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CHINA FINEBLANKING TECHNOLOGY

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

2023 Annual Report

Website for this annual report relevant information

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

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

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

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

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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 2023. 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 2023:

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

II. Financial Performance:

Operating revenue of CFTC in 2023 reached NT\$2.311 billion, NT\$229 million or 9.02% down from NT\$2.54 billion in 2022, while profit fell to NT\$(54) million this year down NT\$97 million from NT\$43 million the year before. The gross profit margin in 2023 is 11.08%, down from 12.94% in 2022 as a result of differences in the product and sales mix; the rate of operating loss in 2023 went down to negative 2.93% from 0.82% in 2022. While the rate of profit fell to (2.35)% this year down 4.05% from 1.70% the year before.

Unit: NT\$ thousand

	2023	2022
Operating Revenues	2,310,590	2,539,681
Gross profit	256,014	328,639
Operating expenses	323,620	349,431
Operating profit (loss)	(67,606)	(20,792)
Profit (Loss) from continuing operations before tax	(73,406)	23,890
Profit (Loss)	(54,313)	43,134
Earnings per share (NT\$)	(0.67)	0.52

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 2024 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 find mutually beneficial relationships 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-university 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, zero-pollution discharge, and high recycling" production.

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 precision pressing 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.

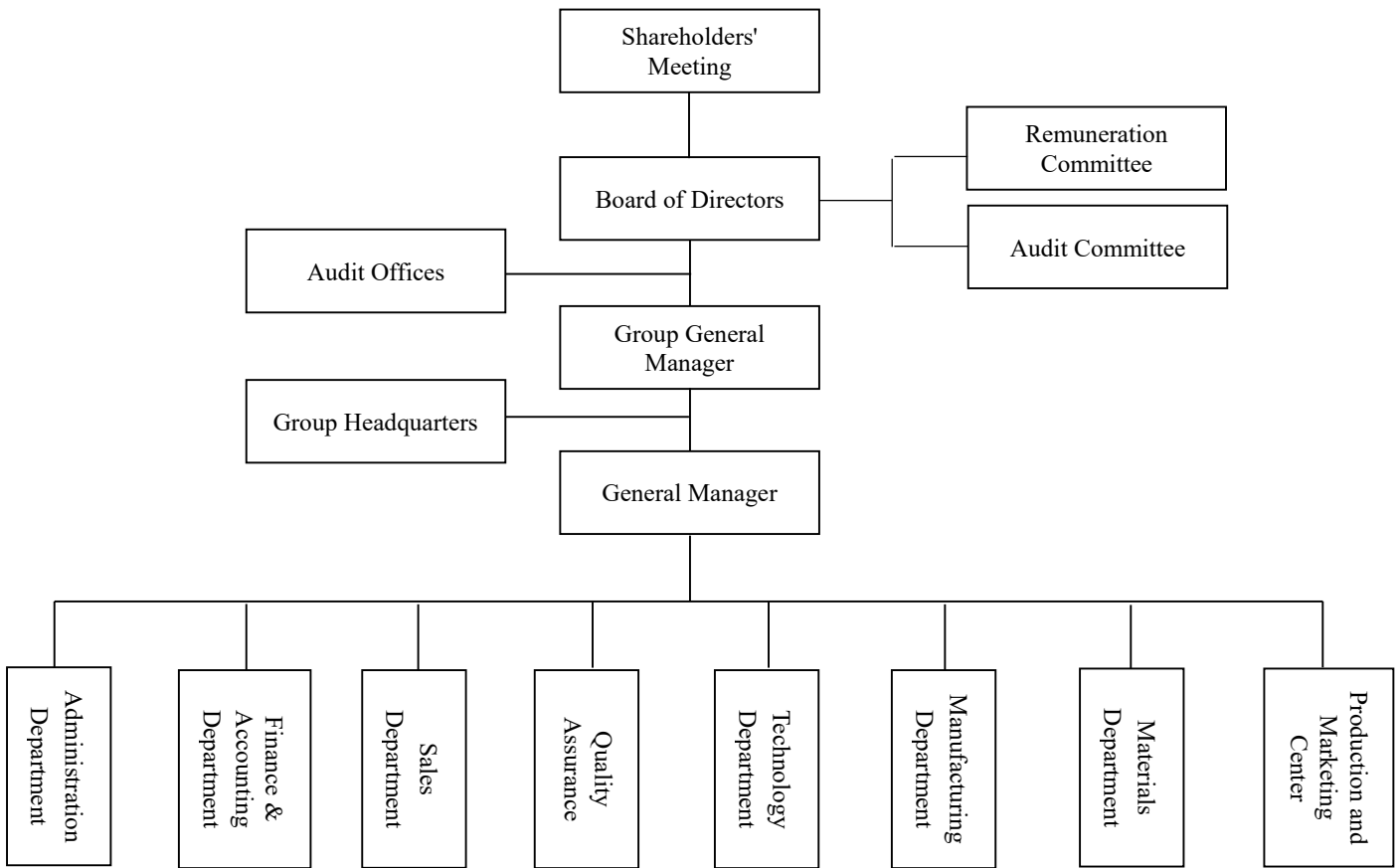
- Listing on the Taipei Exchange (TPEX) on January 9.
- In February, Approved by the Investment Commission, MOEA for indirect investment US\$3,000 thousand in CFTC Precision (JiaXing) Limited in mainland China and raised the capital to US\$15,200 thousand.
- In August, approved by the Investment Commission, 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.
- Capital increase in CFTC Precision Sdn., Malaysia Invest US\$2 million in CFTC Precision Sdn. Bhd. in cash, and raised the capital to MYR14,597 thousand in September.
- 2016 In June, re-elect the entire board of directors and organize 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\$300,000,000
- Capital increase in CFTC Precision Sdn., Malaysia Invest US\$1 million 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 Capital increase in CFTC Precision Sdn., Malaysia 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 million in CFTC Precision (JiaXing) Limited in mainland China and raised the capital to US\$39.7 million 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.
- 2020 Purchase land and factory buildings in Changhua Quanxing Industrial Park.
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.
- 2023 In March, raised the paid-in capital to NT\$858,988 thousand by converting the 3rd unsecured convertible corporate bonds into shares.
In August, issued the 4th guaranteed convertible corporate bond of NT\$200,000 thousand with a period of three years.
In August, issued the 5th unsecured convertible corporate bond of NT\$300,000 thousand with a period of three years.
In October, raised the paid-in capital to NT\$863,030 thousand by capitalization of retained earnings.
- 2024 In March, raised the paid-in capital to NT\$863,123 thousand by convert the 5th 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 Group's 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 supervision of the environmental system, preventing the outflow of various pollutions and emergency disposal.</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, repair and dispatch of production lines and peripheral machinery and equipment.</p> <p>Cooperate with the technical department and the quality assurance department in the implementation of various DOE tests.</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 General Managers, Assistant Vice General Managers and Branch Supervisors

(I) Directors and supervisors

1. Director

April 1, 2024

Title	Nationality or location of registration	Name	Sex 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%	2,007,643	2.33%	5,794,204	6.71%	10,160	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%	5,794,204	6.71%	2,007,643	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)	Chia-Chuan Investment	N/A	2022.05.27	3 years	2022.05.27	5,536,945	6.45%	6,064,629	7.03%	N/A	N/A	0	0%	N/A	N/A	N/A	N/A	N/A	

Title	Nationality or location of registration	Name	Sex 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	
		Representative : Wu Chia-Chuan	Male Aged 71-80	2022.05.27	3 years	2022.05.27	382,869	0.45%	384,783	0.45%	0	0%	6,064,629	7.03%	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	
Director	Republic of China (Taiwan)	Jacky Lo	Male 51~60 years old	2022.05.27	3 years	2020.05.28	1,413,392	1.65%	1,420,458	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	
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%	2,188,391	2.54%	0	0%	0	0%	Lide Commercial and Industrial Vocational High School Yong Hong Construction	Yong Hong Construction	None	None	None	Resigned on May 8, 2023
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 General Manager, Finance, MH GoPower Co., Ltd.	Amy, Mickey & May Consulting Firm Supervisor, Hong Ching Gas Station	None	None	None	

Title	Nationality or location of registration	Name	Sex 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	
														Vice General Manager, G&E Herbal Biotechnology Assistant Vice General Manager, Hua Nan Securities						
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 General Manager, 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	3 years	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	
Independent director	Republic of China (Taiwan)	Zheng Feng-Cong	Male Aged 71-80	2023.05.31	2 years	2023.05.31	0	0%	0	0%	0	0%	0	0%	Ph.D., Department of Industrial Engineering and Management, National Chiao Tung University Professor, Smart Machinery Industry Development Center, Feng Chia University	Professor, Smart Machinery Industry Development Center, Feng Chia University Chairman, Fengjia System Management Consulting Co., Ltd. Independent director, MOSA INDUSTRIAL CORPORATION	None	None	None	Elected on May 31, 2023

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. (3) The Company has two facilities sites, one in Taiwan and the other in CFTC Precision (JiaXing), headed by professional managers. GENERAL MANAGER of Taiwan Manufacturing Plant is Gloria Huang. GENERAL MANAGER of CFTC Precision (JiaXing) Lu Hong-Yi.

2. Major shareholders of legal person shareholders

April 1, 2024

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

April 1, 2024

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 Tai Wen-Cheng (Note 1)	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	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 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-General Manager, Finance, MH GoPower Co., Ltd., Vice-General Manager, G&E Herbal Biotechnology Co., Ltd., Assistant Vice-General Manager, Hua Nan Securities Co., Ltd., and currently serving as Amy, Mickey and May Consulting Firm and under none of the conditions specified in Article 30 of the Company Act.	<ol style="list-style-type: none"> (1) Not an employee of the company or its affiliates. (2) Not a director or supervisor of the company or its affiliates. (3) Not a natural person shareholder with at least 1% of the Company's total issued shares or one of the ten largest natural person shareholders based on the shares owned in person, the spouse or minor children or in the name of others (4) Not the spouse, a relative within the second 	0

<p>Independent director Huang Chin-Huang</p>	<p>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 General Manager, 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.</p>	<p>degree of kinship or a direct relative within the third degree to any of the managers listed in (1) or personnel listed in (2) or (3). (5) 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) 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 (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) 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>3</p>
<p>Independent director Chen Fu-Pang</p>	<p>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.</p>	<p>(9) 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. (10) Not a spouse or relative within the second degree of kinship with any other director. (11) Not the government, juridical person or representative thereof elected per Article 27 of the Company Act.</p>	<p>0</p>
<p>Independent director Zheng Feng-Cong (Note 2)</p>	<p>More than five years of work experience in commerce, law, finance, accounting or corporate business requirements. Previously served as Professor and Head of the Department of Industrial Engineering and Systems Management, Feng Chia University and Professor of the Department of Mechanical and Computer-Aided Engineering, Feng Chia University. Currently serves as Research Professor of the Smart Machinery Development Center, Feng Chia University, Independent Director of MOSA INDUSTRIAL CORPORATION, Chairman of Feng Chia System Management Consulting Co., Ltd. and not subject to any of the conditions described in Article 30 of the Company Act.</p>	<p>(9) 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. (10) Not a spouse or relative within the second degree of kinship with any other director. (11) Not the government, juridical person or representative thereof elected per Article 27 of the Company Act.</p>	<p>1</p>

Note 1: Resigned on May 8, 2023

Note 2: Elected on May 31, 2023

2. Diversity and independence of the board of directors

(1) Diversity of the Board of Directors:

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.

Diversified core	Name	Basic composition					Professional background				Professional knowledge and skills							
		Nationality	CFTC employee	Age			Independent director's term of office (less than 3 years)	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
				Age 31 - 40	Age 51 - 60	Age 61 - 70												
Director	Huang Yi-Xiang	Republic of China (Taiwan)	Male	✓	✓						✓	✓	✓	✓	✓	✓	✓	
	Hsieh Ling		Female		✓						✓	✓	✓	✓	✓	✓	✓	
	Tai Wen-Cheng (Note 1)		Male			✓					✓	✓	✓	✓	✓	✓	✓	
	Jacky Lo		Male			✓					✓	✓	✓	✓	✓	✓	✓	
	Wu Chia-Chuan		Male				✓				✓	✓	✓	✓	✓	✓	✓	
Independent director	Tsai Mei-E	Female			✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
	Huang Chin-Huang	Male			✓				✓		✓	✓	✓	✓	✓	✓	✓	
	Chen Fu-Pang	Male		✓				✓		✓	✓	✓	✓	✓	✓	✓	✓	
	Zheng Feng-Cong (Note 2)	Male							✓		✓	✓	✓	✓	✓	✓	✓	

Note 1: Resigned on May 8, 2023

Note 2: Elected on May 31, 2023

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 4 independent directors and 1 employee director, accounting for 50% 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 General Managers, Assistant Vice General Managers and Branch Supervisors

April 1, 2024

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	2,007,643	2.33%	5,794,204	6.71%	10,160	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 General Manager and GENERAL MANAGER of Taiwan Manufacturing Plant	Republic of China (Taiwan)	Gloria Huang	Female	2018.02.10 2019.08.07	113,825	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	
GENERAL MANAGER of CFTC Precision (JiaXing)	Republic of China (Taiwan)	Lu Hong-Yi	Male	1999.09.01	612,665	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 General Manager, Sales	Republic of China (Taiwan)	Huang Shu-Fang	Female	2019.02.21	32,121	0.04%	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 and R&D Supervisor, CFTC	None	None	None	None	
Vice General Manager of Finance	Republic of China (Taiwan)	Mercer Chen	Male	2019.08.07	30,852	0.04%	0	0%	0	0%	Master's degree, Department of Finance, National Yunlin University of Science and Technology	None	None	None	None	2024/2/6 Promoted to Vice

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	
Head of Corporate Governance, CFTC		Yi-Chuang									Assistant Manager, TC Bank Assistant Manager, Dah Chung Bills Finance Corp. Finance Manager, Shining Building Business Co.,Ltd.					General Manager of Finance
Accounting Manager	Republic of China (Taiwan)	Tsai Wei-Che	Male	2023.11.10	0	0%	0	0%	0	0%	Department of Accounting, College of Management, National Changhua University of Education Deputy Team Leader, Ernst & Young Global Limited Team Leader, Deloitte Taiwan	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:

1. 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.
2. 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. GENERAL MANAGER of Taiwan Manufacturing Plant is Gloria Huang, GENERAL MANAGER of CFTC Precision (JiaXing) Lu Hong-Yi.

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

3. 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	The Company		All companies in the financial report		The Company	All companies in the financial report	
																Cash	Stocks	Cash	Stocks			
Chairman	Huang Yi-Xiang	0	0	0	0	113	113	42	42	(0.57%)	(0.57%)	4,340	4,340	0	0	241	0	241	0	(9.01%)	(9.01%)	0
Director	Hsieh Ling	0	0	0	0	113	113	42	42	(0.57%)	(0.57%)	0	0	0	0	0	0	0	0	(0.57%)	(0.57%)	0
Director (Note 1)	Tai Wen-Cheng	0	0	0	0	113	113	0	0	(0.42%)	(0.42%)	0	0	0	0	0	0	0	0	(0.42%)	(0.42%)	0
Director	Jacky Lo	0	0	0	0	113	113	30	30	(0.53%)	(0.53%)	0	0	0	0	0	0	0	0	(0.53%)	(0.53%)	0
Director	Wu Chia-Chuan, Representative of Chia-Chuan Investment	0	0	0	0	68	68	36	36	(0.38%)	(0.38%)	0	0	0	0	0	0	0	0	(0.38%)	(0.38%)	0
Independent director	Huang Chin-Huang	720	720	0	0	0	0	42	42	(2.81%)	(2.81%)	0	0	0	0	0	0	0	0	(2.81%)	(2.81%)	0
Independent director	Tsai Mei-E	720	720	0	0	0	0	42	42	(2.81%)	(2.81%)	0	0	0	0	0	0	0	0	(2.81%)	(2.81%)	0
Independent director	Chen Fu-Pang	720	720	0	0	0	0	42	42	(2.81%)	(2.81%)	0	0	0	0	0	0	0	0	(2.81%)	(2.81%)	0
Independent Director (Note 2)	Zheng Feng-Cong	381	381	0	0	0	0	18	18	(1.47%)	(1.47%)	0	0	0	0	0	0	0	0	(1.47%)	(1.47%)	

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 the "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,

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	
<p>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.</p> <p>2. Compensation for 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.</p>																			

Note 1: Resigned on May 8, 2023

Note 2: Inaugurated on May 31, 2023

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

5. Compensation of general manager and vice General Manager

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	4,340	4,340	0	0	0	0	241	0	241	0	(8.43%)	(8.43%)	0
Group Vice General Manager GENERAL MANAGER of Taiwan Manufacturing Plant	Gloria Huang	2,534	2,534	2019	2019	0	0	154	0	154	0	(5.15%)	(5.15%)	0
Vice-General Manager, CFTC Taiwan Plant (Note 1)	Hsieh Chien-Min	1,013	1,013	59	59	0	0	30	0	30	0	(2.03%)	(2.03%)	0
GENERAL MANAGER of CFTC Precision (JiaXing)	Lu Hong-Yi	0	3,783	0	0	0	0	0	0	0	0	0%	(6.97%)	0

Note 1: Discharged on September 30, 2023

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

Unit: NT\$ thousand : As of December 31, 2023

	Title	Name	Stocks	Cash	Total	% of total amount to after tax net income
	Managers	Group General Manager	Huang Yi-Xiang	0	0	0
Group Vice General Manager GENERAL MANAGER of Taiwan Manufacturing Plant		Gloria Huang				
Vice General Manager, CFTC Taiwan Plant (Note 1)		Hsieh Chien-Min				
Assistance Vice General Manager, Sales		Huang Shu-Fang				
Assistant Vice General Manager, Finance Head of Corporate Governance, CFTC		Mercer Chen Yi-Chuang				
Accounting Manager (Note 2)		Howard Liao Jen-Chieh				
Accounting Manager (Note 3)		Tsai Wei-Che				

Note 1: Discharged on September 30, 2023.

Note 2: Discharged on October 2, 2023.

Note 3: Newly elected on November 10, 2023.

7. 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 General Managers versus after-tax profits stated in the parent company only and consolidated financial statements in the last two years

Unit: NT\$ thousand

Remuneration paid to	2022				2023			
	Total remuneration		% of total remuneration to after tax net income		Total remuneration		% of total remuneration to after tax net loss 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	6,154	6,154	14.27	14.27	7,936	7,936	(14.61)	(14.61)
General Manager and vice General Managers	6,983	10,785	16.19	25.00	8,904	12,687	(16.39)	(23.36)
Total	12,279	16,081	28.47	37.28	16,840	20,623	(0.31)	(37.97)

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

(1) Directors: Remuneration standards and packages for directors include remuneration,

business execution expenses, remuneration from earnings distribution, and remuneration for Directors who also work as employees. The remuneration policy and procedure are established in accordance with the responsibilities and remunerations to the Company that the Board of Directors is authorized to perform under the Articles of incorporation. The “Rules for Performance Evaluation of Board of Directors” serve as the foundation for evaluation, linking the Company's operating performance indicators and risks before submitting them to the Remuneration Committee for approval and then to the Board of Directors for resolution. In addition, 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-General Managers: The standard and combination of remuneration to the General Manager and vice-General Managers include salaries, bonuses, severance pay and pension, business expenses and employee bonuses. Salaries are determined in accordance with the “Regulations for Salary Administration.” In addition, the Company has established procedures to evaluate the results in accordance with the “Rules for Performance Evaluation of Mangers,” which measures include the achievement of business and profit targets, the effectiveness of budget execution and control, operational safety management, financial plan execution, future risk control and other indicators. After reviewing, reasonable remuneration will be provided. Salaries and bonuses will be submitted to the Remuneration Committee for discussion and then submitted to the Board of Directors for resolution.

IV. Functioning of corporate governance

(I) Operation of the board of directors

1. See below for attendance and presence of directors in 7 board of director meetings 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	7	0	100%	
Director	Hsieh Ling	7	0	100%	
Director	Tai Wen-Cheng	0	0	0%	Discharged (Note 1)
Director	Jacky Lo	5	0	71%	
Director	Chia-Chuan Investment Representative: Wu Chia-Chuan	6	0	86%	
Independent director	Tsai Mei-E	7	0	100%	
Independent director	Huang Chin-Huang	7	0	100%	
Independent director	Chen Fu-Pang	7	0	100%	

Independent director	Zheng Feng-Cong	3	0	100%	Newly appointed (Note 2)
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Note 1: May 8, 2023 discharged, 2 attendance days required.

Note 2: Newly appointed on May 31, 2023, 3 attendance days 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 35 to page 37, regarding matters listed in Article 14-3 of the Securities and Exchange Act: Approved by all attending independent directors without any dissenting opinions.

(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:

(12) On March 24, 2023, the board discussed the removal of non-compete covenant on independent directors. Independent Director Dr. Jin H. Huang did not participate in the discussion or voting due to conflict of interest. All the other directors (including an independent director) unanimously approved the proposal.

(13) On March 24, 2023, the board of directors discussed the "2022 director's and employee remuneration and distribution proposal." This proposal involves personal stakes of Chairman Huang Yi-Xiang, Director Hsieh Ling, Director Wu Chia-Chuan and Director Jacky Lo, so they recused themselves from the discussion and voting on the proposal, it was then approved by all attending directors (independent directors included) without any dissenting opinions.

(14) On May 8, 2023, the board of directors discussed the "2022 distribution of remuneration to directors and managers". This proposal involves personal stakes of Chairman Huang Yi-Xiang, Director Hsieh Ling, Director Wu Chia-Chuan and Director Jacky Lo, so they disassociate themselves from the discussion and voting of the proposal, it was then approved by all attending directors (independent directors inclusive) without any dissenting opinions.

(15) On July 12, 2023, the board of directors discussed the hiring of one more member of the Remuneration Committee. Except for Independent Director Zheng Feng-Cong who recused himself from the discussion and voting, all the other directors (including independent directors) unanimously approved the proposal.

(16) On November 10, 2023, the board discussed the transactions with related parties. Chairman Huang Yi-Xiang and Director Hsieh Ling did not participate in the discussion or voting due to conflict of interest. All the other directors (including independent directors) unanimously approved the proposal.

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. On February 23, 2023, the General Management Office reported the implementation of ethical corporate management to the Board of Directors for the year ended December 31, 2022.

