



Ticker: 1586

# CHINA FINEBLANKING TECHNOLOGY

## 2024 Annual Report

Website for this annual report relevant information

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

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

Printed on April 22, 2025

I. Names, titles, contact numbers and emails of the spokesperson and deputy spokespersons:

Spokesperson

Name: Gloria Huang

Title: Group Vice-President

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First Deputy Spokesperson

Name: Mercer Chen Yi-Chuang

Title: Vice-President of Finance

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II. Addresses and telephones of Headquarters, branch offices and factories:

Headquarters, factories

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III. Name, address, website and telephone number of the stock transfer agent:

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Address: 6F, No. 6, Section 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City (100)

Website: <http://www.gfortune.com.tw>

Telephone: (02)2371-1658

IV. Name of the CPAs and the Firm, address, website and telephone number of the external accountants auditing the most recent financial reports:

Names of the CPAs: Yu-Lun Kao, Tsung-Che Chen

Firm: KPMG Taiwan

Address: 68F, No. 7, Xinyi Road, Section 5, Taipei City 110 (Taipei 101)

Website: <https://home.kpmg/tw/zh/home.html>

Telephone: (02)8101-6666

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

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

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# Chapter 1. Letters to Shareholders

Dear Shareholders,

CFTC is focusing on the operation optimization and improvements of the production and sales mix from the three directions of investment, business and management in 2024. 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 2024:

- (I) 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, etc., revenue of advanced models continued to grow.
- (II) 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.
- (III) Expanding the product diversity of high-end bicycle and electric vehicle parts to meet market demand.
- (IV) Continue to invest in production line automation and Industry 4.0 to meet the mass production needs of new customers.

## II. Financial Performance:

Sales of CFTC in 2024 reached NT\$2.573 billion, NT\$262 million or 11.34% up from NT\$2.311 billion in 2023, while net income after tax arose to NT\$35 million this year increased NT\$89 million from NT\$(54) million the year before. The gross profit margin in 2024 is 15.62%, rose from 11.08% in 2023 as a result of differences in the product and sales mix; the operating profit of 2024 went up to positive 1.27% from (2.93%) in 2023. While the rate of net income after tax rose to 1.37% this year up 3.72% from (2.35%) in 2024.

Unit: NT\$ thousand

	2024	2023
Operating Revenues	2,572,580	2,310,590
Gross profit	401,776	256,014
Operating expenses	369,030	323,620
Net operating loss	32,746	(67,606)
Profit (loss) before tax	41,167	(73,406)
Profit (loss) after tax	35,282	(54,313)
Earnings per share (NT\$)	0.43	(0.67)

### **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 2025 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

## Chapter 2. Corporate Governance Report

### I. Directors, Supervisors, General Manager, Vice Presidents, Assistant Vice Presidents and Branch Supervisors

#### (I) Information of directors and supervisors

##### 1. Director

March 30, 2025

Title	Nationality or location of registration	Name	Gender 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			Remarks
							No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relation	
Chairman	R.O.C	Huang Yi-Xiang	Male 31~40 years old	2022.05.27	3 years	2017.07.17	1,679,655	1.96%	2,013,681	1.89%	5,811,630	5.44%	10,190	0.01%	Master, Department of Environmental and Safety and Health Engineering, National Kaohsiung University of Science and Technology Chairman, Yong Hong Engineering and Technology Chairman, Yong Hong Engineering Chairman, Yong Hong Investment Consulting Co., Ltd. Chairman, Yong Hong Construction Director, CFTCC Precision (JiaXing) Limited Director, CFTCC 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, CFTCC Precision (JiaXing) Limited Director, CFTCC Precision (HuaiAn) Limited	Director	Hsieh Ling	Spouse	Note 1
Director	R.O.C	Hsieh Ling	Female 31~40 years old	2022.05.27	3 years	2018.05.23	5,765,378	6.72%	5,811,630	5.44%	2,013,681	1.89%	0	0%	English major, Department of Applied Foreign Languages, Tung-Fang Institute of Technology Supervisor, CFTCC Precision (JiaXing) Limited Supervisor, CFTCC Precision (HuaiAn) Limited	Supervisor, CFTCC Precision (JiaXing) Limited Supervisor, CFTCC Precision (HuaiAn) Limited	Chairman	Huang Yi-Xiang	Spouse	
Director	R.O.C	Chia-Chuan Investment N/A	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	
		Representative: Wu Chia-Chuan	Male 71~80 years old	2022.05.27	3 years	2022.05.27	382,869	0.45%	385,940	0.36%	0	0%	6,082,859	5.69%	Department of Mechanical Engineering, Chung Yuan Christian University Chairman, Chia-Chuan Investment N/A Chairman, Flourish Precision Machine Co, Ltd. Director, Superior Plating Technology Co Director, Superior Plating Technology Co Director, Huicheng Investment Co, Ltd. Director, CFTCC Precision (JiaXing) Limited Director, CFTCC Precision (HuaiAn) Limited	Chairman, Chia-Chuan Investment N/A Chairman, Flourish Precision Machine Co, Ltd. Director, Superior Plating Technology Co Director, Huicheng Investment Co, Ltd. Director, CFTCC Precision (JiaXing) Limited Director, CFTCC Precision (HuaiAn) Limited	None	None	None	
Director	R.O.C	Lo, Yung-Chiu	Male 51~60 years old	2022.05.27	3 years	2020.05.28	1,413,392	1.65%	1,424,730	1.33%	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	
Independent director	R.O.C	Tsai Mei-E	Female 51~60 years old	2022.05.27	3 years	2017.07.13	0	0%	0	0%	0	0%	0	0%	Master of Business Administration, National Taiwan University Department of Accounting, National Chengchi University Chief Operating Officer, ST&T Electric Corp. Vice President, Finance, MH GoPower Co., Ltd. Vice President, G&E Herbal Biotechnology Assistant Vice President, Hua Nan Securities	Amy, Mickey & May Consulting Firm Supervisor, Hong Ching Gas Station	None	None	None	

Title	Nationality or location of registration	Name	Gender 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 No. of shares Shareholding % No. of shares Shareholding %			Remarks
							No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relation	
Independent director	R.O.C	Huang Chin-Huang	Male 61~70 years old	2022.05.27	3 years	2017.07.13	0	0%	0	0%	0	0%	0	0%	PhD, Mechanical Engineering, Northwestern University Professor, Feng Chia University Dean, College of Engineering, Feng Chia University Head, Office of Industry-Academia Cooperation, Feng Chia University	Executive Vice President, Feng Chia University Director, WINSON Machinery Casting Co., Ltd Independent Director, Fulgent Sun Int (Holding) Co., Ltd Independent Director, BEST PRECISION INDUSTRIAL CO., LTD. Independent Director, ALFORMER INDUSTRIAL CO., LTD.	None	None	None	
Independent director	R.O.C	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	R.O.C	Cheng Feng-Tsung	Male 71~80 years old	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	

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:

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 CFTCC Precision (JiaXing), headed by professional managers. CEO of Taiwan Manufacturing Plant is Gloria Huang, CEO of CFTCC Precision (JiaXing) Lu Hong-Yi.

2. Major shareholders of legal person shareholders

April 1, 2025

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, 2025

Names of legal persons	Major shareholders of legal persons
OFCO INDUSTRIAL CORP.	TAIWAN STEEL GROUP UNITED CO., LTD.(11.92%)

(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 CFTCC Precision (JiaXing) Limited, director of CFTCC 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 CFTCC Precision (JiaXing) Limited, a supervisor of CFTCC Precision (HuaiAng) Limited and under none of the conditions specified in Article 30 of the Company Act.	Non-independent directors, N/A.	None

Requirements Name	Professional qualifications and experience	Independence	Number of other public companies where the individual serves as an independent director concurrently
Director Lo, Yung-Chiu	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 CFTCC Precision (JiaXing) Limited, director of CFTCC 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-President, Finance, MH GoPower Co., Ltd., Vice-President, G&E Herbal Biotechnology Co., Ltd., Assistant Vice-President, 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"> <li>(1) Not an employee of the company or its affiliates.</li> <li>(2) Not a director or supervisor of the company or its affiliates.</li> <li>(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.</li> </ol>	0

Requirements Name	Professional qualifications and experience	Independence	Number of other public companies where the individual serves as an independent director concurrently
Independent director Huang Chin-Huang	Have more than five years of experience as a lecturer in public and private colleges and universities in business, legal affairs, finance, accounting, or related departments required by the company's business, previously served as Professor, Feng Chia University, College of Engineering, Feng Chia University, Vice Principal , Feng Chia University; currently, he is the Chair Professor, 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.	(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) (5) Not a director, supervisor or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company or that ranks among the top five in shareholdings or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (6) The directors, supervisors or employees of other companies controlled by the same person control more than half of the company's director seats or voting shares.	3
Independent director Chen Fu-Pang	Have more than five years of work experience in business, legal affairs, finance, accounting, or company business, and currently serve as the Managing Director / Attorney, Yongsheng International Law Firm and under none of the conditions specified in Article 30 of the Company Act.		0

Requirements Name	Professional qualifications and experience	Independence	Number of other public companies where the individual serves as an independent director concurrently
Independent director Cheng Feng-Tsung	Have 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. Currently serves as Research Professor of 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>(7) Not if the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor or employee of that other company or institution</p> <p>(8) Not a director, supervisor, officer or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.</p> <p>(9) Not a professional individual who or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company or institution that, provides auditing services to the company or any affiliate of the company, or that has provided commercial, legal, financial, accounting or related services to the company or any affiliate of the company within the past 2 years.</p> <p>(10) Not a spouse or relative within the second degree of kinship with any other director.</p> <p>(11) The election of government bodies, legal persons, or their representatives is not stipulated under Article 27 of the Company Act.</p>	1

## 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.

Title	Name	Basic composition								Professional background					Professional knowledge and skills						
		Nationality	Gender	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	
					31~50 years old	51~60 years old	61~70 years old	71~80 years old													
Director	Huang Yi-Xiang	R.O.C	Male	✓	✓								✓	✓	✓	✓	✓	✓	✓		
	Hsieh Ling		Female		✓									✓	✓	✓	✓	✓	✓	✓	
	Lo Yung-Chiu		Male				✓							✓	✓	✓	✓	✓	✓	✓	
	Wu Chia-Chuan		Male				✓							✓	✓	✓	✓	✓	✓	✓	
Independent director	Tsai Mei-E		Female			✓				✓	✓			✓	✓	✓	✓	✓	✓	✓	✓
	Huang Chin-Huang		Male				✓					✓		✓	✓	✓	✓	✓	✓	✓	✓
	Chen Fu-Pang		Male		✓							✓		✓	✓	✓	✓	✓	✓	✓	✓
	Cheng Feng-Tsung		Male					✓				✓		✓	✓	✓	✓	✓	✓	✓	✓

Board of directors diversification management goal	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 50.0% 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 13-14 of this annual report for their education, experiences, gender, and career path.

All independent directors comply with the standards for independent directors set by the FSC, and their independence is as follows:

Name	本人、配偶、二親等以內親屬是否擔任本公司或其關係企業之董事、監察人或受僱人	本人、配偶、二親等以內親屬(或利用他人名義)持有公司股份數及比重	是否擔任與本公司有特定關係公司之董事、監察人或受僱人	最近 2 年提供本公司或其關係企業商務、法務、財務、會計等服務所取得之報酬金額
Tsai Mei-E	NO	NONE	NO	NONE
Huang Chin-Huang	NO	NONE	NO	NONE
Chen Fu-Pang	NO	NONE	NO	NONE
Cheng Feng-Tsung	NO	NONE	NO	NONE

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

March 30, 2024

Title	Nationality	Name	Gender	Date of election (appointment)	Shareholdings		Current shareholdings by the spouse and minor children		Shareholdings under other people's names		Main experience (education)	Other positions held within the Company	Managers who are the spouse or relatives within second degrees			Remarks
					No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relation	
Group General Manager	R.O.C	Huang Yi-Xiang	Male	2017.07.17	2,013,681	1.89%	5,811,630	5.44%	10,190	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, CFTCC Precision (JiaXing) Limited Director, CFTCC 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, CFTCC Precision (JiaXing) Limited Director, CFTCC Precision (HuaiAn) Limited	None	None	None	Note 1
Group General Manager	R.O.C	Wu Po-Cheng	Male	2025.03.12	0	0%	0	0%	0	0%	Materials Science and Engineering, National Cheng Kung University Chairman, OFCO Industrial Corporation Chairman, S-Tech Corp Chairman, Taiwan Stell Gropu Aerospace Technology Corperation Chairman, Loyal Fidelity Aerospace Corp General Manager of Aerospace Business Group Taiwan Steel Group United CO, Ltd	None	None	None	None	
Group Vice President and CEO of Taiwan Manufacturing Plant	R.O.C	Gloria Huang	Female	2018.02.10 2019.08.07	114,167	0.11%	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	None	None	None	None	

Title	Nationality	Name	Gender	Date of election (appointment)	Shareholdings		Current shareholdings by the spouse and minor children		Shareholdings under other people's names		Main experience (education)	Other positions held within the Company	Managers who are the spouse or relatives within second degrees			Remarks
					No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relation	
											Senior Manager of Group Quality Assurance, CFTC Special assistant, CFTC Senior Manager of the group headquarters, CFTC Assistant Manager of the group headquarters, CFTC					
CEO of CFTCC Precision (JiaXing)	R.O.C	Lu Hong-Yi	Male	1999.09.01	614,507	0.58%	0	0%	0	0%	Department of Library Management, Fu Jen Catholic University Engineer, Ho-Hsin Communications International, Inc.	None	None	None	None	
Assistance Vice President, Sales	R.O.C	Huang Shu-Fang	Female	2019.02.21	32,217	0.03%	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	
Assistant Manager of Manufacturing Department	R.O.C	Chen-Me-Yi	Female	2024.08.10	0	0%	0	0%	0	0%	Purchasing and Warehouse Management of Yirong International Co., Ltd. International Trade Business of Shansen Industrial Corporation Section Manager, Business Department of CFTC Assistant Manager, Business Department of CFTC Business Manager, Hard Disk Division of CFTC Special Assistant to the Executive of CFTC Associate Business Manager & Director of R&D of CFTC	None	None	None	None	

Title	Nationality	Name	Gender	Date of election (appointment)	Shareholdings		Current shareholdings by the spouse and minor children		Shareholdings under other people's names		Main experience (education)	Other positions held within the Company	Managers who are the spouse or relatives within second degrees			Remarks
					No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %			Title	Name	Relation	
Vice President of Finance Head of Corporate Governance, CFTC	R.O.C	Mercer Chen Yi-Chuang	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 Assistant Manager, TC Bank Assistant Manager, Dah Chung Bills Finance Corp. Finance Manager, Shining Building Business Co.,Ltd.	None	None	None	None	
Accounting Manager	R.O.C	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 CFTCC Precision (JiaXing), headed by professional managers. CEO of Taiwan Manufacturing Plant is Gloria Huang, CEO of CFTCC Precision (JiaXing) Lu Hong-Yi.

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

### (I) 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	0	0	42	42			3,875	3,875	0	0	0	0	0	0			0
Director	Hsieh Ling	0	0	0	0	0	0	42	42			0	0	0	0	0	0	0	0			0
Director	Lo, Yung-Chiu	0	0	0	0	0	0	24	24			0	0	0	0	0	0	0	0			0
Director	Representative of Chia-Chuan Investment: Wu, Chia-Chuan	0	0	0	0	0	0	36	36			0	0	0	0	0	0	0	0			0
Independent director	Huang Chin-Huang	720	720	0	0	0	0	42	42			0	0	0	0	0	0	0	0			0
Independent director	Tsai Mei-E	720	720	0	0	0	0	42	42			0	0	0	0	0	0	0	0			0
Independent director	Chen Fu-Pang	720	720	0	0	0	0	42	42			0	0	0	0	0	0	0	0			0
Independent director	Cheng Feng-Tsung	720	720	0	0	0	0	42	42			0	0	0	0	0	0	0	0			0

1. Please describe the policy, system, standard and structure of the remunerations to independent directors, elaborate on the relation between factors such as duties, risks, and time commitment with remuneration amounts:  
(1) The policy, system standard and structure of the remunerations to director are based on "Remuneration Committee Charter."  
(2) Independent directors are also tasked with the functioning of 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, and investment management, in order to review and monitor the Company's operational performance. Meanwhile, they also assist the board in the management, assessment and review of risks on a regular basis. Therefore, commensurate remunerations are provided.

