tracking in 2023 Q1: item (1) in the said resolution still in process.</p>	<p>I.</p> <ol style="list-style-type: none"> <li>1. Part of the provisions of the “Procedures for Acquisition or Disposal of Assets” (Article 13.4 inclusive).</li> <li>2. Material information disclosed via Market Observation Post System (MOPS) on May 24, 2019</li> <li>3. Minutes of the board meeting on January 14, 2022.</li> <li>4. Material information uploaded on MOPS on May 27, 2022.</li> <li>5. The revised “Procedures for Acquisition or Disposal of Assets” on May 27, 2022.</li> </ol>	

**IX. Matters having a significant impact on shareholders' equity or securities prices as specified in Subparagraph 2, Article 36, Paragraph 2 of the Securities and Exchange Act in the most recent year and as of the publication date of the annual report**

: None.

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

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2022 and 2021**

Address: No.40,Xinggong Rd., Shengang Township, Changhua County, Taiwan  
(R.O.C.)

Telephone: (04)7980339

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## Representation Letter

The entities that are required to be included in the combined financial statements of CHINA FINEBLANKING TECHNOLOGY CO., LTD. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CHINA FINEBLANKING TECHNOLOGY CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Chairman: I-HSIANG HUANG

Date: March 24, 2023

## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of CHINA FINEBLANKING TECHNOLOGY CO., LTD. and its subsidiaries ( "the Group" ), which comprise the consolidated balance sheet as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ( "IFRSs" ), International Accounting Standards ( "IASs" ), Interpretations developed by the International Financial Reporting Interpretations Committee ( "IFRIC" ) or the former Standing Interpretations Committee ( "SIC" ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Revenue recognition

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

Description of key audit matter:

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

Our principal audit procedures included:

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

2. Inventory valuation

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

Description of key audit matter:

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

Our principal audit procedures included:

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

**Other Matter**

CHINA FINEBLANKING TECHNOLOGY CO., LTD. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 24, 2023

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

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (Note (6)(a))	\$ 351,084	8	526,955	12	2100	Short-term borrowings (Note (6)(h))	\$ 648,759	15	464,047	10
1110	Current financial assets at fair value through profit or loss (Note (6)(j))	-	-	-	-	2130	Current contract liabilities (Note (6)(q))	11,252	-	9,821	-
1140	Current contract assets (Note (6)(q))	50,087	1	75,035	2	2150	Notes payable	182	-	971	-
1150	Notes receivable, net (Note (6)(b) and (q))	85,666	2	79,280	2	2170	Accounts payable	303,497	7	381,366	9
1170	Accounts receivable, net (Note (6)(b) and (q))	641,097	15	634,418	14	2180	Accounts payable to related parties (Note (7))	7,659	-	11,451	-
1200	Other receivables, net (Note (8))	69,548	2	62,642	1	2200	Other payables (Note (6)(i))	327,232	8	376,883	9
1220	Current tax assets (Note (6)(n))	43	-	34	-	2220	Other payables to related parties (Note (6)(i) and (7))	19,325	-	30,247	1
130X	Inventories (Note (6)(c))	719,754	17	659,437	15	2230	Current tax liabilities	11,560	-	23,188	-
1410	Prepayments (Note (6)(d))	182,571	4	187,936	4	2280	Current lease liabilities (Note (6)(l))	2,155	-	1,245	-
1470	Other current assets	271	-	2,209	-	2320	Long-term liabilities, current portion (Note (6)(j) and (k))	565,801	13	114,180	3
		<u>2,100,121</u>	<u>49</u>	<u>2,227,946</u>	<u>50</u>	2399	Other current liabilities, others	742	-	807	-
								<u>1,898,164</u>	<u>43</u>	<u>1,414,206</u>	<u>32</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1510	Non-current financial assets at fair value through profit or loss (Note (6)(j))	-	-	57	-	2530	Bonds payable (Note (6)(j))	-	-	378,449	9
1600	Property, plant and equipment (Note (6)(e), (7) and (8))	1,973,742	46	1,962,289	45	2540	Long-term borrowings (Note (6)(k))	750,689	18	910,310	21
1755	Right-of-use assets (Note (6)(f) and (8))	33,936	1	33,155	1	2570	Deferred tax liabilities (Note (6)(n))	74,319	2	76,094	2
1780	Intangible assets	10,050	-	11,213	-	2580	Non-current lease liabilities (Note (6)(l))	999	-	895	-
1840	Deferred tax assets (Note (6)(n))	36,606	1	25,585	1	2630	Long-term deferred revenue	6,690	-	9,354	-
1900	Other non-current assets (Note (6)(g))	118,835	3	150,837	3	2645	Guarantee deposits received	274	-	270	-
		<u>2,173,169</u>	<u>51</u>	<u>2,183,136</u>	<u>50</u>			<u>832,971</u>	<u>20</u>	<u>1,375,372</u>	<u>32</u>
								<u>2,731,135</u>	<u>63</u>	<u>2,789,578</u>	<u>64</u>
						<b>Total liabilities</b>					
						<b>Equity attributable to owners of parent (Note (6)(o)):</b>					
						3110	Ordinary shares	858,988	20	858,419	19
						3200	Capital surplus	555,218	13	553,362	13
						3300	Retained earnings	420,840	10	431,313	10
						3400	Other equity interest	(97,144)	(2)	(119,793)	(3)
						3500	Treasury shares	(195,747)	(4)	(101,797)	(3)
						31XX	<b>Total equity attributable to owners of parent:</b>	<u>1,542,155</u>	<u>37</u>	<u>1,621,504</u>	<u>36</u>
						36XX	Non-controlling interests	-	-	-	-
								<u>1,542,155</u>	<u>37</u>	<u>1,621,504</u>	<u>36</u>
						<b>Total equity</b>					
						<b>Total liabilities and equity</b>					
								<u>\$ 4,273,290</u>	<u>100</u>	<u>4,411,082</u>	<u>100</u>
<b>Total assets</b>		<u>\$ 4,273,290</u>	<u>100</u>	<u>4,411,082</u>	<u>100</u>						

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

**Consolidated Statements of Comprehensive Income**

**For the years ended December 31, 2022 and 2021**

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

		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (Notes (6)(q) and (14))</b>	\$ 2,539,681	100	2,639,658	100
5000	<b>Operating costs (Notes (6)(c)(m)(r), (7) and (12))</b>	2,211,042	87	2,128,042	81
5900	<b>Gross profit from operations</b>	328,639	13	511,616	19
6000	<b>Operating expenses (Notes (6)(m)(r) and (12)):</b>				
6100	Selling expenses	60,012	2	69,406	3
6200	Administrative expenses	193,969	8	183,095	7
6300	Research and development expenses	94,225	4	88,132	3
6450	Expected credit loss (gain) (Note (6)(b))	1,225	-	(14,255)	(1)
6300	<b>Total operating expenses</b>	349,431	14	326,378	12
6900	<b>Net operating income (loss)</b>	(20,792)	(1)	185,238	7
	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note (6)(s))	905	-	876	-
7010	Other income (Note (6)(s))	46,823	2	41,063	2
7020	Other gains and losses, net (Notes (6)(s) and (9))	36,033	1	(23,113)	(1)
7050	Finance costs, net (Notes (6)(l)(s))	(39,079)	(1)	(23,569)	(1)
	<b>Total non-operating income and expenses</b>	44,682	2	(4,743)	-
	<b>Profit from continuing operations before tax</b>	23,890	1	180,495	7
7950	Less: Income tax expenses (benefit) (Note (6)(n))	(19,244)	(1)	72,833	3
	<b>Profit</b>	43,134	2	107,662	4
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	28,311	1	5,868	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	5,662	-	1,173	-
8300	<b>Other comprehensive income</b>	22,649	1	4,695	-
	<b>Total comprehensive income</b>	<b>\$ 65,783</b>	<b>3</b>	<b>112,357</b>	<b>4</b>
	<b>Profit, attributable to:</b>				
8610	Profit, attributable to owners of parent	\$ 43,134	2	107,662	4
8720	Profit, attributable to non-controlling interests	-	-	-	-
		<b>\$ 43,134</b>	<b>2</b>	<b>107,662</b>	<b>4</b>
	<b>Comprehensive income attributable to:</b>				
8710	Comprehensive income, attributable to owners of parent	\$ 65,783	3	112,357	4
8720	Comprehensive income, attributable to non-controlling interests	-	-	-	-
		<b>\$ 65,783</b>	<b>3</b>	<b>112,357</b>	<b>4</b>
	<b>Earnings per share (Note (6)(p))</b>				
9750	Basic earnings per share (Dollar)	<b>\$ 0.53</b>		<b>1.29</b>	
9810	Diluted earnings per share (Dollar)	<b>\$ 0.52</b>		<b>1.21</b>	

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

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent							Total other equity interest	Total equity	
	Share capital	Retained earnings					Exchange differences on translation of foreign financial statements			Treasury shares
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings				
<b>Balance at January 1, 2021</b>	\$ 838,841	528,557	94,998	131,613	178,942	405,553	(124,488)	(80,532)	1,567,931	
Profit	-	-	-	-	107,662	107,662	-	-	107,662	
Other comprehensive income	-	-	-	-	-	-	4,695	-	4,695	
Total comprehensive income	-	-	-	-	107,662	107,662	4,695	-	112,357	
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	13,763	-	(13,763)	-	-	-	-	
Cash dividends of ordinary shares	-	-	-	-	(65,522)	(65,522)	-	-	(65,522)	
Stock dividends of ordinary shares	16,380	-	-	-	(16,380)	(16,380)	-	-	-	
Reversal of special reserve	-	-	-	(7,125)	7,125	-	-	-	-	
Conversion of convertible bonds	3,198	9,993	-	-	-	-	-	-	13,191	
Purchase of treasury share	-	-	-	-	-	-	-	(100,950)	(100,950)	
Share-based payments	-	14,812	-	-	-	-	-	79,685	94,497	
Balance at December 31, 2021	858,419	553,362	108,761	124,488	198,064	431,313	(119,793)	(101,797)	1,621,504	
Profit	-	-	-	-	43,134	43,134	-	-	43,134	
Other comprehensive income	-	-	-	-	-	-	22,649	-	22,649	
Total comprehensive income	-	-	-	-	43,134	43,134	22,649	-	65,783	
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	10,767	-	(10,767)	-	-	-	-	
Cash dividends of ordinary shares	-	-	-	-	(53,607)	(53,607)	-	-	(53,607)	
Reversal of special reserve	-	-	-	(4,695)	4,695	-	-	-	-	
Conversion of convertible bonds	569	1,712	-	-	-	-	-	-	2,281	
Purchase of treasury shares	-	-	-	-	-	-	-	(94,790)	(94,790)	
Share-based payments	-	144	-	-	-	-	-	840	984	
<b>Balance at December 31, 2022</b>	\$ 858,988	555,218	119,528	119,793	181,519	420,840	(97,144)	(195,747)	1,542,155	

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

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2022 and 2021**

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

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 23,890	180,495
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	191,514	176,734
Amortization expense	18,022	8,985
Expected credit loss (reversal gain)	1,225	(14,255)
Net loss on financial assets and liabilities at fair value through profit or loss	57	3
Interest expense	39,079	23,569
Interest income	(905)	(876)
Loss on disposal of property, plant and equipment	1,310	8,306
Amortization of deferred revenue	(2,664)	(2,585)
<b>Total adjustments to reconcile profit</b>	<u>247,638</u>	<u>199,881</u>
<b>Changes in operating assets and liabilities:</b>		
Decrease in contract assets	26,117	16,589
(Increase) decrease in notes receivable	(5,259)	4,445
(Increase) decrease in accounts receivable	(852)	6,082
Increase in other receivables	(6,906)	(730)
Increase in inventories	(52,120)	(156,121)
Increase in prepayments	(20,363)	(10,243)
Decrease (increase) in other current assets	1,938	(3,729)
<b>Total changes in operating assets</b>	<u>(57,445)</u>	<u>(143,707)</u>
Increase in contract liabilities	1,431	4,242
(Decrease) increase in notes payable	(789)	375
(Decrease) increase in accounts payable	(86,139)	38,776
(Decrease) increase in other payables	(65,797)	21,802
(Decrease) increase in other current liabilities	(65)	522
<b>Total changes in operating liabilities</b>	<u>(151,359)</u>	<u>65,717</u>
<b>Total changes in operating assets and liabilities</b>	<u>(208,804)</u>	<u>(77,990)</u>
<b>Total adjustments</b>	<u>38,834</u>	<u>121,891</u>
Cash inflow generated from operations	62,724	302,386
Interest received	905	876
Interest paid	(31,356)	(23,318)
Income taxes paid	(11,109)	(35,421)
<b>Net cash flows from operating activities</b>	<u>21,164</u>	<u>244,523</u>

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

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

**For the years ended December 31, 2022 and 2021**

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

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(36,308)	(143,124)
Proceeds from disposal of property, plant and equipment	2,260	1,784
Decrease in refundable deposits	263	-
Acquisition of intangible assets	(1,623)	(5,388)
Increase in other non-current assets	(103,683)	(125,634)
<b>Net cash flows used in investing activities</b>	<u>(139,091)</u>	<u>(272,362)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	961,963	668,469
Decrease in short-term loans	(799,765)	(646,540)
Proceeds from long-term loans	50,000	201,189
Repayments of long-term loans	(144,958)	(72,047)
Decrease in guarantee deposits received	-	(5)
Repayments of lease liabilities	(2,271)	(1,176)
Cash dividends paid	(53,607)	(65,522)
Payments to acquire treasury shares	(94,790)	(100,950)
Treasury shares sold to employees	984	94,497
<b>Net cash flows (used in) from financing activities</b>	<u>(82,444)</u>	<u>77,915</u>
<b>Effect of exchange rate fluctuations on cash held</b>	24,500	8,395
<b>Net (decrease) increase in cash and cash equivalents</b>	(175,871)	58,471
<b>Cash and cash equivalents, beginning of the period</b>	526,955	468,484
<b>Cash and cash equivalents, end of the period</b>	<u><u>\$ 351,084</u></u>	<u><u>526,955</u></u>

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

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2022 and 2021**

**(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, Xinggong Rd., Shengang Township, Changhua County, Taiwan (R.O.C.).