Assessment cycle	Assessment period	Assessment scope	Assessment method	Assessment contents
Once a year	2023/01/01 to 2023/12/31	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>

2. The results of board of directors assessment

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

(1) See below for attendance and presence of independent directors in 7 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	Actual attendance rate (%) (B/A)	Notes
Independent director	Tsai Mei-E	7	0	100%	Re-elected on May 27, 2022; 7 attendance days required
Independent director	Huang Chin-Huang	7	0	100%	Re-elected on May 27, 2022; 7 attendance days required
Independent director	Chen Fu-Pang	7	0	100%	Re-elected on May 27, 2022; 7 attendance days required
Independent director	Zheng Feng-Cong	3	0	100%	Elected on May 31, 2023; 3 attendance days 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 7 meetings in 2023 and the matters audited include:</p> <ol style="list-style-type: none"> 1. Financial statements and accounting policies and procedures 2. Internal control system and related policies and procedures 3. Transactions of major assets or derivatives 4. Major capital loan and endorsement or guarantee 5. Offering or issuing securities 6. Regulation compliance 7. Related party transactions and possible conflicts of interest among managerial officers and directors 8. Qualifications, independence and performance evaluation of attesting CPAs 9. Appointment, dismissal or remuneration of attesting CPAs 10. Appointment and dismissal of chief officers of finance, accounting or internal audit 11. Performance of the Audit Committee 12. Audit committee performance self-assessment questionnaire <p>➤ Review financial reports The board of directors prepared the company's 2022 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 24, 2023, the 6th meeting of the 4th audit committee and the 13th meeting of the 7th board of directors on March 24, 2023 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
2023.02.23 Meeting 5, the 4th Office	<ol style="list-style-type: none"> 1. Adjust the 2023 audit program of subsidiary CFTC Precision (JiaXing) Limited and CFTC Precision (HuaiAn) Limited 2. Amendment to the Administrative Regulations 3. Issuance of new shares for the third issuance of unsecured convertible bonds in Taiwan 4. CFTC applies for loan lines from financial institutions 				None

2023.03.24 Meeting 6, the 4th Office	<ol style="list-style-type: none"> 1. The company's 2022 business report, financial statements and earnings distribution plan 2. The company's 2022 earnings distribution cash dividend proposal 3. Issuance of new shares via capitalization of retained earnings 4. Assess independence and suitability of the company's attesting CPAs 5. Appoint the company's attesting CPAs and review their professional fees 6. Lift the ban on the company's independent directors to work with peers. 7. CFTC applies for loan lines from financial institutions 8. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions 9. The company's 2022 "Assessment over CFTC internal control effectiveness" and "Internal control system statement" proposal 10. Amend the internal control system and internal audit execution guidelines. 	None
2023.05.08 Meeting 7, the 4th Office	<ol style="list-style-type: none"> 1. CFTC financial statements for Q1 2023 2. CFTC applied for a loan line from financial institutions 3. An amount of NT\$200 million was submitted to the Taiwan Cooperative Bank for the 4th guarantee domestic convertible bonds. 4. Plan to issue the 4th secured convertible bonds and the 5th unsecured convertible bonds in Taiwan 5. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions 	None
2023.05.19 Meeting 8, the 4th Office	<ol style="list-style-type: none"> 1. Confirmation of the acquisition or disposal of equipment for business use between the Company and its subsidiary, CFTC Precision (JiaXing) Limited 	None
2023.07.12 Meeting 9, the 4th Office	<ol style="list-style-type: none"> 1. Proposal to change the Company's 3rd domestic unsecured convertible bonds to the 3rd domestic secured convertible bonds 2. CFTC applied for a guarantee from financial institutions 	None
2023.08.07 Meeting 10, the 4th Office	<ol style="list-style-type: none"> 1. CFTC financial statements for Q2 2023 2. Planned capitalization of earnings via issuance of news shares 3. Add more capital expenditure budget amount for subsidiary CFTC Precision (JiaXing) Limited's newest plant 4. CFTC applied for a loan line from financial institutions 5. Subsidiary CFTC Precision (JiaXing) Limited applied for a loan line from financial institutions, and endorsed by CFTC 6. Subsidiary CFTC Precision (JiaXing) Limited applied for a loan line from financial institutions 7. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions 	None
2023.11.10 Meeting 11, the 4th Office	<ol style="list-style-type: none"> 1. CFTC financial statements for Q3 2023 2. 2024 budget of the company and its subsidiaries 3. CFTC 2024 audit plan 4. CFTC applied for a loan line from financial institutions 5. Subsidiary CFTC Precision (HuaiAn) Limited applied for a loan line from financial institutions, endorsed by CFTC 6. Subsidiary CFTC Precision (HuaiAn) Limited intended to borrow from financial institutions and with from financial institutions and Planned lending from the subsidiary CFTC Precision (JiaXing) Limited to CFTC Precision (HuaiAn) Limited 7. Subsidiary CFTC Precision (JiaXing) Limited, intends to loan funds to CFTC Precision (HuaiAn) Limited 8. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions 9. Transactions between the Company and related parties 10. Amend texts of the "Administrative measures for internal material information and prevention against insider trading" 11. Appointment and remuneration of Audit Chief Officer 12. Appointment and remuneration of Chief Accounting Officer 	None
<p>I. In the recusal of independent directors to avoid conflicts of interest, specify the name of the independent director, the content of the motions, the reasons for recusal, and the participation of voting: On March 24, 2023, the Audit Committee discussed the lifting of the ban on the company's independent directors to work with peers, as the independent director Huang Chin-Huang was relieved from the non-compete covenant by holding concurrently positions in another company, and thus had an interested party not participated in the discussion and voting, the rest of the independent directors unanimously approved the proposal as it was.</p> <p>III. 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"> 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. 2. Internal Chief Auditor attended regular board meetings and presented audit reports. There were no objections raised by the independent directors. 3. Independent directors regularly communicated with external accountants face-to-face and in writing regarding the financial status. 		

(2) Supervisors' participation in the operations 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, November 4, 2020 and February 23, 2023; 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	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	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	
marketable securities by using non-public information?			buy and sell securities; and arranges insiders to receive training courses on insider trading prevention every year, and promotes internal avoid insider trading; 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.	
<p>III. Composition and responsibility of the board</p> <p>(I) Does the board of directors formulate a diversity policy, specific management objectives and implement them accordingly?</p> <p>(II) In addition to Remuneration Committee and Audit Committee required by laws, has the Company voluntarily set up other function committees?</p> <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</p>	V V V V		<p>(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:</p> <ol style="list-style-type: none"> 1. Operational judgment. 2. Accounting and financial analysis. 3. Operation and management. 4. Crisis management. 5. Industry knowledge. 6. International outlook 7. Leadership. 8. Decision-making. <p>(II) (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>	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	
independence of external accountants?			<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 2023 will be submitted to the board of directors on March 25, 2024. This is a reference for the performance, salary and nomination of individual directors. The evaluation results have been submitted in accordance with the 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 assessment on independence and suitability of the attesting CPAs in 2024 has been approved by the board of directors on March 25, 2024 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"> 1. Has no direct or significant indirect financial interests with the company. 2. There is no mutual financing or guarantee with the firm, its affiliates and members of the audit team. 3. There is no commercial relationship with the company's directors or managerial officers that affects independence. 4. There is no strategic alliance of material interests with the company's controlling shareholders, directors, supervisors, or managerial officers. 5. Not serving as a director, supervisor or managerial officers of the company or having a direct and significant impact on the audit work. 	

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"> 1. Plan and handle matters related to meetings of the board of directors and shareholders each year. 2. Provide the information required by the directors to execute their business and provide meeting materials seven days before the board meeting. 3. Record minutes of board of directors and shareholder meetings. 4. Assist directors in their appointment and continuing education. 5. Supervise and improve the implementation of the company's corporate governance. 	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>6. Report to the Board of Directors on whether the qualification of independent directors complies with relevant laws and regulations at the time of nomination, election and term of office.</p> <p>7. Assist directors in complying with the law and regulations.</p> <p>8. Handle matters related to the change of directors.</p> <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>2023/04/27</td> <td>Sustainable Development Action Plan Promotion Conference for TWSE/TPEX-listed Companies</td> <td>Taiwan Stock Exchange, Taipei Exchange</td> <td>3.0</td> </tr> <tr> <td>2023/08/07</td> <td>2023 ESG/CSR Trend and Sustainable Governance</td> <td>Taiwan Corporate Governance Association</td> <td>3.0</td> </tr> <tr> <td>2023/08/23</td> <td>OTC Company Insider Stock Ownership Seminar</td> <td>Taipei Exchange</td> <td>3.0</td> </tr> <tr> <td>2023/11/10</td> <td>Case Studies on Insider Trading Regulations and Practices and Aspect of ESG Governance - From Knowing to Doing</td> <td>Taiwan Corporate Governance Association</td> <td>3.0</td> </tr> </tbody> </table>	Date	Course title	Organizer	Hours	2023/04/27	Sustainable Development Action Plan Promotion Conference for TWSE/TPEX-listed Companies	Taiwan Stock Exchange, Taipei Exchange	3.0	2023/08/07	2023 ESG/CSR Trend and Sustainable Governance	Taiwan Corporate Governance Association	3.0	2023/08/23	OTC Company Insider Stock Ownership Seminar	Taipei Exchange	3.0	2023/11/10	Case Studies on Insider Trading Regulations and Practices and Aspect of ESG Governance - From Knowing to Doing	Taiwan Corporate Governance Association	3.0	
Date	Course title	Organizer	Hours																					
2023/04/27	Sustainable Development Action Plan Promotion Conference for TWSE/TPEX-listed Companies	Taiwan Stock Exchange, Taipei Exchange	3.0																					
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2023/11/10	Case Studies on Insider Trading Regulations and Practices and Aspect of ESG Governance - From Knowing to Doing	Taiwan Corporate Governance Association	3.0																					
V. Does the company establish communication channels with stakeholders (including but not limited to	V		The company has appointed a spokesperson and an acting spokesperson and built up stakeholder pages (https://www.cftc-hc.com.tw) to provide employees, customers, suppliers, and other stakeholders a communication	In line with the requirements set by the Corporate																				

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
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?			channel, responds to major issues of their concern in a timely manner, and reveals the company's financial status and corporate governance actions.	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 publication of capital market events on the company website)?	V		(I) The URL of the company's website is https://www.cftc-hc.com.tw (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 service@cftc.tw . 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. (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.	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	
(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?				
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</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	
			<p>In 2023, 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, (service@CFTC.tw), 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> <p>(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 CATHAY CENTURY INSURANCE CO., LTD. on February 25, 2024 to reduce and disperse risks of material damage 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 6, 2024.</p>	
IX. 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. Addressing indicators of poor scores noted by the 8th Corporate Governance Evaluation Results announced in 2022: CFTC has reviewed and improved them				

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>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"> 1. The company has disclosed the diversity policy of the board of directors in the 2021 annual report and website. 2. The company has simultaneously uploaded the English annual report 7 days before the 2021 shareholders' meeting. 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. 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. 5. The company has simultaneously released important information in English since 2021. 6. The company has uploaded the annual financial report in English 7 days before the 2021 shareholders' meeting. 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. 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"> (1) On March 27, 2023, CFTC was invited to participate in the seminar held by ELIANCE SECURITIES. (2) On November 27, 2023, CFTC was invited to participate in the seminar held by Grand Fortune Securities. 				

(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 Name	Professional qualifications and experience	Independence	Number of Remuneration Committee roles assumed with other public companies
Convener and independent directors	Tsai Mei-E	Please refer to page 10 for disclosure of information related to the professional qualifications of directors and the independence of independent directors	(1) Not an employee of the company or its affiliates. (2) Not a director or supervisor of the company or its affiliates.	0
Independent director	Huang Chin-Huang		(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	Chen Fu-Pang		(5) 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	0
Independent director	Zheng Feng-Cong (Note 1)		(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. (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. (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	1

Note 1. Newly elected on July 12, 2023

(3) 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 3 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	Tsai Mei-E	3	0	100%	Served as convener on May 30, 2022.
Member	Huang Chin-Huang	3	0	100%	
Member	Chen Fu-Pang	3	0	100%	
Member	Zheng Feng-Cong	1	0	100%	Newly elected on July 12, 2023

Other matters to be included:

1. 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.
2. 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
	Yes	No	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 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. The Sustainable Development Committee established a 2024 sustainable development plan to promote the establishment of an energy management system (ISO50001) annually, set a reduction commitment and GRI2020, TCFD, and SASB education and training, The content of the sustainable development plan for 2024 were reported to the Board of Directors on November 10, 2023.	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. Greenhouse gas inventories are conducted in accordance with regulatory requirements and the results of the inventories are disclosed in the sustainability report.	No material difference

<p>(II) Is the Company committed to improving energy efficiency and adopting recycled materials with low environmental impact?</p>	<p>V</p>	<p>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.</p>	<p>No material difference</p>
<p>(III) Has the Company assessed its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues?</p>	<p>V</p>	<p>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:</p> <ol style="list-style-type: none"> 1. Mount solar panels on the roof of the factory buildings 2. Installation of smart dashboards to track energy consumption, control of energy-intensive equipment and development of management practices. 3. Install plant heat emission equipment to reduce power consumption. 	<p>No material difference</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>	<p>V</p>	<p>In 2019, the Company began conducting greenhouse gas inventories, which included data on electricity carbon emissions, natural gas usage, transportation equipment energy consumption, and employee activities. For the previous two years, the greenhouse gas emissions inventory for 2022 was 313.07, 2,350.57, 15.2, and 16,605.47 metric tons for Scope 1 to Scope 4, totaling 19,284.31 metric tons. For 2023, the greenhouse gas emissions inventory was 250.68, 1,826.13, and 11,372.98 metric tons for Scopes 1, 2, and 4 (Scope 3 inventory not yet completed), for a total of 13,449.79 metric tons. The greenhouse gas inventories listed above are for Taiwan facilities and do not include overseas subsidiaries. For the previous two years, total water consumption was 43,303 metric tons in 2022 and 32,774 metric tons in 2023. The total waste output for the</p>	<p>No material difference</p>

		<p>previous two years was 142 metric tons of hazardous waste and 3,843.7 metric tons of non-hazardous waste in 2022, totaling 3,985.7 metric tons, and 98.3 metric tons of hazardous waste and 1,615.5 metric tons of non-hazardous waste in 2023, totaling 1,713.8 metric tons.</p> <p>The Company's Sustainable Development Committee continues to pay attention to the policy of gradually reducing greenhouse gas emissions, reducing water use, and reducing waste to reduce the impact of business activities on climate change. In addition to reducing energy use and saving electricity in the production process, the plant has installed a 300-ton underground water storage tank that together with the in-factory storage tower has a storage capacity of 500 tons, which can be used for three days. The electroplating process water recycling plan was implemented in 2021 to save water consumption. Waste reduction refers to the reduction of the width and volume of raw materials and continuous improvement of technical processes to reduce the weight of waste per unit product.</p>	
<p>IV. Social issues</p> <p>(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:</p> <ol style="list-style-type: none"> 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 	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 implements employee rights and benefits, and allows all employees to share the Company's operating results. The Articles of Incorporation stipulate that no less than 2% of the profit should be set aside as employee compensation. The 2022 employee compensation of NT\$1,138,340 was distributed in 2023. The Company established the "Employee Reward System Management Regulations," "Salary Administration Regulations," "Year-end Bonus Management Regulations," "Attendance Management Regulations," "Personnel Assessment Management Regulations," "Personnel Promotion</p>	No material difference

		<p>Management Regulations,” “Employee Care Subsidy Implementation Regulations,” “Employee Care Subsidy Management Regulations,” shall be used as the basis for the remuneration of employees. Year-end bonus is distributed to all employees based on annual performance appraisals as a reward for their hard work. Appraisals are also held twice each year to provide high-performing employees with promotions and raises.</p> <p>The Company has an Employee Welfare Committee that contributes employee welfare funds in proportion to revenue and plans and provides quality benefits for employees, such as: 1 or 2 employee trips per year, birthday gift vouchers, marriage allowance and childbirth allowance. Special leave is granted in accordance with the Labor Standards Act and employees who have childcare, serious injury or illness or in need of career planning may also apply for leave without pay.</p> <p>In 2021, the “Employee Stock Ownership Trust” was introduced to provide monthly contributions to employees' retirement benefits for employees in proportion to their positions.</p> <p>The Company also values gender equality in the workplace and implements a friendly workplace culture. Female executives account for 45% of all executives, so that female employees have good opportunities for promotion and work with peace of mind.</p> <p>The procedures and conditions for employees to apply for retirement shall be handled in accordance with the Company's “Regulations Governing Employee Retirement, Resignation and Leave of absence without pay”. (See page 70 for details)</p>	
(III) Has the Company provided a safe and healthy workplace to employees and regularly offered employees training and education in safety and health?	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 occupational safety and health knowledge from time to time, and regular inspections of the operating environment, implementation of on-the-job labor safety training</p>	No material difference

		<p>and regular employee fire drills. The company's facilities and equipment is maintained in good condition to ensure safe working environment for employees.</p> <ol style="list-style-type: none"> 1. Occupational health and safety policy "Observation with laws and disciplines, fulfillment of commitments and obligations, implementation of hazard prevention, voluntary continuous improvement, establishment of a safety culture, and promotion of full participation." 2. The production plant has obtained the ISO45001 certificate on December 19, 2022. 3. In 2023, there were 1 crush injury, 2 falls, 1 chemical splashing, and 1 traffic accident incident in the factory area, totaling 5 cases. Corresponding rectification measures have been implemented for each incident. 4. There were no fire incidents in the plant area in 2023. 	
(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 supply quality, timeliness of delivery, reduction of procurement risks, improvement of local economy and compliance of suppliers' CSR code of conduct. 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 2023, 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.
<p>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.</p>				
<p>VII. Other important information that facilitates the understanding of the promotion of sustainable development:</p> <ul style="list-style-type: none"> (I) The Company has established and implemented its "environmental, safety and health 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 the "Occupational Safety Automatic Inspection Plan, Fire Protection Plan, and Hazard Communication Awareness Plan" to ensure the personal and health safety of employees. (V) The Company completed the ISO 14064-1 greenhouse gas inventory of all factories. 				

(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 therefor
	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</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

Assessment items	Functioning			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
<p>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>				
<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) regarding the implementation and supervision of business ethics policies and prevention of unethical behaviors?</p> <p>(III) Has the Company formulated policies to</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> <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>	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>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>(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</p>	V		<p>(IV) 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>(V) CFTC defines the operating procedures and related confidentiality mechanisms for accepting reports in the “Ethical Corporate</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>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>			<p>Management Best Practice Principles" and "Ethical Corporate Management Procedures and Behavior Guidelines".</p> <p>(VI) 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>	
<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		<p>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.</p>	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>				
<p>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> <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, legal counseling 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</p>				

Assessment items	Functioning			Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
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.				

(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> /Investment Section / Corporate Governance / Important company regulations
2. MOPS <https://mops.twse.com.tw/mops/web/index> / Corporate Governance - Relevant Rules, Framework and Regulations

(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:

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Statement of the Internal Control System

Date: February 6, 2024

We hereby declare the results of self-evaluation over the internal control system in 2023:

- 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 evaluate the effectiveness in the design and implementation of its own internal control system.
- V. Based on the results of the said evaluation, 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, transparency, and compliance with related laws and regulations of reports, and regulation conformity as of December 31, 2023 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 10, 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 February 6, 2024. Among the 8 directors present, none of them have objections and all agree with the content of this statement, we hereby declare such.

CHINA FINEBLANKING TECHNOLOGY

Chairman:	Signature
General Manager:	Signature

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 22, 2024

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
2023.05.31	Shareholders' meeting	1. Ratify the 2022 business report, financial statements and earnings distribution proposal.	1. Done according to the resolution. 2. Set October 8, 2023 as the ex-dividend base date, and the dividends distributed on November 6, 2023 in accordance with the resolution of the board of directors. (Cash dividends at NT\$0.2 per share; stock dividends at 5 shares per share)
		2. Issuance of new shares via capitalization of retained earnings.	1. Done according to the resolution. 2. Set October 8, 2023 as the ex-dividend base date, and the dividends distributed on November 6, 2023 in accordance with the resolution of the board of directors. (Cash dividends at NT\$0.2 per share; stock dividends at 5 shares per share)
		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. By-elect independent directors of the Company.	Company change registration for the by-election of one independent director was completed on June 7, 2023.
		5. Removal of non-compete covenants on directors.	Has been implemented in accordance with the resolution, and will continue to track whether there are any changes in the follow-up.