2. Compensation 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.

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

(III) Compensation of general manager and vice president

Unit: NT\$ thousand / thousand shares

Title	Name	Salary (A)		Pension (B)		Bonuses and special disbursements, etc. (C)		Employees' remuneration amount (D)				A + B + C + D as % of profit after tax		Remuneration from the Company's investees or the Company's parent
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash	Stocks	Cash	Stocks			
Group General Manager	Huang Yi-Xiang	3,720	3,720	0	0	155	155	0	0	0	0			0
Group General Manager(note 1)	Wu Po-Cheng	0	0	0	0	00	0	0	0	0	0			0
Group Vice President CEO of Taiwan Manufacturing Plant	Gloria Huang	2,376	2,376	108	108	99	99	0	0	0	0			0
Vice president, CFTC Taiwan Plant	Mercer Chen Yi-Chuang	1,013	1,013	75.9	75.9	0	0	0	0	0	0			0
CEO of CFTCC Precision (JiaXing)	Lu Hong-Yi	0	3,404	0	0	0	0	0	0	0	0			0

Note1: Mr. WU Po- Cheng Group President, was appointed through the Board of Directors resolution on March 12, 2025.

(IV) The name of the managerial officers who distributes employee remuneration and the distribution situation

Unit: NT\$ thousand; December 31, 2024

	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 President CEO of Taiwan Manufacturing Plant		Gloria Huang				
Assistance Vice President, Sales		Huang Shu-Fang				
Assistant Manager of Manufacturing Departmen		Chen-Me-Yi				
Assistant Vice President, Finance Head of Corporate Governance, CFTC		Mercer Chen Yi-Chuang				
Accounting Manager(Note 3)		Tsai Wei-Che				

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

Unit: NT\$ thousand

Remuneration paid to	2023				2024			
	Total remuneration		Total remuneration to after tax net income (%)		Total remuneration		Total remuneration to after tax net income Percentage	
	The Company	All the companies in the consolidated financials	The Company	All the companies in the consolidated financials	The Company	All the companies in the consolidated financials	The Company	All the companies in the consolidated financials
Director	7,936	7,936	(14.61)	(14.61)	7,139	7,139	20.23	20.23
General manager and vice president	8,904	12,687	(16.39)	(23.36)	10,951	10,951	31.04	31.04
Total	16,840	20,623	(0.31)	(37.97)	18,090	18,090	51.27	51.27

- (VI) The policy, standard and combination of remuneration, the procedure of setting remuneration, and the correlation with business performance and future risks

1. Director: The standard and combination of director remuneration includes compensation, business expense, earnings distribution as remunerations and the salaries and bonuses serving as directors and 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 manager: The standard and combination of general manager and vice general manager remuneration include salaries, bonuses, pension, business expense and stock dividends to employees. Its salaries are established 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.

### III. 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	Lo, Yung-Chiu	4	0	57%	
Director	Chia-Chuan Investment Representative: Wu Chia-Chuan	6	1	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	Cheng Feng-Tsung	7	0	100%	

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 mattered 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:
  - (1) On February 6, 2024, the board discussed assessment results of the 2023 CFTC managerial officers and the year-end bonus distribution program. Chairman Huang Yi-Xiang and Director Hsieh Ling did not participate in the discussion or voting due to stakeholders of manager and manager 's spouse. All the other directors (including independent directors) unanimously approved the proposal.
  - (2) On March 8, 2024, 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 related party conflict of interest. All the other directors (including independent directors) unanimously approved the proposal.

- (3) On March 25, 2024, the board discussed 2023 Director's and employee remuneration and their distribution. Chairman Huang Yi-Xiang and Director Hsieh Ling did not participate in the discussion or voting due to stakeholder of director, manager and manager's spouse. All the other directors (including independent directors) unanimously approved the proposal.
  - (4) On November 11, 2024, the board discussed the budget for additional capital expenditure. Chairman Huang Yi-Xiang and Director Hsieh Ling did not participate in the discussion or voting due to related party 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 August 10, 2024, the General Management Office reported the implementation of ethical corporate management to the Board of Directors for the year ended December 31, 2023.

2. The results of board of directors assessment

Assessment cycle	Assessment period	Assessment scope	Assessment method	Assessment contents
Once a year	2024/01/01 to 2024/12/31	Including the performance reviews on the board, individual directors, and function committees	Including self-assessments by the board, self-assessments by directors, peer reviews, and performance reviews by external professional institutions and experts or in other appropriate manners	<p>(1) Performance review of the board: including at least the involvement in the Company's operations, the quality of decisions by the board, the organization and structure of the board, election (appointment) and continued education of directors, and internal control.</p> <p>(2) Performance review of individual directors: including at least the understanding of the Company's goals and missions, the acknowledgement of a director's responsibilities, the involvement in the Company's operations, the management and communication of internal relations, the professionalism and continued education of directors, and internal control.</p> <p>(3) Performance review of function committees: the involvement in the Company's operations, the acknowledgement of the function committee's responsibilities, the quality of decisions by the function committee, the composition of the function committee, election (appointment) of members and internal control.</p>

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

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)	Remarks
Independent director	Tsai Mei-E	7	0	100%	Re-elected on May 27, 2022; attendance should reach 7 times
Independent director	Huang Chin-Huang	7	0	100%	Re-elected on May 27, 2022; attendance should reach 7 times
Independent director	Chen Fu-Pang	7	0	100%	Re-elected on May 27, 2022; attendance should reach 7 times
Independent director	Cheng Feng-Tsung	7	0	100%	Elected on May 31, 2023 ; attendance should reach 7 times
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 2024 and the matters audited include:</p> <ol style="list-style-type: none"> <li>1. Financial statements and accounting policies and procedures</li> <li>2. Internal control system and related policies and procedures</li> <li>3. Transactions of major assets or derivatives</li> <li>4. Major capital loan and endorsement or guarantee</li> <li>5. Offering or issuing securities</li> <li>6. Regulation compliance</li> <li>7. Related party transactions and possible conflicts of interest among managerial officers and directors</li> <li>8. Qualifications, independence and performance evaluation of attesting CPAs</li> <li>9. Appointment, dismissal or remuneration of attesting CPAs</li> <li>10. Appointment and dismissal of chief officers of finance, accounting or internal audit</li> <li>11. Performance of the Audit Committee</li> <li>12. Audit committee performance self-assessment questionnaire</li> </ol> <p>➤ Review financial reports The board of directors prepared the company's 2023 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).</p>					

<p>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>➤ <b>Appointment of Attesting CPAs</b>  The audit committee is entrusted to monitor the independence of the attesting CPA firm to ensure the fairness of the financial statements. In general, the attesting CPA firm shall provide no services other than those related with tax and other specifically approved services. Services provided by the attesting CPA firm shall be subject to approval by the Audit Committee.  In order to ensure the independence of the attesting CPA firm, the Audit Committee shall formulate an independence assessment form with reference to Article 47 of Certified Public Accountant Act and the Accountants' Professional Ethics Gazette No. 10 "Integrity, Fairness, Objectivity, and Independence" to assess its CPAs' independence, professionalism and eligibility and relations with CFTC in terms of related parties, mutual business or financial interests, and other items.  On March 25, 2024, the 14th meeting of the 4th audit committee and the 13th meeting of the 15th board of directors on March 25, 2023 reviewed and approved that the CPAs Yu-Lun Kao and Jacky 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
2024.02.06 Meeting 12, the 4th Office	<ol style="list-style-type: none"> <li>1. Proposal for CFTC 2023 Internal Control Effectiveness Assessment and Internal Control System Statement</li> <li>2. Budget for additional capital expenditure of subsidiary CFTCC Precision (JiaXing) Limited</li> <li>3. CFTC applying for credit facilities from financial institutions</li> <li>4. Subsidiary CFTCC Precision (HuaiAn) Limited intended to borrow from financial institutions and with from financial institutions and Planned lending from the subsidiary CFTCC Precision (JiaXing) Limited to CFTCC Precision (HuaiAn) Limited</li> <li>5. Subsidiary CFTCC Precision (JiaXing) Limited applied for a loan line change from financial institutions</li> <li>6. Subsidiary CFTCC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions</li> </ol>	None
2024.03.08 Meeting 13, the 4th Office	<ol style="list-style-type: none"> <li>1. The Company's 2023 self-closed financial statements</li> <li>2. Issuance of new shares for the 5th issuance of unsecured convertible bonds in Taiwan</li> <li>3. CFTC applying for credit facilities from financial institutions</li> <li>4. Subsidiary CFTCC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions</li> <li>5. Subsidiary CFTCC Precision (JiaXing) Limited extended the loan period to the Company for one year.</li> <li>6. Transactions between the Company and related parties</li> </ol>	None
2024.03.25 Meeting 14, the 4th Office	<ol style="list-style-type: none"> <li>1. CFTC 2023 business report, financial statements and earnings distribution</li> <li>2. Change of CPA in line with the internal rotation of the CPA firm</li> <li>3. Independence and Suitability Assessment of CPAs of the Company</li> <li>4. Proposal for CFTC 2023 earnings distribution cash dividends</li> <li>5. Issuance of new shares via capitalization of retained earnings</li> </ol>	None

	<ol style="list-style-type: none"> <li>6. Subsidiary CFTCC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions</li> <li>7. Subsidiary CFTCC Precision (JiaXing) Limited extended the loan period to the Company for one year.</li> <li>8. Amendment of the Articles of Incorporation</li> </ol>	
2024.05.08 Meeting 15, the 4th Office	<ol style="list-style-type: none"> <li>1. CFTC financial statements for Q1 2024</li> <li>2. Appoint the company's attesting CPAs and review their professional fees</li> <li>3. Additional budget for the Company</li> <li>4. Subsidiary CFTCC Precision (JiaXing) Limited intends to loan funds to the company for inter-company transactions</li> </ol>	None
2024.08.10 Meeting 16, the 4th Office	<ol style="list-style-type: none"> <li>1. CFTC financial statements for Q2 2024</li> <li>2. Proposed issue for Planned capitalization of earnings via issuance of news shares</li> <li>3. Subsidiary CFTCC Precision (JiaXing) Limited Planned earnings distribution cash dividends</li> <li>4. Issuance of new shares for the 5th issuance of unsecured convertible bonds in Taiwan</li> <li>5. Amendment to 2024 budget applied for the company and its subsidiaries</li> <li>6. Budget for additional capital expenditure applied for subsidiary CFTCC Precision (JiaXing) Limited</li> <li>7. CFTC applied for a guarantee and a loan line from financial institutions</li> <li>8. Subsidiary CFTCC Precision (JiaXing) Limited applied for a loan line from financial institutions</li> <li>9. Cancellation of the guarantee endorsement of the Company to subsidiary</li> <li>10. The Company specifies human rights policy and amends personal data protection management regulation</li> <li>11. The 2023 financial statement of subsidiary China Fineblanking Group Co., Ltd.</li> <li>12. The Company proceeds with repurchasing the Company's common share from security broker, and formulates "Regulations for 15th shares repurchase and employee transfer" according to Article 28-2 of the Securities and Exchange Act.</li> </ol>	None
2024.11.11 Meeting 17, the 4th Office	<ol style="list-style-type: none"> <li>1. CFTC financial statements for Q3 2024</li> <li>2. 2025 budget of the Company and its subsidiaries</li> <li>3. 2025 audit plan of the Company and its subsidiaries</li> <li>4. Subsidiary CFTCC Precision (JiaXing) Limited applied applying for credit facilities from financial institutions</li> <li>5. Cancellation of guarantee endorsement from subsidiary CFTCC Precision (JiaXing) Limited to subsidiary CFTCC Precision (HuaiAn)</li> <li>6. Subsidiary CFTCC Precision (JiaXing) extended the loan period to the Subsidiary CFTCC Precision (HuaiAn) Limited for one year</li> <li>7. Additional capital expenditure budget of the Company</li> <li>8. Amend the internal control system and internal audit execution guidelines of the Company</li> <li>9. The Company specifies the preparation of sustainability report and regulation of assurance operation</li> <li>10. Fixed Asset Retirement of Subsidiary CFTCC Precision (HuaiAn) Limited</li> <li>11. The Company amend general principle of pre-approve non-assurance service policy</li> </ol>	None

	12. Subsidiary CFTCC Precision (JiaXing) Limited applied for a line from financial institutions	
2024.12.23 Meeting 18, the 4th Office	1. The Company issue common shares to handle cash fund-raising by private placement	None
III.	Independent directors' recusal from issues with conflict of interest: Please provide the name of the independent director concerned, proposal contents, reason for recusal, participation in discussion and voting results: None	
IV.	Communication between independent directors and Internal Chief Auditor and external accountants (including material matters in finance and business, communication methods and results):	
	1. Internal Chief Auditor submitted an audit report to independent directors during the month following the completion of audits.	
	2. There was no objection raised by independent directors. 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.	Comply with 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?	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.	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>(III) Has the Company established and implemented risk control and firewall mechanisms with affiliated companies?</p> <p>(IV) Has the Company formulated internal rules to prohibit insiders from trading marketable securities by using non-public information?</p>			<p>(IV) The company has formulated the "Administrative measures for internal material information and prevention against insider trading" to prohibit internal personnel from using unpublished information on the market to buy and sell securities; 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>	
<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>V</p> <p>V</p> <p>V</p> <p>V</p>		<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"> <li>1. Operational judgment.</li> <li>2. Accounting and financial analysis.</li> <li>3. Operation and management.</li> <li>4. Crisis management.</li> <li>5. Industry knowledge.</li> <li>6. International outlook</li> <li>7. Leadership.</li> <li>8. Decision-making.</li> </ol> <p>(II) In addition to Remuneration Committee and Audit Committee required by laws, other functional committees has been established in accordance with business operation and law.</p>	<p>Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".</p>

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>(III) Has the Company formulated the guidelines on reviews and assessment methods of the board's performance, conducted annual performance reviews, reported the results to the board, and incorporated the results into the remuneration of individual directors and the nomination for re-elections?</p> <p>(IV) Has the Company regularly assessed the independence of external accountants?</p>			<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 2024 will be submitted to the board of directors on February 10, 2025. 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"> <li>1. Has no direct or significant indirect financial interests with the company.</li> <li>2. There is no mutual financing or guarantee with the firm, its affiliates and members of the audit team.</li> <li>3. There is no commercial relationship with the company's directors or managerial officers that affects independence.</li> <li>4. There is no strategic alliance of material interests with the company's controlling shareholders, directors, supervisors, or managerial officers.</li> </ol>	