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

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2023.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

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**Notes to the Consolidated Financial Statements**

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

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

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

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

- (ii) Functional and presentation currency

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

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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(c) Basis of consolidation

(i) Principles for preparing consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2022	December 31, 2021	
The Company	China Fineblanking Group Co., Ltd. (CFTC Group)	Investment activities	100.00%	100.00%	
The Company	CFTC Precision Sdn. Bhd. (CFTC Malaysia)	Property management	100.00%	100.00%	Note 1
CFTC Group	China Fineblanking International Co., Ltd.  (CFTC International)	Investment activities	100.00%	100.00%	
CFTC International	CFTC Precision (Jia-Xing) (CFTC Jia-Xing)	Manufacture and sale of hardware parts, mechanical hardware parts and molding compenents	100.00%	100.00%	
CFTC International	CFTC (Huai-An) Limited (CFTC Huai-An)	Manufacture of mechanical parts and molding components	100.00%	100.00%	

Note 1: Since CFTC Precision Sdn. Bhd has completed the phased milestone, the liquidation procedure of the company had been approved during the Company’s board meeting held on

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January 14, 2022, in order to lower the cost of operation. The related liquidation procedure was still in-progress.

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

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

### Notes to the Consolidated Financial Statements

#### (i) Financial assets

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

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

##### 1) Financial assets measured at amortized cost

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

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

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

##### 2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Accounts receivable that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the ‘accounts receivable’ line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

##### 3) Impairment of financial assets

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

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### Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

### Notes to the Consolidated Financial Statements

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

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

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

#### 4) Derecognition of financial assets

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

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

##### 2) Equity instrument

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

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## 3) Treasury shares

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

## 4) Compound financial instruments

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

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

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

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

## 5) Financial liabilities

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

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

## 6) Derecognition of financial liabilities

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

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### Notes to the Consolidated Financial Statements

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

#### 7) Offsetting of financial assets and liabilities

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

#### (h) Inventories

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

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

#### (i) Property, plant and equipment

##### (i) Recognition and measurement

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

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

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

##### (ii) Subsequent expenditure

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

##### (iii) Depreciation

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

Land is not depreciated.

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

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

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

#### (j) Leases

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

##### (i) As a lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

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

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

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

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

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

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

(ii) As a lessor

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

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

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(k) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

(l) Impairment – non-financial assets

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

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

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

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

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

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(m) Revenue from contracts with customers

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

(i) Sale of goods

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

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

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

(ii) Financial components

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

(n) Government grants and Government assistance

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

(o) Employee benefits

(i) Defined contribution plans

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

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(ii) Short-term employee benefits

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

(p) Share-based payment

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

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

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

(q) Income taxes

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

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

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

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

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

(r) Earnings per share

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

(s) Operating segments

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

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

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

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

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

(a) The loss allowance of accounts receivables

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

(b) Valuation of inventories

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

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

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

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

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

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

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

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

(a) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 212	200
Cash in banks	350,872	526,755
	<u><b>\$ 351,084</b></u>	<u><b>526,955</b></u>

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

(b) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 85,666	79,280
Accounts receivable	647,795	639,815
Less: Loss allowance	(6,698)	(5,397)
	<u><b>\$ 726,763</b></u>	<u><b>713,698</b></u>

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

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

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	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 687,010	0%	-
1 to 30 days past due	10,985	0.1%	12
31 to 60 days past due	7,817	5%	391
61 to 120 days past due	11,227	10%~26%	2,938
121 to 180 days past due	357	30%~100%	357
More than 181 days past due	<u>1,699</u>	70%~100%	<u>1,699</u>
	<b><u>\$ 719,095</u></b>		<b><u>5,397</u></b>

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

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

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 5,397	19,584
Impairment losses recognized (losses reversed)	1,225	(14,255)
Effects of changes in foreign exchange rates	<u>76</u>	<u>68</u>
Balance at December 31	<b><u>\$ 6,698</u></b>	<b><u>5,397</u></b>

As of December 31, 2022 and 2021, the notes and accounts receivable of the Group were not pledged as collateral.

(c) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials	\$ 129,881	92,529
Work in progress	225,346	256,864
Finished goods	<u>364,527</u>	<u>310,044</u>
	<b><u>\$ 719,754</u></b>	<b><u>659,437</u></b>

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For the years ended December 31, 2022 and 2021, the components of the cost of sales were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Cost of goods sold	\$ 2,189,978	2,128,978
Unallocated fixed manufacturing overhead	17,526	-
Write-down and obsolescence of inventories (reversal of write-downs)	3,538	(936)
	<b>\$ 2,211,042</b>	<b>2,128,042</b>

As of December 31, 2022 and 2021, the Group did not provide any inventories as collateral for its loans.

(d) Prepayments

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Supplies inventory (including mold components and spare parts)	\$ 136,606	131,539
Other prepayments	45,965	56,397
	<b>\$ 182,571</b>	<b>187,936</b>

(e) Property, plant and equipment

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

	<b>Land</b>	<b>Buildings and construction</b>	<b>Machinery and equipment</b>	<b>Molds</b>	<b>Transportation equipment</b>	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Other facilities</b>	<b>Construction in progress and testing equip</b>	<b>Total</b>
<b>Cost or deemed cost:</b>										
Balance on January 1, 2022	\$ 479,357	718,216	1,620,223	316,209	12,565	49,952	96	8,789	4,028	3,209,435
Additions	-	5,539	10,638	3,895	4	69	-	223	15,940	36,308
Reclassification	-	22,468	136,608	13,054	(940)	1,084	-	38	(19,758)	152,554
Disposal	-	(477)	(16,662)	(13,589)	(665)	(1,283)	-	(469)	-	(33,145)
Effect of movements in exchange rates	-	6,239	18,642	4,655	189	546	-	-	-	30,271
Balance on December 31, 2022	<b>\$ 479,357</b>	<b>751,985</b>	<b>1,769,449</b>	<b>324,224</b>	<b>11,153</b>	<b>50,368</b>	<b>96</b>	<b>8,581</b>	<b>210</b>	<b>3,395,423</b>
Balance on January 1, 2021	\$ 479,357	174,128	1,489,803	302,279	13,135	44,089	15,833	5,696	483,606	3,007,926
Additions	-	18,715	42,395	1,699	346	4,279	-	797	74,893	143,124
Reclassification	-	544,596	131,767	11,376	1,383	3,531	-	4,381	(555,149)	141,885
Disposal	-	(19,709)	(49,129)	-	(2,350)	(2,076)	(15,737)	(2,085)	(62)	(91,148)
Others	-	(272)	-	-	-	-	-	-	-	(272)
Effect of movements in exchange rates	-	758	5,387	855	51	129	-	-	740	7,920
Balance on December 31, 2021	<b>\$ 479,357</b>	<b>718,216</b>	<b>1,620,223</b>	<b>316,209</b>	<b>12,565</b>	<b>49,952</b>	<b>96</b>	<b>8,789</b>	<b>4,028</b>	<b>3,209,435</b>
<b>Depreciation and impairment loss:</b>										
Balance on January 1, 2022	\$ -	98,906	831,295	269,359	8,582	34,975	96	3,933	-	1,247,146
Depreciation	-	31,158	119,117	32,954	1,373	3,297	-	425	-	188,324
Reclassification	-	-	-	-	(823)	823	-	-	-	-
Disposal	-	(328)	(15,045)	(11,948)	(598)	(1,187)	-	(469)	-	(29,575)
Effect of movements in exchange rates	-	1,287	11,121	2,906	127	345	-	-	-	15,786
Balance on December 31, 2022	<b>\$ -</b>	<b>131,023</b>	<b>946,488</b>	<b>293,271</b>	<b>8,661</b>	<b>38,253</b>	<b>96</b>	<b>3,889</b>	<b>-</b>	<b>1,421,681</b>

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	Land	Buildings and construction	Machinery and equipment	Molds	Transportation equipment	Office equipment	Leasehold improvements	Other facilities	Construction in progress and testing equip	Total
Balance on January 1, 2021	\$ -	100,367	756,707	227,013	9,428	34,221	15,830	5,608	-	1,149,174
Depreciation	-	15,769	112,856	41,641	1,229	2,581	3	410	-	174,489
Disposal	-	(18,081)	(41,123)	-	(2,112)	(1,920)	(15,737)	(2,085)	-	(81,058)
Reclassification	-	529	34	-	-	-	-	-	-	563
Effect of movements in exchange rates	-	322	2,821	705	37	93	-	-	-	3,978
Balance on December 31, 2021	<u>\$ -</u>	<u>98,906</u>	<u>831,295</u>	<u>269,359</u>	<u>8,582</u>	<u>34,975</u>	<u>96</u>	<u>3,933</u>	<u>-</u>	<u>1,247,146</u>
<b>Carrying amounts:</b>										
Balance on December 31, 2022	<u>\$ 479,357</u>	<u>620,962</u>	<u>822,961</u>	<u>30,953</u>	<u>2,492</u>	<u>12,115</u>	<u>-</u>	<u>4,692</u>	<u>210</u>	<u>1,973,742</u>
Balance on January 1, 2021	<u>\$ 479,357</u>	<u>73,761</u>	<u>733,096</u>	<u>75,266</u>	<u>3,707</u>	<u>9,868</u>	<u>3</u>	<u>88</u>	<u>483,606</u>	<u>1,858,752</u>
Balance on December 31, 2021	<u>\$ 479,357</u>	<u>619,310</u>	<u>788,928</u>	<u>46,850</u>	<u>3,983</u>	<u>14,977</u>	<u>-</u>	<u>4,856</u>	<u>4,028</u>	<u>1,962,289</u>

- (i) During 2022 and 2021, the Group has capitalized borrowing costs related to the acquisition of the equipment and construction of the factory of \$163 and \$9,392, calculated using a capitalization rate of 1.45%~1.78% and 1.45%~4.35% , respectively.
- (ii) The difference between the fair value and the amount received from low-interest government loans projects was regarded as the deduction of the cost of additions of assets and recognized as buildings of \$272 in 2021.
- (iii) As of December 31, 2022 and 2021, the property, plant and equipment of the Group had been pledged as collateral for long and short-term borrowings; please refer to Note 8.
- (f) Right-of-use assets

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

	Land	Buildings	Transportation equipment	Office equipment	Total
<b>Cost:</b>					
Balance at January 1, 2022	\$ 33,983	1,934	2,933	1,042	39,892
Additions	-	-	3,285	-	3,285
Disposals	-	(1,920)	(631)	-	(2,551)
Effect of movements in exchange rates	548	(14)	-	-	534
Balance at December 31, 2022	<u>\$ 34,531</u>	<u>-</u>	<u>5,587</u>	<u>1,042</u>	<u>41,160</u>
Balance at January 1, 2021	\$ 33,897	1,879	2,933	535	39,244
Additions	-	-	-	507	507
Effect of movements in exchange rates	86	55	-	-	141
Balance at December 31, 2021	<u>\$ 33,983</u>	<u>1,934</u>	<u>2,933</u>	<u>1,042</u>	<u>39,892</u>
<b>Accumulated depreciation and impairment losses:</b>					
Balance at January 1, 2022	\$ 2,740	1,934	1,776	287	6,737
Depreciation	929	176	1,876	209	3,190
Disposal	-	(1,920)	(631)	-	(2,551)
Others	-	(224)	-	-	(224)
Effect of movements in exchange rates	38	34	-	-	72
Balance at December 31, 2022	<u>\$ 3,707</u>	<u>-</u>	<u>3,021</u>	<u>496</u>	<u>7,224</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Balance at January 1, 2021	\$ 1,820	1,738	799	121	4,478
Depreciation	913	189	977	166	2,245
Effect of movements in exchange rates	7	7	-	-	14
Balance at December 31, 2021	<b>\$ 2,740</b>	<b>1,934</b>	<b>1,776</b>	<b>287</b>	<b>6,737</b>
<b>Carrying amounts:</b>					
Balance at December 31, 2022	<b>\$ 30,824</b>	<b>-</b>	<b>2,566</b>	<b>546</b>	<b>33,936</b>
Balance at January 1, 2021	<b>\$ 32,077</b>	<b>141</b>	<b>2,134</b>	<b>414</b>	<b>34,766</b>
Balance at December 31, 2021	<b>\$ 31,243</b>	<b>-</b>	<b>1,157</b>	<b>755</b>	<b>33,155</b>

As of December 31, 2022 and 2021, the right-of-use assets of the Group had been pledged as collateral for long and short-term borrowings; please refer to Note 8.

(g) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments for equipments	\$ 67,659	119,823
Guarantee deposits paid	3,951	4,214
Other non-current assets	47,225	26,800
	<b>\$ 118,835</b>	<b>150,837</b>

(i) During 2022 and 2021, the Group has capitalized borrowing costs related to the acquisition of the equipment and construction of factory of \$3,693 and \$1,458, calculated using a capitalization rate of 1.45%~4.27% and 1.45 %, respectively.

(ii) The difference between the fair value and the amount received from the low-interest government loan project of \$738 and \$3,857 was recognized as cost deduction on additional assets under prepayments for equipments during 2022 and 2021.