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

Date	Session	Proposal
2023.02.23	Meeting 6, the 13th Office	<ol style="list-style-type: none"> 1. Draft the 2023 shareholders' meeting related matters 2. By-elect independent directors of the company 3. Adjust the 2023 audit program of subsidiary CFTC Precision (JiaXing) Limited and CFTC Precision (HuaiAn) Limited 4. Amendment to the Administrative Regulations 5. Issuance of new shares for the third issuance of unsecured convertible bonds in Taiwan 6. CFTC applies for loan lines from financial institutions 7. Appoint CFTC information security chief officer and staff members
2023.03.24	Meeting 7, the 13th Office	<ol style="list-style-type: none"> 1. The company's 2022 business report, financial statements and earnings distribution plan 2. The company's 2022 earnings distribution cash dividend proposal 3. Issuance of new shares via capitalization of retained earnings 4. Assess independence and suitability of the company's attesting CPAs 5. Appoint the company's attesting CPAs and review their professional fees 6. Amend the convening of the 2023 shareholders' meeting 7. Nomination of independent director candidates list 8. Lift the ban on the company's independent directors to work with peers. 9. CFTC applies for loan lines from financial institutions 10. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions 11. 2022 Director's and employee remuneration and their distribution program 12. The company's 2022 "Assessment over CFTC internal control effectiveness" and "Internal control system statement" proposal 13. Amend the internal control system and internal audit execution guidelines
2023.05.08	Meeting 8, the 13th Office	<ol style="list-style-type: none"> 1. CFTC financial statements for Q1 2023 2. CFTC applied for a loan line from financial institutions 3. An amount of NT\$200 million was submitted to the Taiwan Cooperative Bank for the 4th guarantee domestic convertible bonds. 4. Plan to issue the 4th secured convertible bonds and the 5th unsecured convertible bonds in Taiwan 5. The proposal for the distribution of 2022 remuneration to directors and managers 6. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions 7. Establish the "Self-Evaluation or Peer Evaluation of the Managers" 8. Distributing cash reward for Vice General Manager Hsieh Chien-Min
2023.05.19	Meeting 9, the 13th Office	<ol style="list-style-type: none"> 1. Confirmation of the acquisition or disposal of equipment for business use between the Company and its subsidiary, CFTC Precision (JiaXing) Limited
2023.07.12	Meeting 10, the 13th Office	<ol style="list-style-type: none"> 1. Proposal to change the Company's 3rd domestic unsecured convertible bonds to the 3rd domestic secured convertible bonds 2. CFTC applied for a guarantee from financial institutions 3. Proposal to hire one more member of the Remuneration Committee
2023.08.07	Meeting 11, the 13th Office	<ol style="list-style-type: none"> 1. CFTC financial statements for Q2 2023 2. Planned capitalization of earnings via issuance of news shares 3. Add more capital expenditure budget amount for subsidiary CFTC Precision (JiaXing) Limited's newest plant 4. CFTC applied for a loan line from financial institutions

Date	Session	Proposal
		<ol style="list-style-type: none"> 5. Subsidiary CFTC Precision (JiaXing) Limited applied for a loan line from financial institutions, and endorsed by CFTC 6. Subsidiary CFTC Precision (JiaXing) Limited applied for a loan line from financial institutions 7. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions
2023.11.10	Meeting 12, the 13th Office	<ol style="list-style-type: none"> 1. CFTC financial statements for Q3 2023 2. 2024 budget of the company and its subsidiaries 3. CFTC 2024 audit plan 4. CFTC applied for a loan line from financial institutions 5. Subsidiary CFTC Precision (HuaiAn) Limited applied for a loan line from financial institutions, endorsed by CFTC 6. Subsidiary CFTC Precision (HuaiAn) Limited intended to borrow from financial institutions and with from financial institutions and Planned lending from the subsidiary CFTC Precision (JiaXing) Limited to CFTC Precision (HuaiAn) Limited 7. Subsidiary CFTC Precision (JiaXing) Limited, intends to loan funds to CFTC Precision (HuaiAn) Limited 8. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions 9. Transactions between the Company and related parties 10. Amend texts of the “Administrative measures for internal material information and prevention against insider trading” 11. Appointment and remuneration of Audit Chief Officer 12. Appointment and remuneration of Chief Accounting Officer 13. Incentive to the Company's Chief Financial Officer
2024.02.06	Meeting 13, the 13th Office	<ol style="list-style-type: none"> 1. Draft the 2024 shareholders’ meeting related matters 2. CFTC 2023 “Internal Control Effectiveness Assessment” and “Internal Control System Statement” 3. Budget for additional capital expenditure of subsidiary CFTC Precision (JiaXing) Limited 4. CFTC applied for a loan line from financial institutions 5. Subsidiary CFTC Precision (HuaiAn) Limited intended to borrow from financial institutions and with from financial institutions and Planned lending from the subsidiary CFTC Precision (JiaXing) Limited to CFTC Precision (HuaiAn) Limited 6. Subsidiary CFTC Precision (JiaXing) Limited applied for a loan line change from financial institutions 7. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions 8. Assessment results of the 2023 CFTC managerial officers and the year-end bonus distribution program 9. Promotion of Assistant Vice General Manager Mercer Chen Yi-Chuang of the General Management Office to Vice-General Manager of Finance and remuneration review
2024.03.08	Meeting 14, the 13th Office	<ol style="list-style-type: none"> 1. The Company's 2023 self-closed financial statements 2. Issuance of new shares for the 5th issuance of unsecured convertible bonds in Taiwan 3. CFTC applied for a loan line from financial institutions 4. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions

Date	Session	Proposal
		5. Subsidiary CFTC Precision (JiaXing) Limited extended the loan period to the Company for one year. 6. Transactions between the Company and related parties
2024.03.25	Meeting 15, the 13th Office	1. CFTC 2023 business report, financial statements and earnings distribution proposal 2. Change of certifying accountants in line with the internal rotation of the CPA firm 3. Assess independence and suitability of the company's attesting CPAs 4. Amend the convening of the 2024 shareholders' meeting 5. 2023 Director's and employee remuneration and their distribution 6. CFTC 2023 earnings distribution cash dividends 7. Issuance of new shares via capitalization of retained earnings 8. Subsidiary CFTC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions 9. Subsidiary CFTC Precision (JiaXing) Limited extended the loan period to the Company for one year. 10. Amendment of the Articles of Incorporation

(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 22, 2024

Title	Name	Date of taking office	Date of dismissal	Reason for resignation or dismissal
Audit chief officer	Chou Yu-Fan	2022/11/10	2023/09/25	Positional adjustment
Chief Accounting Officer	Howard Liao Jen-Chieh	2020/09/18	2023/10/02	Positional adjustment

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 the CPAs	Audit period	Audit fees	Non-audit fees	Total	Notes
KPMG Taiwan	CPA Jacky Chen	2023/01/01~ 2023/12/31	3,000	805	3,805	Non-audit fees were NT\$150 thousand for audit projects, NT\$195 thousand for industrial and commercial registration, and NT\$460 thousand for others (transfer pricing report NT\$160 thousand, tax return NT\$300 thousand)
	CPA David Chen	2023/01/01~ 2023/12/31				

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		Client
	Condition	Accountants	
	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 have 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	2023		As of April 1, 2024	
		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-General Manager	Huang Yi-Xiang	9,988	0	0	0
Director	Hsieh Ling	28,826	540,000	0	0
Director	Tai Wen-Cheng(Note 1)	0	0	NA	NA
Director	Jacky Lo	7,066	0	0	0
Director	Chia-Chuan Investment	527,684	0	0	0
Director's legal representative	Wu Chia-Chuan - Chia-Chuan Investment	1,914	0	0	0
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
Independent director	Zheng Feng-Cong (Note 2)	0	0	0	0
Group Vice General Manager GENERAL MANAGER of Taiwan Manufacturing Plant	Gloria Huang	566	0	0	0

Vice General Manager, CFTC Taiwan Plant	Hsieh Chien-Min (Note 3)	(9,000)	0	NA	NA
Assistance Vice General Manager, Sales	Huang Shu-Fang	(11,841)	0	0	0
Vice General Manager of Finance	Mercer Chen Yi-Chuang	153	0	0	0
Accounting Manager	Howard Liao Jen-Chieh(Note 4)	0	0	NA	NA
Accounting Manager	Tsai Wei-Che (Note 5)	0	0	0	0

Note 1: Discharged on May 8, 2023, number of shares held and pledged as of the date of discharge.

Note 2: Appointed on May 31, 2023, number of shares held and pledged as of the date of appointment.

Note 3: Discharged on September 30, 2023, number of shares held and pledged as of the date of discharge.

Note 4: Discharged on October 2, 2023, number of shares held and pledged as of the date of discharge.

Note 5: Appointed on November 10, 2023, 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 01, 2024

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	8,236,805	9.54%	0	0%	0	0%	None	None	-
Chia-Chuan Investment	6,064,629	7.03%			0	0%	None	None	-
Hsieh Ling	5,794,204	6.71%	2,007,643	2.33%	0	0%	Huang Yi-Xiang	Spouse	-
Shen Bing-Yuan	3,736,222	4.33%	0	0%	0	0%	None	None	-
Wu Chih-Wei	2,690,385	3.12%	0	0%	0	0%	None	None	-
Chang,Chih-Fu	2,546,216	2.95%	0	0%	0	0%	None	None	-
Tai Wen-Cheng	2,188,391	2.54%	0	0%	0	0%	None	None	-
Huang Yi-Xiang	2,007,643	2.33%	5,794,204	6.71%	10,160	0.01%	Hsieh Ling	Spouse	-
Wang,Li-Chun	1,952,246	2.26%	0	0%	0	0%	None	None	-
Chang Chia-Wen	1,649,589	1.91%	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: shares; March 31, 2024

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		
		Number of shares (in thousands)	Amount (NT\$ thousand)	Number of shares (in thousands)	Amount (NT\$ thousand)	Sources of share capital	Contribution to share capital with non-cash assets	Others
1992.11	10,000	1.2	12,000	1.2	12,000	Founding share capital	None	Note 1
1994.08	10,000	2	20,000	2	20,000	Rights issue to raise NT\$8,000 thousand	None	Note 2
1996.06	10,000	2.8	28,000	3	28,000	Rights issue to raise NT\$8,000 thousand	None	Note 3
1998.11	10,000	5	50,000	5	50,000	Rights issue to raise NT\$22,000 thousand	None	Note 4
1999.11	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
2001.01	10.00	8,170	81,700	8,170	81,700	Capitalization of earnings for NT\$11,700 thousand	None	Note 6
2002.07	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
2003.10	10.00	25,000	250,000	16,370	163,700	Rights issue to raise NT\$30,000 thousand	None	Note 8
2004.08	15.00	25,000	250,000	18,370	183,700	Rights issue to raise NT\$20,000 thousand	None	Note 9
2004.08	10.00	25,000	250,000	20,770	207,700	Capitalization of earnings by NT\$24,000 thousand		
2005.08	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
2007.10	25.00	50,000	500,000	34,000	340,000	Rights issue to raise NT\$100,000 thousand	None	Note 11
2007.10	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)		
2008.06	10.00	50,000	500,000	37,990	379,903	Capitalization of earnings by NT\$6,000 thousand (all via stock dividends to employees)	None	Note 12
2010.04	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
2010.07	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
2010.12	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
2011.09	16.02	50,000	500,000	39,480	394,803	Exercise employee stock options; Employees purchase stocks of NT\$200 thousand	None	Note 16
2012.09	10.00	50,000	500,000	41,453	414,533	Capitalization of earnings by NT\$19,730 thousand	None	Note 17
2013.01	18.50	50,000	500,000	46,643	466,433	Rights issue to raise NT\$51,900 thousand	None	Note 18
2015.10	10.00	50,000	500,000	45,106	451,063	Cancelation of treasury shares by NT\$15,370 thousand	None	Note 19
2016.04	29.00	50,000	500,000	47,768	477,683	Convert convertible bonds into new shares: NT\$26,620 thousand	None	Note 20

2016.09	10.00	100,000	1,000,000	52,288	522,886	Capitalization of capital surplus	None	Note 21
2016.10	29.00	100,000	1,000,000	54,569	545,694	Convert convertible bonds into new shares: NT\$22,808 thousand	None	Note 22
2016.12	19.40	100,000	1,000,000	69,569	695,694	Rights issue to raise NT\$150,000 thousand	None	Note 23
2017.06	25.90	100,000	1,000,000	70,160	701,601	Convert convertible bonds into new shares: NT\$5,907 thousand	None	Note 24
2017.10	25.90	100,000	1,000,000	70,430	704,304	Convert convertible bonds into new shares: NT\$2,703 thousand	None	Note 25
2017.11	25.90	100,000	1,000,000	73,006	730,057	Convert convertible bonds into new shares: NT\$25,753 thousand	None	Note 26
2018.03	25.90	100,000	1,000,000	75,732	757,315	Convert convertible bonds into new shares: NT\$27,258 thousand	None	Note 27
2018.08	10.00	100,000	1,000,000	76,488	764,888	Capitalization of earnings by NT\$7,573 thousand	None	Note 28
2019.09	10.00	150,000	1,500,000	80,151	801,512	Capitalization of earnings by NT\$36,624 thousand	None	Note 29
2020.10	10.00	150,000	1,500,000	83,884	838,841	Capitalization of earnings by NT\$37,329 thousand	None	Note 30
2021.04	10.00	150,000	1,500,000	84,157	841,572	Convert convertible bonds into new shares: NT\$2,731 thousand	None	Note 31
2021.08	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
2021.12	10.00	150,000	1,500,000	85,841	858,419	Convert convertible bonds into new shares: NT\$233 thousand	None	Note 34
2022.11	10.00	150,000	1,500,000	85,871	858,716	Convert convertible bonds into new shares: NT\$296 thousand	None	Note 35
2023.03	10.00	150,000	1,500,000	85,898	858,988	Convert convertible bonds into new shares NT\$271 thousand	None	Note 36
2023.10	10.00	150,000	1,500,000	86,303	863,030	Capitalization of earnings by NT\$4,042 thousand	None	Note 37
2024.03	10.00	150,000	1,500,000	86,312	863,123	Convert convertible bonds into new shares NT\$93 thousand	None	Note 38

Note 1: Approved by Official Document (Economy-1992) Incorporation-Three-Hsin-Tzu No. 393936 issued on November 9, 1992

Note 2: Approved by Official Document (Economy-1994) Incorporation-Three-Kuei-Tzu No. 419685 issued on August 10, 1994

Note 3: Approved by Official Document (Economy-1996) Incorporation-Three-Bing-Tzu No. 187573 issued on June 25, 1996

Note 4: Approved by Official Document (Economy-1998) Incorporation-Three-Geng-Tzu No. 261327 issued on November 20, 1998

Note 5: Rights issue and change of the face value from NT\$10,000 per share to NT\$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-Tzu No. 9031576110 issued on January 12, 2001

Note 7: Approved by Official Document Economy-Authorization-Shang-Tzu No. 09101266850 issued on July 11, 2002

Note 8: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09232769480 issued on October 8, 2003

Note 9: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09332579580 issued on August 17, 2004

Note 10: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09432589480 issued on August 2, 2005

Note 11: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09632961600 issued on October 29, 2007

Note 12: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09732575520 issued on July 4, 2008

Note 13: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09931912790 issued on April 14, 2010.

Note 14: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09932317780 issued on July 19, 2010

Note 15: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 09932927300 issued on December 9, 2010.

Note 16: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 10032487500 issued on September 7, 2011

Note 17: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 10032561370 issued on September 27, 2011

Note 18: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 10131594130 issued on January 30, 2012

Note 19: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 10433818660 issued on October 14, 2015

Note 20: Approved by Official Document Economy-Authorization-Zhong-Tzu No. 10533422590 issued on April 21, 2016

Note 21: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10501216930 issued on September 2, 2016

Note 22: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10501247050 issued on October 20, 2016

Note 23: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10501281630 issued on December 7, 2016

Note 24: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10601063040 issued on May 18, 2017

Note 25: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10601146370 issued on October 18, 2017

Note 26: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10601162200 issued on November 27, 2017

Note 27: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10701020120 issued on March 2, 2018
 Note 28: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10701108770 issued on August 29, 201
 Note 29: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10801127730 issued on September 19, 2019
 Note 30: Approved by Official Document Economy-Authorization-Shang-Tzu No. 10901191780 issued on October 15, 2020
 Note 31: Approved by Official Document Economy-Authorization-Shang-Tzu No. 11001064170 issued on April 23, 2021
 Note 32: Approved by Official Document Economy-Authorization-Shang-Tzu No. 11001146110 issued on August 18, 2021.
 Note 33: Approved by Official Document Economy-Authorization-Shang-Tzu No. 11001190700 issued on October 18, 2021.
 Note 34: Approved by Official Document Economy-Authorization-Shang-Tzu No. 11001219530 issued on December 2, 2021
 Note 35: Approved by Official Document Economy-Authorization-Shang-Tzu No. 11101221420 issued on November 11, 2022
 Note 36: Approved by Official Document Economy-Authorization-Shang-Tzu No. 11230037950 issued on March 17, 2023
 Note 37: Approved by Official Document Economy-Authorization-Shang-Tzu No. 11230197640 dated October 26, 2023.
 Note 38: Approved by Official Document Economy-Authorization-Shang-Tzu No. 11330045500 on March 25, 2024

2. Types of shares issued

Unit: (shares) April 1, 2024

Type of shares	Authorized share capital			Notes
	No. of shares outstanding	Unissued shares	Total	
Ordinary shares listed on Taipei Exchange	86,312,302	63,687,698	150,000,000	

3. Shelf registration: N/A

(II) Shareholder structure

April 1, 2024

Shareholder Structure	Government agencies	Financial institutions	Other legal persons	Foreign institutions and foreigners	Individuals	Total
Volume						
Number of people	0	1	28	21	11,391	11,441
No. of shares held	0	253,262	14,687,649	1,672,587	69,698,804	86,312,302
Percentage of ownership	0.00%	0.29%	17.02%	1.94%	80.75%	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)

April 1, 2024

No. of shares held by each shareholder	No. of shareholders	No. of shares held	Percentage of ownership
1-999	7,591	299,944	0.35%
1,000-5,000	2,732	5,034,862	5.83%
5,001-10,000	519	3,392,859	3.93%
10,001-15,000	233	2,673,262	3.10%
15,001-20,000	73	1,250,445	1.45%
20,001-30,000	90	2,055,298	2.38%
30,001-40,000	52	1,746,980	2.02%
40,001-50,000	24	1,052,129	1.22%
50,001-100,000	51	3,397,998	3.94%
100,001-200,000	33	4,727,883	5.48%
200,001-400,000	14	4,047,523	4.69%
400,001-600,000	8	3,956,145	4.58%
600,001-800,000	3	1,896,143	2.20%
800,001-1,000,000	3	2,785,700	3.23%
>1,000,001	15	47,995,131	55.60%
Total	11,441	86,312,302	100.00%

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

(IV) List of major shareholders

Unit: shares ; April 1, 2024

Names of major shareholders	No. of shares held	Percentage of ownership
Liu,Ching-I	8,236,805	9.54%
Chia-Chuan Investment	6,064,629	7.03%
Hsieh Ling	5,794,204	6.71%
Shen Bing-Yuan	3,736,222	4.33%
Wu Chih-Wei	2,690,385	3.12%
Chang,Chih-Fu	2,546,216	2.95%
Tai Wen-Cheng	2,188,391	2.54%
Huang Yi-Xiang	2,007,643	2.33%
Wang,Li-Chun	1,952,246	2.26%
Chang Chia-Wen	1,649,589	1.91%

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

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

Item		Year	2022	2023	As of April 22, 2024 (Note 8)
Market price per share (Note 1)	Highest		42.40	35.10	33.70
	Lowest		32.10	31.00	31.35
	Average		37.76	33.07	32.19
Book value per share (Note 2)	Before distribution		19.01	17.96	17.96
	After distribution		Note a	Note a	Note a
Earnings per share	Weighted average number of shares		82,029	81,252	81,252
	Earnings per share (Note 3)	Before retrospective adjustment	(0.67)		
		After retrospective adjustment	Note a	Note a	Note a
Dividends per share	Cash dividends		0.20	Note a	Note a
	Bonus shares	Stock dividends via capitalization of earnings	Note a	Note a	Note a
		Stock dividends via capitalization of capital surplus	-	-	-
	Cumulative unpaid dividends (Note 4)		-	-	-
Return on investment	P/E ratio (Note 5)		71.70	(49.36)	-
	Price to dividend ratio (Note 6)		190.00	330.68	-
	Cash dividend yield (Note 7)		0.52	0.30	-

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

Note a: The Board resolved on March 25, 2024 to distribute cash dividends of NT\$8,126 thousand at NT\$0.10 per share and stock dividends of NT\$0.03 per share of NT\$2,438 thousand from previous years' earnings. 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 2024 has not yet been announced, so the net value and earnings per share of Q4 2023 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 2023:

Unit: NT\$

Item	Amount	
Undistributed earnings at the beginning of the period		179,643,029
Less: Net loss after tax in 2023	(54,312,906)	
Appropriation:		
Less: legal reserve		
Less: Special reserve provided as an equity deduction	(27,223,597)	
Earnings available for distribution		98,106,526
Distribution items:		
Less: cash dividend (0.1/share) * 81,258,302 shares	(8,125,830)	
Less: stock dividend (0.03/share) * 81,258,302 shares	(2,437,750)	
Undistributed earnings at the end of the period		87,542,946

Note 1: 86,303,038 issued shares + 9,264 shares converted from convertible bonds – 5,054,000 treasury shares = 81,258,302 outstanding shares.

Note 2: Earnings from previous years are prioritized for distribution.

(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; in accordance with the Articles of Incorporation of the Company, the board of directors suggests a pre-tax loss for 2023 settlement and does not allocate funds for employee or director remuneration.

(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 proposed that 2023 be settled at a loss before tax, and no remuneration to employees and directors will be appropriated in accordance with the Articles of Incorporation.