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			5. Not serving as a director, supervisor or managerial officers of the company or having a direct and significant impact on the audit work. 6. Not providing services for directors, supervisors, managerial officers or equivalent positions of the company. 7. Not accepting gifts or presents of great value from the company. 8. No CPAs remain unchanged for seven years. 9. No close relative relationship with the directors, supervisors and managerial officers of the company. 10. Obtained a statement of independence from the CPA. 11. Obtained the audit quality index information provided by the CPA.	
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		(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. (II) Responsibility and authority of corporate governance chief officer 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.	Comply with 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>5. Supervise and improve the implementation of the company's corporate governance.</p> <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 of Professional Development</th> <th>Course title</th> <th>Organizer</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>2024/05/08</td> <td>Practice and Development of Corporate Governance and Compliance</td> <td>Taiwan Corporate Governance Association</td> <td>3.0</td> </tr> <tr> <td>2024/06/14</td> <td>Practices on Business Management and Audit</td> <td>The Institute of Internal Auditors - Chinese Taiwan</td> <td>6.0</td> </tr> <tr> <td>2024/09/06</td> <td>OTC Company Insider Stock Ownership Seminar</td> <td>Taipei Exchange</td> <td>3.0</td> </tr> <tr> <td>2024/11/11</td> <td>Resolution of New Corporate Governance Blueprint along with Prevention and Promotion of Insider Trading</td> <td>Taiwan Corporate Governance Association</td> <td>3.0</td> </tr> </tbody> </table>	Date of Professional Development	Course title	Organizer	Hours	2024/05/08	Practice and Development of Corporate Governance and Compliance	Taiwan Corporate Governance Association	3.0	2024/06/14	Practices on Business Management and Audit	The Institute of Internal Auditors - Chinese Taiwan	6.0	2024/09/06	OTC Company Insider Stock Ownership Seminar	Taipei Exchange	3.0	2024/11/11	Resolution of New Corporate Governance Blueprint along with Prevention and Promotion of Insider Trading	Taiwan Corporate Governance Association	3.0	
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Assessment items	Functioning		Summary	Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
V. Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers), set up a special area for stakeholders on the company website, and properly responded to issues of corporate social responsibility concerned by stakeholders?	V		The company has appointed a spokesperson and an acting spokesperson and built up stakeholder pages ( <a href="https://www.CFTCc-hc.com.tw">https://www.CFTCc-hc.com.tw</a> ) to provide employees, customers, suppliers, and other stakeholders a communication channel, responds to major issues of their concern in a timely manner, and reveals the company's financial status and corporate governance actions.	Comply with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies".
VI. Has the Company commissioned a professional shareholder service agency to handle shareholders' meeting affairs?	V		The company entrusted "Grand Fortune Securities" to handle various stock affairs.	Comply with 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?	V		(I) The URL of the company's website is <a href="https://www.cftc-hc.com.tw">https://www.cftc-hc.com.tw</a> (including the area for stakeholders), which provides the up-to-date financial and corporate governance information, and disclose them in MOPS in accordance with regulations. (II) The company has appointed spokesperson and acting spokesperson with contacts for investors at <a href="mailto:service@CFTCc.tw">service@CFTCc.tw</a> . CFTC designates personnel to collect and disclose company information, and hold conference calls; relevant information of the meeting will be uploaded to the MOPS with links to the investor pages on the official website.	Comply with 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>(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)?</p> <p>(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?</p>			<p>(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.</p>	

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
VIII. Is there any other important information that can help to understand the Company's corporate governance functioning? (including but not limited to employees' rights; employees' care; investor relations; supplier relations; stakeholders' rights; further education for directors and supervisors; implementation of risk management policies and risk measurement criteria; implementation of customer policies; and purchase of liability insurance for directors and supervisors)?	V		<p>(I) Employee rights and care The company has set up employee career paths for them to plan their career development, and establishes labor-management meetings and welfare committees to protect the rights and interests of employees and provide employee care.</p> <p>(II) Investor relations and rights of stakeholders The company's official website (including the stakeholder area) has established a communication channel for stakeholders (including investors), to provide the information on corporate governance, financial status, sales, and shareholders, and respond to CFTC's progress in sustainable development and other issues concerned by the stakeholders.</p> <p>(III) Supplier relations CFTC maintains long-term partnerships with suppliers and enjoys smooth communication and transparent procurement information. The company's supplier management methods include written assessments, factory visit assessments, obtaining inspection certificates, and promoting the importance of corporate social responsibility to grow with suppliers together.</p> <p>(IV) Directors' training and education In 2024, 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>	Comply with 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>(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 The company has established a customer complaint system to deal with customer complaints from the official website, (<a href="mailto:service@CFTCc.tw">service@CFTCc.tw</a>), telephone and customer service mailbox; complaints will be reviewed to determine their causes, units liable to them, and required countermeasures for remedy, and respond appropriately to consumers to protect their rights and interests.</p> <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, 2025 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 10, 2025.</p>	
<p>IX. Addressing corporate governance evaluation results released by the Corporate Governance Center of TWSE in the most recent year: present situations improved and strengthening matters and measures for those that have not improved according to their priority. Addressing indicators of poor scores noted by the 8th Corporate Governance Evaluation Results announced in 2022: CFTC has reviewed and improved them with progress as indicated below: Internal regulations continue to handle related matters and measures, and will fulfill corporate social responsibilities to exercise corporate governance.</p>				

Assessment items	Functioning			Differences and reasons for such differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<ol style="list-style-type: none"> <li>1. The company has disclosed the diversity policy of the board of directors in the 2021 annual report and website.</li> <li>2. The company has simultaneously uploaded the English annual report 7 days before the 2021 shareholders' meeting.</li> <li>3. The company has simultaneously uploaded the English meeting notice, meeting handbook and supplementary materials for the meeting 30 days before the shareholders' meeting since 2021.</li> <li>4. The company has appointed the corporate governance managerial officers on March 25, 2021 to take charge of corporate governance-related affairs, and noted the scope of authority and training status in the annual report and the company website.</li> <li>5. The company has simultaneously released important information in English since 2021.</li> <li>6. The company has uploaded the annual financial report in English 7 days before the 2021 shareholders' meeting.</li> <li>7. The company has voluntarily disclosed in the 2022 annual report the amount and nature of non-audit professional fees paid to attesting CPAs firm's affiliates.</li> <li>8. The company has been invited to participate in the conference call at the following times, and the interval between the first and last calls is more than three months. <ol style="list-style-type: none"> <li>(1) On May 9, 2024, CFTC was invited to participate in the seminar held by ELIANCE SECURITIES.</li> <li>(2) On November 12, 2024, CFTC was invited to participate in the seminar held by ELIANCE SECURITIES.</li> </ol> </li> <li>9. The Company has documented significant shareholder inquiries and corresponding responses in the <b>2024 Shareholders' Meeting Minutes</b> . In the absence of shareholder questions during the meeting, this status is explicitly recorded in the minutes.</li> <li>10. The Company established its <b>English corporate website</b> in <b>2023</b>, containing comprehensive information regarding financial performance, business operations, and corporate governance practices.</li> <li>11. Aligned with <b>International Human Rights Conventions</b>, the Company's Board of Directors formally approved its <b>Human Rights Policy</b> and corresponding implementation framework on <b>August 10, 2024</b>, with full disclosure available on the corporate website.</li> </ol>				

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

1. Data on the members of Remuneration Committee

Identity	Requirements 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. (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.	0
Independent director	Huang Chin-Huang		(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) (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.	2
Independent director	Chen Fu-Pang		(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	0
Independent director	Cheng Feng-Tsung		(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. (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) The election of government bodies, legal persons, or their representatives is not stipulated under Article 27 of the Company Act.	1

2. Information on the operation of the Remuneration Committee

(1) The company's salary and compensation committee consists of 4 members.

- (2) 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)	Remarks
Convener	Tsai Mei-E	2	0	100%	Served as convener on May 30, 2022.
Member	Huang Chin-Huang	2	0	100%	
Member	Chen Fu-Pang	2	0	100%	
Member	Cheng Feng-Tsung	2	0	100%	
Other matters to be included:					
<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>					

(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		<p>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.</p> <p>The Sustainable Development Committee established a 2024 sustainable development plan to promote the establishment of an energy management system (ISO50001) annually, GRI2020, TCFD, and SASB education and training, The content of the sustainable development plan for 2024 were reported to the Board of Directors on December 10, 2025.</p>	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		<p>Conducting risk assessments and formulating the following countermeasures for the environmental, social and corporate governance issues related to the company's operation.</p> <ol style="list-style-type: none"> <li>1. Evaluation and control of the company's overall operations and goals.</li> <li>2. Monitor compliance with laws and regulations.</li> <li>3. Risk assessment and control on environment, safety and hygiene.</li> </ol>	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
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
(II) Is the Company committed to improving energy efficiency and adopting recycled materials with low environmental impact?	V		The company is committed to protecting the local environment, invests tens of millions of NT dollars in environment protection every year. Regarding air pollution, sewage treatment facilities, and hazardous waste treatment and disposal, CFTC has dedicated personnel responsible for management, operation and maintenance, and daily services. Regarding recyclable packaging materials: CFTC reuses them to reduce the generation of waste, reuse sorted wastes in the factory, and entrust a professional environment protection service provider for their disposal. The Company obtained ISO 50001:2018 certification in 2024, establishing required systems and processes to improve energy performance through Enhanced energy efficiency、Optimized consumption patterns、Continuous energy baseline monitoring。	No material difference
(III) Has the Company assessed its current and future potential risks and opportunities of climate change and taken countermeasures against climate-related issues?	V		Climate change is driving the consumption of electricity and water for cooling chillers; CFTC has been improving the circulation efficiency of pipelines and upgrade surrounding facilities to reduce the risks caused by climate change. In 2021, CFTC will work with solar energy operators to install solar power generation panels	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
			<p>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"> <li>1. Mount solar panels on the roof of the factory buildings</li> <li>2. Installation of smart dashboards to track energy consumption, control of energy-intensive equipment and development of management practices.</li> <li>3. Install plant heat emission equipment to reduce power consumption.</li> </ol> <p>Future Sustainability Initiatives</p> <ol style="list-style-type: none"> <li>1. Plan to install photovoltaic panels on Zone D office rooftops</li> <li>2. Deploy sludge drying equipment for nickel electroplating wastewater treatment</li> </ol>	
(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?	V		<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 278.8342, 2,350.5689, 15.2002, and 16,620.4286 metric tons for Scope 1 to Scope 4, totaling 19,265.0320 metric tons. For 2023, the greenhouse gas emissions inventory was 252.1315, 1,853.2193, 7.0713, and 7,573,5736 metric tons for Scopes 1 to 4 (Scope 3 inventory not yet completed), for a</p>	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
			<p>total of 9,685.996 metric tons. The greenhouse gas inventories listed above are for Taiwan facilities and do not include overseas subsidiaries tons. For the previous two years, total water consumption was 32,774 metric tons in 2023 and 74,621 metric tons in 2024. The total waste output for the previous two years was __ metric tons waste. In 2023, the total weight of hazardous waste was 98.3 metric tons, and the total weight of non-hazardous waste was 1,615.5 metric tons, totaling 1,713.8 metric tons. The total weight of hazardous waste in 2024 is 163.69_ tons, total weight of non-hazardous waste is 3,708.23 tons, with a total of 3,871.92 tons.</p> <p>The Company's Sustainable Development Committee continues to pay attention to the policy of gradually reducing greenhouse gas emissions, recovering and utilizing water resource, and reducing waste to reduce the impact of business activities on climate change.</p> <p>Implement electroplating process water recycling plan, in order 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>	

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
IV. Social issues (I) Has the Company formulated relevant management policies and measures according to applicable laws and international human rights instruments?	V		<p>In order to safeguard social welfare, fulfill corporate social responsibilities and protect stakeholders, The Company's "Human Rights Policy" and concrete management protocols were approved by the Board of Directors on August 10, 2024, formulated in alignment with applicable domestic regulations and international human rights conventions. Full documentation has been disclosed on the corporate website, and formulated human rights policies including:</p> <ol style="list-style-type: none"> <li>1. Provide a fair working environment</li> <li>2. Protect and care for vulnerable groups</li> <li>3. Construct a healthy and safe workplace</li> <li>4. Establish a labor-management consultation mechanism</li> <li>5. Information security and privacy protection</li> </ol>	No material difference
(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?	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 Company established the Employee Reward System Management Regulations,</p>	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
			<p>Salary Administration Regulations, Year-end Bonus Management Regulations, Attendance Management Regulations, Personnel Assessment Management Regulations, Personnel Promotion 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 twice a year, 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. 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.</p>	

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
			<p>Female executives account for 37.5% 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 101 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 and regular employee fire drills. The company's facilities and equipment is maintained in good condition to ensure safe working environment for employees.</p> <p>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."</p>	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
			<p>2. The production plant has obtained the ISO45001 certificate on December 19, 2022.</p> <p>3. In 2024, there were 1 crush injury, 6 incisions, 1 fall, and 1 injured by a crashing object in the factory area, totaling 9 cases. Corresponding rectification measures have been implemented for each incident.</p> <p>4. There were no fire incidents in the plant area in 2024.</p>	
(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	No material difference

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
			protection, occupational safety and health and labor rights. In 2024, no suppliers lost their vendor qualification with CFTC.	
V. Has the Company referred to the internationally accepted reporting standards or guidelines to prepare reports, such as ESG reports that discloses the Company's non-financial information? Have the aforesaid reports obtained the certification or guarantee from third party verification organizations?		V	The company has prepared a sustainability report according to the GRI Standards by the Global Reporting Initiative, guidelines and dimension set by "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies", and "GRI Core Options", to disclose CFTC's strategy, objectives, acts, and performance indicators on major issues. At present, no confirmation or guarantee opinions from third-party verification units have been obtained.	No confirmation or guarantee opinions from third-party verification units have been obtained as no budget has been allocated.
VI. Where the Company has formulated its own sustainable development code in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please specified the differences between the implementation and the principles: CFTC board of directors has approved to set up its own "Sustainable Development Best Practice Principles" and use it to review its progress and formulate improvement measures on May 10, 2022. There has been no major difference in implementation so far.				
VII. Other important information that facilitates the understanding of the promotion of sustainable development: (I) The Company has established and implemented its "environmental, 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) 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				

Item	Implementation			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary	
<p>Awareness Plan" to ensure the personal and health safety of employees.</p> <p>(V) The Company acquired the ISO 14064-1:2018 greenhouse gas inventory examination opinion of all factories on September 24, 2024.</p> <p>(VI) The Company acquired the ISO 50001:2018 energy management system certification on November 26, 2024.</p>				

(VI) Risks and Opportunities Brought by Climate Change to the Company and Related Countermeasures Taken:

**1. Climate Related Information Implementation**

Items	Implementation
1. Describe the board of directors' oversight and governance of climate-related risks and opportunities.	Climate-related risk and opportunity are identified. Event which has significant risk must produce correspond knowledge solution to reduce the loss caused by the risk. We analyze all possible management solution, and set metrics. These metrics can be divided into risk elimination, risk decrease, risk distribution, etc. According to management strategy (program) is established through risk identification, supervision management is included by general management office.
2. Describe how the risks and opportunities identified affect the business, strategy, and finances of the business (short-, medium-, and long-term).	The Company identifies climate change risks (including financial risks, risk type (physical/transition), risk factor identification, impact time) in accordance with climate risks and opportunities.
3. Describe the impact of extreme climate events and transitional actions on finances.	The Company identifies the impact on finance in accordance with risk type, and establish strategies for each risk and opportunity.
4. Describe how the identification, assessment and management process of climate risks are integrated in the overall risk management system.	When formulating risk scenario in accordance with TCFD report, the Company should consider transition risk (policy and law/market/scientific/goodwill) and physic risk (general/emergency)
5. If scenario analysis is used to assess resilience to climate	Transitional risk is based on regulation policy, technical risk, market risk,

Items	Implementation
change risks, the scenarios, parameters, assumptions, analysis factors used and major financial impacts shall be explained.	supply risk, goodwill risk; Physical risk is based on immediate risk, long-term risk.
6. If there is a transition plan for climate-related risks management, describe the content of the plan, and the indicators and goals used to identify and management physical risks and transition risks.	Metric: 1. Identify high-energy-consuming equipment, and conduct corresponding management scenario. 2. Continue to promote process improvement. Energy saving and emission reduction and initiative formulation. Goal: 1. Greenhouse gas emission reduction rate 3%↓. Energy consumption rate 3%↓.
7. If internal carbon pricing is used as a planning tool, the basis for price setting should be specified.	Currently, the proposal of carbon pricing is still in discussion by internal, there is no related planning yet.
8. If climate-related goals are set, the activities, scope of GHG emissions, planning schedule, annual progress and other information shall be stated. If carbon offsets or RECs (renewable energy certificates) are used to achieve relevant goals, the source and quantity of carbon reduction credits or the number of RECs to be offset shall be stated.	Currently, carbon credit or REC is still in discussion, there is no related planning yet.
9. Greenhouse gas inventory and assurance (fill in 1-1).	Please refer to below: The Company's greenhouse gas examination and assurance status for the last two years

1-1. The Company's greenhouse gas examination and assurance status for the last two years

1-1-1. Green House Gas Inventory Information

Describe the GHG emissions (metric tons CO<sub>2</sub>e), intensity (metric tons CO<sub>2</sub>e/NT\$ million), and coverage of data in the past two years.