(h) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans	\$ 377,668	342,809
Secured bank loans	271,091	121,238
Total	<b>\$ 648,759</b>	<b>464,047</b>
Unused short-term credit lines	<b>\$ 555,799</b>	<b>636,479</b>
Range of interest rates	<b><u>1.65%~4.65%</u></b>	<b><u>1.45%~4.65%</u></b>

(i) As of December 31, 2022 and 2021, the Group had borrowed the unsecured bank loans amounted to \$961,963 and \$668,469, and had been repaid at the amount of \$799,765 and \$646,540, respectively.

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

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## (i) Other payables (including related parties)

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Payable on expendables	\$ 41,207	42,899
Outsourced processing expenses payable	143,977	148,621
Wages and salaries payable	29,389	53,164
Mold-processing expenses payable	3,264	3,488
Payable on machinery and repairing	25,201	32,610
Packing expenses payable	7,690	12,988
Payable on construction	20,680	6,927
Others	75,149	106,433
	<b><u>\$ 346,557</u></b>	<b><u>407,130</u></b>

## (j) Bonds payable

The details of bonds payable were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Secured convertible bonds	\$ 198,514	196,305
Unsecured convertible bonds	183,169	182,144
Less: current portion	(381,683)	-
	<b><u>\$ -</u></b>	<b><u>378,449</u></b>

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total convertible corporate bonds issued	\$ 401,504	401,504
Unamortized discounted corporate bonds payable	(3,701)	(9,252)
Cumulative converted amount	(16,120)	(13,803)
Less: current portion	(381,683)	-
Corporate bonds issued balance at year end	<b><u>\$ -</u></b>	<b><u>378,449</u></b>
Embedded derivative – call and put options, included in non current financial assets at fair value through profit or loss	<b><u>\$ -</u></b>	<b><u>57</u></b>
Equity component – conversion options, included in capital surplus – stock options	<b><u>\$ 9,338</u></b>	<b><u>9,413</u></b>

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On August 31 and September 1, 2020, the Group issues the three-year secured convertible bonds with zero interest rate \$200,000 and the three-year unsecured convertible bonds with zero interest rate \$201,504, the offering information were as follows:

#### Secured convertible bonds

- The conversion price was \$46 dollar per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.
- From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.
- Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the bond denomination.

#### Unsecured convertible bonds

- The conversion price was \$45 per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.
- From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.
- Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the maturity date at 100.7519% of the principal amount of the bond (the real yield is 0.25%).

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

(iii) Please refer to note 6(s) for the interest expense for the years ended December 31, 2022 and 2021.

#### (k) Long-term borrowings

The details were as follows:

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

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	<b>December 31, 2021</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity date</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.05%~1.55%	2022.06.15~2025.10.08	\$ 242,589
Secured bank loans	TWD	0.05%~4.21%	2023.09.25~2039.10.31	781,901
				1,024,490
Less: current portion				(114,180)
Total				<b>\$ 910,310</b>
Unused long-term credit lines				<b>\$ 251,232</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, 2021, the Group had borrowed secured bank loans of \$140,800. The annual interest rates of loans was 0.05% and 0.10%, due in between March 2026 and May 2030, respectively. 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 0.68%~0.73% in 2022.

As of December 31, 2022, the Group had borrowed secured bank loans of \$20,000. The annual interest rates of loans was 0.45%, due in October 2027. The loans were applied according to the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” .

(iii) As of December 31, 2022 and 2021, the Group had borrowed the secured and unsecured bank loans of amounted to \$50,000 and \$201,189; and had been repaid at the amounts of \$144,958 and \$72,047, respectively.

(l) Lease liabilities

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	<b>\$ 2,155</b>	<b>1,245</b>
Non-current	<b>\$ 999</b>	<b>895</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>2022</b>	<b>2021</b>
Interest on lease liabilities	<b>\$ 73</b>	<b>79</b>
Expenses relating to short-term leases	<b>\$ 4,450</b>	<b>85</b>

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

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

	<b>For the year ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<b>\$ 6,794</b>	<b>1,340</b>

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

(m) Employee benefits

(i) Defined contribution plans

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

For the years ended December 31, 2022 and 2021, the pension costs incurred from the contributions to the Bureau of Labor Insurance as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$ 3,862	2,211
Selling expenses	2,027	1,848
	<b>\$ 5,889</b>	<b>4,059</b>

(ii) For the years ended December 31, 2022 and 2021, the foreign subsidiary recognized pension costs according to local laws as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$ 15,119	23,818
Selling expenses	4,977	7,167
Total	<b>\$ 20,096</b>	<b>30,985</b>

(n) Income taxes

(i) The components of income tax in the years 2022 and 2021 were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax expense (benefit)		
Current period	\$ 12,317	36,196
Additional 5% surtax on distributed retained earnings	2,267	2,454
Adjustment for prior periods	(15,480)	4,109
Deferred tax (benefit) expense		
Origination and reversal of temporary differences	(18,348)	30,074
Income tax (benefit) expense	<b>\$ (19,244)</b>	<b>72,833</b>

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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(ii) Reconciliations of income tax and profit before tax for 2022 and 2021 were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit excluding income tax	\$ 23,890	180,495
Income tax the Company's domestic tax rate	4,778	36,099
Effect of tax rates in foreign jurisdiction	3,785	30,266
Non-deductible expenses	1,354	1,083
Research and development expenses deduction	(14,692)	-
Recognition of previously unrecognized tax losses	(1,284)	(1,209)
Underestimation (overestimation) in prior period	(15,480)	4,109
Additional 5% surtax on distributed retained earnings	2,267	2,454
Others	28	31
	<b>\$ (19,244)</b>	<b>72,833</b>

(iii) The amount of income tax recognized in other comprehensive income (loss) for the years ended December 31, 2022 and 2021 was as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statement	<b>\$ 5,662</b>	<b>1,173</b>

(iv) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	<b>Inventory valuation losses</b>	<b>Other</b>	<b>Total</b>
Deferred tax assets:			
Balance at January 1, 2022	\$ 4,244	21,341	25,585
Recognized in profit or loss	548	16,026	16,574
Recognized in other comprehensive income	-	(5,662)	(5,662)
Exchange differences on translation of foreign financial statement	60	49	109
Balance at December 31, 2022	<b>\$ 4,852</b>	<b>31,754</b>	<b>36,606</b>

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

**Notes to the Consolidated Financial Statements**

	<b>Inventory valuation losses</b>	<b>Other</b>	<b>Total</b>
Balance at January 1, 2021	\$ 5,808	28,143	33,951
Recognized in profit or loss	(1,584)	(5,572)	(7,156)
Recognized in other comprehensive income	-	(1,173)	(1,173)
Exchange differences on translation of foreign financial statement	20	(57)	(37)
Balance at December 31, 2021	<b>\$ 4,244</b>	<b>21,341</b>	<b>25,585</b>

	<b>Investment income overseas</b>	<b>Other</b>	<b>Total</b>
Deferred tax liabilities:			
Balance at January 1, 2022	\$ 76,094	-	76,094
Recognized in profit or loss	(3,681)	1,906	(1,775)
Balance at December 31, 2022	<b>\$ 72,413</b>	<b>1,906</b>	<b>74,319</b>
Balance at January 1, 2021	\$ 53,176	-	53,176
Recognized in profit or loss	22,918	-	22,918
Balance at December 31, 2021	<b>\$ 76,094</b>	<b>-</b>	<b>76,094</b>

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

(o) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, 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 85,899 thousand shares and 85,842 thousand shares, respectively.

The reconciliation of shares outstanding for 2022 and 2021 was as follows:

(in thousands of shares)

	<b>Ordinary Shares</b>	
	<b>2022</b>	<b>2021</b>
Balance on January 1	85,842	83,884
Capital increase by conversion of convertible bonds	57	320
Capital increase by retained earnings	-	1,638
Balance on December 31	<b>85,899</b>	<b>85,842</b>

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

### Notes to the Consolidated Financial Statements

A resolution was passed during the general meeting of shareholders held on July 30, 2021 for the issuance of 1,638 thousand new shares by retained earnings with par value of \$10 dollar per share, amounting to \$16,380. On September 1, 2021, the chairman of the Board of Directors authorized the increase of capital by the Bond of Directors on July 30, 2021 to set the capital increase record date as October 5, 2021. The relevant statutory registration procedures have since been completed by October 18, 2021.

Due to the conversion right of the bondholders in 2021, the Company converted the convertible bonds into 320 thousand new shares, with par value of \$10 dollar per share, amounting to \$3,198. The relevant statutory registration procedures had been completed on April 23, August 18 and December 2, 2021, respectively.

Due to the conversion right of the bondholders, the Company issued 57 thousand shares with a par value of \$10 dollar per share for a total amount of \$569 in 2022, of which 27 thousand shares with a total amount of \$272 thousand had not been legally registered as of December 31, 2022, but the legal registration procedures were completed on November 22, 2022.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Premium from issuing new shares	\$ 303,851	303,851
Premium from converting bonds	206,410	204,623
Share-based payment	33,259	33,115
Treasury share transactions	2,360	2,360
Issuance of convertible bonds	9,338	9,413
	<b>\$ 555,218</b>	<b>553,362</b>

(iii) Retained earnings

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

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

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

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

### Notes to the Consolidated Financial Statements

1) Legal reserve

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

2) Special reserve

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

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

In accordance with the aforesaid Rule, a special reserve is set aside from the current years' net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of contra accounts in shareholder's equity shall qualify for additional distributions. As of December 31, 2022 and 2021, the special reserve appropriated from the undistributed earnings amounted to \$119,793 and \$124,488.

3) Earnings distribution

The amounts of earnings distribution on the appropriations of earnings for 2021 and 2020 had been approved during the shareholders' meeting on May 27, 2022 and July 30, 2021, respectively.

	2021		2020	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.65 dollar	53,607	0.80 dollar	65,522
Share	-	-	0.20 dollar	16,380
Total		<b>\$ 53,607</b>		<b>81,902</b>

The amounts of cash dividends on the appropriations of earnings for 2022, and the amount of shares dividends of appropriations of earnings for 2022, had been approved and proposed, respectively during the board meeting on March 24, 2023 as follows:

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

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES****Notes to the Consolidated Financial Statements****(iv) Treasury shares**

The Company repurchased 3,000,000 shares (the ninth time) between October 12 and December 11, 2018. The range of repurchased price is between \$23.80 dollar and \$57.81 dollar TWD and the actual average share price was \$37.10 dollar TWD per share. The total amount of shares purchased is \$111,305. On April 1, 2021, May 13, 2021, February 20, 2020 and November 4, 2020, the Board of Directors or the Chairman proposed to transfer treasury shares to employees by \$37.10 dollar TWD per share, and the total price of the transformation is \$15,174, \$12,837, \$31,906, and \$51,384, respectively. The differences \$3,068, \$1,280, \$1,188 and \$3,255 were recognized as capital surplus on the day of delivering stocks to the employees.

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

On May 13, 2021, the Company decided to repurchase shares (the eleventh time) as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 3,000,000 shares between May 14 and July 13, 2021. The expected range of the repurchased price is between \$28.56 dollar and \$69.43 dollar TWD. The Company had repurchased 2,349,000 shares, and the actual average share price was \$42.98 dollar TWD per share. The total amount of shares repurchased was \$100,950.

On January 14, 2022, the Company decided to repurchase shares as treasury shares (the twelfth time) by the propose of the Board of Directors. The Company expected to repurchase 2,000,000 shares between January 17 and March 16, 2022. The expected range of the repurchase price is between \$28.25 dollar and \$61.65 dollar. The Company had repurchased 1,020,000 shares, and the actual average share price was \$40.81 dollar per share. The total amount of shares repurchased was \$41,628.

On June 2, 2022, the Company decided to repurchase shares (the thirteenth time) as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 2,000,000 shares between June 6 and August 5, 2022. The expected range of the repurchase price is between \$26.46 dollar and \$58.22 dollar TWD. The Company had repurchased 1,098,000 shares, and the actual average share price was \$38.31 dollar TWD per share. The total amount of shares repurchased was \$42,064.

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

### Notes to the Consolidated Financial Statements

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 and February 6, 2023. The expected range of the repurchased price is between \$23.66 dollar and \$50.42 dollar TWD. As of December 31, 2022, the Company had repurchased 329,000 shares, and the actual average share price was \$33.73 dollar TWD per share. The total amount of shares repurchased was \$11,098.