(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: 2022; 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	569,171	569,171	0	—
Employees' remunerations	1,138,340	1,138,340	0	—

(IX) CFTC shares bought back by CFTC:

1. CFTC shares bought back by CFTC (completed)

April 1, 2024

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	2010.03.20-2010.05.18	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

Type of corporate bond	Second issuance of secured convertible bonds in Taiwan	Third issuance of unsecured convertible bonds in Taiwan
Date of issue	August 31, 2020	September 1, 2020
Face 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
Issuance price	100% of the par value	100% of the par value
Total amount	NT\$200 million	NT\$200 million
Interest rate	0% coupon rate	0% coupon rate
Term	Three year and mature on August 31, 2023	Three year and mature on September 1, 2023

Guaranteeing institution	Taiwan Cooperative Bank Ltd.	None
Trustee	Bank SinoPac	Bank SinoPac
Underwriting Institution	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Securities Co., Ltd.
Attorney-at-Law	No share certificates required as no physical securities were produced	No share certificates required as no physical securities were produced
Certified Public Accountant	No share certificates required as no physical securities were produced	No share certificates required as no physical securities were produced
Repayment method	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\$0	NT\$0
Terms of redemption or early settlement	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
Restrictive clause	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)	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,	There is no dilution before convertible bondholders ask to exercise their conversion rights. Bondholders may choose to convert	There is no dilution before convertible bondholders ask to exercise their conversion rights. Bondholders may choose to convert

exchange or share subscription and issuance conditions	at favorable time points during the convertible period. Therefore, the dilution is deferred and distributed. The above convertible bonds were delisted from OTC on August 31, 2023 and fully repaid, with no impact on shareholders' equity.	at favorable time points during the convertible period. Therefore, the dilution is deferred and distributed. The bond was delisted from OTC on September 1, 2023 and has been fully repaid, with no impact on existing shareholders' equity.
Name of the custodian for the exchangeable underlying	N/A	N/A

Type of corporate bond	Forth issuance of secured convertible bonds in Taiwan	Fifth issuance of unsecured convertible bonds in Taiwan
Date of issue	August 30, 2023	August 31, 2023
Face 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
Issuance price	100% of the par value	100% of the par value
Total amount	NT\$200 million	NT\$300 million
Interest rate	0% coupon rate	0% coupon rate
Term	Three years and mature on August 30, 2026	Three years and mature on August 31, 2026
Guaranteeing institution	Taiwan Cooperative Bank Ltd.	None
Trustee	Bank SinoPac	Bank SinoPac
Underwriting Institution	Taiwan Cooperative Securities Co., Ltd.	Taiwan Cooperative Securities Co., Ltd.
Attorney-at-Law	No share certificates required as no physical securities were produced	No share certificates required as no physical securities were produced
Certified Public Accountant	No share certificates required as no physical securities were produced	No share certificates required as no physical securities were produced
Repayment method	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 101.5075% of the par value (or 0.5% real yield) for all outstanding bonds upon maturity.
Outstanding principal	NT\$200,000,000	NT\$299,700,000
Terms of redemption or early settlement	Article 18 of the Regulations Governing the Issuance and Conversion of the Company's forth secured convertible bonds in Taiwan	Article 18 of the Regulations Governing the Issuance and Conversion of the Company's fifth unsecured convertible bonds in Taiwan

Restrictive clause		None	None
Name of credit rating agency, date of rating and corporate bond rating		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	At present, 9,264 ordinary shares have been converted at amount NT\$300,000.
	Regulations governing issuance and conversion (exchange or share subscription)	Please refer to the Regulations Governing the Issuance and Conversion of the Company's forth secured convertible bonds in Taiwan.	Please refer to the Regulations Governing the Issuance and Conversion of the Company's fifth 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. Currently, the face value of convertible corporate bonds in circulation is NT\$200,000 thousand. According to the current conversion price of NT\$33.02, if all of them are converted into ordinary shares of the company, there will be 6,056,935 shares. The dilution ratio is 6.56% at the most, and the dilution effect on the original shareholders is not very 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\$299,700 thousand. According to the current conversion price of NT\$32.38, if all of them are converted into ordinary shares of the company, there will be 9,255,713 shares. The dilution ratio is 9.68% 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

Information on convertible corporate bonds

Type of corporate bond		Second issuance of secured convertible bonds in Taiwan		
Item	Year	2021	2022	As of August 31, 2023
	Convertible corporate bonds at market price	Highest	127.50	121.00
Lowest		109.50	103.50	99.50
Average		118.48	112.19	101.24
Conversion price		42.09	41.36	41.36
Issuance date and conversion price at issuance		Issued on: 2020.8.31 Conversion price at issuance: NT\$46		
Exercise of conversion obligations		Issuance of new shares		

Data of convertible bonds

Type of corporate bond		Third issuance of unsecured convertible bonds in Taiwan		
Year		2021	2022	As of September 1, 2023
Item				
Convertible corporate bonds at market price	Highest	125.25	108.50	101.15
	Lowest	103.00	98.55	98.55
	Average	110.24	102.40	100.26
Conversion price		41.17	40.45	40.45
Issuance date and conversion price at issuance		Issued on: 2020.8.31 Conversion price at issuance: NT\$46		
Exercise of conversion obligations		Issuance of new shares		

Data of convertible bonds

Type of corporate bond		Forth issuance of secured convertible bonds in Taiwan		Fifth issuance of unsecured convertible bonds in Taiwan	
Year		2023	As of April 22, 2024	2023	As of April 22, 2024
Item					
Convertible corporate bonds at market price	Highest	114.50	115.00	107.00	105.45
	Lowest	105.95	108.65	97.20	102.05
	Average	109.42	112.10	101.47	103.80
Conversion price		33.02	33.02	33.02	32.38
Issuance date and conversion price at issuance		Issued on: 2023.8.30 Conversion price at issuance: NT\$33.39		Issued on: 2023.8.31 Conversion price at issuance: NT\$32.74	
Exercise of conversion obligations		Issuance of new shares		Issuance of new shares	

3. Special shares: none.
: None.

4. Overseas depositary 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 business 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	2022		2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Hard-disk drive components	527,447	20.77	300,064	12.99
Auto and motorcycle components	1,868,030	73.55	1,934,457	83.72
Others	144,204	5.68	76,069	3.29
Total	2,539,681	100.00	2,130,590	100.00

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

According to the data released by the China Association of Automobile Manufacturers, the global auto industry is expected to enter the era of annual production and sales of 30 million units in 2023.

According to the latest data released by the China Association of Automobile Manufacturers on January 11, the production and sales volume exceeded 30 million units in 2023, totaling 30.161 million units and 30.094 million units, respectively, up by 11.6% and 12% year-over-year, and ranking first in the world 15 years in a row. The production and sales volume of the automobile market in 2023 will reach a record high and achieve high double-digit growth.

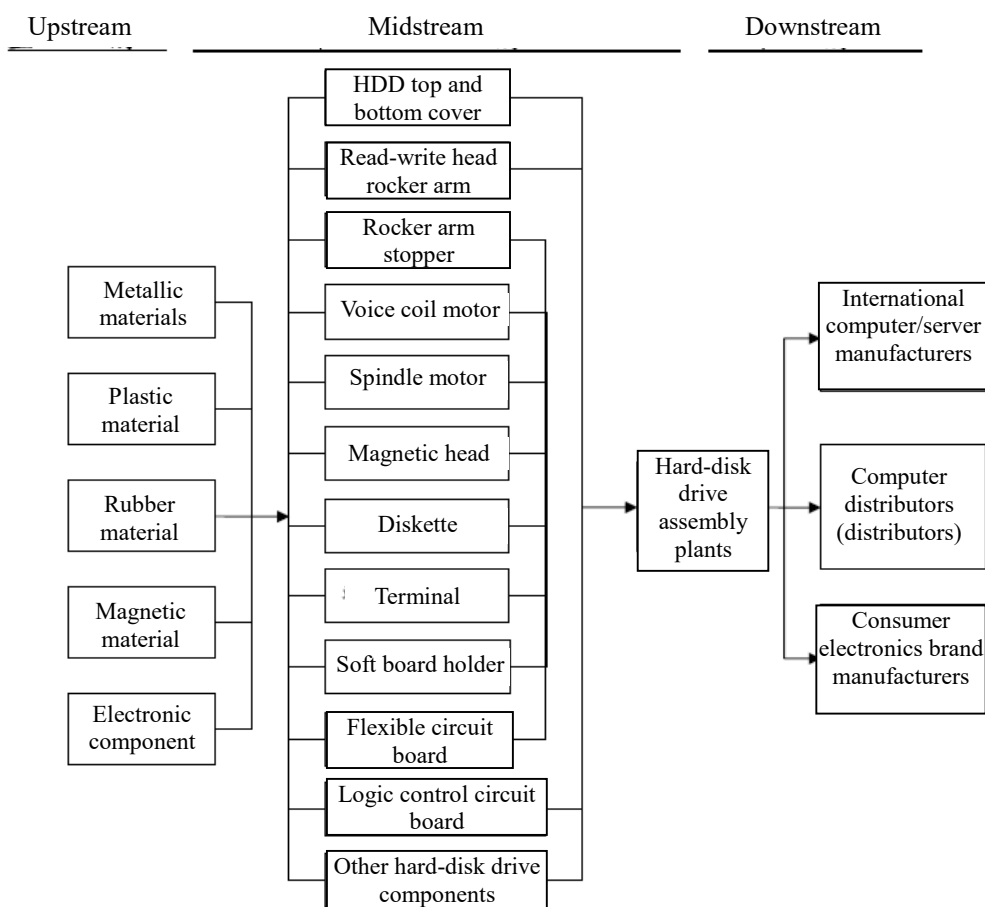
Among them, new energy vehicles continue to maintain rapid growth and become an important force leading the transformation of the global auto industry; vehicle exports have reached a new high, effectively driving the overall rapid growth of the industry. Looking forward to 2024, Cui Dongshu, Secretary-General of National Passenger Car Information Exchange Association, believes that this year's car market may usher in a

sales year; Chen Shihua forecasts that China's total car sales in 2024 will exceed 31 million units, a year-on-year growth of more than 3%.

Looking back at the auto market in 2023, the overall market sales showed the characteristics of "start low and go high, gradually improving;" the overall inventory is at a reasonable level. At the beginning of 2023, due to factors such as the purchase tax incentives for traditional fossil fuel vehicles and the withdrawal of subsidies for new energy vehicles, the recovery of automobile consumption is relatively lagging behind; from March to April, the price promotions caused fluctuations in the end market, and the automobile consumption slowly recovered; from May to October, Under the promotion of national and local policies, coupled with the continuation of local car purchase promotions and other measures, the market demand is gradually released, and the "Golden September and Silver October" effect reappears; since November, the market has continued to develop well and the momentum of the car companies at the end of the year has contributed to the improvement of the car market's production and sales, exceeding our expectations and reached record highs.

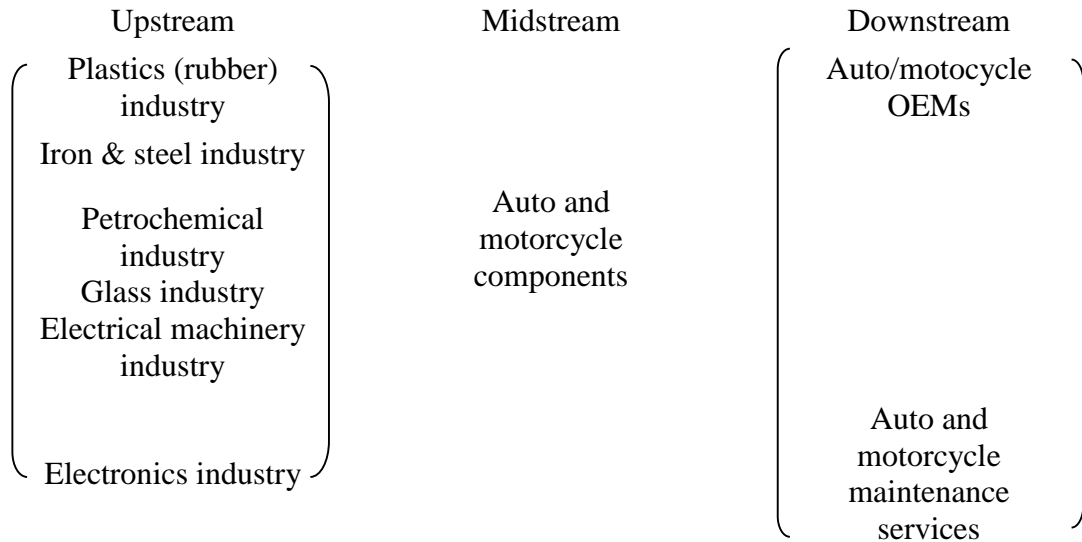
2. Upstream, midstream, and downstream of the industry:

A. Hard-disk drives



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	2023	As of March 31, 2024 (Note)
R&D expenses	104,799	30,749
R&D as percentage of sales (%)	4.54%	4.72

Note: not reviewed by external accountants

2. Products successfully developed in the most recent year (2023):

Year	Product	Product application and description
2023	Chainring forging technology	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 complex functional requirement, with complex designs on the outlook, CFTC is developing composite forging and forming technology based on finite element analysis and optimized forming data to meet diversified product requirements and improve technical competitiveness.
	High draw ratio forming technology	In response to the products' forming goals such as round/square/rectangular shapes with large aspect ratio, related technologies are developed to meet the needs of various round/square/rectangular drawing products in the market. (Such as: motor casings, battery casings and automotive air bag casings)

(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: NT\$ thousand

Market \ Year		2023		Major products					
		Sales	%	HDD		Auto		Others	
				Sales Amount	%	Sales Amount	%	Sales Amount	%
Domestic sales		1,851,671	80.14	0	0	1,727,613	91.55	124,058	100.00
Overseas sales	Asia	299,579	12.97	299,443	100.00	136	0.13	0	0
	Europe	141,675	6.13	0	0	141,675	8.20	0	0
	Other	17,665	0.76	0	0	17,665	1.27	0	0
	Subtotal	458,919	19.86	299,443	100.00	159,476	9.60	0	0
Total revenues		2,310,590	100.00	299,443	100.00	1,887,089	100.00	124,058	100.00

2. Market share:

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. Future market supply, demand and growth:

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. The HDD Manufacturing Production Index (MPI) declined by 27.0% year-on-year in the first nine months of 2022 (+4.8% in the same period of 2021), and the export value also dropped slightly by 2.3% year-on-year to US\$9.47 billion (+20.2% in the same period of 2021). After two years of strong sales (in response to the needs of working from home), the demand for personal computers (PC) shrank sharply. PC sales grew by 12.0% and 15.2% in 2020 and 2021, respectively, while the average annual decline was 2.4% from 2016 to 2019; therefore, global PC sales in the first nine months of 2022 decreased by 13.0% year-on-year. Because PCs usually use HDDs for data storage, the sales of HDDs have also declined. In addition, the overall weak global economy also prompts the public and private sectors to seek alternative IT solutions, especially solutions based on data center systems, which may help increase the demand for HDDs. In the last quarter of 2022, the volume of HDDs produced and exported by Thai manufacturers will continue to decline. Severe inflation in many countries is eroding the purchasing power of consumers and dragging down the economy. One of the impacts is that the global sales of new PCs have declined by 12.8% (IDC, September 2022), but this is partly offset by strong demand for large-capacity hard disk drives (HDDs) used for big data storage and analysis. This increase in additional demand is reflected in the growth of data center system investment, which is expected to grow by 10.4% in 2022, higher than the 6.1% in 2021 (Gartner, October 2022). In 2022, the output of HDDs will decrease in line with the decline in export value. It is expected that the export value will shrink by 4.0-5.0%, compared with the growth of 22.1% in the same period last year. In the next 3 years, the export of HDDs will resume growth, but the export value will grow slightly at an average annual speed of 1.0-2.0%. According to IDC (September 2022),

global PC sales will decrease by 2.6% in 2023 due to a weak economic outlook. However, as the situation improves, sales growth should resume in 2024 and 2025. Due to the increasing demand for big data related purposes in cloud computing and data center applications, sales of large-capacity HDDs are expected to remain strong. However, low-capacity HDDs will be gradually replaced by solid state drives (SSDs), especially HDDs used in notebook computers.

(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.

B. Auto components market

(A) Summary for the domestic market

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.

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 won recognition of local consumers. Market share of domestic cars peaked to 87.2% in 2004, and falling year by year since then, to 51.78% by 2023.

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.

Year/sector	2023	2022	2021	2020	2019
Car sector/growth	2,302/10.50%	2,083/8.43%	1,921/12.62%	1,705/1.89%	1,674/0.24%
Motorcycle sector/growth	576/1234%	513/-9.68%	568/-10.61%	635/9.92%	578/8.88%
Bicycle sector/growth	780/-1739%	945/40.42%	673/16.09%	580/-10.69%	650/27.04%
Car components sector/growth	3,060/1.19%	3,023/33.11%	2,271/11.50%	2,026/900%	2,226/-1.37%
Motorcycle components sector/growth	547/-10.88%	613/9.27%	561/10.99%	507/9.92%	473/393%
Bicycle components sector/growth	1,1017-47.05%	2,080/93.13%	1,077/46.57%	773/7.49%	722/9.23%
Total/growth	8,366/963%	9,258/30.93%	7,071/14.09%	6,227/-1.47%	6,322/3.27%
As % of Manufacturing Industries	4.75%	4.67%	4.40%	4.89%	4.78%

NT\$100 million

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

Despite the ups and downs of the domestic market for complete cars over recent years, the car components sector continue to enhance competitiveness and expand annual exports. The sector's export value reached a record high of NT\$253 billion in 2022, up about 14.58% year-over-year. Despite the recession, the inventory is still high in 2023. The export value in 2023 will reach NT\$225.4 billion, a decline of 10.91%.

Exports of Car Components from Taiwan

Year	2023	2022	2021	2020	2019
Amount	2,254	2,530	2,208	1,927	2,148
Growth	-10.91%	14.58%	14.58%	-10.26%	0.02%

NT\$100 million

Source: Customs data of imports/exports; Taiwan Transportation Vehicle Manufacturers Association

(B) Global auto market

The global auto industry is undergoing significant changes. After overtaking Germany in 2022, China's car export volume achieved a jump in 2023, surpassing Japan to become the world's largest car exporter.

On January 12, the General Administration of Customs of the People's Republic of China released the annual export data of automobiles. In 2023, China exported 5.221 million vehicles, up 57.4% year-on-year, with a total export value of US\$101.6 billion, up 69% year-on-year.

According to the latest forecast by the Japan Automobile Manufacturers Association, Japan's export volume in 2023 is expected to be around 4.3 million units. China's export volume of automobiles has jumped to the first place in the world. The rise of China's auto exports is due to the dynamism of China's auto market, which accelerated the deployment of automakers in overseas markets. At the same time, the domestic market is vast, and the guidance and incentives of the new energy vehicle policy have made the new energy vehicle technology continue to be explored, forming the scale advantage of the manufacturing industry chain, and leading the global competitors in all aspects.

Apart from the data released by the General Administration of Customs, the China Association of Automobile Manufacturers has also released more specific export data.

In 2023, China's export volume of new cars will be 4.91 million units, a year-on-year increase of 57.9%. Exports contributed 55.7% to the growth of total vehicle sales. Specifically, the export of new passenger cars in 2023 was 4.14 million units, up by 63.7% year-on-year. The export of new commercial vehicles was 770 thousand units, up by 32.2% year-on-year.

According to the statistics of the China Association of Automobile Manufacturers, the export volume of automakers in 2023 is dominated by SAIC, Chery, and Geely. The export volumes of each are 1099 thousand units, 925 thousand units, and 408

thousand units. The seven runners-up are Changan, Tesla, Great Wall, BYD, Dongfeng, BAIC, and JAC.

According to the statistics of the China Association of Automobile Manufacturers, the top ten countries for China's auto export volume in 2023 are Russia, Mexico, Belgium, Australia, Saudi Arabia, the United Kingdom, the Philippines, Thailand, the United Arab Emirates, and Spain. The Russian market was the strongest performer, with a year-on-year growth of 5.5 times. According to industry participants, geopolitical issues have caused a surge in demand for Chinese cars in the Russian market, which accelerated the growth of Chinese car exports to a certain extent.

Of course, the rapid transformation of new energy vehicles is also the focus. In terms of the form of fuel, the export volume of new fuel vehicles in 2023 will be 3.707 million units, with a year-on-year growth of 52.4%; the export volume of new energy vehicles will be 1.203 million units, with a year-on-year growth of 77.6%. Although the export ratio of new energy vehicles is lower than that of traditional petrol vehicles, the growth rate is faster than that of traditional petrol vehicles. It is considered by the industry to be the core growth point of China's auto exports in the future.

In the past year, Chinese cars have started to build factories overseas. For example, in February last year, Chery announced to invest US\$400 million to build a factory in Argentina, and JAC invested RMB 1.452 billion to establish a joint venture factory with a local partner in Mexico. In March, the construction of NETA's first overseas plant in Thailand officially started, and the new vehicle was officially rolled out in November last year. Also in March, BYD also announced the official foundation stone laying of its Thailand factory, which is expected to be put into production in 2024, and will establish a large-scale production base complex consisting of three factories in Brazil.

At the same time, the overseas model of car companies is also deepening, from the development of the complete vehicle to the overseas of the auto parts and so on. In terms of auto parts and components, in April 2023, Gotion High-tech started delivery of power battery packs produced locally in Indonesia; in June, CATL announced that it had reached a cooperation agreement on high-efficiency cell to pack technology (CTP) with Arun Plus in Thailand to provide CTP battery pack production line and sharing technology; In July, SVOLT Energy's first battery module factory in Southeast Asia was announced to start construction in Thailand. In 2024, overseas will be the battlefield

China's rapid development in the field of new energy vehicles has contributed to the establishment of a complete industrial chain, which has also made new energy vehicles a new driving force for China's automobile exports.

According to the China Association of Automobile Manufacturers, the top three markets for China's new energy vehicle exports in 2023 are Belgium, Thailand, and the United Kingdom. The first-mover advantage of Chinese auto makers in the field of new energy vehicles has become a new highlight of China's auto exports. Overseas markets will inevitably become a must for automakers in 2024.

The reason is simple. The competition in China's domestic auto market has intensified. According to the "elimination" approach in 2023, the domestic price

war may continue to escalate in 2024. In 2023, the production and sales volume of China's auto market exceeded 30 million units for the first time, setting a new record. However, according to the 2023 sales figures disclosed by the major car makers, only BYD, Geely, Li Auto and other car makers have completed the 2023 sales targets, and the completion rate of the mainstream car makers in most of the remaining markets is not optimistic.

Overseas deployment is becoming the second growth curve for auto makers, which may become a major outlet for major auto makers to gain a foothold in the domestic market and stabilize profitability.

SAIC Motor has previously stated that with the rapid increase in overseas sales, SAIC's overseas operations will achieve large-scale profitability in 2023. Chery has also stated that its export volume will account for nearly half of its total sales in 2023, and exports have created a huge source of profit for Chery.

It is worth mentioning that it is not only Chinese self-brand car makers that export overseas, but some multinational car makers with plants in China are also looking to export cars produced there. European car brands including Volvo, Smart, Renault, Volkswagen, and BMW are using Chinese factories and the new energy vehicle industry chain to plan to produce in China and export to overseas markets.

Has the export to China rebounded from Europe and the US already begun?

However, with regard to the sharp increase in China's auto export, Chinese experts believe that it is necessary to be wary of the rebound from foreign trade protectionism. As China's auto exports become more and more prominent, complex challenges such as trade barriers and market adjustments have begun to emerge. In October 2023, the European Commission announced the launch of anti-subsidy investigations against BYD, SAIC and Geely Automobile, and was requested to provide information by the EU. At the component level, the EU's Battery Act has also been introduced by the middle of 2023. If Chinese batteries want to enter the EU, they will face increasingly stringent carbon emission requirements. The European market's restrictions on China's electric vehicles and batteries will also make China's new energy vehicle industry chain encounter more resistance in 2024. In the U.S. market, vehicle exports are constrained by high tariffs. The new subsidy policy for new energy vehicles in the United States stipulates that the preconditions for enjoying the tax credit are that the EV is assembled in North America, the raw materials must come from the United States or countries with free trade agreements with the United States, and the battery components must be produced and assembled in North America, etc. Therefore, it is difficult for Chinese carmakers to compete in the U.S. market.