Please indicate at least the extent to which the assurance shall be carried out in accordance with the sustainable development path map of the TWSE/TPEX companies (please refer to the exclusive path map website of the TWSE/TPEX companies for relevant schedules):

<https://isds.tpex.org.tw> ) :

1. The individual financial statements of the parent company will be audited from 2023 (the same below).
2. Subsidiaries with consolidated financial reporting should be audited starting in 2024.

The consolidated company shall establish a greenhouse gas examination mechanism in accordance with the Greenhouse Gas Protocol issued by the World Association for Sustainable Development (WBCSD) and the World Resources Institute (WRI)/the ISO 14064-1 Greenhouse Gas examination Standard (specifying applicable examination standards) issued by the International Organization for Standardization (ISO). Since 2023, the Company has conducted regular annual inventories of GHG emissions for the parent company and all subsidiaries (Note: amendment in accordance with Company fact, and exclusion of partial consolidated description). This ensures a comprehensive understanding of GHG usage and emissions, and verifies the effectiveness of emission reduction measures. Additionally, the GHG inventory data for the most recent two fiscal years have been aggregated using the operational control approach (or other approaches the Company actually used, such as equity share approach/proportionate equity approach, financial control approach, etc.), including the GHG emission of the Company and all subsidiaries in consolidated financial report, which describes as below:

The Company's greenhouse gas examination status for the last two years

	Items	2023 years	2024 years
The Company	Revenue (Million)	408.2430	711.5730
	Scope 1 Direct greenhouse gas emissions	252.1315	267.7621
	Scope 2 Indirect greenhouse gas emissions	1,853.2193	2,611.2050
	Subtotal (Note 1).	2,105.3508	
	Greenhouse gas emissions density CO <sub>2</sub> e/t revenue (million)	5.1571	4.0459
	Increase or Decrease Ratio		-21.55%
	Note 1: Greenhouse gas emission is based on scope 1 + scope 2 (Environmental Protection Department Standard)		

1-1-2. Information on Green House Gas Assurance

Describe the assurance situation in the last two years as of the publication data of the annual report, including the scope of assurance, assurance Institution, assurance standards, and assurance opinions.

Please indicate at least the extent to which the assurance shall be carried out in accordance with the sustainable development path map of the TWSE/TPEX companies (please refer to the exclusive path map website of the TWSE/TPEX companies for relevant schedules):

<https://isds.tpex.org.tw> ) :

1. The parent company preparing individual financial statements shall implement the assurance from 2023 (the same below).
2. Subsidiaries subject to consolidated financial statements implement assurance since 2024.

In the total greenhouse gas emissions, Consolidated Company has executed examination area in 2023 is Taiwan Factory of the Company (No. 40, Xingong Rd., Shengang Township, Changhua County 509). The assurance institution, SGS, has performed assurance in accordance with International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements/ISO 14064—3:2019 issued by the International Organization, issuing assurance opinion number TW24/00613GG.

1-2. Greenhouse gas reduction targets, strategies and specific action plans

Describe the greenhouse gas reduction base year and its data, reduction targets, strategies, and specific action plans, as well as the achievement of reduction targets.

**Base year and target for greenhouse gas reduction**

1. Base year for reduction: 2023
2. Greenhouse gas emission density ↓ 1.5%

**Greenhouse gas reduction strategy and specific action plan**

1. Reduce high energy-consuming equipment's energy consuming.
2. Establish operational standard and VFD, or other facility which can lower the energy load for high electricity-consuming equipment.
3. Continue to improve process

**Fulfillment of reduction target**

Greenhouse gas emission density in 2024 ↓ 21%

(VII) 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 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>(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>II. 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 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>	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 10, 2025 by the group headquarters to the board of directors covering the implementation of the ethical management policy in 2024.</p> <p>(III) The company has formulated the "Ethical Conduct Code for Directors and Managers" with clear policy against conflicts of interest, and encourages the reporting of any illegal or violation of the code of ethical conduct.</p> <p>(IV) The audit unit of the company draws up an annual audit plan based on the risk assessment results, performs the plan accordingly, and reports the audit results to the board of directors on a regular basis.</p> <p>(V) The company regularly organizes internal education and training program on ethical management in monthly meetings and encourages employees to sign up for external ones.</p> <p>(1) 新進員工：113年實施57人次的新進員工教育訓練課程，宣導本公司之企業文化、工作規則、內</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	
			部規範，以及本集團的「誠信經營」理念。 (2) 每年至少一次(最近一次宣導日期：113年6月19日)透過企業群組公佈欄及內部網路系統向全體員工進行誠信宣導。	
<p>III. Functioning of the whistleblowing system</p> <p>(I) Has the Company established a whistleblowing system and a reward scheme with an accessible channel for reporting and designated appropriate personnel to deal with the alleged persons?</p> <p>(II) Has the Company formulated standard procedures for investigating of whistleblowers' reports, follow-ups and relevant confidentiality mechanisms after the completion of investigations?</p> <p>(III) Has the Company adopted measures to protect the whistleblowers from improper treatment?</p>	V		<p>(I) The company has set up complaint channels such as employee opinion and report mailboxes on the company website and in employee canteens. The administrative unit shall designate personnel to deal with every report received.</p> <p>(II) CFTC defines the operating procedures and related confidentiality mechanisms for accepting reports in the "Ethical Corporate Management Best Practice Principles" and "Ethical Corporate Management Procedures and Behavior Guidelines".</p> <p>(III) The company keeps the identity of the whistleblower and the content of the report absolutely confidential to protect the whistleblower from being improperly treated.</p>	No material difference
<p>IV. Enhancement of information disclosure</p> <p>Has the Company disclosed its business ethics principles and effectiveness to date on its website and via the Market Observation Post System (MOPS)?</p>	V		CFTC has disclosed the "Corporate Governance Practice Code", "Ethical Corporate Management Best Practice Principles", "Ethical Corporate Management Procedures and Behavior Guidelines", "Directors and Managers Ethical Code of Conduct" and their implementation on the company's official website and the MOPS.	No material difference

- 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.
- 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)
- (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.
- (II) The company's "Board meeting handbook" contains the system of "recusal due to conflicts of interest" requiring directors in a board meeting to give opinions and answer questions for (instead of discussing or voting on) proposals which may harm the interests of the company due to interests of their own or the legal person they represent, and they shall not exercise their voting rights on behalf of other directors.

(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/Investor Relations/Corporate Governance/Important Regulations of the Company](https://www.cftc-hc.com.tw/Investor%20Relations/Corporate%20Governance/Important%20Regulations%20of%20the%20Company)
2. Market Observation Post System [https://mops.twse.com.tw/mops/web/index/Corporation Governance/Corporate Governance Structure/Establishment of Related Regulations and Rules of Corporate Governance](https://mops.twse.com.tw/mops/web/index/Corporation%20Governance/Corporate%20Governance%20Structure/Establishment%20of%20Related%20Regulations%20and%20Rules%20of%20Corporate%20Governance)

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

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

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

CHINA FINEBLANKING TECHNOLOGY  
Statement of the Internal Control System

Date: 2025/03/12

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

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.

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: control environment; risk assessment; control operations; information and communication; 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.

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.

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.

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.

This statement is approved by the audit committee and board meeting on March 12, 2025.  
Among the 8 directors present, none of them have objections and all agree with the content of this statement, we hereby declare such.

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

(X) 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
2024.05.30	Shareholders' meeting	1. Ratify the 2023 business report, financial statements and earnings distribution proposal.	1. Done according to the resolution. 2. Set November 17, 2024 as the ex-dividend base date, and the dividends distributed on December 5, 2024 in accordance with the resolution of the board of directors. (Cash dividends at NT\$0.1 per share; stock dividends at 3 shares per share)
		2. Proposal for issuance of new shares via capitalization of retained earnings.	1. Done according to the resolution. 2. Set November 17, 2024 as the ex-dividend base date, and the dividends distributed on December 5, 2024 in accordance with the resolution of the board of directors. (Cash dividends at NT\$0.1 per share; stock dividends at 3 shares per share)
		3. Report on the liquidation of subsidiary CFTCC 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. Proposal for Amendments of part of the Articles of Incorporation.	Company change registration was completed on June 21, 2024 in accordance with the resolution.
2025.02.10	Extraordinary general meeting	1. Issue common shares to handle cash fund-raising by private placement	1. Handling in accordance with the resolution. 2. 20,000 thousand shares cash capital increase (first time) through private placement of common share was approved by board of directors on February 10, 2025. The Private placement price is NT\$22.4 per share. The Company finished the placement of the first private placement cash capital of NT\$ 448,000 thousand with the subscriber.

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

Date	Session	Motion
2024.02.06	The thirteenth Meeting, the 13th Office	<ol style="list-style-type: none"> <li>1. Draft the 2024 shareholders' meeting related matters</li> <li>2. Proposal for CFTC 2023 Internal Control Effectiveness Assessment and Internal Control System Statement</li> <li>3. Budget for additional capital expenditure of subsidiary</li> <li>4. CFTC applying for credit facilities from financial institutions</li> <li>5. Subsidiary CFTCC (HuaiAn) intended to borrow from financial institutions and with from financial institutions and Planned lending from the subsidiary CFTCC (JiaXing) to CFTCC Precision (HuaiAn)</li> <li>6. Subsidiary CFTCC (JiaXing) applied for a loan line change from financial institutions</li> <li>7. Subsidiary CFTCC (JiaXing) intends to loan funds to the company for inter-company transactions</li> <li>8. Assessment results of the 2023 CFTC managerial officers and the year-end bonus distribution program</li> <li>9. Promotion of Assistant Vice President Mercer of the General Management Office to Vice-President of Finance and remuneration review</li> </ol>
2024.03.08	The fourteenth Meeting, the 13th Office	<ol style="list-style-type: none"> <li>1. Proposal for the Company's 2023 self-closed financial statements</li> <li>2. Proposal for issuance of new shares for the 5th issuance of unsecured convertible bonds in Taiwan</li> <li>3. Proposal for CFTC applying for credit facilities from financial institutions</li> <li>4. Subsidiary CFTCC (JiaXing) intends to loan funds to the company for inter-company transactions</li> <li>5. Subsidiary CFTCC (JiaXing) extended the loan period to the Company for one year</li> <li>6. Transactions between the Company and related parties</li> </ol>
2024.03.25	The fifteenth Meeting, the 13th Office	<ol style="list-style-type: none"> <li>1. CFTC 2023 business report, financial statements and earnings distribution proposal</li> <li>2. Change of certifying accountants in line with the internal rotation of the CPA firm</li> <li>3. Assess independence and suitability of the company's attesting CPAs</li> <li>4. Amend the convening of the 2024 shareholders' meeting</li> <li>5. 2023 Director's and employee remuneration and their distribution</li> <li>6. CFTC 2023 earnings distribution cash dividends</li> <li>7. Issuance of new shares via capitalization of retained earnings</li> <li>8. Subsidiary CFTCC (JiaXing) intends to loan funds to the company for inter-company transactions</li> <li>9. Subsidiary CFTCC (JiaXing) extended the loan period to the Company for one year</li> <li>10. Amendment of the Articles of Incorporation</li> </ol>

Date	Session	Motion
2024.05.08	The sixteenth Meeting, the 13th Office	<ol style="list-style-type: none"> <li>1. CFTC financial statements for Q1 2024</li> <li>2. Appoint the company's attesting CPAs and review their professional fees</li> <li>3. Proposal for additional budget for the Company</li> <li>4. Subsidiary CFTCC (JiaXing) intends to loan funds to the company for inter-company transactions</li> </ol>
2024.08.10	The seventeenth Meeting, the 13th Office	<ol style="list-style-type: none"> <li>1. CFTC financial statements for Q2 2024</li> <li>2. Proposed issue for Planned capitalization of earnings via issuance of news shares</li> <li>3. Subsidiary CFTCC (JiaXing) Planned earnings distribution cash dividends</li> <li>4. Issuance of new shares for the 5th issuance of unsecured convertible bonds in Taiwan</li> <li>5. Amendment to 2024 budget applied for the company and its subsidiaries</li> <li>6. Additional capital expenditure budget amount newly applied for subsidiary CFTCC (JiaXing)</li> <li>7. CFTC applied for a guarantee and a loan line from financial institutions</li> <li>8. Subsidiary CFTCC (JiaXing) Limited applied for a loan line from financial institutions</li> <li>9. Cancellation of the guarantee endorsement of the Company to subsidiary</li> <li>10. The Company has completed making sustainability report in 2023</li> <li>11. The Company specifies human rights policy and amends personal data protection management regulation</li> <li>12. Promotion of President of manufacture department to assistant vice president and remuneration review</li> <li>13. Proposal for the 2023 financial statement of subsidiary China Fineblanking Group Co., Ltd.</li> <li>14. The Company proceeds with repurchasing the Company's common share from security broker pursuant to Article 28-2 of the Securities and Exchange Act, and formulates Regulations for 15th shares repurchase and employee transfer accor</li> </ol>
2024.11.11	The eighteenth Meeting, the 13th Office	<ol style="list-style-type: none"> <li>1. CFTC financial statements for Q3 2024</li> <li>2. 2025 budget of the company and its subsidiaries</li> <li>3. 2025 audit plan of the company and its subsidiaries</li> <li>4. Subsidiary CFTCC (JiaXing) Limited applying for credit facilities from financial institutions, and endorsed by the Company</li> <li>5. Cancellation of the guarantee endorsement of the subsidiary JiaXing to subsidiary HuaiAn</li> <li>6. Subsidiary CFTCC (HuaiAn) extended the loan period to CFTCC (JiaXing) for one year</li> <li>7. Additional capital expenditure budget of the Company</li> <li>8. Amend the internal control system and internal audit execution guidelines of the Company</li> <li>9. The Company specifies the preparation of substainability report and regulation of assurance operation</li> </ol>