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)

	<b>Treasury shares</b>	
	<b>2022</b>	<b>2021</b>
Balance at Beginning	2,373,000	2,255,000
Increase in the period	2,447,000	2,349,000
Decrease in the period	(24,000)	(2,231,000)
Balance at Ending	<b>4,796,000</b>	<b>2,373,000</b>

(v) Other equity items

	<b>Exchange differences on translation of foreign financial statements</b>	
Balance at January 1, 2022	\$	(119,793)
Exchange differences on foreign operations		22,649
Balance at December 31, 2022	<b>\$</b>	<b>(97,144)</b>
Balance at January 1, 2021	\$	(124,488)
Exchange differences on foreign operations		4,695
Balance at December 31, 2021	<b>\$</b>	<b>(119,793)</b>

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

## (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>2022</b>	<b>2021</b>
<b>Basic earnings per share</b>		
Profit/(loss) attributable to ordinary shareholders of the Company	\$ 43,134	107,662
Weighted average number of ordinary ( thousands shares)	82,029	83,529
Basic earnings per share (dollars)	<u>\$ 0.53</u>	<u>1.29</u>
<b>Diluted earnings per share</b>		
Profit/(loss) attributable to ordinary shareholders of the Company	\$ 43,134	107,662
Effect of dilutive potential ordinary shares		
Interest expense on convertible bonds, net of tax	4,411	4,379
Profit/(loss) attributable to ordinary shareholders of the Company (diluted)	<u>\$ 47,545</u>	<u>112,041</u>
Weighted average number of ordinary ( thousands shares)	82,029	83,529
Effect of dilutive potential ordinary shares		
Effect of employee share bonus (thousands shares)	50	87
Effect of conversion of convertible bonds (thousands shares)	9,381	9,274
Weighted average number of ordinary (Including adjustment of effect of dilutive potential ordinary shares) (thousands shares)	<u>91,460</u>	<u>92,890</u>
Diluted earnings per share (dollars)	<u>\$ 0.52</u>	<u>1.21</u>

## (q) Revenue from contracts with customers

## (i) Details of revenue

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

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

**Notes to the Consolidated Financial Statements**

	For the year ended December 31, 2021			
	Parts of HDD	Parts of vehicles	Management & operations	Total
Major products/services lines:				
Sales of goods	\$ 748,684	1,793,239	44,632	2,586,555
Other sales revenue	-	-	53,103	53,103
Total	<b>\$ 748,684</b>	<b>1,793,239</b>	<b>97,735</b>	<b>2,639,658</b>
Timing of revenue recognition:				
Products transferred at a point in time	<b>\$ 748,684</b>	<b>1,793,239</b>	<b>97,735</b>	<b>2,639,658</b>

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivables	\$ 85,666	79,280	83,725
Account receivables	647,795	639,815	645,829
Less: Loss allowance	(6,698)	(5,397)	(19,584)
Total	<b>\$ 726,763</b>	<b>713,698</b>	<b>709,970</b>
Contract assets—products selling	<b>\$ 50,087</b>	<b>75,035</b>	<b>91,624</b>
Contract liabilities—advance sales receipts	<b>\$ 11,252</b>	<b>9,821</b>	<b>5,579</b>

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

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

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

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$1,138 and \$2,884, and directors' and supervisors' remuneration amounting to \$569 and \$1,442, respectively. 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 2022 and 2021. 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 2021 and 2020.

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(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>2022</b>	<b>2021</b>
Interest income	<b>\$ 905</b>	<b>876</b>

(ii) Other income

The details of other income were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Other income	<b>\$ 46,823</b>	<b>41,063</b>

Other income is mainly subsidy and sample income.

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Losses on disposals of property, plant and equipment	\$ (1,310)	(8,306)
Gain (Losses) on foreign currency exchange	47,941	(12,282)
Losses on financial assets at fair value through profit or loss	(57)	(3)
Others	(10,541)	(2,522)
	<b>\$ 36,033</b>	<b>(23,113)</b>

For the year ended 2022, the Group incurred depreciation expenses of 235 thousand dollars due to the leased equipment, and it was stated as non-operating income and expenses.

(iv) Finance costs

The details of finance costs were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest expense	\$ 37,420	28,945
Amortization of discounts of bond	5,515	5,474
Less: interest capitalized	(3,856)	(10,850)
	<b>\$ 39,079</b>	<b>23,569</b>

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**Notes to the Consolidated Financial Statements**

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. The maximum amount were both \$1,197,270 and \$1,378,187 in 2022 and 2021.

2) Concentration of credit risk

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

3) Credit risk of receivables and debt securities

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

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 years</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 648,759	670,871	670,871	-	-	-
Notes and trade payable (including related parties)	311,338	311,338	311,338	-	-	-
Other payables (including related parties)	346,557	346,557	346,557	-	-	-
Bonds payable (including the ones expired within 1 year or an operating cycle)	381,683	385,384	385,384	-	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	934,807	945,979	184,118	288,744	142,874	330,243
Lease liabilities	3,154	3,205	2,195	965	45	-
	<u>\$ 2,626,298</u>	<u>2,663,334</u>	<u>1,900,463</u>	<u>289,709</u>	<u>142,919</u>	<u>330,243</u>

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	<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, 2021</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 464,047	480,222	480,222	-	-	-
Notes and trade payable (including related parties)	393,788	393,788	393,788	-	-	-
Other payables (including related parties)	407,130	407,130	407,130	-	-	-
Bonds payable	378,449	387,701	-	387,701	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	1,024,490	1,039,275	114,180	358,715	188,376	378,004
Lease liabilities	2,140	2,199	1,285	746	168	-
	<b>\$ 2,670,044</b>	<b>2,710,315</b>	<b>1,396,605</b>	<b>747,162</b>	<b>188,544</b>	<b>378,004</b>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>TWD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 5,583	30.7100	165,302	11,371	27.6800	314,759
USD:CNY	9,879	6.9669	303,396	10,349	6.3720	286,458
JPY:CNY	14,930	0.0527	3,470	104,510	0.0554	25,135
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:CNY	275	6.9669	8,437	9,586	6.3720	265,352
JPY:TWD	16,664	0.0527	3,873	-	-	-

2) Sensitivity analysis

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

A strengthening (weakening) of 1% of the TWD against the USD, JPY, and CNY in 2022 and 2021, would have increased (decreased) the net profit after tax by \$3,679 and \$2,888, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2021.

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

### Notes to the Consolidated Financial Statements

#### 3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to gain \$47,941 and loss \$12,282, respectively.

#### (iv) Interest rate analysis

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

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

If the interest rate had increased / decreased by 10 basis points, the Group's net income would have increased / decreased by \$1,267 for the year ended December 31, 2022 and \$1,191 for the year ended December 31, 2021, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

#### (v) Fair value information

##### 1) Fair value and type of financial instruments

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

	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 351,084	-	-	-	-
Contract assets	50,087	-	-	-	-
Notes and accounts receivables	726,763	-	-	-	-
Other receivables	69,548	-	-	-	-
Total	<b>\$ 1,197,482</b>	-	-	-	-
Financial liabilities at amortized cost					
Bank loans	\$ 1,583,566	-	-	-	-
Notes and accounts payables (including related parties)	311,338	-	-	-	-
Other payables (including related parties)	346,557	-	-	-	-
Lease liabilities	3,154	-	-	-	-
Bonds payables	381,683	-	-	-	-
Total	<b>\$ 2,626,298</b>	-	-	-	-

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	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Call options of convertible bonds	\$ 57	-	57	-	57
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 526,955	-	-	-	-
Contract assets	75,035	-	-	-	-
Notes and accounts receivables	713,698	-	-	-	-
Other receivables	62,642	-	-	-	-
Subtotal	1,378,330	-	-	-	-
Total	<b>\$ 1,378,387</b>	<b>-</b>	<b>57</b>	<b>-</b>	<b>57</b>
Financial liabilities at amortized cost					
Bank loans	\$ 1,488,537	-	-	-	-
Notes and accounts payables (including related parties)	393,788	-	-	-	-
Other payables (including related parties)	407,130	-	-	-	-
Lease liabilities	2,140	-	-	-	-
Bonds payables	378,449	-	-	-	-
Total	<b>\$ 2,670,044</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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.

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- 3) There have been no transfers from each level for the years ended December 31, 2022 and 2021.

(u) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Accounts and other receivables

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

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

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## 2) Investments

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

## (iv) Liquidity risk

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

As of December 31, 2022 and 2021, the Group's unused credit line were amounted to \$843,999 and \$887,711, respectively.

## (v) Market risk

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

## 1) Currency risk

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

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

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

## 2) Interest rate risk

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

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3) Other market price risk

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

(v) Capital management

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

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

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

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

As of December 31, 2022, the Group's capital management strategy is consistent with the prior year as of December 31, 2021 to ensure financing at reasonable cost. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2022 and 2021, is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 2,731,135	2,789,578
Less: cash and cash equivalents	(351,084)	(526,955)
Net debt	<u>\$ 2,380,051</u>	<u>2,262,623</u>
Total equity	<u>\$ 1,542,155</u>	<u>1,621,504</u>
Adjusted equity	<u>\$ 3,922,206</u>	<u>3,884,127</u>
Debt-to-equity ratio at 31 December	<u>60.68%</u>	<u>58.25%</u>

As of December 31, 2022, the capital management method of the Group has no change.

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

(a) Names and relationship with related parties

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

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

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

(b) Significant transactions with related parties

(i) Purchases

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

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Associates – Flourish Precision	<u>\$ 18,410</u>	<u>20,200</u>

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

(ii) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payables	Associates – Flourish Precision	\$ 7,659	11,451
Other payables	Associates – Flourish Precision	19,051	30,187
Other payables	Associates – Yung-Hung Engineering	-	58
Other payables	Associates – Feng-Jia Industry	3	2
Other payables	Associates – Ping-Ho Environmental	271	-
		<u>\$ 26,984</u>	<u>41,698</u>

(iii) Other

- 1) Due to operational requirements, the Group appointed Yung-Hung Engineering to provide labor services. In 2021, labor service costs were reported at \$605.
- 2) Due to operational requirements, the Group entrusts Flourish precision for the processing of its products. During 2022 and 2021, the manufacturing overhead-outsourced amounted to \$48,194 and \$54,550, respectively.

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### Notes to the Consolidated Financial Statements

- 3) Due to operation requirements, the Group purchased chemicals and consumables from Feng-Jia Industry in 2022 and 2021 and reported manufacturing overhead amounted to \$18 and \$293, respectively.
- 4) Due to operational requirements, the Group appointed Ping-Ho Environmental to provide wastewater treatment services and reported manufacturing overhead of \$2,443 for the year 2022.
- 5) The Board of Directors of the Group decided to contract out the sewage treatment equipment of the Chuansing plant Yung-Hung Engineering, and signed a contract which was worth \$12,500 in June 2020. As of December 31, 2021, the payable for the purchase transactions have been paid in full, and the equipment has been fully inspected.

(c) Key management personnel compensation

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 14,767	20,960
Post-employment benefits	156	108
	<b>\$ 14,923</b>	<b>21,068</b>

(8) Pledged assets:

Pledged assets	Object	December 31, 2022	December 31, 2021
Other receivables—restricted deposit	Collateral for loans、 bonds payables and purchase of equipment	\$ 54,231	45,969
Other receivables—certificate of deposit	Natural gas guarantee	400	400
Property, plant and equipment	Collateral for loans and bonds payables	963,263	810,119
Right-of-use assets	"	30,506	30,966
		<b>\$ 1,048,400</b>	<b>887,454</b>

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

The Board of Directors of the Group approved the construction project of entering Erlin Science Park of Central Taiwan Science Park at December 14, 2018, and paid \$3,000 as the deposit to the Administration of Central Taiwan Science Park, Ministry of Science and Technology. However, the Group should accelerate mass production due to the impact of U.S.-China trade war, so it planned to shift the production lines to the existing plant in Chuansing Industrial Park in Changhua, and the Board of Directors modified the decision at August 7, 2019. The Group still has a plan to enter Erlin Science Park, and has successfully communicated with Central Taiwan Science Park, Ministry of Science and Technology, to modify the land for medium-term and long-term investment plans. The Company has been approved for the third extension to December 31, 2023, in the year 2022.

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(b) Contingencies

- (i) The dispute that Fei-Long Engineering Ltd. requested the Group to pay the plant repairment and additional engineering expenses that amounted to \$1,107 was not solved. Because the prices of several projects were offered above market price and the projects were not checked and accepted, the Group did not pay in obedience to Fei-Long' s requests. Taiwan Changhua District Court judged that the Group should compensate \$899 in the first instance at October 8, 2020, and the Group had mandated the lawyer to file an appeal within statutory period. The Group was defeated in the first instance and accrued \$830 of loss at during 2021. However, on September 8, 2021, the Taiwan High Court (Taichung Branch) ordered the Group to pay the amount of \$1,016 in the second instance, resulting in the Group to accrue the remaining loss of \$117 in 2021. The relevant payment has been made in December 31,2021. The case is closed.
- (ii) The previous chairman of the Board of Directors sued the Group for dismantling the building on the basis of ownership and illegal appropriation of land at August 4, 2020. About the illegal appropriation of land, the Taiwan High Court Taichung Branch Court ordered the Company to pay the amount of \$159 in the second instance on March 23, 2022, resulting in the Company's loss (including legal costs and interest) of \$219 in 2022. About the dismantling the building on the basis of ownership, the Taiwan High Court Taichung Branch Court ordered the Company to pay the amount of \$2,240 in the second instance on November 9, 2022. Therefore the Company accrued a compensation loss of \$998 (including interest) in the year 2022 for the amount of compensation payable, less the rent paid. The above relevant payment has been made in 2022. The case is closed.

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

**(11) Subsequent events:None**

**(12) Other:**

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

By item	By function	For the year ended December 31					
		2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		\$ 314,782	123,057	437,839	330,373	130,003	460,376
Labor and health insurance		21,301	8,034	29,335	25,805	10,604	36,409
Pension		18,981	7,004	25,985	26,029	9,015	35,044
Remuneration of directors		-	965	965	-	1,797	1,797
Others		19,702	16,785	36,487	20,679	15,601	36,280
Depreciation		167,908	23,371	191,279	164,852	11,882	176,734
Amortization		9,914	8,108	18,022	4,504	4,481	8,985

In 2022, the depreation expense resulting from rented out the equipment was \$235 which was classified other gains and losses.

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**(13) Other disclosures:**

## (a) Information on significant transactions:

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

## (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CFTC Jia-Xing	The Company	Other receivables	Yes	92,670	92,130	-	Note 3	1	-	The operating turnover	-	-	-	684,536	684,536
1	CFTC Jia-Xing	CFTC Huai-An	Other receivables	Yes	21,623	21,497	-	Note 3	1	-	The operating turnover	-	-	-	684,536	684,536

Note 1: CFTC Jia-Xing requires a short-term financing with it.