Recently, the new energy subsidies in the United States are still excluding batteries and battery raw materials produced in China. For example, in July last year, the battery factory jointly established by CATL and Ford was suspended by the US authorities. CATL did not even own any equity in the factory, but only provided Ford with patented technology and assisting in factory operations.

European and American countries have imposed many restrictions on Chinese cars, especially electric cars, which will naturally have a certain impact on China's car exports. However, as Fu Bing-Feng, Executive Vice Chairman and Deputy Secretary-General of the China Association of Automobile Manufacturers, has previously stated, while the EU imposes numerous restrictions on Chinese car

manufacturers, it should be noted that Chinese cars are exported to over 200 countries and regions, with the EU accounting for only a small portion. As a result, if no special adverse event occurs, China will be able to maintain its current trend of automobile export growth.

In order to obtain long-term benefits overseas, it is more important for Chinese car companies to accelerate the establishment of overseas factories, realize localized production models, and build well-known brands overseas.

According to incomplete statistics, more than 10 car makers including BYD, Great Wall, SAIC, JAC, Chery, Geely, Aion, NETA, BAIC, Dongfeng, Jiangling, and MG have established overseas factories. According to the layout of several auto makers last year, the overseas presence of Chinese auto makers is still updating.

As far as China's auto market is concerned, the "involution" trend is likely to continue in 2023, and the auto market in 2024 will develop in the direction of a major reshuffle of the players, which will inevitably further intensify the competition. If we want to better survive in 2024 and obtain broader development space, overseas expansion is an inevitable choice.

(C) Auto parts manufacturing industry in China

The production and sales of new energy vehicles have ranked first in the world for 9 consecutive years, and the export of automobiles has reached a record high. In 2023, the new energy vehicle market will maintain the momentum of growth in production and sales.

According to the China Association of Automobile Manufacturers, the sales of new energy vehicles in 2023 will be 9.495 million units, a year-on-year increase of 37.9%, and the market share will be 31.6%, 5.9 percentage points higher than the same period of the previous year. Among them, the sales of new energy passenger cars in 2023 will account for 34.7% of the sales of passenger cars, and the sales of new energy commercial vehicles will account for 11.1% of the sales of commercial vehicles.

Judging from the performance of the new energy passenger car market in 2023, with the enrichment of model varieties, the launch of a large number of new models, and the decline in model prices, A0 grade cars and above showed positive year-on-year growth. A00-segment cars (mini cars) had the largest increase, while A00-segment cars (mini cars) saw a year-on-year decline; similar to the traditional fossil fuel passenger car market, new energy passenger car sales are mainly concentrated in the A-segment, with sales last year reaching 3.471 million units, a year-on-year increase 45.5%.

According to the data from the Federation, the penetration rate of self-owned brand new energy vehicles was 59.3% in December last year, and the new energy vehicle penetration rate of luxury cars in December last year was 33.2%; while in December last year, the mainstream joint venture brand new energy vehicle penetration rate was only 7.4%. Cheng Liran of Tianjin University's China Automotive Strategy Development Research Center said that China's new energy vehicles have been stable and improving, and the sales of hybrid models grew significantly last year.

Cui Dongshu predicts that the wholesale sales of new energy passenger cars in China is expected to reach 11 million units in 2024, with a net increase of 2.3 million units. Plug-in hybrid electric vehicles and extended-range vehicles will become the main driving force for the growth of new energy vehicle market.

In 2023, automobile exports and new energy vehicles will become an important force driving the growth of automobile production and sales. According to the data from the China Automobile Association, the export volume of automobiles in 2023 will be 4.91 million units, a year-on-year increase of 57.9%. The contribution rate of exports to the growth of total automobile sales will reach 55.7%. Cui Dongshu indicated that China's auto export will overtake Japan in 2023 and become the first in the world.

According to the forecast of the China Association of Automobile Manufacturers, the export volume of automobiles will reach 5.5 million units in 2024. In addition, the China Automobile Association forecasts that the sales of passenger cars in 2024 may reach 26.8 million units, a year-on-year growth of 3%; the sales of commercial vehicles may reach 4.2 million units, a year-on-year growth of 4%.

Wang Qing, deputy director of the Institute of Market Economics, Development Research Center of the State Council, believes that the sales volume in the domestic market has not yet reached the potential market scale. The previously pent-up potential sales volume will also be slowly released as the consumer market gradually recovers. This is also the next step for China. This is an important support for the growth of the auto market; in the long run, the potential growth rate of China's auto sales is 2% - 3% by 2030.

4. Competitive niche:

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	2022				2023				As of the most recent quarter of 2024 (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	193,622	17.53	None	Vendor A	160,479	17.77	None	-	-	-	-
2	Vendor B	155,866	14.11	None	Vendor B	230,334	25.51	None	-	-	-	-
3	Vendor C	126,237	11.43	None	Vendor C	111,524	12.35	None	-	-	-	-
	Others	628,765	56.93		Others	400,689	44.37					
	Net purchase of goods	1,104,490	100.00	-	Net purchase of goods	903,026	100.00	-	-	-	-	-

Note: As of the publication date of the annual report, the financial report of 2024 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	2022				2023				As of the most recent quarter of 2024 (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	511,389	20.14	None	Customer A	292,906	12.68	None	-	-	-	-
2	Customer B	283,639	11.17	None	Customer B	313,315	13.56	None	-	-	-	-
	Others	1,744,653	68.69		Others	1,704,369	73.76					
	Net sales	2,539,681	100.00	-	Net sales	2,310,590	100	-	-	-	-	-

Note: As of the publication date of the annual report, the financial report of 2024 Q1 has not yet been announced.

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

Unit: thousand PCS; NT\$ thousand

Output value Major products (or by department)	Year	2022			2023		
		Capacity	Output	Production value	Capacity	Output	Production value
Hard-disk drive components		94,705	65,314	819,836	96,807	26,164	327,263
Auto and motorcycle components		108,802	105,838	1,577,209	115,009	111,876	1,710,264
Others		5,239	5,177	79,014	5,388	1,343	26,238
Total		208,746	176,329	2,476,059	217,204	139,383	2,063,765

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

Unit: thousand PCS; NT\$ thousand

Sales volume and value Major products (or by department)	Year	2022				2023			
		Domestic sales		Overseas sales		Domestic sales		Overseas sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Hard-disk drive components				58,274	527,447			31,342	299,443
Auto and motorcycle components		100,704	1,688,611	5,497	179,419	106,153	1,727,613	4,762	159,476
Others		3,785	137,387	102	6,817	2,344	124,058		
Total		104,489	1,825,998	63,873	713,683	108,497	1,851,671	36,104	458,919

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		2022	2023	As of April 22, 2024
No. of employees	No. of managers	111	96	97
	No. of technical personnel	83	119	122
	No. of general personnel	773	627	648
	Total	967	842	867
Average age (years)		36.49	36.84	39.05
Average tenure (years)		5.12	5.55	6.285
Distribution of education levels	PhD	0.10%	0.28%	0.24%
	Master's degree	1.24%	2.29%	2.06%
	College	29.68%	37.53%	34.47%
	Senior high school	32.37%	33.51%	21.56%
	Below senior high school	36.61%	26.39%	41.66%

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. Contribution to employee stock ownership trust.
- F. Year-end bonus.
- G. Benefits: for weddings, funerals, celebrations, and birthday gift vouchers
- H. 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
- I. Leisure and recreation: employee travel, employee activities (lunar year end festival), society activities, employee lounges, gymnasiums.
- J. 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”.

All employees of the Company contribute pension under the new labor retirement system. In accordance with the Labor Pension Act, a monthly contribution rate of 6% of the workers' monthly salary is contributed to the labor pension account of the Bureau of Labor Insurance. The employees in 2023 The pension expense amounted to NT\$5.024 million. The retirement requirements of the Company's employees are: (1) Those who have worked for more than 15 years and are at least 55 years of age; (2) those who have worked for more than 25 years and are at the age of 60 or more; (3) those who have worked for more than 10 years and are at the age of 60; Compulsory retirement: Those who (A) reach the age of 65, (B) are mentally or physically incapacitated to work. Procedures for employees applying for retirement: An application should be submitted 3 months prior to retirement, and a retirement application should be filled in. After being signed by the manager, it will be sent to the Management Department for review to ensure that employees meet the eligibility for retirement.

The procedures and conditions for employees to apply for retirement shall be handled in accordance with the Company's “Regulations Governing Employee Retirement, Resignation and Leave of absence without pay”.

(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 22, 2024

Nature of contract	Contract parties	Start/end dates	Key contents	Restrictive clause
Loan agreement	Chang Hwa Bank	2023.12.20~2027.10.15	Machinery loan	None
Loan agreement	Land Bank of Taiwan	2023.05.18~2028.05.18	Credit loan	None
Loan agreement	Taiwan Cooperative Bank	2019.11.05~2039.10.31	Collateralized loan	None
Loan agreement	Taiwan Cooperative Bank	2020.05.22~2030.05.15	Collateralized loan	None
Loan agreement	Taiwan Cooperative Bank	2020.09.09~2027.08.15	Credit loan	None
Loan agreement	Taiwan Cooperative Bank	2023.05.25~2028.05.25	Credit loan	None
Loan agreement	Agricultural Bank of Taiwan	2023.12.15~2025.12.15	Credit loan	None
Loan agreement	Agricultural Bank of Taiwan	2020.06.08~2025.05.15	Credit loan	None
Loan agreement	Bank of Panhsin	2022.08.16~2024.08.16	Credit loan	None
Loan agreement	Shanghai Commercial Bank	20023.05.08~2026.05.08	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 information for the most recent five years (Note 1)					Financial information as of April 22, 2024 (Note 3)
		2019	2020	2021	2022	2023	
Current assets		1,789,472	2,018,378	2,227,946	2,100,121	2,043,954	-
Property, plant and Equipment		1,631,876	1,858,752	1,962,289	1,973,742	1,832,208	-
Intangible asset		6,822	8,320	11,213	10,050	7,592	-
Other assets		222,581	201,646	209,634	189,377	192,448	-
Total assets		3,650,751	4,087,096	4,411,082	4,273,290	4,076,202	-
Current liabilities	Before distribution	1,552,122	1,236,218	1,414,206	1,898,164	1,306,407	-
	After distribution	1,556,788	1,301,740	1,467,813	1,914,333	(Note 2)	-
Non-current liabilities		726,358	1,282,947	1,375,372	832,971	1,310,652	-
Total liabilities	Before distribution	2,278,480	2,519,165	2,789,578	2,731,135	2,617,059	-
	After distribution	2,283,146	2,584,687	2,843,185	2,747,304	(Note 2)	-
Equity attributable to shareholders of the parent		1,372,271	1,567,931	1,621,504	1,542,155	1,459,143	-
Share capital		801,512	838,841	858,419	858,988	863,123	-
Capital surplus		512,998	528,557	553,362	555,218	578,446	-
Retained earnings	Before distribution	309,916	405,553	431,313	420,840	346,316	-
	After distribution	267,921	323,651	377,706	400,629	(Note 2)	-
Other equity interest		(131,613)	(124,488)	(119,793)	(97,144)	(124,368)	-
Treasury shares		(120,542)	(80,532)	(101,797)	(195,747)	(204,374)	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	1,372,271	1,567,931	1,621,504	1,542,155	1,459,143	-
	After distribution	1,367,605	1,502,409	1,567,897	1,525,986	(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 print date of the annual report, the financial report for the first quarter of 2023 has not yet been released.

(II) Summary balance sheet (parent) - IFRS

Unit: NT\$ thousand

Item \ Year		Financial information for the most recent five years (Note 1)					Financial information as of April 22, 2024 (Note 3)
		2019	2020	2021	2022	2023	
Current assets		499,077	549,366	547,099	451,117	424,077	-
Property, plant and Equipment		633,102	846,809	988,892	1,030,305	1,010,102	-
Intangible asset		2,081	3,244	3,440	3,498	2,454	-
Other assets		1,558,632	1,781,106	1,900,544	1,872,188	1,884,637	-
Total assets		2,692,892	3,180,525	3,439,975	3,357,108	3,321,270	-
Current liabilities	Before distribution	595,006	329,904	473,577	1,012,912	551,546	-
	After distribution	599,672	395,426	527,184	1,029,081	(Note 2)	-
Non-current liabilities		725,615	1,282,690	1,344,894	802,041	1,310,581	-
Total liabilities	Before distribution	1,320,621	1,612,594	1,818,471	1,814,953	1,862,127	-
	After distribution	1,325,287	1,678,116	1,872,078	1,831,122	(Note 2)	-
Equity attributable to shareholders of the parent		1,372,271	1,567,931	1,621,504	1,542,155	1,459,143	-
Share capital		801,512	838,841	858,419	858,988	863,123	-
Capital surplus		512,998	528,557	553,362	555,218	578,446	-
Retained earnings	Before distribution	309,916	405,553	431,313	420,840	346,316	-
	After distribution	267,921	323,651	377,706	400,629	(Note 2)	-
Other equity interest		(131,613)	(124,488)	(119,793)	(97,144)	(124,368)	-
Treasury shares		(120,542)	(80,532)	(101,797)	(195,747)	(204,374)	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	1,372,271	1,567,931	1,621,504	1,542,155	1,459,143	-
	After distribution	1,367,605	1,502,409	1,567,897	1,525,986	(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 2024 Q1 has not yet been announced.

(III) Summary Income Statement (consolidated) - IFRS

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

Item \ Year	Financial information for the most recent five years (Note 1)					Financial information as of April 22, 2024 (Note 3)
	2019	2020	2021	2022	2023	
Revenues	2,092,780	2,295,575	2,639,658	2,539,681	2,310,590	-
Gross profit	310,217	495,035	511,616	328,639	256,014	-
Operating profit (loss)	61,466	229,730	185,238	(20,792)	(67,606)	-
Non-operating income and expenses	(23,939)	(16,984)	(4,743)	44,682	(5,800)	-
Earnings before tax	37,527	212,746	180,495	23,890	(73,406)	-
Income from continuing operations	20,061	137,632	107,662	43,134	(54,313)	-
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	20,061	137,632	107,662	43,134	(54,313)	-
Other comprehensive income (after tax)	(46,835)	7,125	4,695	22,649	(27,224)	-
Total comprehensive income	(26,774)	144,757	112,357	65,783	(81,537)	-
Net income attributable to the parent company	20,061	137,632	107,662	43,134	(54,313)	-
Net income attributable to non-controlling interest	-	-	-	-	-	-
Total comprehensive income attributable to shareholders of the parent	(26,774)	144,757	112,357	65,783	(81,537)	-
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share (Note 2)	0.26	1.69	1.29	0.52	(0.67)	-

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 2024 Q1 has not yet been announced.

(IV) Summary Income Statement (parent) - IFRS

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

Item \ Year	Financial information for the most recent five years (Note 1)					Financial information as of April 22, 2024 (Note 3)
	2019	2020	2021	2022	2023	
Revenues	639,315	797,210	843,117	670,472	408,243	-
Gross profit	93,356	144,872	154,500	112,192	(7,875)	-
Operating profit (loss)	9,210	53,771	37,774	14,207	(91,703)	-
Non-operating income and expenses	18,178	120,568	102,100	41,003	24,045	-
Earnings before tax	27,388	174,339	139,874	55,210	(67,658)	-
Income from continuing operations	20,061	137,632	107,662	43,134	(54,313)	-
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	20,061	137,632	107,662	43,134	(54,313)	-
Other comprehensive income (after tax)	(46,835)	7,125	4,695	22,649	(27,224)	-
Total comprehensive income	(26,774)	144,757	112,357	65,783	(81,537)	-
Net income attributable to the parent company	20,061	137,632	107,662	43,134	(54,313)	-
Net income attributable to non-controlling interest	-	-	-	-	-	-
Total comprehensive income attributable to shareholders of the parent	(26,774)	144,757	112,357	65,783	(81,537)	-
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share (Note 2)	0.26	1.69	1.29	0.52	(0.67)	-

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 2024 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
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
2022	CPA Jacky Chen; CPA David Chen	KPMG Taiwan	Unqualified opinion
2023	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 22, 2024 (Note 2)
		2019	2020	2021	2022	2023		
Financial structure (%)	Liabilities to assets ratio	62.41	61.64	63.24	63.91	64.20	-	
	Ratio of long-term capital to property, plant and equipment	128.60	153.38	152.72	120.34	151.17	-	
Liquidity %	Current ratio	115.29	163.27	157.54	110.64	156.46	-	
	Quick ratio	68.26	103.77	94.37	60.25	97.53	-	
	Interest coverage ratio	216.63	867.34	865.82	161.13	(55.50)	-	
Operating efficiency	Accounts receivable turnover (time)	3.02	3.30	3.64	3.50	3.02	-	
	Days sales outstanding	120.86	110.61	100.27	104.29	120.86	-	
	Inventory turnover (times)	3.34	3.61	3.58	3.14	3.07	-	
	Accounts payable turnover (times)	6.11	5.52	5.69	6.27	7.28	-	
	Days inventory outstanding	109.28	101.10	101.91	106.24	118.89	-	
	Property, plant, and equipment turnover (times)	1.66	1.32	1.38	1.29	1.21	-	
	Total asset turnover (times)	0.62	0.59	0.62	0.58	0.55	-	
Profitability	Return on assets (%)	1.36	4.13	2.98	1.71	(0.40)	-	
	Return on equity (%)	1.43	9.36	6.75	2.73	(3.62)	-	
	Earnings before tax to paid-in capital ratio (%)	4.68	25.36	21.03	2.78	(8.50)	-	
	Net margin (%)	0.96	6.00	4.08	1.70	(2.35)	-	
	Earnings per share (NT\$)	0.26	1.69	1.29	0.52	(0.67)	-	
Cash flows	Operating cash flow ratio (%)	30.53	25.43	17.29	1.11	24.14	-	
	Cash flow adequacy ratio (%)	48.50	63.15	61.20	57.48	85.28	-	
	Cash re-investment ratio (%)	12.00	7.74	4.22	(0.85)	6.99	-	
Leverage	Operating leverage	7.16	1.28	4.15	(27.41)	(31.29)	-	
	Financial leverage	2.10	1.14	1.15	0.35	0.59	-	
<p>Reason for changes in financial ratios during the most recent two years (with 20% change or above):</p> <ol style="list-style-type: none"> Ratio of long-term funds to property, plant and equipment: The issuance of CB4 and CB5 in the current period resulted in an increase in non-current liabilities and the ratio increased. Current ratio and quick ratio: The repayment of CB2, CB3 and some short-term loans in the current period resulted in a decrease in current liabilities and an increase in ratio. Debt service coverage ratio: lower ratio due to losses in 2023. Profitability: due to losses in 2023, the relative return, net profit margin, EPS and other profitability are lower than in 2022. Cash flow ratio: higher ratio due to an increase in net cash flow from operating activities and a decrease in current liabilities. Cash reinvestment ratio: higher ratio due to an increase in net cash flow from operating activities. Operating leverage: lower ratio due to higher operating loss in 2023 as compared to 2022. Financial leverage: higher ratio due to higher operating loss in 2023 as compared to 2022. 								

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 2024 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 22, 2024 (Note 2)
			2019	2020	2021	2022	2023	
Financial structure (%)	Liabilities to assets ratio		49.04	50.70	62.86	54.06	56.07	-
	Ratio of long-term capital to real estate, plant and equipment		331.37	336.63	299.97	227.52	274.20	-
Liquidity %	Current ratio		83.88	166.52	115.52	44.54	76.89	-
	Quick ratio		58.04	118.29	81.09	23.66	46.40	-
	Interest coverage ratio		293.98	1,138.97	955.71	338.05	(101.20)	-
Operating efficiency	Accounts receivable turnover (time)		2.51	4.08	5.11	5.96	4.19	-
	Days sales outstanding		145.42	89.46	71.43	61.24	87.11	-
	Inventory turnover (times)		6.00	7.51	6.67	4.12	2.84	-
	Accounts payable turnover (times)		2.64	3.55	4.00	3.44	3.90	-
	Days inventory outstanding		60.83	48.60	54.72	88.59	128.52	-
	Property, plant, and equipment turnover (times)		1.72	1.08	0.92	0.66	0.40	-
	Total asset turnover (times)		0.26	0.27	0.28	0.23	0.12	-
Profitability	Return on assets (%)		1.27	5.14	3.98	2.13	(0.82)	-
	Return on equity (%)		1.43	9.36	6.75	2.73	(3.62)	-
	Earnings before tax to paid-in capital ratio (%)		3.42	20.78	16.29	6.43	(7.84)	-
	Net margin (%)		3.14	17.26	12.77	6.43	(13.30)	-
	Earnings per share (NT\$)		0.26	1.69	1.29	0.52	(0.67)	-
Cash flows	Operating cash flow ratio (%)		24.82	19.32	28.98	3.06	(0.91)	-
	Cash flow adequacy ratio (%)		30.73	14.51	28.63	36.57	34.25	-
	Cash re-investment ratio (%)		4.87	1.95	2.28	(0.88)	(0.62)	-
Leverage	Operating leverage		11.11	2.95	4.55	10.77	(0.38)	-
	Financial leverage		(1.88)	1.45	1.76	(1.58)	0.73	-
<p>Reason for changes in financial ratios during the most recent two years (with 20% change or above):</p> <ol style="list-style-type: none"> 1. The ratio of long-term funds to real estate, plant and equipment: The issuance of CB4 and CB5 in this period has resulted in an increase in non-current liabilities and an increase in the ratio. 2. Current ratio and quick ratio: CB2, CB3 and part of short-term borrowings are repaid in this period, resulting in a decrease in current liabilities and an increase in the ratio. 3. Interest coverage ratio: The ratio decreased due to losses in 2023. 4. Profitability: Due to the loss in 2023, the relative return rate, net profit rate, EPS and other profitability are lower than those in 2022. 5. Cash flow ratio: The ratio increased due to the increase in net cash flow from operating activities and the decrease in current liabilities. 6. Cash reinvestment ratio: The ratio increased due to the increase in net cash flow from operating activities. 7. Operating leverage: The ratio decreases because the operating losses incurred in 2023 are higher than those in 2022. 8. Financial leverage: The ratio increased because the operating losses incurred in 2023 were higher than those in 2022. 								

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 2024 Q1 has not yet been announced.

III. Review Report by Audit Committee on financial statements for the most recent year

CHINA FINEBLANKING TECHNOLOGY

Review Report from Audit Committee

The board of directors of the company has prepared the 2023 business report, 2023 financial statements, and 2023 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.