Date	Session	Motion
		<ul style="list-style-type: none"> <li>10. Fixed Asset Retirement of Subsidiary CFTCC (HuaiAn) Limited</li> <li>11. The Company amend general principle of pre-approve non-assurance service policy</li> <li>12. Subsidiary CFTCC (JiaXing) Limited applied for a line from financial institutions</li> </ul>
2024.12.23	The nineteenth Meeting, the 13th Office	<ul style="list-style-type: none"> <li>1. The Company issue common shares to handle cash fund-raising by private placement</li> <li>2. Proposal to Preparation and Establishment of the first extraordinary general meeting in 2025</li> </ul>
2025.01.10	The twentieth Meeting, the 13th Office	<ul style="list-style-type: none"> <li>1. Registered Capital Change of Subsidiary CFTCC (HuaiAn) Limited and Related Matters</li> <li>2. Subsidiary CFTCC (JiaXing) extended the loan period to the Company for one year</li> <li>3. Transactions between the Company and related parties</li> <li>4. Assessment results of the 2024 CFTC managerial officers and the year-end bonus distribution program</li> </ul>
2025.02.10	The Twenty-first Meeting, the 13th Office	<ul style="list-style-type: none"> <li>1. Draft the 2025 shareholders' meeting related matters</li> <li>2. Re-elect independent directors of the Company</li> <li>3. Private Placement Pricing of Common Shares Issuance by Increasing Private Placement Cash Capital and Related Matters</li> <li>4. Subsidiary CFTCC (JiaXing) extended the loan period to the Company for one year</li> <li>5. Proposal for CFTC applied for a loan line from financial institutions</li> <li>6. Amendment of the Articles of Incorporation</li> </ul>
2025.03.12	The Twenty-second Meeting, the 13th Office	<ul style="list-style-type: none"> <li>1. CFTC 2024 business report, financial reports and earnings distribution proposal</li> <li>2. CFTC 2024 earnings distribution cash dividends</li> <li>3. 2024 Director's and employee remuneration and their distribution</li> <li>4. Assess independence and suitability of the company's attesting CPAs</li> <li>5. Add the convening of the 2025 shareholders' meeting</li> <li>6. Proposal for CFTC 2024 "Internal Control Effectiveness Assessment" and "Internal Control System Statement"</li> <li>7. Amendment of part of the "Articles of Incorporation".</li> <li>8. Appoints the Group General Manager of the Company</li> </ul>

(XI) 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	Motion	Resolution
None	-	-	-

#### IV. Professional fees for attesting CPAs

##### Professional fees for attesting CPAs

Unit: NT\$ thousand

Name of the accounting firm	Names of the CPAs	Audit period	Audit fees	Non-audit fees	Total	Remarks
KPMG Taiwan	Yu-Lun Kao	113/01/01~113/12/31	3,000	955	3,955	Non-audit fees were NT\$350 thousand for audit projects, NT\$105 thousand for industrial and commercial registration, and NT\$460 thousand for others (transfer pricing report NT\$200 thousand, tax return NT\$300 thousand)
	CPA Jacky Chen	113/01/01~113/12/31				

#### V. Changes in CPAs

##### (I) Previous external accountants

Replacement date	March 20, 2024		
Reason for the change	Adjustmmts in line with the internal rotation of the CPA firm		
Explanation whether the client or the accountants terminated or declined the appointment	Contract parties		
	Condition	Accountants	Client
	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)	Not Applicable		

##### (II) Current external accountants

Name of firm	KPMG Taiwan
Names of the CPAs	CPA Yu-Lun Kao; CPA Jacky Chen
Date of appointment	March 20, 2024
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.

**VI. 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.

**VII. 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: shares

Title	Name	2024		As of April 22, 2025	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairman-cum-President	Huang Yi-Xiang	6,038	0	0	0
Chairman-cum-President (note1)	Wu Po-Cheng	0	0	0	0
Director	Hsieh Ling	17,426	0	0	200,000
Director	Lo, Yung-Chiu	4,272	0	0	0
Director	Chia-Chuan Investment	18,240	0	0	0
Director's legal representative	Wu Chia-Chuan - Chia-Chuan Investment	1,157	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	Cheng Feng-Tsung	0	0	0	0
Group Vice President CEO of Taiwan Manufacturing Plant	Gloria Huang	342	0	0	0
Assistance Vice President, Sales	Huang Shu-Fang	96	0	0	0
Assistant Manager of Manufacturing Departmen	Chen-Me-Yi	0	0	0	0
Vice President of Finance	Mercer Chen Yi-Chuang	92	0	0	0
Accounting Manager	Tsai Wei-Che	0	0	0	0
Major shareholder	OFCO Industrial Corp. (note2)	0	0	13,000,000	0

note1:Mr. Wu Po-Cheng,Group General Manager,was appointed by the resolution of the Board of Directors on 03.12.2025.  
note2:The private placement in 2025.

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

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

### VIII. Relationship between the top ten shareholders

April 22, 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		Remarks
	No. of shares	Shareholding %	No. of shares	Shareholding %	No. of shares	Shareholding %	Name(or name)	Relation	
OFCO Industrial Corp.	13,000,000	12.17%	0	0%	0	0%	None	None	-
Liu,Ching-I	6,730,000	6.30%	0	0%	0	0%	None	None	-
Chia-Chuan Investment	6,082,869	5.69%	0	0%	0	0%	None	None	-
Hsieh Ling	5,811,630	5.44%	2,013,681	1.88%	0	0%	Huang Yi-Xiang	Spouse	-
E-Sheng Steel CO.,Ltd	5,000,000	4.68%	0	0%	0	0%	None	None	-
Shen Bing-Yuan	3,083,011	2.89%	0	0%	0	0%	None	None	-
Wu Chih-Wei	2,698,476	2.53%	0	0%	0	0%	None	None	-
Chang,Chih-Fu	2,546,216	2.95%	0	0%	0	0%	None	None	-
Wang,Fun-Hui	2,180,110	2.04%	0	0%	0	0%	None	None	-
Huang Yi-Xiang	2,013,681	1.88%	5,811,630	5.44%	10,190	0.01%	Hsieh Ling	Spouse	-
TSG Transport Corp.	2,000,000	1.87%	0	0%	0	0%	None	None	-

### IX. 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, 2025

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
CFTCC Precision (JiaXing) Limited	Non-shareholding structure	100.00	0	0	Non-shareholding structure	100.00

CFTCC Precision (HuaiAn) Limited	Non- shareholding structure	100.00	0	0	Non- shareholding structure	100.00
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## Chapter 3. Fund Raising

### I. Capital and shares

#### (I) Sources of share capital

##### 1. Formation of share capital

Month/year	Issuance price (NT\$)	Authorized share capital		Paid-in share capital		Remarks		
		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
81.11	10,000	1.2	12,000	1.2	12,000	Founding share capital	None	Note 1
83.08	10,000	2	20,000	2	20,000	Rights issue to raise NT\$8,000 thousand	None	Note 2
85.06	10,000	2.8	28,000	3	28,000	Rights issue to raise NT\$8,000 thousand	None	Note 3
87.11	10,000	5	50,000	5	50,000	Rights issue to raise NT\$22,000 thousand	None	Note 4
88.11	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
90.01	10.00	8,170	81,700	8,170	81,700	Capitalization of earnings for NT\$11,700 thousand	None	Note 6
91.07	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
92.10	10.00	25,000	250,000	16,370	163,700	Rights issue to raise NT\$30,000 thousand	None	Note 8
93.08	15.00	25,000	250,000	18,370	183,700	Rights issue to raise NT\$20,000 thousand	None	Note 9
93.08	10.00	25,000	250,000	20,770	207,700	Capitalization of earnings by NT\$24,000 thousand		
94.08	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
96.10	25.00	50,000	500,000	34,000	340,000	Rights issue to raise NT\$100,000 thousand	None	Note 11
96.10	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)		
97.06	10.00	50,000	500,000	37,990	379,903	Capitalization of earnings by NT\$6,000 thousand (including stock dividends to employees for NT\$6,000 thousand)	None	Note 12
99.04	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
99.07	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
99.12	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
100.09	16.02	50,000	500,000	39,480	394,803	Exercise employee stock options; Employees purchase stocks of NT\$200 thousand	None	Note 16
100.09	10.00	50,000	500,000	41,453	414,533	Capitalization of earnings by NT\$19,730 thousand	None	Note 17
101.01	18.50	50,000	500,000	46,643	466,433	Rights issue to raise NT\$51,900 thousand	None	Note 18
104.10	10.00	50,000	500,000	45,106	451,063	Cancellation of treasury shares by NT\$15,370 thousand	None	Note 19

Month/year	Issuance price (NT\$)	Authorized share capital		Paid-in share capital		Remarks		
		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
105.04	29.00	50,000	500,000	47,768	477,683	Convert convertible bonds into new shares: NT\$26,620 thousand	None	Note 20
105.09	10.00	100,000	1,000,000	52,288	522,886	Capitalization of capital surplus	None	Note 21
105.10	29.00	100,000	1,000,000	54,569	545,694	Convert convertible bonds into new shares: NT\$22,808 thousand	None	Note 22
105.12	19.40	100,000	1,000,000	69,569	695,694	Rights issue to raise NT\$150,000 thousand	None	Note 23
106.06	25.90	100,000	1,000,000	70,160	701,601	Convert convertible bonds into new shares: NT\$5,907 thousand	None	Note 24
106.10	25.90	100,000	1,000,000	70,430	704,304	Convert convertible bonds into new shares: NT\$2,703 thousand	None	Note 25
106.11	25.90	100,000	1,000,000	73,006	730,057	Convert convertible bonds into new shares: NT\$25,753 thousand	None	Note 26
107.03	25.90	100,000	1,000,000	75,732	757,315	Convert convertible bonds into new shares: NT\$27,258 thousand	None	Note 27
107.08	10.00	100,000	1,000,000	76,488	764,888	Capitalization of earnings by NT\$7,573 thousand	None	Note 28
108.09	10.00	150,000	1,500,000	80,151	801,512	Capitalization of earnings by NT\$36,624 thousand	None	Note 29
109.10	10.00	150,000	1,500,000	83,884	838,841	Capitalization of earnings by NT\$37,329 thousand	None	Note 30
110.04	10.00	150,000	1,500,000	84,157	841,572	Convert convertible bonds into new shares: NT\$2,731 thousand	None	Note 31
110.08	10.00	150,000	1,500,000	84,180	841,805	Convert convertible bonds into new shares: NT\$233 thousand	None	Note 32
110.10	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
110.12	10.00	150,000	1,500,000	85,841	858,419	Convert convertible bonds into new shares: NT\$233 thousand	None	Note 34
111.11	10.00	150,000	1,500,000	85,871	858,716	Convert convertible bonds into new shares: NT\$296 thousand	None	Note 35
112.03	10.00	150,000	1,500,000	85,898	858,988	Convert convertible bonds into new shares NT\$271 thousand	None	Note 36
112.10	10.00	150,000	1,500,000	86,303	863,030	Capitalization of earnings by NT\$4,042 thousand	None	Note 37
113.03	10.00	150,000	1,500,000	86,312	863,123	Convert convertible bonds into new shares NT\$93 thousand	None	Note 38
113.08	10.00	150,000	1,500,000	86,605	866,057	Convert convertible bonds into new shares NT\$2,934 thousand	None	Note 39
113.12	10.00	150,000	1,500,000	86,849	868,495	Capitalization of earnings by NT\$2,438 thousand	None	Note 40
114.03	10.00	150,000	1,500,000	106,849	1,068,494	Rights issue to raise NT\$20,000 thousand through private placement	None	Note 41

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, 2018.
- 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..
- Note 39: Approved by Official Document Economy-Authorization-Shang-Tzu No. 11330157460 issued on September 10, 2024.
- Note 40: Approved by Official Document Economy-Authorization-Shang-Tzu No. 11330209430 issued on December 06, 2024.
- Note 41: Approved by Official Document Economy-Authorization-Shang-Tzu No. 11430030780 issued on March 17, 2025.

## 2. Types of shares issued

Unit: (shares); March 30, 2025

Type of shares	Authorized share capital			Remarks
	No. of shares outstanding	Unissued shares	Total	
Ordinary shares listed on Taipei Exchange	106,849,467	43,150,533	150,000,000	

## 3. Shelf registration: N/A

### (II) List of major shareholders

Unit: shares; March 30, 2025

Names of major shareholders	No. of shares held	Percentage of ownership
OFCO Industrial Corp.	13,000,000	12.17%
Liu, Ching-I	6,730,000	<u>6.30%</u>
Chia-Chuan Investment	6,082,869	<u>5.69%</u>
Hsieh Ling	5,811,630	<u>5.44%</u>
E-Sheng Steel CO.,Ltd	5,000,000	<u>4.68%</u>
Shen Bing-Yuan	3,083,011	<u>2.89%</u>
Wu Chih-Wei	2,698,476	<u>2.53%</u>
Chang, Chih-Fu	2,180,110	<u>2.04%</u>
Wang, Fun-Hui	2,013,681	<u>1.88%</u>
Huang Yi-Xiang	2,000,000	<u>1.87%</u>

(III) 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 2025:

Unit: NT\$

Items	Amount
<b>Undistributed earnings at the beginning of the period</b>	87,542,946
Add: Special reserve reversed as an equity deduction	51,306,814
Add: Net income after tax in 2024	35,282,815
Appropriation:	
Less: legal reserve	(3,528,282)
<b>Earnings available for distribution</b>	170,604,293
Distribution items:	
Less: shareholder dividend - cash (NT\$0.3/share)*101,295,467 shares	(30,388,640)
<b>Undistributed earnings at the end of the period</b>	140,215,653

Note 1: 106,849,467 actually issued shares - 5,554,000 treasury shares = 101,295,467 outstanding shares.

Note 2: Earnings from 2024 are prioritized for distribution.

(IV) 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.

(V) Remuneration of employees, directors and supervisors

1. The percentages or ranges with respect to employee, director, and supervisor profit-sharing compensation, as set forth in the company's articles of incorporation:

In case of profits for the year, the Company should allocate no less than 2% as remuneration to employees and no higher than 5% as remuneration to directors and supervisors. In case of any outstanding cumulative losses, the Company should first reserve a sum to offset the losses. 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 to allocate funds for employee remuneration \$908,553 and director remuneration \$454,277.

- (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) The amount of any employee profit-sharing compensation and director and supervisor profit-sharing compensation distributed in cash or stocks. If there is a difference with recognized expense years revaluation amount, number of differences, reason and handling situation should be disclosed:

The board of directors suggests to allocate funds for employee remuneration \$908,553 and director remuneration \$454,277 in 2024.

- (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 2023; Unit: NT\$

Items	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	0	0	0	—
Employees' remunerations	0	0	0	—

(VI) CFTC shares bought back by CFTC:

1. CFTC shares bought back by CFTC (completed)

April 1, 2025

Program numbering	Meeting 11	Meeting 12	Meeting 13	Meeting 14	Meeting 15
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	2021.05.14-2021.07.12	2022.01.20-2022.03.10	2022.06.06-2022.08.04	2022.12.09-2023.01.17	2024.08.14-2024.09.12
Price range	28.56-69.43	28.25-61.65	26.46-58.22	23.66-50.42	21.39-49.65
Repurchased shares by type and by number	Ordinary shares 2,349,000 shares	Ordinary shares 1,020,000 shares	Ordinary shares 1,098,000 shares	Ordinary shares 587,000 shares	Ordinary shares 500,000 shares
Amount of the repurchased shares	NT\$ 100,872,223	NT\$ 41,604,120	NT\$ 42,028,487	NT\$ 19,868,690	15,950,045 dollars
Repurchased shares as a percentage of the program (%)	78.3%	51%	54.9%	58.7%	50%
No. of shares cancelled and transferred	0 shares	0 shares	0 shares	0 shares	0 shares
No. of cumulative treasury shares	2,349,000 shares	3,369,000 shares	4,467,000 shares	5,054,000 shares	5,554,000 shares
Cumulative treasury shares as a percentage of the Company's number of issued shares (%)	2.70%	3.88%	5.14%	5.82%	6.39%

## II. Corporate bonds

Type of corporate bond	Fourth 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% (or 0.5% real yield) of the par value (or 0.25% real yield) for all outstanding bonds upon maturity.
Outstanding principal	NT\$ 200,000,000	NT\$ 290,200,000
Terms of redemption or early settlement	Article 18 of the Regulations Governing the Issuance and Conversion of the Company's fourth 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 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	At present, 302,654 ordinary shares; have been converted at amount NT\$9,800,000.
	Regulations governing issuance and conversion (exchange or share subscription)	Please refer to the Regulations Governing the Issuance and Conversion of the Company's fourth 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\$31.08, if all of them are converted into ordinary shares of the company, there will be 6,435,006 shares. The dilution ratio is 5.97% 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\$290,200 thousand. According to the current conversion price of NT\$30.47, if all of them are converted into ordinary shares of the company, there will be 9,524,112 shares. The dilution ratio is 8.59% at the most, and the dilution effect on the original shareholders is not very significant.
Name of the custodian for the exchangeable underlying		Not Applicable	Not Applicable

Information on convertible corporate bonds

Type of corporate bond		Fourth issuance of secured convertible bonds in Taiwan		Fifth issuance of unsecured convertible bonds in Taiwan	
Year		113 years	As of April 22, 2025	113 years	As of April 22, 2025
Convertible corporate bonds at market price	Highest	124.00	115.00	111.00	105.45
	Lowest	106.00	108.65	98.30	102.50
	Average	114.13		105.26	
Conversion price		32.80	31.08	32.18	30.47
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	

### **III. Special shares**

None.