Note 2: 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 3: 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	308,431	178,920	176,320	114,608	-	11.43%	616,862	Y	N	Y
0	The Company	CFTC Huai-An	1	308,431	43,243	22,040	-	-	1.43%	616,862	Y	N	Y
1	CFTC Jia-Xing	CFTC Huai-An	4	616,862	31,542	30,856	30,856	-	2.00%	616,862	N	N	Y

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

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

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

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

## (iii) Securities held as of December 31, 2022 (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: None

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- (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: None
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	CFTC Jia-Xing	1	Purchase	28,257	Normal	1.11%
0	The Company	CFTC Jia-Xing	1	Accounts payable	91,488	Normal	2.14%
1	CFTC Jia-Xing	The Company	2	Sale	28,257	Normal	1.11%
1	CFTC Jia-Xing	The Company	2	Accounts receivable	91,488	Normal	2.14%
1	CFTC Jia-Xing	CFTC Huai-An	3	Purchase	94,485	Normal	3.72%
1	CFTC Jia-Xing	CFTC Huai-An	3	Accounts payable	7,150	Normal	0.17%
2	CFTC Huai-An	CFTC Jia-Xing	3	Sale	94,485	Normal	3.72%
2	CFTC Huai-An	CFTC Jia-Xing	3	Accounts receivable	7,150	Normal	0.17%

Note 1: The numbering is as follows:

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

Note 2: Relation between related parties are as follows:

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

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

Note 4: Reconciled in the preparation of consolidated report.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (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, 2022			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	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%	1,775,214	100.00%	16,337	19,362	Note 1
The Company	CFTC Precision Sdn. Bhd.	Malaysia	Property management	MRY 30,288	MRY 30,288	30,288	100.00%	14,981	100.00%	5,351	5,351	Note 1
China Fineblanking Group Co., Ltd.	China Fineblanking International Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	USD 58,006	100.00%	USD 547	-	Note 1

Note 1: Reconciled in the preparation of consolidated report.

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

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## (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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
CFTC Jia-Xing	Manufacture and sale of hardware parts, mechanical hardware parts and molding components	RMB324,995 (USD48,200)	(Note1)	1,173,787 (USD37,500)	-	-	1,173,787 (USD37,500)	23,186 (USD777)	100.00%	100.00%	23,186 (USD777)	1,711,341 (USD55,726)	58,155 (USD1,933)
CFTC Huai-An	Manufacture of mechanical parts and molding components	RMB 17,131 (USD2,580)	(Note1)	82,131 (USD2,580)	-	-	82,131 (USD2,580)	(6,849) (USD(230))	100.00%	100.00%	(6,849) (USD(230))	69,422 (USD2,261)	-

## (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,255,918	1,559,454 (USD 50,780 )	NA (Note 2)

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

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

## (iii) Significant transactions:

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

## (d) Major shareholders:

Shareholder' s Name	Shareholding	Shares	Percentage
LIU, CHING-I		8,382,315	9.75%
HSIEH, LING		5,765,378	6.71%
CHIA-CHUAN Investment Co. LTD		5,536,945	6.44%

(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, 2022, the Company repurchased a total of 4,796,000 treasury shares, representing 5.58% of the issued and outstanding shares.

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

**(14) Segment information:**

(a) General information

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

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

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

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

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

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

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

<b>For the years ended December 31, 2022</b>	<b>Parts of HDD</b>	<b>Parts of vehicles</b>	<b>Management &amp;operation</b>	<b>Reconciliation and elimination</b>	<b>Total</b>
Revenue from external customers	\$ 527,447	1,868,030	144,204	-	2,539,681
Intersegment revenues	19,282	100,480	3,179	(122,941)	-
Total revenue	<b>\$ 546,729</b>	<b>1,968,510</b>	<b>147,383</b>	<b>(122,941)</b>	<b>2,539,681</b>
<b>Reportable segment profit or loss</b>	<b>\$ 67,496</b>	<b>169,284</b>	<b>(214,456)</b>	<b>1,566</b>	<b>23,890</b>
<b>For the years ended December 31, 2021</b>					
Revenue from external customers	\$ 748,684	1,793,239	97,735	-	2,639,658
Intersegment revenues	143,419	193,013	14,070	(350,502)	-
Total revenue	<b>\$ 892,103</b>	<b>1,986,252</b>	<b>111,805</b>	<b>(350,502)</b>	<b>2,639,658</b>
<b>Reportable segment profit or loss</b>	<b>\$ 157,746</b>	<b>251,753</b>	<b>(230,837)</b>	<b>1,833</b>	<b>180,495</b>

# CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(c) Geographic information

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

Revenue from external customers:

Region	<b>For the years ended December 31</b>	
	2022	2021
Taiwan	\$ 128,480	65,326
Asia	2,231,573	2,415,473
Europe	155,900	126,990
Other	23,728	31,869
Total	<b>\$ 2,539,681</b>	<b>2,639,658</b>

Non-current assets:

Region	<b>For the years ended December 31</b>	
	2022	2021
China	\$ 1,031,796	1,058,842
Taiwan	1,104,767	1,098,652
Total	<b>\$ 2,136,563</b>	<b>2,157,494</b>

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

(d) Major customers

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

	<b>For the years ended December 31</b>	
	2022	2021
Customer A from HDD parts division	<b>\$ 511,389</b>	<b>747,998</b>

**CHINA FINEBLANKING TECHNOLOGY CO., LTD.****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2022 and 2021**

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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, 2022 and 2021, 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 significant 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, 2022 and 2021, 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 Auditing and Attestation of Financial Statements by 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 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 this 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 Chung-Che Chen and Kuo-Tsung Chen.

KPMG

Taipei, Taiwan (Republic of China)  
March 24, 2023

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

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents(Note (6)(a))	\$ 153,237	5	227,584	7	2100	Short-term borrowings(Note (6)(h))	\$ 230,000	7	70,000	2
1110	Current financial assets at fair value through profit or loss(note (6)(j))	-	-	-	-	2130	Current contract liabilities(Note (6)(q))	7,832	-	7,296	-
1140	Current contract assets(Note (6)(q))	206	-	293	-	2150	Notes payable	182	-	971	-
1150	Notes receivable, net(Note (6)(b) and (q))	2,423	-	2,015	-	2170	Accounts payable	48,505	1	100,872	3
1170	Accounts receivable, net(Note (6)(b) and (q))	76,967	2	143,448	4	2180	Accounts payable to related parties(Note (7))	91,488	3	82,765	2
1200	Other receivables, net(Note (8))	57,094	2	54,541	2	2200	Other payables(Note 6(i))	56,888	2	93,573	3
1210	Other receivables-related parties(Note (7))	258	-	293	-	2220	Other payables to related parties(Note (6)(i) and (7))	274	-	60	-
130X	Inventories(Note (6)(c))	155,923	5	111,067	3	2230	Current tax liabilities	9,046	-	1,474	-
1410	Prepayments	4,737	-	5,649	-	2280	Current lease liabilities(Note (6)(l))	2,155	-	1,062	-
1470	Other current assets	272	-	2,209	-	2320	Long-term liabilities, current portion(Note (6)(j) and (k))	565,801	17	114,180	3
		451,117	14	547,099	16	2399	Other current liabilities, others	741	-	1,324	-
								1,012,912	30	473,577	13
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1510	Non-current financial assets at fair value through profit or loss(Note(6)(j))	-	-	57	-	2530	Bonds payable(Note (6)(j))	-	-	378,449	11
1550	Investments accounted for using equity method(Note (6)(d))	1,787,495	53	1,774,281	51	2540	Long-term borrowings(Note (6)(k))	719,833	21	879,902	26
1600	Property, plant and equipment(Note (6)(e) · (7) and (8))	1,030,305	31	988,892	29	2570	Deferred tax liabilities(Note (6)(n))	74,319	2	76,094	2
1755	Right-of-use assets(Note (6)(f))	3,112	-	1,912	-	2580	Non-current lease liabilities(Note (6)(l))	999	-	895	-
1780	Intangible assets	3,498	-	3,440	-	2630	Long-term deferred revenue	6,690	-	9,354	-
1840	Deferred tax assets(Note (6)(n))	13,729	-	19,886	1	2645	Guarantee deposits received	200	-	200	-
1900	Other non-current assets(Note (6)(g))	67,852	2	104,408	3			802,041	23	1,344,894	39
		2,905,991	86	2,892,876	84		<b>Total liabilities</b>	1,814,953	53	1,818,471	52
						<b>Share capital (Note (6)(o)):</b>					
						3110	Ordinary shares	858,988	26	858,419	25
						3200	Capital surplus	555,218	17	553,362	16
						3300	Retained earnings	420,840	13	431,313	13
						3400	Other equity interest	(97,144)	(3)	(119,793)	(3)
						3500	Treasury shares	(195,747)	(6)	(101,797)	(3)
							<b>Total equity</b>	1,542,155	47	1,621,504	48
<b>Total assets</b>		<b>\$ 3,357,108</b>	<b>100</b>	<b>3,439,975</b>	<b>100</b>	<b>Total liabilities and equity</b>		<b>\$ 3,357,108</b>	<b>100</b>	<b>3,439,975</b>	<b>100</b>

(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, 2022 and 2021**

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

		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (Note (6)(q) and (7))</b>	\$ 670,472	100	843,117	100
5000	<b>Operating costs (Notes (6)(c), (m), (r), (7) and (12))</b>	<u>558,561</u>	<u>83</u>	<u>688,617</u>	<u>82</u>
5900	<b>Gross profit from operations</b>	111,911	17	154,500	18
5910	Less: Unrealized gain or loss from sale	1,494	-	1,775	-
5920	Plus: Realized gain or loss from sale	<u>1,775</u>	<u>-</u>	<u>2,075</u>	<u>-</u>
5950	<b>Net gross profit from operations</b>	<u>112,192</u>	<u>17</u>	<u>154,800</u>	<u>18</u>
6000	<b>Operating expenses (Notes (6)(m), (r) and (12)):</b>				
6100	Selling expenses	15,463	2	23,486	3
6200	Administrative expenses	69,269	11	76,365	9
6300	Research and development expenses	13,253	2	17,175	2
6450	Expected credit loss (gain) (Note (6)(b))	-	-	-	-
6300	<b>Total operating expenses</b>	<u>97,985</u>	<u>15</u>	<u>117,026</u>	<u>14</u>
6900	<b>Net operating income</b>	<u>14,207</u>	<u>2</u>	<u>37,774</u>	<u>4</u>
	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note (6)(s))	512	-	95	-
7010	Other income (Note (6)(s))	8,711	1	9,258	1
7020	Other gains and losses, net (Note (6)(s), (7) and (9))	30,260	4	(9,119)	(1)
7050	Finance costs, net (Note (6)(l), (s))	(23,193)	(3)	(16,346)	(2)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Note 6(d))	<u>24,713</u>	<u>4</u>	<u>118,212</u>	<u>15</u>
	<b>Total non-operating income and expenses</b>	<u>41,003</u>	<u>6</u>	<u>102,100</u>	<u>13</u>
	<b>Profit from continuing operations before tax</b>	55,210	8	139,874	17
7950	Less: Income tax expenses (Note (6)(n))	<u>12,076</u>	<u>2</u>	<u>32,212</u>	<u>4</u>
	<b>Profit</b>	<u>43,134</u>	<u>6</u>	<u>107,662</u>	<u>13</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	28,311	4	5,868	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>5,662</u>	<u>1</u>	<u>1,173</u>	<u>-</u>
8300	<b>Other comprehensive income</b>	<u>22,649</u>	<u>3</u>	<u>4,695</u>	<u>-</u>
	<b>Total comprehensive income</b>	<u>\$ 65,783</u>	<u>9</u>	<u>112,357</u>	<u>13</u>
	<b>Earnings per share (Note (6)(p))</b>				
9750	Basic earnings per share (Dollar)	<u>\$ 0.53</u>		<u>1.29</u>	
9810	Diluted earnings per share (Dollar)	<u>\$ 0.52</u>		<u>1.21</u>	

(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, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollar)**

	Share capital		Retained earnings				Total other equity interest	Treasury shares	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements		
<b>Balance at January 1, 2021</b>	\$ 838,841	528,557	94,998	131,613	178,942	405,553	(124,488)	(80,532)	1,567,931
Profit	-	-	-	-	107,662	107,662	-	-	107,662
Other comprehensive income	-	-	-	-	-	-	4,695	-	4,695
Total comprehensive income	-	-	-	-	107,662	107,662	4,695	-	112,357
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	13,763	-	(13,763)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(65,522)	(65,522)	-	-	(65,522)
Stock dividends of ordinary shares	16,380	-	-	-	(16,380)	(16,380)	-	-	-
Reversal of special reserve	-	-	-	(7,125)	7,125	-	-	-	-
Conversion of convertible bonds	3,198	9,993	-	-	-	-	-	-	13,191
Purchase of treasury share	-	-	-	-	-	-	-	(100,950)	(100,950)
Share-based payments	-	14,812	-	-	-	-	-	79,685	94,497
Balance at December 31, 2021	858,419	553,362	108,761	124,488	198,064	431,313	(119,793)	(101,797)	1,621,504
Profit	-	-	-	-	43,134	43,134	-	-	43,134
Other comprehensive income	-	-	-	-	-	-	22,649	-	22,649
Total comprehensive income	-	-	-	-	43,134	43,134	22,649	-	65,783
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	10,767	-	(10,767)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(53,607)	(53,607)	-	-	(53,607)
Reversal of special reserve	-	-	-	(4,695)	4,695	-	-	-	-
Conversion of convertible bonds	569	1,712	-	-	-	-	-	-	2,281
Purchase of treasury share	-	-	-	-	-	-	-	(94,790)	(94,790)
Share-based payments	-	144	-	-	-	-	-	840	984
<b>Balance at December 31, 2022</b>	\$ 858,988	555,218	119,528	119,793	181,519	420,840	(97,144)	(195,747)	1,542,155

(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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollar)