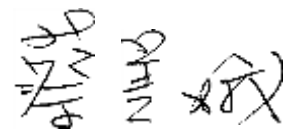
The Audit Committee has inspected the abovementioned business report, financial statements and proposal for earnings distribution and found no cause for objection. Hence, this review report is issued according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

CFTC 2024 Shareholders' meeting

CHINA FINEBLANKING TECHNOLOGY

Convener of the Audit Committee: Tsai Mei-E



March 25, 2024

IV. Financial statements of the latest fiscal year: see page 121 to 184.

V. Parent company only financial statements of the most recent year audited and certified by CPAs:
Please refer to pages 185 to 251 .

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 print 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	2022	2023	Difference	
				Amount	%
Current assets		2,100,121	2,043,954	(56,167)	-2.67%
Property, plant and equipment		1,973,742	1,832,208	(141,534)	-7.17%
Intangible asset		10,050	7,592	(2,458)	-24.46%
Other assets		189,377	192,448	(3,071)	1.62%
Total assets		4,273,290	4,076,202	(197,088)	-4.61%
Current liabilities		1,898,164	1,306,407	(591,757)	-31.18%
Non-current liabilities		832,971	1,310,652	(477,681)	57.35%
Total liabilities		2,731,135	2,617,059	(144,076)	-4.18%
Share capital		858,988	863,123	4,135	0.48%
Capital surplus		555,218	578,446	23,228	4.18%
Retained earnings		420,840	346,316	(74,524)	-17.71%
Other equity interest		(97,144)	(124,368)	(27,224)	28.02%
Treasury shares		(195,747)	(204,374)	(8,627)	4.41%
Total equity		1,542,155	1,459,143	(83,012)	-5.38%
Reason for changes (20% change or above and for a changed amount no less than NT\$10 million):					
1. Current liabilities: The decrease in current liabilities was due to the repayment of CB2 and CB3 and the partial repayment of short-term borrowings.					
2. Non-current liabilities: Issued CB4 and CB5 in the current period, resulting in an increase in non-current liabilities.					
3. Other equities: Other equities decreased due to net loss in the current period.					

(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	2022	2023	Difference	
				Amount	%
Revenues		2,539,681	2,310,590	(229,091)	-9.02%
Cost of goods sold		2,211,042	2,054,576	(156,466)	-7.08%
Gross profit		328,639	256,014	(72,625)	-22.10%
Operating expenses		349,431	323,620	(25,811)	-7.39%
Operating profit (loss)		(20,792)	(67,606)	(46,814)	225.15%
Non-operating income and expenses		44,682	(5,800)	(50,482)	-112.98%
Earnings before tax		23,890	(73,406)	(97,296)	-407.27%
Income tax expense		(19,244)	(19,093)	151	-0.78%
Net income (loss)		43,134	(54,313)	(97,447)	-225.92%
Other comprehensive income (after tax)		22,649	(27,224)	(49,873)	-220.20%
Total comprehensive income		65,783	(81,537)	(147,320)	-223.95%

20% change or above and for a changed amount no less than NT\$10 million:

1. Gross profit: due to the difference in the mix of production and sales.
2. Operating profit: due to weakening operating gross profit.
3. Non-operating income and expenses: due to the decrease of foreign currency exchange gains and the increase of interest expenses.
4. Net profit before tax: due to weakening operating profit.
5. Net income (loss) for the period: due to the net loss before tax in the period.
6. 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.
7. 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	2022	2023	Change %
Operating cash flow ratio (%)	1.11	24.14	23.03
Cash flow adequacy ratio (%)	57.48	85.28	27.8
Cash re-investment ratio (%)	(0.85)	6.99	7.84
Analysis of change: 1、Cash flow ratio: higher ratio due to an increase in net cash flow from operating activities and a decrease in current liabilities. 2、Appropriate ratio of cash flow: more capital expenditure, inventory, and cash dividend in the last five years results in higher ratio. 3、Cash reinvestment ratio: higher ratio due to an increase in net cash flow from operating activities.			

(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
414,492	311,172	297,106	428,558	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 2023; 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, 2023 the company's debt ratio rose 0.29% to 64.20% from 63.91% as of the same day in 2022. 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

The Company recognized incomes from equity investments of NT\$45,930 thousand for 2023, up by NT\$21,757 thousand from NT\$24,713 thousand in 2022. The breakdown and the contributors are as follows:

Unit: NT\$ thousand

Company name	Incomes (losses) from equity investments recognized for 2023	Main reason for profits (losses)	Improvement plan
CFTC PRECISION SDN BHD	(1,141)	1. Only a portion of the personnel are left to deal with accounting matters due to the completion of phased tasks. 2. The losses in the current period are mainly due to taxes and labor expenses.	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	47,071	The increase in profit of the current period compared to the previous period was mainly due to the difference in the mix of production and sales, the increase in gross profit, and the impact of the recovery of the Chinese auto market	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	2022	2023
Revenues net	2,539,681	2,310,590
Net interest expense	39,079	47,207
Interest expense as % of net revenues	1.54%	2.04%
Exchange gains (losses)	47,941	14,789
Exchange gains (losses) as % of net revenues	1.89%	0.64%

1. Changes in interest rates: net interest expenses account for 1.54% and 2.04% 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 28.10% and 19.86% of the total revenue in the last two years respectively; most sales collections and payments are in US dollars. The company's net foreign exchange gains and losses account for 1.89% and 0.64% 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. Battery casing molding technology optimization: In response to the development of square battery casings to meet the requirements of lightweight and slim designs, the plan is to use existing production technology experience to build a mature production line from the perspectives of material acquisition, mold forming process, product performance testing requirements, and integrated production mode, in order to improve product competitiveness.

(2) Expected R&D expenses:

With NT\$104,799 thousand invested in R&D, the latter accounted for 4.54% of revenue in 2023; 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. 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.

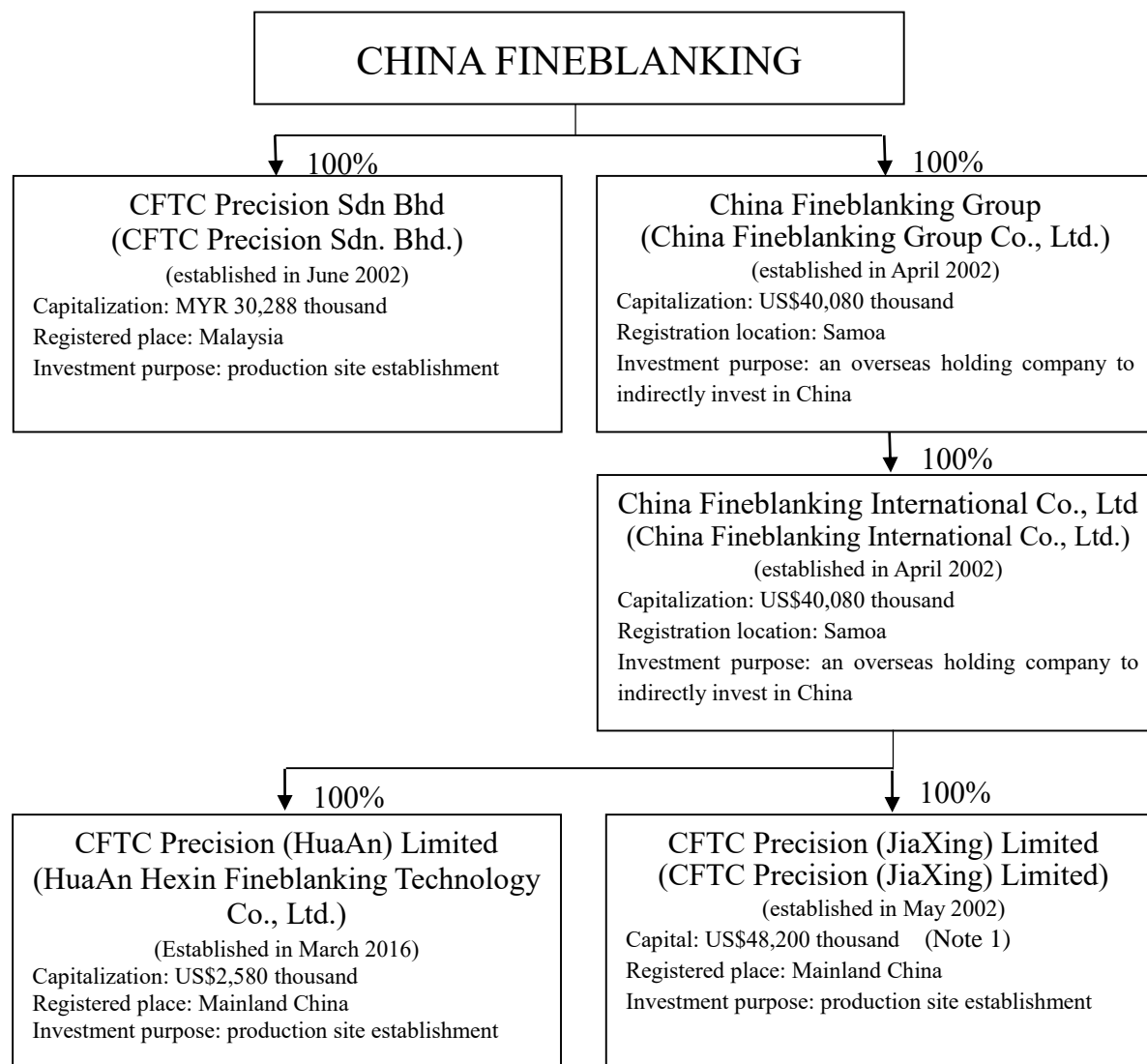
VIII. Special notes & supplements

I. Affiliated companies

(I) Summary of affiliated companies

1. Organizational chart of affiliated companies

December 31, 2023



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, 2023

Company name	Establishment date	Address	Capitalization	Scope of businesses
CHINA FINEBLANKING GROUP CO.,LTD	2002.04.02	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$40,080	International investment
CFTC PRECISION SDN BHD	2002.10.02	Plo 346, Lot 84769, Jalan Perak, 81700, Pasir Gudang, Johor, Malaysia	MYR 30,288	Property Management (Note 1)
CHINA FINEBLANKING INTERNATIONAL CO.,LTD	2002.04.02	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$40,080	International investment
CFTC Precision (JiaXing) Limited	2002.05.15	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	2016.01.22	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.

- Data inferring the same shareholders for controlling and subordinated companies: none.
- Businesses involved by the group and its affiliated companies: international investment; manufacturing, processing, buying and selling of hardware, machinery and mold components
- 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	1,794,180	-	1,794,180	-	46,219	46,219	-
CFTC Precision Sdn.Bhd	233,442	13,815	595	13,220	-	(384)	(1,141)	-
China Fineblanking International Co.,Ltd	1,257,010	1,794,180	-	1,794,180	-	46,219	46,219	-
CFTC Precision (JiaXing) Limited	1,502,384	2,588,733	856,528	1,711,341	1,976,593	30,292	53,106	-
CFTC Precision (HuaAn) Limited	82,131	176,949	115,586	61,363	108,237	(6,908)	(6,888)	-

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

In 2023 (from January 1, 2023 to December 31, 2023), 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 121 - 185)

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</p>	<p>I. 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. 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. 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. 4. On May 27, 2022, the shareholders’ meeting</p>	<p>I. 1. Part of the provisions of the “Procedures for Acquisition or Disposal of Assets” (Article 13.4 inclusive). 2. Material information disclosed via Market Observation Post System (MOPS) on May 24, 2019 3. Minutes of the board meeting on January 14, 2022. 4. Material information uploaded on MOPS on May 27, 2022. 5. The revised “Procedures for Acquisition or Disposal of Assets” on May 27, 2022.</p>	

Commitments made upon listing on Taipei Exchange	Progress update of commitments	Index of submitted attachments	Comment from Taipei Exchange after review
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.	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. II. 2023 Q1 follow-up: The above three items in (I) are still being followed up.		

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, 2023 and 2022**

- Address: No.40,Xinggong Rd., Shengang Township, Changhua County, Taiwan (R.O.C.)
- Telephone: (04)7980339

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

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Representation Letter

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

Company name: CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Chairman: I-HSIANG HUANG

Date: March 25, 2024.

Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matter:

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

Our principal audit procedures included:

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

2. Inventory valuation

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

Description of key audit matter:

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

Our principal audit procedures included:

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

Other Matter

CHINA FINEBLANKING TECHNOLOGY CO., LTD. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unqualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

KPMG

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

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note (6)(a))	\$ 414,492	10	351,084	8	2100	Short-term borrowings (Note (6)(h))	\$ 320,461	8	648,759	15
1110	Current financial assets at fair value through profit or loss (Note (6)(j))	-	-	-	-	2130	Current contract liabilities (Note (6)(q))	10,776	-	11,252	-
1140	Current contract assets (Note (6)(q))	58,917	1	50,087	1	2150	Notes payable	26	-	182	-
1150	Notes receivable, net (Note (6)(b) and (q))	85,200	2	85,666	2	2170	Accounts payable	354,052	9	303,497	7
1170	Accounts receivable, net (Note (6)(b) and (q))	706,207	17	641,097	15	2180	Accounts payable to related parties (Note (7))	10,579	-	7,659	-
1200	Other receivables, net (Note (8))	49,053	1	69,548	2	2200	Other payables (Note (6)(i))	338,441	8	327,232	8
1220	Current tax assets	213	-	43	-	2220	Other payables to related parties (Note (6)(i) and (7))	27,478	1	19,325	-
130X	Inventories (Note (6)(c))	579,852	14	719,754	17	2230	Current tax liabilities	9,825	-	11,560	-
1410	Prepayments (Note (6)(d))	149,780	5	182,571	4	2280	Current lease liabilities (Note (6)(l))	1,691	-	2,155	-
1470	Other current assets	240	-	271	-	2320	Long-term liabilities, current portion (Note (6)(j) and (k))	232,292	6	565,801	13
		<u>2,043,954</u>	<u>50</u>	<u>2,100,121</u>	<u>49</u>	2399	Other current liabilities, others	786	-	742	-
								<u>1,306,407</u>	<u>32</u>	<u>1,898,164</u>	<u>43</u>
Non-current assets:						Non-Current liabilities:					
1510	Non-current financial assets at fair value through profit or loss (Note (6)(j))	-	-	-	-	2530	Bonds payable (Note (6)(j))	487,604	12	-	-
1600	Property, plant and equipment (Note (6)(e) and (8))	1,832,208	45	1,973,742	46	2540	Long-term borrowings (Note (6)(k))	734,686	18	750,689	18
1755	Right-of-use assets (Note (6)(f) and (8))	32,316	1	33,936	1	2570	Deferred tax liabilities (Note (6)(n))	82,656	2	74,319	2
1780	Intangible assets	7,592	-	10,050	-	2580	Non-current lease liabilities (Note (6)(l))	1,312	-	999	-
1840	Deferred tax assets (Note (6)(n))	71,298	2	36,606	1	2630	Long-term deferred revenue	4,123	-	6,690	-
1900	Other non-current assets (Note (6)(g))	88,834	2	118,835	3	2645	Guarantee deposits received	271	-	274	-
		<u>2,032,248</u>	<u>50</u>	<u>2,173,169</u>	<u>51</u>			<u>1,310,652</u>	<u>32</u>	<u>832,971</u>	<u>20</u>
								<u>2,617,059</u>	<u>64</u>	<u>2,731,135</u>	<u>63</u>
Total assets		\$ 4,076,202	100	4,273,290	100	Total liabilities					
						Equity attributable to owners of parent (Note (6)(o)):					
						3110	Ordinary shares	863,123	21	858,988	20
						3200	Capital surplus	578,446	14	555,218	13
						3300	Retained earnings	346,316	9	420,840	10
						3400	Other equity interest	(124,368)	(3)	(97,144)	(2)
						3500	Treasury shares	(204,374)	(5)	(195,747)	(4)
						31XX	Total equity attributable to owners of parent:	<u>1,459,143</u>	<u>36</u>	<u>1,542,155</u>	<u>37</u>
						36XX	Non-controlling interests	-	-	-	-
							Total equity	<u>1,459,143</u>	<u>36</u>	<u>1,542,155</u>	<u>37</u>
							Total liabilities and equity	\$ 4,076,202	100	4,273,290	100

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

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

See accompanying notes to consolidated financial statements.

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

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

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows (CONT' D)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

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

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

CHINA FINEBLANKING TECHNOLOGY CO., LTD. (the “Company”) was incorporated in November 1992. The major business activities of the Company are the manufacture and sale of hardware parts, mechanical hardware parts and molding components. The Company completed supplementary procedures for classification as a public company on August 18, 2008. The procedures were approved by the Financial Supervisory Commission R.O.C.(Taiwan) Securities and Futures Bureau. The Company’s common shares were listed on GreTai Securities Market (Formerly known as the ROC Over-the-Counter Securities Exchange) on January 9, 2012. The address of its registered office and principal place of business is No.40, 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 25, 2024.

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

(4) Summary of material accounting policies:

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

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

- (ii) Functional and presentation currency

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principles for preparing consolidated financial statements

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

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

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

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

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2023	December 31, 2022	
The Company	China Fineblanking Group Co., Ltd. (CFTC Group)	Investment activities	100.00%	100.00%	
The Company	CFTC Precision Sdn. Bhd. (CFTC Malaysia)	Property management	100.00%	100.00%	(1)
CFTC Group	China Fineblanking International Co., Ltd. (CFTC International)	Investment activities	100.00%	100.00%	
CFTC International	CFTC Precision (Jia-Xing) (CFTC Jia-Xing)	Manufacture and sale of hardware parts, mechanical hardware parts and molding 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 have completed the phased milestone, the liquidation procedure of the company had been approved during the Company’s board meeting held on January 14, 2022 in order to lower the cost of operation. The related liquidation procedure was still in-progress.

(Continued)

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

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

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

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

3) Impairment of financial assets

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Treasury shares

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

4) Compound financial instruments

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

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

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

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

5) Financial liabilities

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

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

6) Derecognition of financial liabilities

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

7) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

(Continued)

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

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

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

(j) Leases

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

(i) As a lessee

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

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

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

(ii) As a lessor

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

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

(Continued)

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

(k) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

(l) Impairment – non-financial assets

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

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

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

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

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(m) Revenue from contracts with customers

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

(i) Sale of goods

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

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

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

(ii) Financial components

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

(n) Government grants and Government assistance

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

(o) Employee benefits

(i) Defined contribution plans

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Short-term employee benefits

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

(p) Share-based payment

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

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

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

(q) Income taxes

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

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

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

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

(r) Earnings per share

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

(s) Operating segments

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

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

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(Continued)

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

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

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

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

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

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
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
	\$ 733,461		6,698

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

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

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

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

(c) Inventories

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

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

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

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

(d) Prepayments

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

(e) Property, plant and equipment

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

	Land	Buildings and construction	Machinery and equipment	Molds	Transportation equipment	Office equipment	Leasehold improvements	Other facilities	Construction in progress and testing equip	Total
Cost or deemed cost:										
Balance on January 1, 2023	\$ 479,357	751,985	1,769,449	324,224	11,153	50,368	96	8,581	210	3,395,423
Additions	-	231	23,584	4,196	-	384	-	-	-	28,395
Reclassification	-	-	19,436	17,273	-	76	-	-	-	36,785
Disposal	-	(114)	(61,712)	(15,291)	(2,536)	(1,087)	(96)	(100)	-	(80,936)
Effect of movements in exchange rates	-	(7,909)	(26,506)	(4,297)	(167)	(686)	-	-	-	(39,565)
Balance on December 31, 2023	\$ 479,357	744,193	1,724,251	326,105	8,450	49,055	-	8,481	210	3,340,102
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	\$ 479,357	751,985	1,769,449	324,224	11,153	50,368	96	8,581	210	3,395,423
Depreciation and impairment loss:										
Balance on January 1, 2023	\$ -	131,023	946,488	293,271	8,661	38,253	96	3,889	-	1,421,681
Depreciation	-	30,418	127,462	19,885	969	3,027	-	440	-	182,201
Disposal	-	(71)	(57,626)	(11,032)	(2,283)	(959)	(96)	(100)	-	(72,167)
Effect of movements in exchange rates	-	(2,384)	(16,787)	(3,989)	(139)	(522)	-	-	-	(23,821)
Balance on December 31, 2023	\$ -	158,986	999,537	298,135	7,208	39,799	-	4,229	-	1,507,894

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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

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

(f) Right-of-use assets

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

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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

(g) Other non-current assets

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

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

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

(h) Short-term borrowings

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

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

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

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

(i) Other payables (including related parties)

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

(j) Bonds payable

The details of bonds payable were as follows:

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

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

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

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

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

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

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Notes to the Consolidated Financial Statements

The fourth domestic secured
convertible bonds

- The conversion price was \$33.39 dollar per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.
- From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.
- Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the bond denomination.

The fifth domestic unsecured
convertible bonds

- The conversion price was \$32.74 dollar per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.
- From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.
- Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the maturity date at 101.5075% of the principal amount of the bond (the real yield is 0.5%).

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

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

(k) Long-term borrowings

The details were as follows:

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	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				<u>(184,118)</u>
Total				<u>\$ 750,689</u>
Unused long-term credit lines				<u>\$ 288,200</u>

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

(ii) The low-interest government loans projects

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

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

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

(l) Lease liabilities

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

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

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

The amounts recognized in profit or loss were as follows:

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

The Group leases machinery equipment for a period between 1 to 3 years. Some leases include an option to renew the lease for 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, 2023 and 2022, the pension costs incurred from the contributions to the Bureau of Labor Insurance as follows:

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

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

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

(n) Income taxes

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

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

(Continued)

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

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

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

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

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

(iv) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	Investment income overseas	Other	Total
Deferred tax liabilities:			
Balance at January 1, 2023	\$ 72,413	1,906	74,319
Recognized in profit or loss	9,016	(679)	8,337
Balance at December 31, 2023	\$ 81,429	1,227	82,656
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	\$ 72,413	1,906	74,319

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

(o) Capital and other equity

(i) Ordinary shares

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

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

(in thousands of shares)

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

(ii) Capital surplus

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

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

(iii) Retained earnings

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Legal reserve

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

2) Special reserve

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

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

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

3) Earnings distribution

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(iv) Treasury shares

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

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

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

The Company changes of treasury shares as follows:

(in thousands of shares)

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

(v) Other equity items

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

(p) Earnings per share

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Diluted earnings per share

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

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

(q) Revenue from contracts with customers

(i) Details of revenue

	For the year ended December 31, 2023			
	Parts of HDD	Parts of vehicles	Management & operations	Total
Major products/services lines:				
Sales of goods	\$ 300,064	1,934,457	34,792	2,269,313
Other sales revenue	-	-	41,277	41,277
Total	<u>\$ 300,064</u>	<u>1,934,457</u>	<u>76,069</u>	<u>2,310,590</u>
Timing of revenue recognition:				
Products transferred at a point in time	<u>\$ 300,064</u>	<u>1,934,457</u>	<u>76,069</u>	<u>2,310,590</u>
	For the year ended December 31, 2022			
	Parts of HDD	Parts of vehicles	Management & operations	Total
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>

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Contract balances

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

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

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

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

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

(s) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Other income

The details of other income were as follows:

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

Other income is mainly subsidy and sample income.