### **IV. 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.

## Chapter 4. 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	2023		2024	
	Amount	Percentage (%)	Amount	Percentage (%)
Hard-disk drive components	300,064	12.99	587,676	22.84
Auto and motorcycle components	1,934,457	83.72	1,875,540	72.91
Others	76,069	3.29	109,364	4.25
Total	2,310,590	100.00	2,572,580	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 latest data released by the China Association of Automobile Manufacturers, the production and sales volume exceeded 31 million units in 2024, up by 4.5%, and ranking first in the world 16 years in a row. The production and sales volume of the automobile market in 2024 will reach a record high and achieve the new phase of high-quality development. New energy vehicles achieves annual production and sales of 10 million units for the first time, which is accounted for over 40% of the sales and achieves 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 back to the car market in 2024, Sales in car market from “negative growth” in the first quarter to gradually stable in the second quarter, and finally realized recovery growth in the second half of 2024, in order to make the sales of cars represent “U type” development. According to vice secretary of the China Association of Automobile Manufacturers, Shih-Hua Chen, although the domestic vehicle consumption market is subject to transition development in 2024, dramatically increasing industrial competition, etc, which causes the market consumption confidence to fluctuate within a short period. However, due to a series of related department policies, active implementation of subsidy policies in every places and the popularities of enterprise promotion, it motivates the vehicle market's end user consumption and promotes the development trend of a slower but stable car market.

In 2025, according to the forecasts of China Association of Automobile Manufacturers, the vehicle market will continue to maintain at a slow but stable pace. The sales of vehicles in whole year is expected to reach 32.9 million units, an year-on-year increase of 4.7%; Specifically, sales of new energy vehicles are expected to reach 16 million units, and year-on-year increase of 24.4%. Xu Hai-Dong, Deputy Secretary-General of the China Association of Automobile Manufacturers (CAAM) indicates that with the acceleration of macro policy, continuation of two new policy, extension of buying new energy without acquisition tax and continuous expansion of oversea market space, it is full of confidence to domestic car market this year.

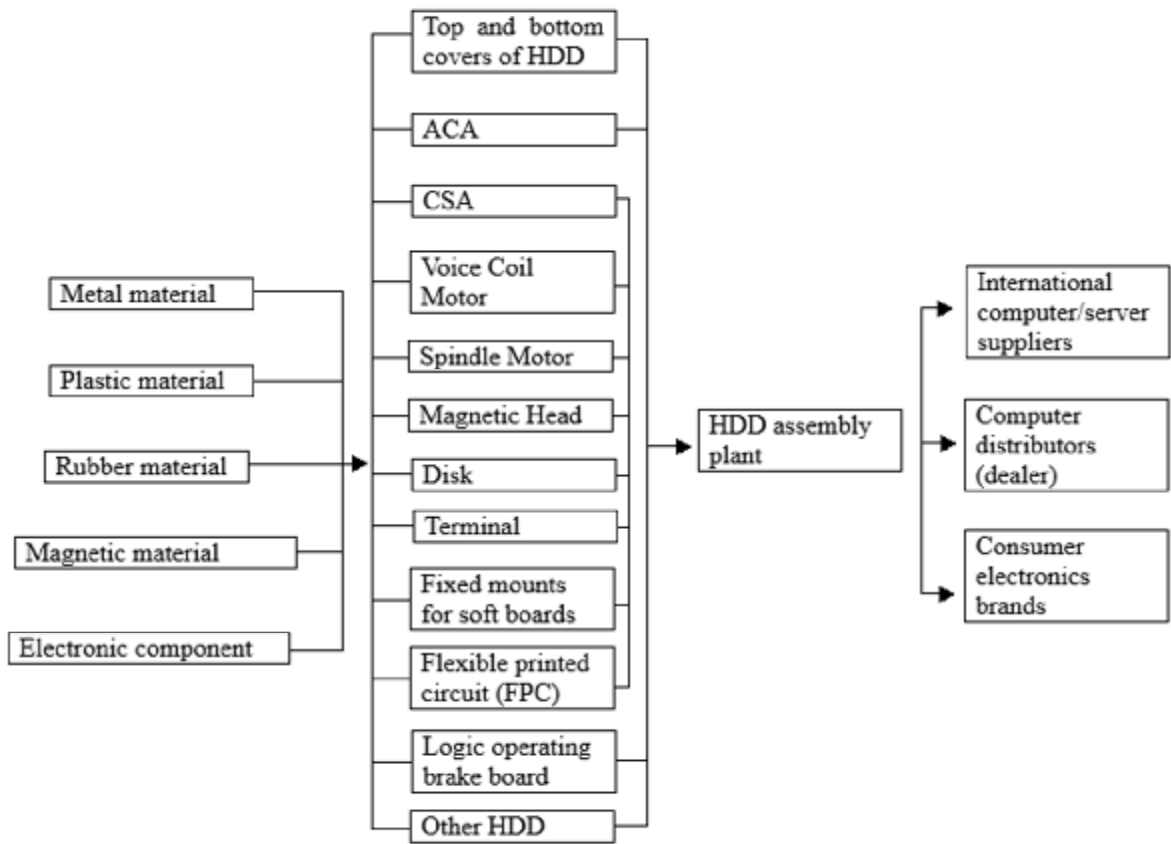
## 2. Upstream, midstream, and downstream of the industry:

### A. Hard-disk drive industry

Upstream

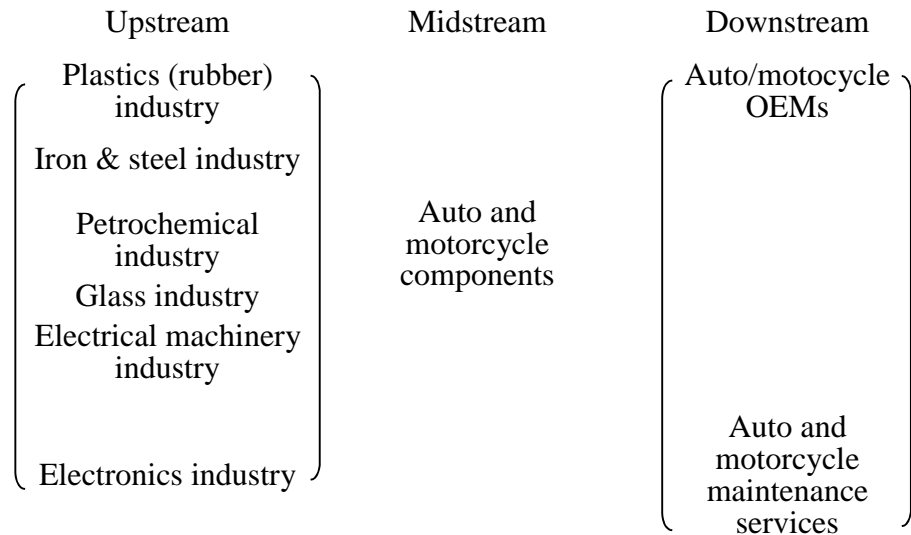
Midstream

Downstream



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

Items \ Year	2024	As of March 31, 2025 (Note)
R&D expenses	124,901	36,368
R&D as percentage of sales (%)	4.86%	6.71

Note: not reviewed by external accountants

2. Products successfully developed in the most recent year (2024):

Year	Product	Product application and description
2024	Square battery casing deep draw molding technology	Square battery casing development from geology characteristic of casing need to use the combination of deep draw and ironing to achieve the final geology shape, and regulated wall thickness as well as tolerance, comprehensively considering molding equipment, technology, material utilization to obtain the best production cost efficiency.
	Thick plate molding technology	Used for high-level voice coil motor brake. Due to strict performance requirement as well as thicker and thicker materials, the technology achieves high-level product requirement to fulfill the performance requirement of product by optimizing improvement technology, in the context of complicated shape and higher size requirement.

(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

Sales District \ Year		2024		Main products					
		Sales Amount	%	HDD		Auto		Other category	
				Sales Amount	%	Sales Amount	%	Sales Amount	%
Domestic sales		1,827,283	71.03	0	0	1,661,662	91.31	165,621	100.00
Foreign sales	Asia	587,256	22.83	587,088	100.00	168	0.01	0	0
	Europe	142,893	5.55	0	0	142,893	7.85	0	0
	Other	15,148	0.59	0	0	15,148	0.83	0	0
	Subtotal	745,297	28.97	587,088	100.00	158,209	8.69	0	0
Total of Operating		2,572,580	100.00	587,088	100.00	1,819,871	100.00	165,621	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. SSD and HDD both have its position and development trend. SSD gradually replaced HDD in personal computer, laptop and enterprise critical application through its high speed read and write access and low latency. According to the report of Mordor Intelligence, global SSD market expects to increase from US\$65.47 billion in 2024 to US\$147.01 billion in 2029, accounted for 17.56% of annual compound growth rate.

However, HDD has its advantage on costs in terms of large volume storage. Until 2022, the ratio of prices each TB between enterprise SSD and near-line SSD reaches about 6:1, and expects to remain as this level in 2027.

Therefore, in terms of the application needs large volume storage and comprehensively low requirement of speed, such as data center and cloud storage, HDD is still an economical choice.

It is noteworthy that HDD market is facing the challenge of its decreasing shipment amount. In second half of 2022, the shipment amount of HDD decreased 33% on an year-on-year basis, indicates that the demand from customer's side went down, and HDD gradually lost its market share.

At the same time, the volume and cost efficiency of SSD continues to increase, which further promotes its popularizations in every field.

In general, SSD and HDD both have its advantages in the market. SSD is expanding its market share through its high performance and fast-developing technique; while HDD still loom large to large volume storage demand. In the future, due to further development of the technology and reduction of cost, SSD expects to replace HDD for much more applications. However, as for some specific requirements, HDD still maintain its market positioning.

(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. HDD had experienced significant changes in the past few years. Due to the popularization of SSD, the market share of HDD has gradually decreased. According to the News report of TechNews on April, 2024, SSD is accounted for 94.7% among global laptops in 2023, while accounted for 88.3% among desktop computers. In enterprise server market, the usage of SSD is nearly seven times more than that of HDD.

However, HDD has its advantage on costs in terms of large volume storage, especially in the field of data center and cloud service which need large storages. As Artificial Intelligence (AI) and High Performance Computing (HPC) heats up, the demand of large volume HDD witnesses a recovery. Supply chain indicates that because the fast growing AI market at the beginning of 2023 motivated the demand of large volume HDD products, it was estimated that demand for large volume HDD products will outstrip supply and this situation could last for a whole year.

In addition, according to Seagate's report on March 2024, the global data volume is increasing at a dramatical pace. According to the forecast of IDC, it will produce data amount of 30ZB in 2024, global data gross amount will reach to 291ZB in 2027, among which 90% of the data will be stored in large amount hard disk drive.

However, the shipment amount of HDD continues to decrease since it reaches the peak (651 million units) from 2010. In 2022, it decreased to 166 million units. Currently, global HDD market is mainly dominated by the three vendors, Western Digital, Seagate and Toshiba.

In general, although SDD gradually replaces HDD in personal and enterprise equipment, HDD still have its indispensable position in storage solutions need high volume and cost-efficiency. In the future, as the data amount continues to increase explosively, the demand of HDD is expected to maintain stable in the large volume storage market.

(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. Currently, HDD market is mainly monopolized by the three big vendors, Western Digital, Seagate and Toshiba, accounted for nearly 100% of market share in total. The characteristics of this oligopoly market makes the price fluctuation smaller, which is subject to change of supply and demand as well as material cost, instead of intense market competition. This is mainly because (1) Decreasing Market Competition: HDD market was super competitive in early times, and famous brand such as Hitachi, Samsung etc were main player; However, the market has been gradually integrated in recent years. For example, Western Digital has merged with Hitachi, Seagate acquired Samsung's HDD business. This causes the competitor decreases, which makes the price change go slowly. (2) Stable Demand but Slow Growth: Although personal consumption market (PC, notebook) almost completely turns to SDD, enterprise HDD still have stable demands, especially cloud service and data center still have large volume and lower cost HDD. This makes the price maintain at a certain level. (3) Supply Chain Control: Due to fewer HDD market player, this big vendor has abilities to maintain price through capacity management, such as a reduction in production to prevent from price decrease owing to oversupply. (4) Pending Technology Development: Compared with the fast improvement of SDD technology, the HDD technology development become mature. The introduction speed

of new generation product (ex: HAMR technology) decreases, therefore it won't appear the case of fast price reduction or substantially upgrading like SDD market. (5) Future Trend: (A) Price Tends to be stable: Due to market oligopoly market structure, HDD price isn't likely to appear dramatical fluctuation. The future price can do minor adjustment as the change of production cost. (B) High Volume HDD Still Have its Advantages: Large volume HDD (above 18TB, 20TB) is still a main choice of enterprise market. The price is expected to maintain stable and even slightly rising, especially in case of the increasing demand of AI and big data. (C) HDD gradually quit consumption market: As the SDD price goes down, HDD will mainly focus on enterprise storage market, and consumption HDD demand will further become small.

In general, oligopoly market structure ensured the stability of HDD price.

(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.

## 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. The market share of domestic vehicles from January to September 2024 was 51.05%.

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\Growth	2024 (Jan.-Sep.)	2023	2022	2021	2020
Automobile industry/growth rate	1,570/-6.68%	2,302/10.50%	2,083/8.43%	1,921/12.62%	1,705/1.89%
Motorbike industry/growth rate	417/-1.40%	576/12.34%	513/-9.68%	568/-10.61%	635/9.92%
Bicycle industry/growth rate	400/-35.65%	780/-17.39%	945/40.42%	673/16.09%	580/-10.69%
Auto parts industry/growth rate	2,187/-3.07%	3,060/1.19%	3,023/33.11%	2,271/11.50%	2,206/-9.00%
Motorbike parts industry/growth rate	399/-4.62%	547/-10.88%	613/9.27%	561/10.99%	507/9.92%
Bicycle parts industry/growth rate	756/-15.17%	1,101/-47.05%	2,080/93.13%	1,007/46.57%	773v/7.49%
Total/Growth rate	5,728/-8.96%	8,366/-9.63%	9,258/30.93%	7,071/14.09%	6,227/-1.47%
Ratio accounted for manufacturing industry	4.02%	4.75%	4.67%	4.40%	4.89%

Unit: NT\$ hundred million

Source: Ministry of Economics Internet Statistics Data Inquiry System, organized by Taiwan Transportation Vehicle Manufacturers Association, vehicle components doesn't contain automobile 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 2024, up about 14.58% year-over-year. Despite the recession, the inventory is still high in 2023. The export value in 2023 reached NT\$225.4 billion, a decline of 10.91%. The export value from January 2024 to September 2024 reached NT\$170.1 billion, a increase of 2.21%.

Statistic Table of Taiwan Vehicle Components Export Sales

Year	2024 (Jan.-Sep.)	2023	2022	2021	2020
Amount	1,701	2,254	2,530	2,208	1,927
Growth rate	2.21%	-10.91%	14.58%	14.58%	-10.26

Unit: NTS hundred million

Source: Customs Import and Export Statistics, organized by 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.