	For the years ended December 31	
	2022	2021
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 55,210	139,874
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	54,456	44,675
Amortization expense	3,956	1,644
Net loss on financial assets and liabilities at fair value through profit or loss	57	3
Interest expense	23,193	16,346
Interest income	(512)	(95)
Share of gain of associates and joint ventures accounted for using the equity method	(24,713)	(118,212)
(Gain) loss on disposal of property, plant and equipment	(132)	1,587
Unrealized loss on from sales	1,494	1,775
Realized profit on from sales	(1,775)	(2,075)
Amotization of deferred revenue	(2,664)	(2,585)
<b>Total adjustments to reconcile profit</b>	<u>53,360</u>	<u>(56,937)</u>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in contract assets	87	(97)
Increase in notes receivable	(408)	(283)
Decrease in accounts receivable	66,481	39,598
(Increase) decrease in other receivables	(2,518)	2,965
Increase in inventories	(44,856)	(17,326)
Decrease in prepayments	912	5,468
Decrease in other current assets	1,937	2,481
<b>Total changes in operating assets</b>	<u>21,635</u>	<u>32,806</u>
Increase in contract liabilities	536	2,241
(Decrease) increase in notes payable	(789)	375
(Decrease) increase in accounts payable	(43,644)	24,639
(Decrease) Increase in other payables	(37,118)	18,058
(Decrease) Increase in other current liabilities	(583)	891
<b>Total changes in operating liabilities</b>	<u>(81,598)</u>	<u>46,204</u>
<b>Total changes in operating assets and liabilities</b>	<u>(59,963)</u>	<u>79,010</u>
<b>Total adjustments</b>	<u>(6,603)</u>	<u>22,073</u>
Cash inflow generated from operations	48,607	161,947
Interest received	512	95
Interest paid	(12,374)	(14,241)
Income taxes paid	(5,784)	(10,555)
<b>Net cash flows from operating activities</b>	<u>30,961</u>	<u>137,246</u>

(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, 2022 and 2021**

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

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(25,514)	(79,440)
Proceeds from disposal of property, plant and equipment	1,772	281
Decrease in refundable deposits	242	-
Repatriation of subsidiary surpluses	40,091	-
Acquisition of intangible assets	(1,623)	(1,725)
Increase in other non-current assets	(35,817)	(102,791)
<b>Net cash flows used in investing activities</b>	<b>(20,849)</b>	<b>(183,675)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	305,000	160,000
Decrease in short-term loans	(145,000)	(106,378)
Proceeds from long-term loans	50,000	170,800
Repayments of long-term loans	(144,958)	(72,048)
Repayments of lease liabilities	(2,088)	(1,136)
Cash dividends paid	(53,607)	(65,522)
Payments to acquire treasury shares	(94,790)	(100,950)
Treasury shares sold to employees	984	94,497
<b>Net cash flows (used in) from financing activities</b>	<b>(84,459)</b>	<b>79,263</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(74,347)</b>	<b>32,834</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>227,584</b>	<b>194,750</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 153,237</b>	<b>227,584</b>

(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, 2022 and 2021**

**(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, Xinggong 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 24, 2023.

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

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (b) The impact of IFRS issued 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, 2023, would not have a significant impact on its financial statements:

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

#### (4) Summary of significant accounting policies:

The significant 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 the following material items in the balance sheets :

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

- (ii) Functional and presentation currency

The functional currency of each 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.

- (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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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.

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

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

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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

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

(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.

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

- a) it is held within a business model whose objective is to hold assets to collect contractual cash flows ; and

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

- 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 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.

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.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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

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

The gross carrying amount of a financial asset is written off when the 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.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

#### 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.

##### 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.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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.

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.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

#### (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.

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.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

#### (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;
- 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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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 the 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.

(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.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

#### (iii) Amortization

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

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

Computer software	1~5 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.

#### (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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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.

(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.

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### Notes to the Financial Statements

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 that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (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
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

- (i) the 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:

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

- 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:**

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the 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.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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.

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

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	\$ 80	70
Cash in banks	153,157	227,514
	<b>\$ 153,237</b>	<b>227,584</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.

- (b) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 2,423	2,015
Accounts receivable	76,967	143,448
	<b>\$ 79,390</b>	<b>145,463</b>

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:

	December 31, 2022		
	Gross carrying amount	Weighted-avera ge loss rate	Loss allowance provision
Current	<b>\$ 79,390</b>	0%	-

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

**Notes to the Financial Statements**

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 145,397	0%	-
31 to 60 days past due	66	0.1%	-
	<b>\$ 145,463</b>		<b>-</b>

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:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ -	-
Impairment losses recognized (losses reversed)	-	-
Balance at December 31	<b>\$ -</b>	<b>-</b>

As of December 31, 2022 and 2021, the notes and accounts receivable of the Company were not pledged as collateral.

(c) Inventories

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials	\$ 39,969	16,792
Work in progress	25,490	54,866
Finished goods	90,464	39,409
	<b>\$ 155,923</b>	<b>111,067</b>

For the years ended December 31, 2022 and 2021, the components of the cost of sales were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Cost of goods sold	\$ 538,449	688,869
Unallocated fixed manufacturing overhead	17,526	-
Write-down and obsolescence of inventories (reversal of write-downs)	2,586	(252)
	<b>\$ 558,561</b>	<b>688,617</b>

As of December 31, 2022 and 2021, the Company did not provide any inventories as collateral for its loans.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

(d) Investments accounted for using equity method

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

	December 31, 2022	December 31, 2021
Subsidiaries	<b>\$ 1,787,495</b>	<b>1,774,281</b>

(i) Please refer to consolidated financial statement of 2022.

(ii) As of December 31, 2022 and 2021, the investments accounted for using the equity method of the Company had not been pledged as collateral.

(e) Property, plant and equipment

	Land	Buildings and construction	Machinery and equipment	Molds	Office equipment	Leasehold improvements	Other facilities	Construction in progress and testing equip	Total
<b>Cost or deemed cost:</b>									
Balance on January 1, 2022	\$ 479,357	294,644	285,117	83,989	12,855	96	8,789	4,028	1,168,875
Additions	-	4,636	4,715	-	-	-	223	15,940	25,514
Reclassification	-	22,076	58,923	8,631	-	-	38	(19,758)	69,910
Disposal	-	-	(263)	(8,993)	(319)	-	(469)	-	(10,044)
Balance on December 31, 2022	<b>\$ 479,357</b>	<b>321,356</b>	<b>348,492</b>	<b>83,627</b>	<b>12,536</b>	<b>96</b>	<b>8,581</b>	<b>210</b>	<b>1,254,255</b>
Balance on January 1, 2021	\$ 479,357	21,515	153,785	75,977	11,893	15,832	5,697	258,361	1,022,417
Additions	-	18,017	37,117	-	1,162	-	797	22,347	79,440
Disposal	-	(19,567)	(3,058)	-	(516)	(15,736)	(2,085)	(62)	(41,024)
Reclassification	-	274,951	97,273	8,012	316	-	4,380	(276,618)	108,314
Others	-	(272)	-	-	-	-	-	-	(272)
Balance on December 31, 2021	<b>\$ 479,357</b>	<b>294,644</b>	<b>285,117</b>	<b>83,989</b>	<b>12,855</b>	<b>96</b>	<b>8,789</b>	<b>4,028</b>	<b>1,168,875</b>
<b>Depreciation and impairment loss:</b>									
Balance on January 1, 2022	\$ -	7,759	94,687	62,477	11,031	96	3,933	-	179,983
Depreciation	-	9,615	27,164	14,655	512	-	425	-	52,371
Disposal	-	-	(263)	(7,353)	(319)	-	(469)	-	(8,404)
Balance on December 31, 2022	<b>\$ -</b>	<b>17,374</b>	<b>121,588</b>	<b>69,779</b>	<b>11,224</b>	<b>96</b>	<b>3,889</b>	<b>-</b>	<b>223,950</b>
Balance on January 1, 2021	\$ -	19,958	78,807	44,433	10,972	15,830	5,608	-	175,608
Depreciation	-	5,823	18,676	18,044	575	3	410	-	43,531
Disposal	-	(18,022)	(2,796)	-	(516)	(15,737)	(2,085)	-	(39,156)
Balance on December 31, 2021	<b>\$ -</b>	<b>7,759</b>	<b>94,687</b>	<b>62,477</b>	<b>11,031</b>	<b>96</b>	<b>3,933</b>	<b>-</b>	<b>179,983</b>
<b>Carrying amounts:</b>									
Balance on December 31, 2022	<b>\$ 479,357</b>	<b>303,982</b>	<b>226,904</b>	<b>13,848</b>	<b>1,312</b>	<b>-</b>	<b>4,692</b>	<b>210</b>	<b>1,030,305</b>
Balance on January 1, 2021	<b>\$ 479,357</b>	<b>1,557</b>	<b>74,978</b>	<b>31,544</b>	<b>921</b>	<b>2</b>	<b>89</b>	<b>258,361</b>	<b>846,809</b>
Balance on December 31, 2021	<b>\$ 479,357</b>	<b>286,885</b>	<b>190,430</b>	<b>21,512</b>	<b>1,824</b>	<b>-</b>	<b>4,856</b>	<b>4,028</b>	<b>988,892</b>

(i) During 2022 and 2021, the Company has capitalized borrowing costs related to the acquisition of the equipment and construction of the factory of \$163 and \$1,614, calculated using a capitalization rate of 1.45%~1.78% and 1.45%, respectively.

(ii) The difference between the fair value and the amount received from low-interest government loans projects was regarded as the deduction of the cost of additions of assets and recognized as buildings of \$272 in 2021.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

(iii) As of December 31, 2022 and 2021, 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:

	Transportation equipment	Office equipment	Total
<b>Cost:</b>			
Balance at January 1, 2022	\$ 2,933	1,042	3,975
Additions	3,285	-	3,285
Disposals	(631)	-	(631)
Balance at December 31, 2022	<b>\$ 5,587</b>	<b>1,042</b>	<b>6,629</b>
Balance at January 1, 2021	\$ 2,933	534	3,467
Additions	-	508	508
Balance at December 31, 2021	<b>\$ 2,933</b>	<b>1,042</b>	<b>3,975</b>
<b>Accumulated depreciation and impairment losses:</b>			
Balance at January 1, 2022	\$ 1,776	287	2,063
Depreciation	1,876	209	2,085
Disposal	(631)	-	(631)
Balance at December 31, 2022	<b>\$ 3,021</b>	<b>496</b>	<b>3,517</b>
Balance at January 1, 2021	\$ 798	121	919
Depreciation	978	166	1,144
Balance at December 31, 2021	<b>\$ 1,776</b>	<b>287</b>	<b>2,063</b>
<b>Carrying amounts:</b>			
Balance at December 31, 2022	<b>\$ 2,566</b>	<b>546</b>	<b>3,112</b>
Balance at January 1, 2021	<b>\$ 2,135</b>	<b>413</b>	<b>2,548</b>
Balance at December 31, 2021	<b>\$ 1,157</b>	<b>755</b>	<b>1,912</b>

(g) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayments for equipments	\$ 47,111	87,680
Guarantee deposits paid	3,951	4,193
Other non-current assets	16,790	12,535
	<b>\$ 67,852</b>	<b>104,408</b>

(i) During 2022 and 2021, the Company has capitalized borrowing costs related to the acquisition of the equipment and construction of factory of \$745 and \$1,458, calculated using a capitalization rate of 1.45%~1.901% and 1.45%, respectively.

(ii) The difference between the fair value and the amount received from the low-interest government loan project of \$738 and \$3,857 was recognized as cost deduction on additional assets under prepayments for equipments during 2022 and 2021.

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**Notes to the Financial Statements**

(h) Short-term borrowings

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Unsecured bank loans	\$ 230,000	70,000
Unused short-term credit lines	\$ 115,000	175,000
Range of interest rates	<u>1.65%~2.13%</u>	<u>1.45%~1.50%</u>

(i) As of December 31, 2022 and 2021, the Company had borrowed the unsecured bank loans amounted to \$305,000 and \$160,000; and had been repaid at the amounts of \$145,000 and \$106,378, respectively.

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

(i) Other payables (including related parties)

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Payable on expendables	\$ 328	115
Outsourced processing expenses payable	18,128	22,119
Wages and salaries payable	8,733	12,689
Mold-processing expenses payable	3,264	2,396
Employee compensation payable	4,024	2,885
Payable on repairing	1,869	15,682
Labor/health insurance payable	3,164	2,467
Others	17,652	35,280
	<u>\$ 57,162</u>	<u>93,633</u>

(j) Bonds payable

The details of bonds payable were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Secured convertible bonds	\$ 198,514	196,305
Unsecured convertible bonds	183,169	182,144
Less: current portion	(381,683)	-
	<u>\$ -</u>	<u>378,449</u>

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

**Notes to the Financial Statements**

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Total convertible corporate bonds issued	\$ 401,504	401,504
Unamortized discounted corporate bonds payable	(3,701)	(9,252)
Cumulative converted amount	(16,120)	(13,803)
Less: current portion	(381,683)	-
Corporate bonds issued balance at year end	<u>\$ -</u>	<u>378,449</u>
Embedded derivative – call and put options, included in financial assets at fair value through profit or loss	<u>\$ -</u>	<u>57</u>
Equity component – conversion options, included in capital surplus – stock options	<u>\$ 9,338</u>	<u>9,413</u>

On August 31 and September 1, 2020, the Company issues the three-year secured convertible bonds with zero interest rate \$200,000 and the three-year unsecured convertible bonds with zero interest rate \$201,504, the offering information were as follows:

**Secured convertible bonds**

- The conversion price was \$46 dollar per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.
- From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.
- Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the bond denomination.

**Unsecured convertible bonds**

- The conversion price was \$45 per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.
- From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.
- Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the maturity date at 100.7519% of the principal amount of the bond (the real yield is 0.25%).

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**Notes to the Financial Statements**

(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, 2022 and 2021.