(iii) Other gains and losses

The details of other gains and losses were as follows:

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

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

(iv) Finance costs

The details of finance costs were as follows:

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

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

	Carrying amount	Contractual cash flows	Within 1 years	1-3 years	3-5 years	Over 5 years
December 31, 2023						
Non-derivative financial liabilities						
Short-term loans	\$ 320,461	331,058	331,058	-	-	-
Notes and trade payable (including related parties)	364,657	364,657	364,657	-	-	-
Other payables (including related parties)	365,919	365,919	365,919	-	-	-
Bonds payable	487,604	504,218	-	504,218	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	966,978	1,054,201	246,798	334,119	151,316	321,968
Lease liabilities	3,003	3,069	1,735	1,334	-	-
	\$ 2,508,622	2,623,122	1,310,167	839,671	151,316	321,968
December 31, 2022						
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	-
	\$ 2,626,298	2,663,334	1,900,463	289,709	142,919	330,243

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

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

2) Sensitivity analysis

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

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

3) Foreign exchange gain and loss on monetary items

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

(iv) Interest rate analysis

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(v) Fair value information

1) Fair value and type of financial instruments

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

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

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

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

(u) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Accounts and other receivables

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

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

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

2) Investments

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

(iv) Liquidity risk

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

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

(v) Market risk

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

1) Currency risk

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

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

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

2) Interest rate risk

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

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

3) Other market price risk

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

(v) Capital management

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

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

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

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

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

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

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

(7) Related-party transactions:

(a) Names and relationship with related parties

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

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

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

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

(b) Significant transactions with related parties

(i) Purchases

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

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

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

(ii) Payables to Related Parties

The payables to related parties were as follows:

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

(iii) Other

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(c) Key management personnel compensation

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

(8) Pledged assets:

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

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

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

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

(b) Contingencies

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

(10) Losses due to major disasters:None

(11) Subsequent events:None

(12) Other:

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

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

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

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

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

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

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

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

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

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

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

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

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

(1) The Company owns above 50% of its shares with voting rights directly or indirectly.

(2) The one owns above 50% of the Company's shares with voting rights directly or indirectly.

(3) The Company or business with business relationship.

(4) Within the companies which the Company owns above 90% of its shares with voting rights directly or indirectly.

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

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

(In Thousands of New Taiwan Dollars)

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

Note: Reconciliated in the preparation of consolidated report.

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

(In Thousands of New Taiwan Dollars)

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

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

Note 1: Reconciliated in the preparation of consolidated report.

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

(In Thousands of New Taiwan Dollars)

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

Note 1: The numbering is as follows:

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

Note 2: Relation between related parties are as follows:

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Note 4: Reconciled in the preparation of consolidated report.

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars/ thousand shares)

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

Note 1: Reconciled in the preparation of consolidated report.

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

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
CFTC Jia-Xing	Manufacture and sale of hardware parts, mechanical hardware parts and molding components	RMB 324,995 (USD48,200)	(Note1)	1,173,787 (USD37,500)	-	-	1,173,787 (USD37,500)	53,106 (USD1,703)	100.00%	100.00%	53,106 (USD1,703)	1,732,209 (USD56,415)	58,155 (USD1,933)
CFTC Huai-An	Manufacture of mechanical parts and molding components	RMB 17,131 (USD2,580)	(Note1)	82,131 (USD2,580)	-	-	82,131 (USD2,580)	(6,888) (USD(211))	100.00%	100.00%	(6,888) (USD(221))	61,363 (USD1,998)	-

(ii) Limitation on investment in Mainland China:

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

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

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

(iii) Significant transactions:

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

(Continued)

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

(d) Major shareholders:

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

(i) The table discloses stockholding information of stockholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

(ii) As of December 31, 2023, the Company repurchased a total of 5,054,000 shares, represented 5.85% of the share outstanding.

(14) Segment information:

(a) General information

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

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

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

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

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

(Continued)

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

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

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

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

(c) Geographic information

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

Revenue from external customers:

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

Non-current assets:

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

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

(Continued)

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

(d) Major customers

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

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

CHINA FINEBLANKING TECHNOLOGY CO., LTD.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

Address: No.40,Xinggong Rd., Shengang Township, Changhua County, Taiwan (R.O.C.)
Telephone: (04)7980339

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

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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, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

Description of key audit matter:

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

Our principal audit procedures included:

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

2. Inventory valuation

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

Description of key audit matter:

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

Our principal audit procedures included:

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

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

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

KPMG

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

Notes to Readers

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

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

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

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents(Note (6)(a))	\$ 136,903	4	153,237	5	2100	Short-term borrowings(Note (6)(h))	\$ 100,000	3	230,000	7
1110	Current financial assets at fair value through profit or loss(note (6)(j))	-	-	-	-	2130	Current contract liabilities(Note (6)(q))	7,810	-	7,832	-
1140	Current contract assets(Note (6)(q))	-	-	206	-	2150	Notes payable	26	-	182	-
1150	Notes receivable, net(Note (6)(b) and (q))	2,287	-	2,423	-	2170	Accounts payable	35,072	1	48,505	1
1170	Accounts receivable, net(Note (6)(b) and (q))	113,333	4	76,967	2	2180	Accounts payable to related parties(Note (7))	38,427	1	91,488	3
1200	Other receivables, net(Note (8))	43,182	1	57,094	2	2200	Other payables(Note 6(i))	49,137	1	56,888	2
1210	Other receivables-related parties(Note (7))	34	-	258	-	2220	Other payables to related parties(Note (6)(i) and (7))	109,197	4	274	-
1220	Current tax assets	172	-	-	-	2230	Current tax liabilities	7,397	-	9,046	-
130X	Inventories(Note (6)(c))	124,716	4	155,923	5	2280	Current lease liabilities(Note (6)(l))	1,691	-	2,155	-
1410	Prepayments	3,210	-	4,737	-	2320	Long-term liabilities, current portion(Note (6)(j) and (k))	202,003	6	565,801	17
1470	Other current assets	240	-	272	-	2399	Other current liabilities, others	786	-	741	-
		<u>424,077</u>	<u>13</u>	<u>451,117</u>	<u>14</u>			<u>551,546</u>	<u>16</u>	<u>1,012,912</u>	<u>30</u>
Non-current assets:						Non-Current liabilities:					
1510	Non-current financial assets at fair value through profit or loss(Note(6)(j))	-	-	-	-	2530	Bonds payable(Note (6)(j))	487,604	15	-	-
1550	Investments accounted for using equity method(Note (6)(d))	1,799,671	54	1,787,495	53	2540	Long-term borrowings(Note (6)(k))	734,686	22	719,833	21
1600	Property, plant and equipment(Note (6)(e) · (7) and (8))	1,010,102	31	1,030,305	31	2570	Deferred tax liabilities(Note (6)(n))	82,656	3	74,319	2
1755	Right-of-use assets(Note (6)(f))	2,968	-	3,112	-	2580	Non-current lease liabilities(Note (6)(l))	1,312	-	999	-
1780	Intangible assets	2,454	-	3,498	-	2630	Long-term deferred revenue	4,123	-	6,690	-
1840	Deferred tax assets(Note (6)(n))	42,353	1	13,729	-	2645	Guarantee deposits received	200	-	200	-
1900	Other non-current assets(Note (6)(g))	39,645	1	67,852	2			<u>1,310,581</u>	<u>40</u>	<u>802,041</u>	<u>23</u>
		<u>2,897,193</u>	<u>87</u>	<u>2,905,991</u>	<u>86</u>			<u>1,862,127</u>	<u>56</u>	<u>1,814,953</u>	<u>53</u>
Total assets		<u>\$ 3,321,270</u>	<u>100</u>	<u>3,357,108</u>	<u>100</u>	Total liabilities					
						Share capital (Note (6)(o)):					
						3110	Ordinary shares	863,123	26	858,988	26
						3200	Capital surplus	578,446	18	555,218	17
						3300	Retained earnings	346,316	10	420,840	13
						3400	Other equity interest	(124,368)	(4)	(97,144)	(3)
						3500	Treasury shares	(204,374)	(6)	(195,747)	(6)
							Total equity	<u>1,459,143</u>	<u>44</u>	<u>1,542,155</u>	<u>47</u>
							Total liabilities and equity	<u>\$ 3,321,270</u>	<u>100</u>	<u>3,357,108</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

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

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Note (6)(q) and (7))	\$ 408,243	100	670,472	100
5000	Operating costs (Notes (6)(c), (m), (r), (7) and (12))	416,394	102	558,561	83
5900	Gross (loss) profit from operations	(8,151)	(2)	111,911	17
5910	Less: Unrealized gain or loss from sale	1,218	-	1,494	-
5920	Plus: Realized gain or loss from sale	1,494	-	1,775	-
5950	Net gross (loss) profit from operations	(7,875)	(2)	112,192	17
6000	Operating expenses (Notes (6)(m), (r) and (12)):				
6100	Selling expenses	10,992	3	15,463	2
6200	Administrative expenses	62,192	15	69,269	11
6300	Research and development expenses	10,399	2	13,253	2
6450	Expected credit loss (Note (6)(b))	245	-	-	-
6300	Total operating expenses	83,828	20	97,985	15
6900	Net operating (loss) income	(91,703)	(22)	14,207	2
	Non-operating income and expenses:				
7100	Interest income (Note (6)(s))	1,948	1	512	-
7010	Other income (Note (6)(s))	8,292	1	8,711	1
7020	Other gains and losses, net (Note (6)(s) and (9))	1,532	-	30,260	4
7050	Finance costs, net (Note (6)(l), (s) and (7))	(33,657)	(8)	(23,193)	(3)
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method, net (Note 6(d))	45,930	11	24,713	4
	Total non-operating income and expenses	24,045	5	41,003	6
	(Loss) Profit from continuing operations before tax	(67,658)	(17)	55,210	8
7950	Less: Income tax (benefit) expenses (Note (6)(n))	(13,345)	(3)	12,076	2
	(Loss) Profit	(54,313)	(14)	43,134	6
8300	Other comprehensive income:				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(34,030)	(8)	28,311	4
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note (6)(n))	(6,806)	(1)	5,662	1
8300	Other comprehensive income	(27,224)	(7)	22,649	3
	Total comprehensive income	\$ (81,537)	(21)	65,783	9
	Earnings per share				
9750	Basic earnings per share (Note (6)(p))	\$	(0.67)	\$	0.52
9810	Diluted earnings per share (Note (6)(p))			\$	0.52

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.**Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollar)**

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

See accompanying notes to parent company only financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	For the years ended December 31	
	2023	2022
Cash flows from operating activities:		
(Loss) profit before tax	\$ (67,658)	55,210
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	52,740	54,456
Amortization expense	5,645	3,956
Expected credit loss	245	-
Net loss on financial assets and liabilities at fair value through profit or loss	-	57
Interest expense	33,657	23,193
Interest income	(1,948)	(512)
Share of gain of associates and joint ventures accounted for using the equity method	(45,930)	(24,713)
Gain on disposal of property, plan and equipment	(869)	(132)
Unrealized profit from sales	1,218	1,494
Realized profit on from sales	(1,494)	(1,775)
Amotization of deferred revenue	(2,567)	(2,664)
Total adjustments to reconcile profit	40,697	53,360
Changes in operating assets and liabilities:		
Decrease in contract assets	206	87
Decrease (increase) in notes receivable	136	(408)
(Increase) Decrease in accounts receivable	(36,611)	66,481
Decrease (increase) in other receivable	14,136	(2,518)
Decrease (increase) in inventories	31,207	(44,856)
Decrease in prepayments	1,527	912
Decrease in other current assets	32	1,937
Total changes in operating assets	10,633	21,635
(Decrease) Increase in contract liabilities	(22)	536
Decrease in notes payable	(156)	(789)
Increase (decrease) in accounts payable	41,388	(43,644)
Decrease in other payables	(10,577)	(37,118)
Increase (decrease) in other current liabilities	45	(583)
Total changes in operating liabilities	30,678	(81,598)
Total changes in operating assets and liabilities	41,311	(59,963)
Total adjustments	82,008	(6,603)

See accompanying notes to parent company only financial statements.

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

Statements of Cash Flows (CONT' D)

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollar)

	For the years ended December 31	
	2023	2022
Cash inflow generated from operations	14,350	48,607
Interest received	1,948	512
Interest paid	(19,362)	(12,374)
Income taxes paid	(1,957)	(5,784)
Net cash (used in) flows from operating activities	(5,021)	30,961
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(29,549)	(25,514)
Proceeds from disposal of property, plant and equipment	1,027	1,772
Decrease in refundable deposits	34	242
Repatriation of subsidiary surpluses	-	40,091
Acquisition of intangible assets	(650)	(1,623)
Decrease (Increase) in other non-current assets	23,454	(35,817)
Net cash flows used in investing activities	(5,684)	(20,849)
Cash flows from financing activities:		
Increase in short-term loans	90,000	305,000
Decrease in short-term loans	(220,000)	(145,000)
Proceeds from issuing bonds	508,359	-
Repayments of bonds	(385,383)	-
Proceeds from long-term loans	179,000	50,000
Repayments of long-term loans	(150,104)	(144,958)
Repayments of lease liabilities	(2,705)	(2,088)
Cash dividends paid	(16,169)	(53,607)
Payments to acquire treasury shares	(8,627)	(94,790)
Treasury shares sold to employees	-	984
Net cash used in financing activities	(5,629)	(84,459)
Net decrease in cash and cash equivalents	(16,334)	(74,347)
Cash and cash equivalents, beginning of the period	153,237	227,584
Cash and cash equivalents, end of the period	\$ 136,903	153,237

See accompanying notes to parent company only financial statements.

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

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

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

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

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

(3) New standards, amendments and interpretations adopted:

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

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

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

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

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

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The 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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

The material accounting policies presented in the 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.

(Continued)

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

(c) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(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.

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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. Accounts receivable that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the ‘accounts receivable’ line item. On initial recognition, the 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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

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

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.

(Continued)

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

3) Treasury shares

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

4) Compound financial instruments

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

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

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

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

5) Financial liabilities

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

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

6) Derecognition of financial liabilities

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

7) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

(h) Subsidiaries

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

Land is not depreciated.

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

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

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

(j) Leases

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

(i) As a lessee

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

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

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

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

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

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

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

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

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

(ii) As a lessor

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(k) Intangible assets

(i) Recognition and measurement

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

Computer software	3~5 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment – non-financial assets

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

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

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(m) Revenue from contracts with customers

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

(i) Sale of goods

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

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

(ii) Financial components

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

(n) Government grants and Government assistance

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

(o) Employee benefits

(i) Defined contribution plans

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(ii) Short-term employee benefits

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

(p) Share-based payment

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

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

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

(q) Income taxes

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

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

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

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

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

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

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

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

- (r) Earnings per share

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

- (s) Operating segments

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

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

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.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

(a) The loss allowance of accounts receivables

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

(b) Valuation of inventories

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

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

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

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

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, 2023	December 31, 2022
Cash on hand and petty cash	\$ 80	80
Cash in banks	136,823	153,157
	\$ 136,903	153,237

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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(b) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 2,287	2,423
Accounts receivable	113,578	76,967
Less: Loss allowance	(245)	-
	<u>\$ 115,620</u>	<u>79,390</u>

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

	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 114,650	0%	-
1 to 30 days past due	578	0.1%	1
31 to 60 days past due	164	5%	8
121 to 180 days past due	473	50%	236
	<u>\$ 115,865</u>		<u>245</u>

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	<u>\$ 79,390</u>	0%	<u>-</u>

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

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

	For the years ended December 31	
	2023	2022
Balance at January 1	\$ -	-
Impairment losses recognized	245	-
Balance at December 31	<u>\$ 245</u>	<u>-</u>

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(c) Inventories

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$ 23,763	39,969
Work in progress	19,112	25,490
Finished goods	81,841	90,464
	<u>\$ 124,716</u>	<u>155,923</u>

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

	<u>For the years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 382,146	538,449
Unallocated fixed manufacturing overheads	28,547	17,526
Write-down and obsolescence of inventories	5,701	2,586
	<u>\$ 416,394</u>	<u>558,561</u>

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

(d) Investments accounted for using equity method

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	<u>\$ 1,799,671</u>	<u>1,787,495</u>

(i) Please refer to consolidated financial statement of 2023.

(ii) As of December 31, 2023 and 2022, the investments accounted for using the equity method of the Company had not been pledged as collateral.

(e) Property, plant and equipment

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Molds</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other facilities</u>	<u>Construction in progress and testing equip</u>	<u>Total</u>
Cost or deemed cost:									
Balance on January 1, 2023	\$ 479,357	321,356	348,492	83,627	12,536	96	8,581	210	1,254,255
Additions	-	231	21,638	-	-	-	-	-	21,869
Reclassification	-	-	7,836	292	-	-	-	-	8,128
Disposal	-	-	(28,411)	-	-	(96)	(100)	-	(28,607)
Balance on December 31, 2023	<u>\$ 479,357</u>	<u>321,587</u>	<u>349,555</u>	<u>83,919</u>	<u>12,536</u>	<u>-</u>	<u>8,481</u>	<u>210</u>	<u>1,255,645</u>

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

	Buildings and construction		Machinery and equipment		Molds	Office equipment	Leasehold improvements	Other facilities	Construction in progress and testing equip	Total
	Land	construction								
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	<u>\$ 479,357</u>	<u>321,356</u>	<u>348,492</u>	<u>83,627</u>		<u>12,536</u>	<u>96</u>	<u>8,581</u>	<u>210</u>	<u>1,254,255</u>
Depreciation and impairment loss:										
Balance on January 1, 2023	\$ -	17,374	121,588	69,779		11,224	96	3,889	-	223,950
Depreciation	-	10,662	30,620	7,952		368	-	440	-	50,042
Disposal	-	-	(28,253)	-		-	(96)	(100)	-	(28,449)
Balance on December 31, 2023	<u>\$ -</u>	<u>28,036</u>	<u>123,955</u>	<u>77,731</u>		<u>11,592</u>	<u>-</u>	<u>4,229</u>	<u>-</u>	<u>245,543</u>
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	<u>\$ -</u>	<u>17,374</u>	<u>121,588</u>	<u>69,779</u>		<u>11,224</u>	<u>96</u>	<u>3,889</u>	<u>-</u>	<u>223,950</u>
Carrying amounts:										
Balance on December 31, 2023	<u>\$ 479,357</u>	<u>293,551</u>	<u>225,600</u>	<u>6,188</u>		<u>944</u>	<u>-</u>	<u>4,252</u>	<u>210</u>	<u>1,010,102</u>
Balance on January 1, 2022	<u>\$ 479,357</u>	<u>286,885</u>	<u>190,430</u>	<u>21,512</u>		<u>1,824</u>	<u>-</u>	<u>4,856</u>	<u>4,028</u>	<u>988,892</u>
Balance on December 31, 2022	<u>\$ 479,357</u>	<u>303,982</u>	<u>226,904</u>	<u>13,848</u>		<u>1,312</u>	<u>-</u>	<u>4,692</u>	<u>210</u>	<u>1,030,305</u>

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

(ii) As of December 31, 2023 and 2022, the property, plant and equipment of the 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
Cost:			
Balance at January 1, 2023	\$ 5,587	1,042	6,629
Additions	2,554	-	2,554
Disposals	(2,517)	-	(2,517)
Balance at December 31, 2023	<u>\$ 5,624</u>	<u>1,042</u>	<u>6,666</u>
Balance at January 1, 2022	\$ 2,933	1,042	3,975
Additions	3,285	-	3,285
Disposals	(631)	-	(631)
Balance at December 31, 2022	<u>\$ 5,587</u>	<u>1,042</u>	<u>6,629</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2023	\$ 3,021	496	3,517
Depreciation	2,490	208	2,698
Disposal	(2,517)	-	(2,517)
Balance at December 31, 2023	<u>\$ 2,994</u>	<u>704</u>	<u>3,698</u>

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

	Transportation equipment	Office equipment	Total
Balance at January 1, 2022	\$ 1,776	287	2,063
Depreciation	1,876	209	2,085
Disposal	(631)	-	(631)
Balance at December 31, 2022	\$ 3,021	496	3,517
Carrying amounts:			
Balance at December 31, 2023	\$ 2,630	338	2,968
Balance at January 1, 2022	\$ 1,157	755	1,912
Balance at December 31, 2022	\$ 2,566	546	3,112

(g) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayments for equipments	\$ 28,765	47,111
Guarantee deposits paid	3,917	3,951
Other non-current assets	6,963	16,790
	\$ 39,645	67,852

(i) During 2023 and 2022, the Company has capitalized borrowing costs related to the acquisition of the equipment and construction of factory of \$515 and \$745, calculated using a capitalization rate of 2.026%~2.153% and 1.45%~1.901%, respectively.

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

(h) Short-term borrowings

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ 100,000	230,000
Unused short-term credit lines	\$ 215,000	115,000
Range of interest rates	2.05%~2.25%	1.65%~2.13%

(i) As of December 31, 2023 and 2022, the Company had borrowed the unsecured bank loans amounted to \$90,000 and \$305,000; and had been repaid at the amounts of \$220,000 and \$145,000, respectively.