According to the data released by General Administration of Customs of the People's Republic of China, it exported 6.41 million units of vehicles in 2024, a year-on-year increase of 23%; The export amount of vehicles is US\$117.4 billion , accounted from 1.7% increase to 3.3% among the total export amount in China. According to the latest forecast by the Japan Automobile Manufacturers Association, Japan's export volume from January to September in 2024 is expected to be around 4.01 million units. In 2024, China's automobile export volume will be 1 million units more than Japanese automobile export volume. 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 2024, China's export volume of new cars will be 5.34 million units, a year-on-year increase of 21.2%. Specifically, the export of new passenger cars in 2024 was 4.52 million units, up by 21.5% year-on-year.

According to China Association of Automobile Manufacturers statistics export data, China exported 5.859 million vehicles in 2024, a yearly increase of 19.3%. Specifically, traditional fuel vehicle exported 4.574 million units, a yearly increase of 23.5%. New energy vehicle exported 1.284 million units, a yearly increase of 6.7%, topped the biggest vehicle export country all over around the world. China had exceeded Japan to become the global biggest vehicle export country for the first time in 2023.

According to the data of Passenger Cars Association, it indicates that total amount of the first five export countries from January to November in 2024 are respectively Russia, Mexico, the United Arab Emirates, Belgium, Saudi Arabia; Total amount of new energy vehicle export country ranked forward are Belgium, Brazil, the United Kingdom, Thailand, Philippines. 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 traditional fuel vehicles in 2024 will be 4.574 million units, with an annual growth of 23.5%; the export volume of new energy vehicles will be 1.284 million units, with an annual growth of 6.7%. 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.

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 2024 are Belgium, Brazil, 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 2025.

The reason is simple. The competition in China's domestic auto market has intensified. According to the "elimination" approach in 2024, the domestic price war may continue to escalate in 2025. In 2024, the production and sales volume of China's auto market exceeded 31 million units, setting a new record. 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 2024. Chery has also stated that its export volume will account for nearly half of its total sales in 2024, 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 still continue in 2024, and the auto market in 2025 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 2025 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 2024, the new energy vehicle market will maintain the momentum of growth in production and sales. The data of China Association of Automobile Manufacturers indicates that the sales of new energy vehicle was 12.866 million units, a year-on-year increase of 35.5%. The sales of new energy vehicle reach 40.9% of new vehicle's total sales, increased by 9.3% compared to 2023.

In the sales composition of new energy vehicles, independent brand denominated the absolute advantage position. Take December 2024 as an example, independent brand is accounted for 72%, joint venture brand is accounted for 2.8%, new power brand is accounted for 17.2%, Tesla is accounted for 6.4%, and the market share of joint venture brand both decreased compared with the same year. Cui Dong-Shu introduces that self-brand car makers accelerates the technology advancement and product update in new energy gateway of 2024, which promotes the synchronous growth between the sales and shares in domestic car market. Most traditional own auto makers introduces large batch of new technology and new vehicle type. The monthly sales of BYD has continuously broken the record of 500 thousand units, while the monthly sales of new energy vehicles such as Geely and Chery also started to broke the record of 100 thousand units. Joint venture brand is hard to catch up in a limited short period.

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 2024, automobile exports and new energy vehicles are still 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 2024 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%.

In 2025, according to the forecasts of China Association of Automobile Manufacturers, the vehicle market will continue to maintain at a slow but stable pace. The sales of vehicles in whole year is expected to reach 32.9 million units, an year-on-year increase of 4.7%; Specifically, sales of new energy vehicles are expected to reach 16 million units, and year-on-year increase of 24.4%.

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 important support for the growth of the auto market in China; 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. 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 :

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

Unit: NT\$ thousand

Items	112 years				113 years				2025 as of the previous quarter (Note)			
	Name	Amount	As % of purchase of goods during the current year	Relation with the issuer	Name	Amount	As % of purchase of goods during the current year	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	160,479	17.77	None	Vendor A	189,396	20.48	None	-	-	-	-
2	Vendor B	230,334	25.51	None	Vendor B	132,698	14.35	None	-	-	-	-
3	Vendor C	111,524	12.35	None	Vendor C	86,504	9.35	None	-	-	-	-
	Others	400,689	44.37		Others	516,148	55.82					
	Net Purchases	903,026	100.00	-	Net Purchases	924,746	100.00	-	-	-	-	-

Note: As of the publication date of the annual report, the financial report of 2025 Q1 has not yet been announced.

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

Unit: NT\$ thousand

Items	112 years				113 years				2025 as of the previous quarter (Note)			
	Name	Amount	As % of sales of goods during the current year	Relation with the issuer	Name	Amount	As % of sales of goods during the current year	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	292,906	12.68	None	Customer A	473,643	18.41	None	-	-	-	-
2	Customer B	313,315	13.56	None	Customer B	284,945	11.08	None	-	-	-	-
	Others	1,704,369	73.76		Others	1,813,992	70.51					
	Net Sales	2,310,590	100	-	Net Sales	2,572,580	100	-	-	-	-	-

Note: As of the publication date of the annual report, the financial report of 2025 Q1 has not yet been announced

**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		2023	2024	As of April 22, 2025
No. of employees	No. of managers	96	104	105
	No. of technical personnel	119	148	146
	No. of general personnel	627	692	694
	Total	842	947	945
Average age (years)		36.49	37.31	
Average tenure (years)		5.12	5.34	
Distribution of education levels	PhD	0.28%	0.14%	0.28%
	Master's degree	2.29%	1.47%	1.69%
	College	37.53%	37.04%	34.89%
	Senior high school	33.51%	27.96%	27.17%
	Below senior high school	26.39%	33.4%	35.97%

**IV. Environmental protection expenses**

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

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

**V. Labor relations.**

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

1. Employee benefits
  - A. Labor insurance and health insurance (according to the regulations governing labor insurance and health insurance)
  - B. Group insurance
  - C. Distribution of employees' remunerations

- D. Subscription of rights issue shares by employees
  - E. Year-end bonus.
  - F. Employee stock ownership trust.
  - G. Benefits: for weddings, funerals, celebrations, birthday gift vouchers, and merchant.
  - 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 family day, 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
  - K. Regular health examinations for employees in general operations
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 2024 The pension expense amounted to NT\$5.054 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; (3) those who have worked for more than 10 years and are at the age of 60. Compulsory retirement is required for any of the following: (A) a person who has reached the age of 65, (B) a person who is unable to perform the duties of a worker by reason of loss of mind or physical disability. 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	Changhua Bank	2022.10.21-2027.10.15	Machinery Loan	None
Loan agreement	Changhua Bank	2023.12.20-2027.10.15	Machinery Loan	None
Loan agreement	Taiwan Cooperative Bank	2019.11.05-2039.10.31	mortgage loan	None
Loan agreement	Taiwan Cooperative Bank	2020.05.22-2030.05.15	mortgage loan	None
Loan agreement	Taiwan Cooperative Bank	2020.09.09-2027.08.15	mortgage 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

## Chapter 5. Review and analysis of financials and financial performance and risks

### I. Financial position

#### (I) Analysis of financial status

Unit: NT\$ thousand

Items \ Year	2023	2024	Difference	
			Amount	%
Current assets	2,043,954	1,953,318	(90,636)	-4.43%
Property, plant and equipment	1,832,208	1,739,826	(92,382)	-5.04%
Intangible asset	7,592	7,499	(93)	-1.22%
Other assets	192,448	158,513	(33,935)	-17.63%
Total amount of assets	4,076,202	3,859,156	(217,046)	-5.32%
Current liabilities	1,306,407	1,204,748	(101,659)	-7.78%
Non-current liabilities	1,310,652	1,123,578	(187,074)	-14.27%
Total amount of liabilities	2,617,059	2,328,326	(288,733)	-11.03%
Share capital	863,123	868,495	5,372	0.62%
Capital surplus	578,446	584,685	6,239	1.08%
Retained earnings	346,316	371,034	24,718	7.14%
Other equity interest	(124,368)	(73,060)	51,308	-41.25%
Treasury shares	(204,374)	(220,324)	(15,950)	7.80%
Total equity	1,459,143	1,530,830	71,687	4.91%
Reason for changes (20% change or above and for a changed amount no less than NT\$10 million):				
1. Other equity interest: The exchange rate fluctuation makes cumulative translation adjustment change, therefor other equity interest increases.				

#### (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

Items \ Year	2023	2024	Difference	
			Amount	%
Revenues	2,310,590	2,572,580	261,990	11.34%
Cost of goods sold	2,054,576	2,170,804	116,228	5.66%
Gross profit	256,014	401,776	145,762	56.94%
Operating expenses	323,620	369,030	45,410	14.03%
Operating profit (loss)	(67,606)	32,746	100,352	-148.44%
Non-operating income and expenses	(5,800)	8,421	14,221	-245.19%
Earnings before tax	(73,406)	41,167	114,573	-156.08%
Income tax expense	(19,093)	5,885	24,978	-130.82%
Net income (loss)	(54,313)	35,282	89,595	-164.96%
Other comprehensive income (after tax)	(27,224)	51,308	78,532	-288.47%
Total comprehensive income	(81,537)	86,590	168,127	-206.20%

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

- Gross profit: due to the difference in the mix of production and sales.
- Operating profit: due to strengthening operating gross profit.
- Non-operating income and expenses: due to the increase of foreign currency exchange gains.
- Net income before tax: mainly due to turning from loss to profit in current year.
- Net income (loss) for the current period: due to turning from loss to profit in current year.
- 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.
- Total comprehensive profit and loss for the current period: due to the more 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: %

Year \ Items	2023	2024	Percentage for Increase or Decrease
Operating cash flow ratio (%)	24.14	24.74	2.49
Cash flow adequacy ratio (%)	85.28	168.87	98.02
Cash re-investment ratio (%)	6.99	6.73	-3.72
Analysis of change: 1. Appropriate ratio of cash flow: more capital expenditure, inventory, but decrease of cash dividend for current period in the last five years results in higher ratio.			

(II) Improvement plan for insufficient liquidity:

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

(III) Cash liquidity analysis for the coming year:

Unit: NT\$ thousand

Cash at the beginning of the period	Net cash flows from operating activities during the year	Net cash outflows from investing and financing activities during the year	Cash at the end of the period	Measures to fund the cash gap	
				Investment plan	Financing plan
449,309	227,272	235,991	439,590	Not Applicable	Not Applicable
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.					

### 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 2024; 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.

The Company's debt burden ratio was 60.33% as of December 31, 2024, a decrease of 3.87% from the gearing ratio of 64.20% as of December 31, 2023. 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 losses from equity investments of NT\$525 thousand for 2024, down by NT\$45,930 thousand from NT\$46,455 thousand in 2023. The breakdown and the contributors are as follows:

Unit: NT\$ thousand

Company Name	Incomes (losses) from equity investments recognized for 2024	Main reason for profits (losses)	Improvement plan
CFTC PRECISION SDN BHD	(802)	<ol style="list-style-type: none"> <li>Only a portion of the personnel are left to deal with accounting matters due to the completion of phased tasks.</li> <li>The losses in the current period are mainly due to taxes and labor expenses.</li> </ol>	In order to reduce the company's operating costs, the board of directors approved the liquidation and dissolution procedures on January 14, 2022, and the relevant liquidation procedures were finished on January 17, 2025
CHINA FINEBLANKING GROUP CO., LTD	277	The decrease 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 decrease in gross profit, and the uncertainty of the Chinese economy.	Not Applicable

(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	2023	2024
Operating Revenues	2,310,590	2,572,580
Net interest expense	47,207	36,474
Interest expense as % of net revenues	2.04%	1.42%
Exchange gains (losses)	14,789	14,971
Exchange gains (losses) as % of net revenues	0.64%	0.58%

1. Changes in interest rates: net interest expenses account for 2.04% and 1.42% 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 19.86% and 28.99% 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 0.64% and 0.58% 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. Battery casing (uniform thickness) 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.

- C. New battery casing (irregular thickness) material molding technology: Planned to use square aluminum case mainstream material. The material has well thermal conductivity, higher intensity and corrosion resistance, etc, using existing molding technology to optimize and plan to develop related technology, along with product appeal for thinning of case thickness, reduction of material consumption and light weighing of overall weight, in order to escalate competitiveness.
- D. Recycled material application research and development: In response to protest about global energy saving and carbon reduction, and fulfill the customers to promote environmental sustainability, find usable recycled materials, in comply with optimization of process improvement, which is used in the purpose of production product.

2. Expected R&D expenses:

With NT\$124,901 thousand invested in R&D, the latter accounted for 4.86% of revenue in 2024; 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 CFTCC 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 2024, the company's sales of hard disk drive parts accounted for about 22.89% 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 77.11% of the total revenue in 2024. 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: None

(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.

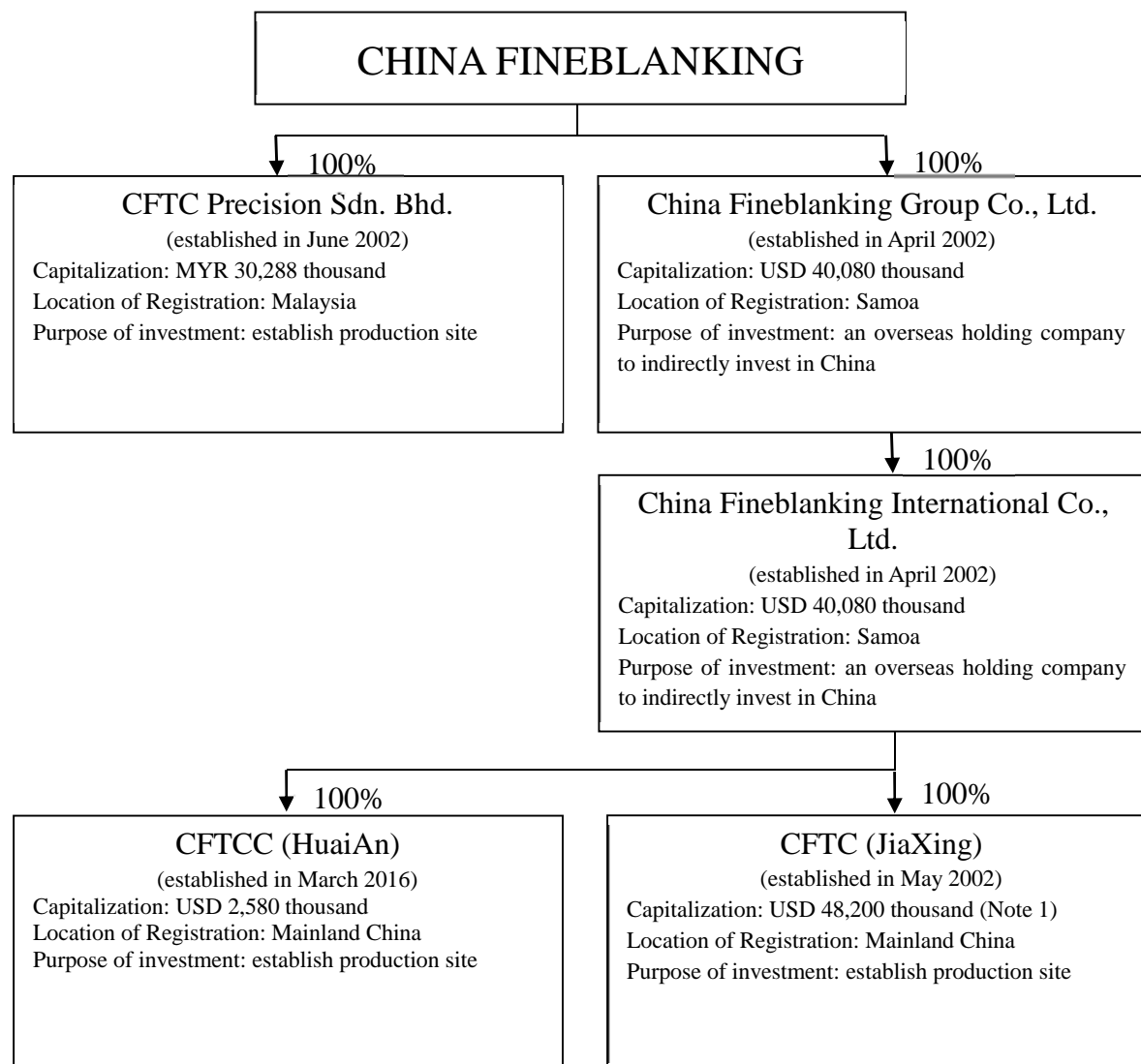
## Chapter 6. Special notes & supplements

### I. Affiliated companies

#### (I) Summary of affiliated companies

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

December 31, 2024



Note 1: US\$ 48,200 thousand is the sum of accumulative remittance of investment from Taiwan to CFTCC 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, 2024

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	USD 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	USD 40,080	International investment
CFTCC Precision (JiaXing) Limited	2002.05.15	No. 1, Tianshan Road, Jiashan Economic Development Zone, Zhejiang Province, China	USD 48,200 (Note 2)	Manufacturing, processing, buying and selling of hardware, machinery and mold components
CFTCC Precision (HuaAn) Limited	2016.01.22	No. 11, Kaiming South Road, Huaian Economic and Technical Development Zone, Jiangsu, China	USD 2,580	Manufacturing, process, buying and selling of calculator, machinery and iron pallet components

Note 1: CFTCC 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 CFTCC Precision (JiaXing) Limited, US\$37,500 thousand, and the latter's capitalization through retained earnings, US\$10,700 thousand.