(k) Long-term borrowings

The details were as follows:

<b>December 31, 2022</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity date</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.55%~2.05%	2023.06.10~2025.10.08	\$ 181,128
Secured bank loans	TWD	0.45%~2.18%	2023.04.25~2039.10.31	722,823
				903,951
Less: current portion				(184,118)
Total				<b>\$ 719,833</b>
Unused long-term credit lines				<b>\$ 288,200</b>

<b>December 31, 2021</b>				
	<b>Currency</b>	<b>Rate</b>	<b>Maturity date</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.05%~1.55%	2022.06.15~2025.10.08	\$ 242,589
Secured bank loans	TWD	0.05%~1.55%	2023.09.25~2039.10.31	751,493
				994,082
Less: current portion				(114,180)
Total				<b>\$ 879,902</b>
Unused long-term credit lines				<b>\$ 238,200</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, 2021, the Company had borrowed secured bank loans of \$140,800. The annual interest rates of loans was 0.05%~0.10%, due in between March 2026 and May 2030, respectively. 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 0.68%~0.73% in 2022.

As of December 31, 2022, the Company had borrowed secured bank loans of \$20,000. The annual interest rates of loans was 0.45%, due in October 2027. The loans were applied according to the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" .

(iii) As of December 31, 2022 and 2021, the Company had borrowed the secured and unsecured bank loans of amount to \$50,000 and \$170,800; and had been repaid at the amounts of \$144,958 and \$72,048, respectively.

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

**Notes to the Financial Statements**

(l) Lease liabilities

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	<b>\$ 2,155</b>	<b>1,062</b>
Non-current	<b>\$ 999</b>	<b>895</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>2022</b>	<b>2021</b>
Interest on lease liabilities	<b>\$ 68</b>	<b>63</b>
Expenses relating to short-term leases	<b>\$ 567</b>	<b>114</b>

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

	<b>For the year ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<b>\$ 2,723</b>	<b>1,313</b>

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, 2022 and 2021, the pension costs incurred from the contributions to the Bureau of Labor Insurance as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	<b>\$ 3,862</b>	<b>2,211</b>
Selling expenses	<b>2,027</b>	<b>1,848</b>
	<b>\$ 5,889</b>	<b>4,059</b>

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**Notes to the Financial Statements**

(n) Income taxes

(i) The components of income tax in the years 2022 and 2021 were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax expense		
Current period	\$ 12,317	3,005
Additional 5% surtax on distributed retained earnings	2,267	2,454
Adjustment for prior periods	(1,228)	1,803
Deferred tax expense		
Origination and reversal of temporary differences	(1,280)	24,950
Income tax expense	<b><u>\$ 12,076</u></b>	<b><u>32,212</u></b>

(ii) Reconciliations of income tax and profit before tax for 2022 and 2021 were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit excluding income tax	\$ 55,210	139,874
Income tax the Company's domestic tax rate	11,042	27,975
Non-deductible expenses	37	25
Underestimation (overestimation) in prior period	(1,228)	1,803
Additional 5% surtax on distributed retained earnings	2,267	2,454
Others	(42)	(45)
	<b><u>\$ 12,076</u></b>	<b><u>32,212</u></b>

(iii) The amount of income tax recognized in other comprehensive income (loss) for the years ended December 31, 2022 and 2021 was as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statement	<b><u>\$ 5,662</u></b>	<b><u>1,173</u></b>

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

**Notes to the Financial Statements**

(iv) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2022 and 2021 were as follows:

	<b>Inventory valuation losses</b>	<b>Other</b>	<b>Total</b>
Deferred tax assets:			
Balance at January 1, 2022	\$ 154	19,732	19,886
Recognized in profit or loss	517	(1,012)	(495)
Recognized in other comprehensive income	-	(5,662)	(5,662)
Balance at December 31, 2022	<b>\$ 671</b>	<b>13,058</b>	<b>13,729</b>
Balance at January 1, 2021	\$ 204	22,887	23,091
Recognized in profit or loss	(50)	(1,982)	(2,032)
Recognized in other comprehensive income	-	(1,173)	(1,173)
Balance at December 31, 2021	<b>\$ 154</b>	<b>19,732</b>	<b>19,886</b>
Deferred tax liabilities:			
	<b>Investment income overseas</b>	<b>Other</b>	<b>Total</b>
Balance at January 1, 2022	\$ 76,094	-	76,094
Recognized in profit or loss	(3,681)	1,906	(1,775)
Balance at December 31, 2022	<b>\$ 72,413</b>	<b>1,906</b>	<b>74,319</b>
Balance at January 1, 2021	\$ 53,176	-	53,176
Recognized in profit or loss	22,918	-	22,918
Balance at December 31, 2021	<b>\$ 76,094</b>	<b>-</b>	<b>76,094</b>

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

(o) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, 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 85,899 thousand shares and 85,842 thousand shares, respectively.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

The reconciliation of shares outstanding for 2022 and 2021 was as follows:

(in thousands of shares)

	<b>Ordinary Shares</b>	
	<b>2022</b>	<b>2021</b>
Balance on January 1	85,842	83,884
Capital increase by conversion of convertible bonds	57	320
Capital increase by retained earnings	-	1,638
Balance on December 31	<b>85,899</b>	<b>85,842</b>

A resolution was passed during the general meeting of shareholders held on July 30, 2021 for the issuance of 1,638 thousand new shares by retained earnings with par value of \$10 dollar per share, amounting to \$16,380. On September 1, 2021, the chairman of the Board of Directors authorized the increase of capital by the Board of Directors on July 30, 2021 to set the capital increase record date as October 5, 2021. The relevant statutory registration procedures have since been completed by October 18, 2021.

Due to the conversion right of the bondholders, the Company issued 320 thousand shares with a par value of \$10 dollar per share for a total amount of \$3,198, in 2021, the legal registration procedures were completed on April 23, August 18 and December 2, 2021, respectively.

Due to the conversion right of the bondholders, the Company issued 57 thousand shares with a par value of \$10 dollar per share for a total amount of \$569 in 2022, of which 27 thousand shares with a total amount of \$272 thousand had not been legally registered as of December 31, 2022, but the legal registration procedures were completed on November 22, 2022.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2022 and 2021, were as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Premium from issuing new shares	\$ 303,851	303,851
Premium from converting bonds	206,410	204,623
Share-based payment	33,259	33,115
Treasury share transactions	2,360	2,360
Issuance of convertible bonds	9,338	9,413
	<b>\$ 555,218</b>	<b>553,362</b>

(iii) Retained earnings

Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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.

#### 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, 2022 and 2021, the special reserve appropriated from the undistributed earnings amounted to \$119,793 and \$124,488.

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

**Notes to the Financial Statements**

3) Earnings distribution

The amounts of earnings distribution on the appropriations of earnings for 2021 and 2020 had been approved during the shareholders' meeting on May 27, 2022 and July 30, 2021, respectively.

	2021		2020	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.65 dollar	53,607	0.80 dollar	65,522
Share	-	-	0.20 dollar	16,380
Total		<b>\$ 53,607</b>		<b>81,902</b>

The amounts of cash dividends on the appropriations of earnings for 2022, and the amount of shares dividends of appropriations of earnings for 2022, had been approved and proposed, respectively during the board meeting on March 24, 2023 as follows:

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

(iv) Treasury shares

The Company repurchased 3,000,000 shares(the ninth time) between October 12 and December 11, 2018. The range of repurchased price is between \$23.80 dollar and \$57.81 dollar and the actual average share price was \$37.10 dollar per share. The total amount of shares purchased is \$111,305. On April 1, 2021, May 13, 2021, February 20, 2020 and November 4, 2020, the Board of Directors or the Chairman proposed to transfer treasury shares to employees by \$37.10 dollar per share, and the total price of the transformation is \$15,174, \$12,837, \$31,906 and \$51,384, respectively. The differences \$ 3,068, \$1,280, \$1,188 and \$3,255 were recognized as capital surplus on the day of delivering stocks to the employees.

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

On May 13, 2021, the Company decided to repurchase shares (the eleventh time) as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 3,000,000 shares between May 14 and July 13, 2021. The expected range of the repurchase price is between \$28.56 dollar and \$69.43 dollar. The Company had repurchased 2,349,000 shares, and the actual average share price was \$42.98 dollar per share. The total amount of shares repurchased was \$100,950.

On January 14, 2022, the Company decided to repurchase shares (the twelfth time) as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 2,000,000 shares between January 17 and March 16, 2022. The expected range of the repurchase price is between \$28.25 dollar and \$61.65 dollar. The Company had repurchased 1,020,000 shares, and the actual average share price was \$40.81 dollar per share. The total amount of shares repurchased was \$41,628.

On June 2, 2022, the Company decided to repurchase shares (the thirteenth time) as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 2,000,000 shares between June 6 and August 5, 2022. The expected range of the repurchase price is between \$26.46 dollar and \$58.22 dollar. The Company had repurchased 1,098,000 shares, and the actual average share price was \$38.31 dollar per share. The total amount of shares repurchased was \$42,064.

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 and February 6, 2023. The expected range of the repurchase price is between \$23.66 dollar and \$50.42 dollar. As of December 31, 2022, the Company had repurchased 329,000 shares, and the actual average share price was \$33.73 dollar per share. The total amount of shares repurchased was \$11,098.

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:

	<b>Treasury shares</b>	
	<b>2022</b>	<b>2021</b>
Balance at Beginning	2,373,000	2,255,000
Increase in the period	2,447,000	2,349,000
Decrease in the period	(24,000)	(2,231,000)
Balance at Ending	<b>4,796,000</b>	<b>2,373,000</b>

**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, 2022	\$ (119,793)
Exchange differences on foreign operations	22,649
Balance at December 31, 2022	<u>\$ (97,144)</u>
Balance at January 1, 2021	\$ (124,488)
Exchange differences on foreign operations	4,695
Balance at December 31, 2021	<u>\$ (119,793)</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>2022</b>	<b>2021</b>
<b>Basic earnings per share</b>		
Profit/(loss) attributable to ordinary shareholders of the Company	<u>\$ 43,134</u>	<u>107,662</u>
Weighted average number of ordinary ( thousands shares)	82,029	83,529
Basic earnings per share (dollars)	<u>\$ 0.53</u>	<u>1.29</u>
<b>Diluted earnings per share</b>		
Profit/(loss) attributable to ordinary shareholders of the Company Effect of didutive potential ordinary shares	\$ 43,134	107,662
Interest expense on convertible bonds, net of tax	4,411	4,379
Profit/(loss) attributable to ordinary shareholders of the Company (diluted)	<u>\$ 47,545</u>	<u>112,041</u>
Weighted average number of ordinary ( thousands shares)	82,029	83,529
Effect of dilutive potential ordinary shares		
Effect of employee share bonus (thousands shares)	50	87
Effect of conversion of convertible bonds (thousands shares)	9,381	9,274
Weighted average number of ordinary (Including adjustment of effect of dilutive potential ordinary shares) (thousands shares)	91,460	92,890
Diluted earnings per share (dollars)	<u>\$ 0.52</u>	<u>1.21</u>

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**Notes to the Financial Statements**

(q) Revenue from contracts with customers

(i) Details of revenue

	<b>For the year ended December 31, 2022</b>			
	<b>Parts of HDD</b>	<b>Parts of vehicles</b>	<b>Management &amp; operations</b>	<b>Total</b>
Major products/services lines:				
Sales of goods	\$ 527,447	25,827	99,941	653,215
Other sales revenue	-	-	17,257	17,257
Total	<b>\$ 527,447</b>	<b>25,827</b>	<b>117,198</b>	<b>670,472</b>
Timing of revenue recognition:				
Products transferred at a point in time	<b>\$ 527,447</b>	<b>25,827</b>	<b>117,198</b>	<b>670,472</b>
	<b>For the year ended December 31, 2021</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	\$ 749,167	44,245	41,630	835,042
Other sales revenue	-	-	8,075	8,075
Total	<b>\$ 749,167</b>	<b>44,245</b>	<b>49,705</b>	<b>843,117</b>
Timing of revenue recognition:				
Products transferred at a point in time	<b>\$ 749,167</b>	<b>44,245</b>	<b>49,705</b>	<b>843,117</b>

(ii) Contract balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Notes receivables	\$ 2,423	2,015	1,732
Account receivables (including related parties)	76,967	143,448	183,046
Less: Loss allowance	-	-	-
Total	<b>\$ 79,390</b>	<b>145,463</b>	<b>184,778</b>
Contract assets—products selling	<b>\$ 206</b>	<b>293</b>	<b>196</b>
Contract liabilities—advance sales receipts	<b>\$ 7,832</b>	<b>7,296</b>	<b>5,055</b>

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

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

In accordance with the articles of incorporation the Company should contribute no less than 2% of the profit as employee compensation and less than 5% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$1,138 and \$2,884, and directors' and supervisors' remuneration amounting to \$569 and \$1,442, respectively. 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 2022 and 2021. 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 2021 and 2020.

(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>2022</b>	<b>2021</b>
Interest income	<b>\$ 512</b>	<b>95</b>

(ii) Other income

The details of other income were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Other income	<b>\$ 8,711</b>	<b>9,258</b>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Gains (Losses) on disposals of property, plant and equipment	\$ 132	(1,587)
Gain (Losses) on foreign currency exchange	33,495	(6,894)
Losses on financial assets at fair value through profit or loss	(57)	(3)
Others	(3,310)	(635)
	<b>\$ 30,260</b>	<b>(9,119)</b>

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

**Notes to the Financial Statements**

(iv) Finance costs

The details of finance costs were as follows:

	<b>For the years ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest expense	\$ 18,586	13,944
Amortization of discounts of bond	5,515	5,474
Less: interest capitalized	(908)	(3,072)
	<b>\$ 23,193</b>	<b>16,346</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 were both \$290,105 and \$428,161 in 2022 and 2021.

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.