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(i) Other payables (including related parties)

	December 31, 2023	December 31, 2022
Payable on expendables	\$ -	328
Outsourced processing expenses payable	10,902	18,128
Wages and salaries payable	11,661	8,733
Mold-processing expenses payable	1,098	3,264
Employee compensation payable	601	4,024
Payable on repairing	6,053	1,869
Labor/health insurance payable	2,447	3,164
Payable on loans	107,883	-
Others	17,689	17,652
	<u>\$ 158,334</u>	<u>57,162</u>

(j) Bonds payable

The details of bonds payable were as follows:

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

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

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

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

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

The fourth domestic secured convertible bonds

- The conversion price was \$33.39 dollar per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.
- From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.
- Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the bond denomination.

The fifth domestic unsecured convertible bonds

- The conversion price was \$32.74 dollar per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature.
- From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination.
- Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the maturity date at 101.5075% of the principal amount of the bond (the real yield is 0.5%).

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

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

(k) Long-term borrowings

The details were as follows:

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

	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%~2.18%	2023.04.25~2039.10.31	722,823
				903,951
Less: current portion				<u>(184,118)</u>
Total				<u>\$ 719,833</u>
Unused long-term credit lines				<u>\$ 288,200</u>

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

(ii) The low-interest government loans projects

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

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

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

(l) Lease liabilities

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

	December 31, 2023	December 31, 2022
Current	\$ 1,691	2,155
Non-current	\$ 1,312	999

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

The amounts recognized in profit or loss were as follows:

	For the year ended December 31	
	2023	2022
Interest on lease liabilities	\$ 72	68
Expenses relating to short-term leases	\$ 618	567

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

	For the year ended December 31	
	2023	2022
Total cash outflow for leases	\$ 3,395	2,723

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, 2023 and 2022, the pension costs incurred from the contributions to the Bureau of Labor Insurance as follows:

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

(n) Income taxes

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

	For the years ended December 31	
	2023	2022
Current tax (benefit) expense		
Current period	\$ -	12,317
Additional 5% surtax on distributed retained earnings	-	2,267
Adjustment for prior periods	136	(1,228)
Deferred tax benefit		
Origination and reversal of temporary differences	(13,481)	(1,280)
Income tax (benefit) expense	\$ (13,345)	12,076

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

	For the years ended December 31	
	2023	2022
(Loss) profit excluding income tax	\$ (67,658)	55,210
Income tax the Company's domestic tax rate	(13,532)	11,042
Non-deductible expenses	92	37
Underestimation (overestimation) in prior period	136	(1,228)
Additional 5% surtax on distributed retained earnings	-	2,267
Others	(41)	(42)
	\$ (13,345)	12,076

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

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

(iv) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

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

	Inventory valuation losses	Deductible losses	Other	Total
Deferred tax assets:				
Balance at January 1, 2023	\$ 671	-	13,058	13,729
Recognized in profit or loss	1,140	20,883	(205)	21,818
Recognized in other comprehensive income	-	-	6,806	6,806
Balance at December 31, 2023	\$ 1,811	20,883	19,659	42,353
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	\$ 671	-	13,058	13,729

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

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

(o) Capital and other equity

(i) Ordinary shares

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

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

(in thousands of shares)

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

(ii) Capital surplus

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

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

(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.

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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

2) Special reserve

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

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

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

3) Earnings distribution

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

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

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

	2023	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.10	8,126
	dollar	
Share	0.03	<u>2,438</u>
	dollar	
Total		<u>\$ 10,564</u>

(Continued)

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

(iv) Treasury shares

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

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 to July 13, 2021. The expected range of repurchase price is between \$28.56 dollar to \$69.43 dollar TWD. The Company had repurchased 2,349,000 shares, and the actual average share price was \$42.94 dollar TWD per share. The total amount of shares repurchased was \$100,872.

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 to March 16, 2022. The expected range of repurchased price is between \$28.25 dollar to \$61.65 dollar TWD. The Company had repurchased 1,020,000 shares, and the actual average share price was \$40.79 dollar TWD per share. The total amount of shares repurchased was \$41,604.

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 to August 5, 2022. The expected range of repurchase price is between \$26.46 dollar to \$58.22 dollar TWD. The Company had repurchased 1,098,000 shares, and the actual average share price was \$38.28 dollar TWD per share. The total amount of shares repurchased was \$42,029.

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

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.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

The Company changes of treasury shares were as follows:

(in thousands of shares)

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

(v) Other equity items

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

(p) Earnings per share

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

	For the years ended December 31	
	2023	2022
Basic earnings per share		
Profit/(loss) attributable to ordinary shareholders of the Company	\$ (54,313)	43,134
Weighted average number of ordinary (thousands shares)	81,252	82,439
Basic earnings per share (dollars)	\$ (0.67)	0.52
Diluted earnings per share		
Profit/(loss) attributable to ordinary shareholders of the Company Effect of didutive potential ordinary shares	\$	43,134
Interest expense on convertible bonds, net of tax		4,411
Profit/(loss) attributable to ordinary shareholders of the Company (diluted)	\$	47,545
Weighted average number of ordinary (thousands shares)		82,439
Effect of dilutive potential ordinary shares		
Effect of employee share bonus (thousands shares)		50
Effect of conversion of convertible bonds (thousands shares)		9,428
Weighted average number of ordinary (Including adjustment of effect of dilutive potential ordinary shares) (thousands shares)		91,917
Diluted earnings per share (dollars)	\$	0.52

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

(q) Revenue from contracts with customers

(i) Details of revenue

	For the year ended December 31, 2023			
	Parts of HDD	Parts of vehicles	Management & operations	Total
Major products/services lines:				
Sales of goods	\$ 300,064	61,299	34,792	396,155
Other sales revenue	-	-	12,088	12,088
Total	\$ 300,064	61,299	46,880	408,243
Timing of revenue recognition:				
Products transferred at a point in time	\$ 300,064	61,299	46,880	408,243

	For the year ended December 31, 2022			
	Parts of HDD	Parts of vehicles	Management & operations	Total
Major products/services lines:				
Sales of goods	\$ 527,447	25,827	99,941	653,215
Other sales revenue	-	-	17,257	17,257
Total	\$ 527,447	25,827	117,198	670,472
Timing of revenue recognition:				
Products transferred at a point in time	\$ 527,447	25,827	117,198	670,472

(ii) Contract balances

	December 31, 2023	December 31, 2022	January 1, 2021
Notes receivables	\$ 2,287	2,423	2,015
Account receivables (including related parties)	113,578	76,967	143,448
Less: Loss allowance	(245)	-	-
Total	\$ 115,620	79,390	145,463
Contract assets—products selling	\$ -	206	293
Contract liabilities—advance sales receipts	\$ 7,810	7,832	7,296

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

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

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

(s) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2023	2022
Interest income	\$ 1,948	512

(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2023	2022
Other income	\$ 8,292	8,711

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2023	2022
Gains on disposals of property, plant and equipment	\$ 869	132
Gain on foreign currency exchange	2,244	33,495
Losses on financial assets at fair value through profit or loss	-	(57)
Others	(1,581)	(3,310)
	\$ 1,532	30,260

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2023	2022
Interest expense	\$ 27,906	18,586
Amortization of discounts of bond	6,266	5,515
Less: interest capitalized	(515)	(908)
	\$ 33,657	23,193

(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 \$295,659 and \$290,105 in 2023 and 2022.

2) Concentration of credit risk

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

3) Credit risk of receivables and debt securities

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

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

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 years	1-3 years	3-5 years	Over 5 years
December 31, 2023						
Non-derivative financial liabilities						
Short-term loans	\$ 100,000	102,196	102,196	-	-	-
Notes and trade payable (including related parties)	73,525	73,525	73,525	-	-	-
Other payables (including related parties)	158,334	158,334	158,334	-	-	-
Bonds payable	487,604	504,218	-	504,218	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	936,689	1,023,632	216,229	334,119	151,316	321,968
Lease liabilities	3,003	3,069	1,735	1,334	-	-
	\$ 1,759,155	1,864,974	552,019	839,671	151,316	321,968
December 31, 2022						
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	-
	\$ 1,716,125	1,734,185	1,003,386	257,637	142,919	330,243

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	TWD	Foreign Currency	Exchange Rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 4,802	30.7050	147,459	5,607	30.7100	172,191
<u>Non-monetary items</u>						
USD:TWD	58,181	30.7050	1,786,451	57,718	30.7100	1,772,514
MYR:TWD	2,062	6.4110	13,220	2,236	6.6990	14,981
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	4,810	30.7050	147,694	3,102	30.7100	95,277

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 2023 and 2022, would have increased (decreased) the net profit after tax by \$2 and \$615, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2022.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange gain (loss) (including realized and unrealized portions) amounted to gain \$2,244 and gain \$33,495, 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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

	December 31, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
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	-	-	-	-
Total	\$ 1,716,125	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

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

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CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(u) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the 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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

2) Investments

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

3) Guarantee

The Company only provide guarantee to wholly owned subsidiaries. As of December 31, 2023 and 2022, please refer to Note7(b) for the guarantees provided to the subsidiaries.

(iv) Liquidity risk

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

As of December 31, 2023 and 2022, the Company's unused credit line were amounted to \$454,200 and \$403,200, 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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

2) Interest rate risk

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

3) Other market price risk

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

(v) Capital management

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

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

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

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

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

	December 31, 2023	December 31, 2022
Total liabilities	\$ 1,862,127	1,814,953
Less: cash and cash equivalents	(136,903)	(153,237)
Net debt	\$ 1,725,224	1,661,716
Total equity	\$ 1,459,143	1,542,155
Adjusted equity	\$ 3,184,367	3,203,871
Debt-to-equity ratio at 31 December	54.18%	51.87%

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

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
China Fineblanking Group Co., Ltd. (CFTC Group)	A subsidiaries
CFTC Precision Sdn. Bhd. (CFTC Malaysia)	A subsidiaries
CFTC Precision (Jia-Xing) (CFTC Jia-Xing)	A subsidiaries
CFTC (Huai-An) Limited (CFTC Huai-An)	A subsidiaries
Yung-Hung Engineering Ltd. (Yung-Hung Engineering)	The entity's owner is the chairman of the Company
Feng-Jia Industry Co., Ltd. (Feng-Jia Industry)	The entity's director is second-degree relative of the chairman of the Company
Ping-Ho Environmental Technology Co., Ltd. (Ping-Ho Environmental)	The entity's general manager is second-degree relative of the chairman of the Company

(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>2023</u>	<u>2022</u>
Subsidiaries – CFTC Jia-Xing	<u>\$ 1,332</u>	<u>7,228</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>2023</u>	<u>2022</u>
Subsidiaries – CFTC Jia-Xing	<u>\$ 68,117</u>	<u>28,257</u>

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

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

(iii) Receivables to related parties

The receivables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Other receivables	Subsidiaries—CFTC Jia-Xing	\$ 34	214
Other receivables	Subsidiaries—CFTC Huai-An	-	44
		<u>\$ 34</u>	<u>258</u>

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payables	Subsidiaries—CFTC Jia-Xing	\$ 38,427	91,488
Other payables	Other related-party—Yung-Hung Engineering	102	-
Other payables	Other related-party—Feng-Jia Industry	8	3
Other payables	Other related-party—Ping-Ho Environmental	1,205	271
		<u>\$ 39,742</u>	<u>91,762</u>

(v) Property transactions

1) 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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(vi) Borrowings from related parties

The borrowings from related parties were as follows:

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

The Company paid the subsidiaries \$3,650 as interest expense for the loan mention above.

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

(vii) Guarantees

The Company provided guarantees to subsidiary company. As of December 31, 2023, the guarantee ceiling was \$186,061 (2022:\$198,360) and the usage amount was \$0 (2022:\$114,608). In 2023 and 2022, the subsidiary company paid the Company \$801 and \$798 as handling fee for the guarantee mention above.

(viii) Other incomes and expenses

<u>Account</u>	<u>Catagories</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Manufacturing overhead-outsourcing cost	Subsidiaries – CFTC Jia-Xing	<u>\$ 1,821</u>	<u>63,165</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.

(ix) Other

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(c) Key management personnel compensation

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

(8) Pledged assets:

Pledged assets	Object	December 31, 2023	December 31, 2022
Other receivables — restricted deposit	Collateral for loans and bonds payables	\$ 40,240	50,785
Property, plant and equipment	"	834,755	802,779
Other receivables-certificate of deposit	Natural gas guarantee	400	400
		\$ 875,395	853,964

(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 fourth extension to December 31, 2024, in the year 2023.

(b) Contingencies

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 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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

(12) Other:

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

By item	By function	For the year ended December 31					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		\$ 69,266	42,345	111,611	89,796	41,574	131,370
Labor and health insurance		9,007	4,084	13,091	10,149	4,370	14,519
Pension		3,134	1,890	5,024	3,862	2,027	5,889
Remuneration of directors		-	294	294	-	965	965
Others		4,201	2,814	7,015	5,963	3,850	9,813
Depreciation		48,978	3,762	52,740	51,120	3,336	54,456
Amortization		4,320	1,325	5,645	2,491	1,465	3,956

For the years ended December 31, 2023 and 2022, the information on the number of employees and employee benefit expense of the Company is as follows:

	2023	2022
Number of employees	<u>209</u>	<u>260</u>
Number of directors who were not employees	<u>9</u>	<u>10</u>
The average employee benefit	<u>\$ 684</u>	<u>646</u>
The average salaries and wages	<u>\$ 558</u>	<u>525</u>
Percentage of average employee salary expense adjusted	<u>6.29%</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.

(Continued)

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.

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CFTC Jia-Xing	The Company	Other receivables	Yes	92,250	-	-	Note4	Note 2	-	The operating turnover	-	-	-	692,884	692,884
1	CFTC Jia-Xing	CFTC Huai-An	Other receivables	Yes	21,525	-	-	Note4	Note 2	-	The operating turnover	-	-	-	692,884	692,884
1	CFTC Jia-Xing	The Company	Other receivables	Yes	73,512	55,734	55,734	5.02571%	Note 1	55,734	-	-	-	-	692,884	692,884
1	CFTC Jia-Xing	The Company	Other receivables	Yes	12,938	12,252	12,252	5.26814%	Note 1	12,252	-	-	-	-	692,884	692,884
1	CFTC Jia-Xing	The Company	Other receivables	Yes	12,844	12,163	12,163	5.67%	Note 1	12,163	-	-	-	-	692,884	692,884
1	CFTC Jia-Xing	The Company	Other receivables	Yes	28,230	27,733	27,733	5.87%	Note 1	27,773	-	-	-	-	692,884	692,884
1	CFTC Jia-Xing	CFTC Huai-An	Other receivables	Yes	21,890	21,635	21,635	3.75%	Note 2	-	The operating turnover	-	-	-	692,884	692,884

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

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

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CFTC Jia-Xing	1	291,828	256,070	164,426	-	-	11.27%	583,656	Y	N	Y
0	The Company	CFTC Huai-An	1	291,828	22,225	21,635	-	-	1.48%	583,656	Y	N	Y
1	CFTC Jia-Xing	CFTC Huai-An	4	583,656	61,292	60,578	30,289	-	4.16%	583,656	N	N	Y

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

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Notes to the Financial Statements

- (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

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

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

(In Thousands of New Taiwan Dollars)

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

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

Note 1: Reconciliated in the preparation of consolidated report.

- (ix) Trading in derivative instruments: None

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars/ thousand shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	China Fineblanking Group Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	1,786,451	46,218	47,071	Note 1
The Company	CFTC Precision Sdn. Bhd.	Malaysia	Property management	MRY 30,288	MRY 30,288	30,288	100.00%	13,220	(1,141)	(1,141)	Note 1
China Fineblanking Group Ltd.	China Fineblanking International Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	USD 58,433	USD 1,482	-	Note 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, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	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)	53,106 (USD1,703)	100.00%	53,106 (USD1,703)	1,732,209 (USD56,415)	58,155 (USD1,933)
CFTC Huai-An	Manufacture of mechanical parts and molding components	RMB 17,131 (USD2,580)	(Note1)	82,131 (USD2,580)	-	-	82,131 (USD2,580)	(6,888) (USD(221))	100.00%	(6,888) (USD(221))	61,363 (USD1,998)	-

(Continued)

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,255,918	1,559,200 (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		7,782,316	9.01%
CHIA-CHUAN Investment Co. LTD		6,064,629	7.02%
HSIEH, LING		5,794,204	6.71%

(i) The table discloses stockholding information of stockholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

(ii)As of December 31, 2023, the Company repurchased a total of 5,054,000 shares, represented 5.85% of the share outstanding.

(14) Segment information:

Please refer to the consolidated financial statements of 2023.

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2023

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

Entity	Balance on January 1, 2023		Increase in current period		Decrease in current period		Balance on December 31, 2023		Market price or total equity amount			Valuation basis	Details of collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of voting interest	Amount	Price per share	Total amount		
CFTC Group	USD 40,080	\$ 1,772,514	-	47,415	-	33,478	USD 40,080	100.00%	1,786,451	USD 1.46	1,786,451	Equity method	None
CFTC Malaysia	MYR 30,288	14,981	-	-	-	1,761	MYR 30,288	100.00%	13,220	MYR 0.07	13,220	"	"
		<u>\$ 1,787,495</u>		<u>47,415</u>		<u>35,239</u>			<u>1,799,671</u>				

Note: 1. Increase in current period due to investment gain recognized under equity method \$47,139 and deferred gross profit \$276.

2. Decrease in current period due to investment loss recognized under equity method \$1,209 and share of other comprehensive income of subsidiaries accounted for using equity method \$34,030.

CHINA FINEBLANKING TECHNOLOGY CO., LTD.
Statement of changes in property, plant and equipment
For the year ended December 31, 2023
(Expressed in thousands of New Taiwan Dollars)

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

Statement of bonds payable
December 31, 2023

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

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Statement of long-term borrowings

December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Summary</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest rate</u>	<u>Mortgages</u>
Taiwan Cooperative Bank	Secured loans	\$ 382,302	2019.10.31~2039.10.31	2.15%	Property, plant & equipment
Agricultural Bank of Taiwan	Project loans	46,695	2020.06.08~2025.05.15	0.80%	None
Taiwan Cooperative Bank	"	107,821	2020.09.09~2027.08.15	0.85%	Property, plant & equipment
Taiwan Cooperative Bank	"	78,953	2020.05.22~2030.05.15	0.85%	"
Taiwan Cooperative Bank	"	26,325	2021.07.19~2028.07.15	0.85%	"
Agricultural Bank of Taiwan	"	31,663	2021.03.29~2026.03.15	0.80%	"
Chang Hwa Commercial Bank, Ltd.	"	18,727	2022.10.21~2027.10.15	0.70%	"
Chang Hwa Commercial Bank, Ltd.	"	34,165	2022.10.21~2027.10.15	0.70%	"
Agricultural Bank of Taiwan	Unsecured loans	50,000	2023.12.15~2025.12.15	2.23%	None
Land Bank of Taiwan	"	10,625	2020.05.11~2025.05.11	2.25%	"
Land Bank of Taiwan	"	3,541	2020.05.11~2025.05.11	2.25%	"
Land Bank of Taiwan	"	1,868	2020.10.08~2025.10.08	2.25%	"
Land Bank of Taiwan	"	7,487	2020.10.08~2025.10.08	2.25%	"
Land Bank of Taiwan	"	8,898	2020.10.08~2025.10.08	2.30%	"
Bank of Panshin	"	25,000	2022.08.16~2024.08.16	2.14%	"
The Shanghai Commercial & Savings Bank, Ltd.	"	24,167	2023.05.08~2026.05.08	2.20%	"
Taiwan Cooperative Bank	"	44,452	2023.05.08~2028.05.08	2.25%	"
Land Bank of Taiwan	"	1,200	2023.05.08~2028.05.08	2.30%	"
Land Bank of Taiwan	"	4,800	2023.05.08~2028.05.08	2.30%	"
Land Bank of Taiwan	"	5,600	2023.05.08~2028.05.08	2.30%	"
Land Bank of Taiwan	"	<u>22,400</u>	2023.05.08~2028.05.08	2.30%	"
		936,689			
Less: current portion		<u>(202,003)</u>			
		<u><u>\$ 734,686</u></u>			

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Statement of operating revenue

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
HDD Parts	About 31,342 thousand pieces	\$ 300,064	
Vehicle parts	About 2,221 thousand pieces	61,299	
Others		<u>46,880</u>	
Net operating revenue		<u><u>\$ 408,243</u></u>	

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Statement of operating costs

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Merchandise inventories	
Merchandise inventories, beginning of year	\$ 30,387
Add: merchandise inventories purchased, net	68,436
Less: merchandise inventories, end of year	(21,957)
Charge to expenses	(54)
Merchandise inventories scrapped	(177)
Cost of goods sold for merchandise inventories	76,635
Direct material	
Raw material, beginning of year	40,249
Add: raw material purchased	114,988
Others	473
Less: raw material, end of year	(26,330)
Sale of material	(199)
Sale of scraps	(22,861)
Charge to expenses	(26,151)
Direct material used	80,169
Direct labor	53,023
Manufacturing overhead	155,368
Manufacturing cost	288,560
Add: Work in process, beginning of year	25,622
Work in process purchased	626
Less: Work in process, end of year	(19,666)
Work in process scrapped	(86)
Sale of work in process	(31)
Charge to expenses	(14)
Others	(344)
Cost of goods manufactured	294,667
Add: Finished goods, beginning of year	63,021
Less: Finished goods, end of year	(65,819)
Charge to expenses	(49)
Finished goods scrapped	(2,135)
Others	(431)
Manufacturing cost	289,254
Sale of raw material and work in process	230
Inventory valuation losses	5,701
Scrap	2,398
Unallocated production overheads	28,547
Others	13,629
Operating cost	\$ 416,394

CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Statement of manufactruing overhead

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Indirect labor	\$ 26,620
Depreciation expense	48,978
Repair expense	11,106
Manufacturing overhead-outsourced	12,681
Utilities expense	11,939
Chemicals	26,885
Other expense (note)	45,706
	\$ 183,915

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

Statement of operating expenses

Item	Selling expense	General and administrative expense	Research and development expense	Total
Salary expense	\$ 3,757	31,555	7,033	42,345
Labor and health insurance	389	2,950	744	4,083
Advertisement expense	1,557	-	-	1,557
Shipping expense	3,223	7	73	3,303
Depreciation expense	316	3,177	269	3,762
Sample expense/Trial fees	22	-	803	825
Professinoal service fees	-	5,039	2	5,041
Other expense (note)	1,728	19,464	1,475	22,667
Total	\$ 10,992	62,192	10,399	83,583

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



CHINA FINEBLANKING TECHNOLOGY



Chairman: Huang Yi-Xiang