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.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

#### (ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 years	1-3 years	3-5 years	Over 5 years
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 230,000	234,352	234,352	-	-	-
Notes and trade payable (including related parties)	140,175	140,175	140,175	-	-	-
Other payables (including related parties)	57,162	57,162	57,162	-	-	-
Bonds payable (including the ones expired within 1 year or an operating cycle)	381,683	385,384	385,384	-	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	903,951	913,907	184,118	256,672	142,874	330,243
Lease liabilities	3,154	3,205	2,195	965	45	-
	<b>\$ 1,716,125</b>	<b>1,734,185</b>	<b>1,003,386</b>	<b>257,637</b>	<b>142,919</b>	<b>330,243</b>
<b>December 31, 2021</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 70,000	70,626	70,626	-	-	-
Notes and trade payable (including related parties)	184,608	184,608	184,608	-	-	-
Other payables (including related parties)	93,633	93,633	93,633	-	-	-
Bonds payable	378,449	387,701	-	387,701	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	994,082	1,008,867	114,180	328,307	188,376	378,004
Lease liabilities	1,957	2,012	1,098	746	168	-
	<b>\$ 1,722,729</b>	<b>1,747,447</b>	<b>464,145</b>	<b>716,754</b>	<b>188,544</b>	<b>378,004</b>

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

#### (iii) Currency risk

##### 1) Exposure to foreign currency risk

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

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	TWD	Foreign Currency	Exchange Rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 5,607	30.7100	172,191	15,134	27.6800	419,332
<u>Non-monetary items</u>						
USD:TWD	57,718	30.7100	1,772,514	63,775	27.6800	1,765,299
MYR:TWD	2,236	6.6990	14,981	1,413	6.3550	8,982
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	3,102	30.7100	95,277	6,097	27.6800	168,779

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

#### 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 2022 and 2021, would have increased (decreased) the net profit after tax by \$615 and \$2,004, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2021.

#### 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 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to gain \$33,495 and loss \$6,894, 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.

If the interest rate had increased / decreased by 10 basis points, the Company's net income would have increased / decreased by \$907 for the year ended December 31, 2022 and \$851 for the year ended December 31, 2021, 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:

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

**Notes to the Financial Statements**

	<b>December 31, 2022</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	\$ 153,237	-	-	-	-
Contract assets	206	-	-	-	-
Notes and accounts receivables	79,390	-	-	-	-
Other receivables (including related parties)	57,352	-	-	-	-
<b>Total</b>	<b>\$ 290,185</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 1,133,951	-	-	-	-
Notes and accounts payables (including related parties)	140,175	-	-	-	-
Other payables (including related parties)	57,162	-	-	-	-
Lease liabilities	3,154	-	-	-	-
Bonds payables	381,683	-	-	-	-
<b>Total</b>	<b>\$ 1,716,125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>December 31, 2021</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 at fair value through profit or loss</b>					
Call options of convertible bonds	\$ 57	-	57	-	57
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 227,584	-	-	-	-
Contract assets	293	-	-	-	-
Notes and accounts receivables	145,463	-	-	-	-
Other receivables (including related parties)	54,834	-	-	-	-
Subtotal	428,174	-	-	-	-
<b>Total</b>	<b>\$ 428,231</b>	<b>-</b>	<b>57</b>	<b>-</b>	<b>57</b>
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 1,064,082	-	-	-	-
Notes and accounts payables (including related parties)	184,608	-	-	-	-
Other payables (including related parties)	93,633	-	-	-	-
Lease liabilities	1,957	-	-	-	-
Bonds payables	378,449	-	-	-	-
<b>Total</b>	<b>\$ 1,722,729</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

#### 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, 2022 and 2021.

#### (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 consolidated financial statements.

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

**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, 2022 and 2021, please refer to Note7(b) for the guarantees provided to the subsidiaries.

**CHINA FINEBLANKING TECHNOLOGY CO., LTD.****Notes to the Financial Statements****(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, 2022 and 2021, the Company's unused credit line were amounted to \$403,200 and \$413,200, 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.

**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.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

(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, other equity, and non-controlling interest plus net debt.

As of December 31, 2022, the Company's capital management strategy is consistent with the prior year as of December 31, 2021 to ensure financing at reasonable cost. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2022 and 2021, is as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 1,814,953	1,818,471
Less: cash and cash equivalents	(153,237)	(227,584)
Net debt	<b>\$ 1,661,716</b>	<b>1,590,887</b>
Total equity	<b>\$ 1,542,155</b>	<b>1,621,504</b>
Adjusted equity	<b>\$ 3,203,871</b>	<b>3,212,391</b>
Debt-to-equity ratio at 31 December	<b>51.87%</b>	<b>49.52%</b>

As of December 31, 2022, the capital management method of the Company has no change.

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

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Company
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

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

**Notes to the Financial Statements**

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

(b) Significant transactions with related parties

(i) Sales

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

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries – CFTC Jia-Xing	<u>\$ 7,228</u>	<u>23,332</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:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries – CFTC Jia-Xing	<u>\$ 28,257</u>	<u>147,888</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The trade credit terms for related parties and third-party suppliers were similar. The trade credit term of 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, 2022</u>	<u>December 31, 2021</u>
Other receivables	Subsidiaries – CFTC Jia-Xing	\$ 214	245
Other receivables	Subsidiaries – CFTC Huai-An	44	48
		<u>\$ 258</u>	<u>293</u>

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

**Notes to the Financial Statements**

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payables	Subsidiaries—CFTC Jia-Xing	\$ 91,488	82,765
Other payables	Associates—Yung-Hung Engineering	-	58
"	Associates—Feng-Jia Industry	3	2
"	Associates—Ping-Ho Environmental	271	-
		<u>\$ 91,762</u>	<u>82,825</u>

(v) Property transactions

1) Acquisitions of property, plant and equipment

Details of acquisition of property, plant and equipment to related parties were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Associates—Yung-Hung Engineering	\$ -	<u>12,500</u>

For the year ended 2021, the Company purchased machinery from subsidiaries amounted to \$12,500. As of December 31, 2021, the Company had paid \$12,500.

2) Disposals of property, plant and equipment

Details of disposal of property, plant and equipment to related parties were as follows:

<u>Relationship</u>	<u>For the years ended December 31</u>	
	<u>2022</u>	
	<u>Proceeds</u>	<u>Gain (loss) on disposal</u>
Subsidiaries—CFTC Jia-Xing	<u>\$ 1,724</u>	<u>84</u>

For the years ended December 31, 2022, the Company sold molding equipment to subsidiaries amounted to \$1,724. As of December 31, 2022, the Company had received \$1,724.

(vi) Guarantees

The Company provided guarantees to subsidiary company. As of December 31, 2022, the guarantee ceiling was \$198,360 (2021:\$161,616) and the usage amount was \$114,608 (2021:\$105,578). In 2022 and 2021, the subsidiary company paid the Company \$798 and \$1,180 as handling fee for the guarantee mention above.

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

**Notes to the Financial Statements**

(vii) Other incomes and expenses

<u>Account</u>	<u>Catagories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Manufacturing overhead-outsourcing cost	Subsidiaries – CFTC Jia-Xing	<u>\$ 63,165</u>	<u>169,447</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 appointed Yung-Hung Engineering to provide labor services. In 2021, labor service costs were reported at \$605.
- 2) The Board of Directors of the Company decided to contract out the sewage treatment equipment of the Chuansing plant to Yung-Hung Engineering, and signed a contract which was worth \$12,500 at June 23, 2020. As of December 31, 2021, the payable for the purchase transactions have been paid in full, and the equipment has been fully inspected.
- 3) Due to operational requirements, the Company purchased chemicals and consumables from Feng-Jia Industry in 2022 and 2021 and reported manufacturing overhead of \$18 and \$293, respectively.
- 4) Due to operational requirements, the Company appointed Ping-Ho Environmental to provide wastewater treatment services and reported manufacturing overhead of \$2,443 for the year 2022.

(c) Key management personnel compensation

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 14,767	20,960
Post-employment benefits	156	108
	<u>\$ 14,923</u>	<u>21,068</u>

(8) Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables – restricted deposit	Collateral for loans and bonds payables	\$ 50,785	45,969
Property, plant and equipment	"	802,779	760,342
Other receivables-certificate of deposit	Natural gas guarantee	400	400
		<u>\$ 853,964</u>	<u>806,711</u>

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

#### (9) Commitments and contingencies:

##### (a) Unrecognized contractual commitments

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. However, the Company should accelerate mass production due to the impact of U.S.-China trade war, so it planned to shift the production lines to the existing plant in Chuansing Industrial Park in Changhua, and the Board of Directors modified the decision at August 7, 2019. The Company still has a plan to enter Erlin Science Park, and has successfully communicated with Central Taiwan Science Park, Ministry of Science and Technology, to modify the land for medium-term and long-term investment plans. The Company has been approved for the third extension to December 31, 2023, in the year 2022.

##### (b) Contingencies

- (i) The dispute that Fei-Long Engineering Ltd. requested the Company to pay the plant repairment and additional engineering expenses that amounted to \$1,107 was not solved. Because the prices of several projects were offered above market price and the projects were not checked and accepted, the Company did not pay in obedience to Fei-Long's requests. Taiwan Changhua District Court judged that the Company should compensate \$899 in the first instance at October 8, 2020, and the Company had mandated the lawyer to file an appeal within statutory period. The Company was defeated in the first instance and accrued \$830 of loss at during 2021. However, on September 8, 2021, the Taiwan High Court (Taichung Branch) ordered the Company to pay the amount of \$1,016 in the second instance, resulting in the Company to accrue the remaining loss of \$117 in 2021. The relevant payment has been made in 2021. The case is closed.
- (ii) The previous chairman of the Board of Directors sued the Company for dismantling the building on the basis of ownership and illegal appropriation of land at August 4, 2020. About the illegal appropriation of land, the Taiwan High Court Taichung Branch Court ordered the Company to pay the amount of \$159 in the second instance on March 23, 2022, resulting in the Company's loss (including legal costs and interest) of \$219 in 2022. About the dismantling the building on the basis of ownership, the Taiwan High Court Taichung Branch Court ordered the Company to pay the amount of \$2,240 in the second instance on November 9, 2022. Therefore the Company accrued compensation loss of \$998 (including interest) in the year 2022 for the amount of compensation payable, less the rent paid. The above relevant payment has been made in 2022. The case is closed.

#### (3) Losses due to major disasters:None

#### (4) Subsequent events:None

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

**Notes to the Financial Statements**

**(5) 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					
		2022			2021		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		\$ 89,796	41,574	131,370	67,532	53,973	121,505
Labor and health insurance		10,149	4,370	14,519	5,845	3,785	9,630
Pension		3,862	2,027	5,889	2,211	1,848	4,059
Remuneration of directors		-	965	965	-	1,797	1,797
Others		5,963	3,850	9,813	3,845	3,804	7,649
Depreciation		51,120	3,336	54,456	42,638	2,037	44,675
Amortization		2,491	1,465	3,956	163	1,481	1,644

For the years ended December 31, 2022 and 2021, the information on the number of employees and employee benefit expense of the Company is as follows:

	2022	2021
Number of employees	<u>260</u>	<u>209</u>
Number of directors who were not employees	<u>10</u>	<u>10</u>
The average employee benefit	<u>\$ 646</u>	<u>718</u>
The average salaries and wages	<u>\$ 525</u>	<u>611</u>
Percentage of average employee salary expense adjusted	<u>(14.00)%</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.

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

- (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.
  - (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**

**(6) 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	92,670	92,130	-	3	1	-	The operating turnover	-		-	684,536	684,536
1	CFTC Jia-Xing	CFTC Huai-An	Other receivables	Yes	21,623	21,497	-	3	1	-	The operating turnover	-		-	684,536	684,536

Note 1: CFTC Jia-Xing requires a short-term financing with it.

Note 2: 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 3: 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	308,431	178,920	176,320	114,608	-	11.43%	616,862	Y	N	Y
0	The Company	CFTC Huai-An	1	308,431	43,243	22,040	-	-	1.43%	616,862	Y	N	Y
1	CFTC Jia-Xing	CFTC Huai-An	4	616,862	31,542	30,856	30,856	-	2.00%	616,862	N	N	Y

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

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

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

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

(iii) Securities held as of December 31, 2022 (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

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

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

(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: None

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2022 (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, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2022	December 31, 2021	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%	1,772,514	16,337	19,362	1
The Company	CFTC Precision Sdn. Bhd.	Malaysia	Property management	MRY 30,288	MRY 30,288	30,288	100.00%	14,981	5,351	5,351	1
China Fineblanking Group Co., Ltd.	China Fineblanking International Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	USD 58,006	USD 547	-	1

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, 2022	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	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	RMB 324,995 (USD48,200)	(Note1)	1,173,787 (USD37,500)	-	-	1,173,787 (USD37,500)	23,186 (USD777)	100.00%	23,186 (USD777)	1,711,341 (USD55,726)	58,155 (USD1,933)
CFTC Huai-An	Manufacture of mechanical parts and molding components	RMB 17,131 (USD2,580)	(Note1)	82,131 (USD2,580)	-	-	82,131 (USD2,580)	(6,849) (USD(230))	100.00%	(6,849) (USD(230))	69,422 (USD2,261)	-

# 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, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,255,918	1,559,454 (USD 50,780 )	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		8,382,315	9.75%
HSIEH, LING		5,765,378	6.71%
CHIA-CHUAN Investment Co. LTD		5,536,945	6.44%

(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, 2022, the Company repurchased a total of 4,796,000 treasury shares, 5.58% representing of the sissued and outstanding shares.

(7) Segment information:

Please refer to the consolidated financial statements of 2022.



# **CHINA FINEBLANKING TECHNOLOGY**

**Chairman: Huang Yi-Xiang**