3. Data inferring the same shareholders for controlling and subordinated companies: none.
4. Businesses involved by the group and its affiliated companies: international investment; manufacturing, processing, buying and selling of hardware, machinery and mold components

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

Unit: 1,000 shares

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

6. Operational status of affiliated companies

Unit: NT\$ thousand; December 31, 2023

Company name	Capitalization	Total assets	Total liabilities	Book value	Revenues	Operating profit	Other income (after tax)	Earnings per share NT\$ (after tax)
China Fineblanking Group Co.,Ltd.	1,257,010	1,785,619	-	1,785,619	-	(2,106)	(2,106)	-
CFTC Precision Sdn.Bhd	214,002	14,360	628	13,732	-	(802)	(802)	-
China Fineblanking International Co.,Ltd	1,257,010	1,785,619	-	1,785,619	-	(2,106)	(2,106)	-
CFTCC Precision (JiaXing) Limited	1,455,330	2,386,172	647,018	1,739,154	1,866,531	(14,729)	10,440	-
CFTCC Precision (HuaAn) Limited	76,714	123,820	57,143	66,677	116,904	(16,033)	(12,545)	-

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

In 2024 (from January 1, 2024 to December 31, 2024), 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 124-265)

## II. Status of privately placed securities in most recent years and as of the date of publication of the annual report

### Data of securities privately placed

Items	First private offering in 2025 (Note 1) Date of issue: Month/year/date
Types of securities privately placed (Note 2)	Ordinary shares
Date and amount approved by the shareholders' meeting (Note 3)	According to the resolution from extraordinary general meeting on February 10, 2025 in the Company, the total number of shares will not exceed 30,000 thousand shares, and the board of directors will be authorized to conduct one to two distributions within one year from the date of resolution from extraordinary general meeting.
Pricing basis of private placement and its reasonableness	<ol style="list-style-type: none"> <li>1. The issuance price for this offering shall be determined based on the higher of the following two criteria, calculated at 80%:               <ol style="list-style-type: none"> <li>(1) The simple average closing price of common stock on the last, third, or fifth business day preceding the pricing date, adjusted for rights issues, ex-rights, and dividends, and adjusted for stock price changes due to capital reductions.</li> <li>(2) The simple average closing price of common stock over the 30 business days preceding the pricing date, adjusted for rights issues, ex-rights, and dividends, and adjusted for stock price changes due to capital reductions.</li> </ol> </li> <li>2. The pricing method for this private placement is in accordance with the provisions of "Notes on Private Placement of Marketable Securities by Publicly Issued Companies." It considers the company's future prospects and strict restrictions on the timing, recipients, and quantities of privately placed securities. Additionally, the company cannot apply for listing on the over-the-counter market within three years, which may reduce liquidity. Therefore, the pricing of this private placement should be reasonable and not significantly detrimental to shareholder interests.</li> <li>3. The actual pricing date and the actual private placement issuance price will be determined based on the principles outlined above, in compliance with legal requirements and not lower than the pricing basis and percentage range approved by the shareholders' meeting. Future negotiations with specific individuals and market conditions will be subject to authorization by an extraordinary general meeting to be convened.</li> </ol>
The method for selecting the specific persons	<ol style="list-style-type: none"> <li>1. The Company has not found specific persons yet and is proposed to authorize the Board of Directors to find specific persons. According to Article 43-6 of the Securities and Exchange Act and Financial Supervisory Commission (FSC) Letter No. 1120383220, "specific individuals" are subject to restrictions. Future negotiations with specific individuals and market conditions will be subject to authorization by an extraordinary general meeting to be convened.</li> <li>2. Because of the need of long-term operation and business development, the Company will choose strategic investor that can help the company to expand business, escalate technology, improve quality, reduce cost, improve efficiency or product development integration efficiency.</li> </ol>
The reasons for the necessity of conducting the private placement	<ol style="list-style-type: none"> <li>1. Considering the timeliness, feasibility, and issuance costs of raising capital, and mindful of the restriction that privately placed securities cannot be freely transferred within three years, which ensures long-term equity relationships between the company and subscribers, the company intends to raise funds through private placement at an opportune moment.</li> </ol>

	<p>2. Anticipated amount of private placement conducted: The total number of shares will not exceed 30,000,000 shares. and the board of directors will be authorized to conduct one to two distributions within one year from the date of the resolution from extraordinary general meeting. The par value of each share is NT\$10. The total amount of the private placement will be calculated based on the final private placement price and the actual number of shares issued.</p> <p>3. The use of the funds raised by private placement and anticipated benefits: The use of the funds raised by private placement will be used to fund the Company's working capital and repay the bank loan in response to the long-term operation development of the Company. It will help the company improve financial structure, funding flexibility and operating performance.</p>				
Price payment completion date	February 24, 2025				
Subscriber data	The places of the private placement (Note 5)	Qualification requirements (Note 6)	Subscription Quantity (shares)	Relationship between the Companies	Involvement in company operations,
	OFCO Industrial Corp.	Paragraph 2	13,000,000 shares	None	Expected to Obtain a board at shareholder
	TSG TRANSPORT CORP.	Paragraph 2	2,000,000 shares	None	None
	E-Sheng Steel Co., Ltd.	Paragraph 2	5,000,000 shares	None	None
Actual subscription (or conversion) price	NT\$ 22.4 for each share, with a total share capital of NT\$ 448,000,000.				
The discrepancy between the actual subscription (or conversion) price and the reference price	Actual subscription price is 80% of the reference price NT\$28.				
Effect of the private placement on shareholders' equity (ex: results in increase of accumulated impairment...)	The fund raising by this private placement will be use to fund the Company's working capital and repay the bank loan. It is expected to obtain long-term stable capital to expand business, increase the production efficiency and improve shareholder's equity.				
Status of use of the capital raised and implementation progress of the private placement	The funds raised from this private placement are planned to be used for replenishing working capital in the amount of NT\$140,993,478 and repaying bank loans of NT\$307,006,522. In the first quarter of 2025, the progress of utilizing the funds according to the plan was 32.63% for replenishing working capital and 91.14% for repaying bank loans. The execution is expected to be completed in the second quarter of 2025				
Realization of the benefits of the private placement	Improve financial structure, and add the flexibility of funding.				

Note 1: The number of fields may be adjusted reflective of the actual number of occurrences. If the private placement of securities takes place in separate efforts, they shall be listed separately.

Note 2: Provide the type of security included in the private placement, such as common stock, preferred stock, convertible preferred stock, preferred stock with subscription warrants, common corporate bond, convertible corporate bond, a corporate bond with subscription warrants, overseas convertible corporate bond, global depository receipt, and employee share subscription warrant, among others.

Note 3: When no approval through the shareholders' meeting is required in the case of private placement corporate bonds, the date and amount approved by the Board of Directors shall be provided.

Note 4: For ongoing private placements, if subscribers have been approached and determined, the names of subscribers and their relationship with the Company shall be specified.

Note 5: The number of fields may be adjusted reflective of the actual number.

- Note 6: Provide what is indicated in Article 43-6 Paragraph 1 Sub-paragraph 1, Sub-paragraph 2, or Sub-paragraph 3 of the Securities and Exchange Act.
- Note 7: The actual subscription (or conversion price) refers to that set when private placement securities are actually issued.

### III. Other necessary supplementary explanations

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

TPEX Listed Companies: China Fineblanking Group Co., Ltd.

Ticker: 1586

Listing 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 CFTCC 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,</p>	<p>I.</p> <ol style="list-style-type: none"> <li>1. The shareholders' meeting of CFTC approved to add the said commitment in the "Procedures for Acquisition or Disposal of Assets" on June 25, 2012, and shall abide by the commitment when updating the procedure in the future.</li> <li>2. On May 24, 2019, the shareholders' meeting approved to amend some texts of the "Procedures for Acquisition or Disposal of Assets" (the commitment "to get listed on TPEX" set in item 13.4 remain intact), and the amended procedure has been availed on MOPS the same day.</li> <li>3. TPEX agreed the said "TPEX listing" commitment by memo Zheng Gui Jian Zi No.1100013867 on December 16, 2021 and CFTC board of directors approved the</li> </ol>	<p>I.</p> <ol style="list-style-type: none"> <li>1. Part of the provisions of the "Procedures for Acquisition or Disposal of Assets" (Article 13.4 inclusive).</li> <li>2. Material information disclosed via Market Observation Post System (MOPS) on May 24, 2019</li> <li>3. Minutes of the board meeting on January 14, 2022.</li> <li>4. Material information uploaded on MOPS on May 27, 2022.</li> <li>5. The revised "Procedures for Acquisition or Disposal of Assets" on May 27, 2022.</li> </ol>	

<b>Commitments made upon listing on Taipei Exchange</b>	<b>Progress update of commitments</b>	<b>Index of submitted attachments</b>	<b>Comment from Taipei Exchange after review</b>
<p>CFTC shall avail the information on MOPS and report to the Taipei Exchange in advance." In case of further amendment of the Procedures for Acquisition or Disposal of Assets, it is necessary to disclose as material information via Market Observation Post System (MOPS) and issue a letter to Taipei Exchange for reference.</p>	<p>following in the board meeting on January 14, 2022: (1) proceed with the dissolution and liquidation of subsidiary CFTCC PRECISION SDN BHD (2) amend some texts of the "Procedures for Acquisition or Disposal of Assets" and present the second amendment in the 2022 shareholders' meeting for discussion and disclosure. (3) Subsidiary has finished the cancellation of subsidiary CFTC PRECISION SDN BHD on January 17, 2025. Related document have been sent to investment commission for review.</p> <p>4. On May 27, 2022, the shareholders' meeting approved to amend some texts of the "Procedures for Acquisition or Disposal of Assets" (the commitment "to get listed on TPEX" set in item 13.4 included) and the amended procedure has been availed on MOPS the same day.</p>		

**Chapter 7. 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.****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2024 and 2023**

Address: No.40, Xinggong Rd., Shengang Township, Changhua County, Taiwan (R.O.C.)  
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## Independent Auditors' Report

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

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Revenue recognition

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

Description of key audit matter:

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

Our principal audit procedures included:

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

## 2. Inventory valuation

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

Description of key audit matter:

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

Our principal audit procedures included:

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

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



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

**Statements of Comprehensive Income**

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

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

		<u>2024</u>		<u>2023</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (Note (6)(q) and (7))</b>	\$ 711,573	100	408,243	100
5000	<b>Operating costs (Notes (6)(c), (m), (r), (7) and (12))</b>	561,969	79	416,394	102
5900	<b>Gross profit (loss) from operations</b>	149,604	21	(8,151)	(2)
5910	Less: Unrealized gain or loss from sale	947	-	1,218	-
5920	Plus: Realized gain or loss from sale	1,218	-	1,494	-
5950	<b>Net gross profit (loss) from operations</b>	149,875	21	(7,875)	(2)
6000	<b>Operating expenses (Notes (6)(b), (m), (r) and (12)):</b>				
6100	Selling expenses	18,560	3	10,992	3
6200	Administrative expenses	58,361	8	62,192	15
6300	Research and development expenses	10,716	2	10,399	2
6450	Expected credit loss	(245)	-	245	-
	<b>Total operating expenses</b>	87,392	13	83,828	20
6900	<b>Net operating income (loss)</b>	62,483	8	(91,703)	(22)
	<b>Non-operating income and expenses (Note (6)(l), (s) and (7)):</b>				
7100	Interest income	1,343	-	1,948	1
7010	Other income	10,099	2	8,292	1
7020	Other gains and losses, net	3,415	-	1,532	-
7050	Finance costs, net	(32,750)	(5)	(33,657)	(8)
7070	Share of profit (loss) of subsidiaries accounted for using equity method	(525)	-	45,930	11
	<b>Total non-operating income and expenses</b>	(18,418)	(3)	24,045	5
	<b>Profit (Loss) from continuing operations before tax</b>	44,065	5	(67,658)	(17)
7950	Less: Income tax expenses (benefit) (Note (6)(n))	8,783	-	(13,345)	(3)
	<b>Profit (Loss)</b>	35,282	5	(54,313)	(14)
8300	<b>Other comprehensive income:</b>				
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	64,134	9	(34,030)	(8)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note (6)(n))	12,826	2	(6,806)	(1)
8300	<b>Other comprehensive income</b>	51,308	7	(27,224)	(7)
8500	<b>Total comprehensive income</b>	<b>\$ 86,590</b>	<b>12</b>	<b>(81,537)</b>	<b>(21)</b>
	<b>Earnings per share (Note (6) (p) (in New Taiwan Dollar))</b>				
9750	Basic earnings per share	<b>\$ 0.43</b>		<b>(0.67)</b>	
9810	Diluted earnings per share	<b>\$ 0.42</b>			

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

**Statements of Changes in Equity**

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

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

	Share capital		Retained earnings				Total other equity interest		
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
<b>Balance at January 1, 2023</b>	\$ 858,988	555,218	119,528	119,793	181,519	420,840	(97,144)	(195,747)	1,542,155
Loss	-	-	-	-	(54,313)	(54,313)	-	-	(54,313)
Other comprehensive income	-	-	-	-	-	-	(27,224)	-	(27,224)
Total comprehensive income	-	-	-	-	(54,313)	(54,313)	(27,224)	-	(81,537)
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	4,313	-	(4,313)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(16,169)	(16,169)	-	-	(16,169)
Stock dividends of ordinary shares	4,042	-	-	-	(4,042)	(4,042)	-	-	-
Reversal of special reserve	-	-	-	(22,649)	22,649	-	-	-	-
Conversion of convertible bonds	93	192	-	-	-	-	-	-	285
Purchase of treasury share	-	-	-	-	-	-	-	(8,627)	(8,627)
Issuance of convertible bonds	-	23,036	-	-	-	-	-	-	23,036
Balance at December 31, 2023	863,123	578,446	123,841	97,144	125,331	346,316	(124,368)	(204,374)	1,459,143
Profit	-	-	-	-	35,282	35,282	-	-	35,282
Other comprehensive income	-	-	-	-	-	-	51,308	-	51,308
Total comprehensive income	-	-	-	-	35,282	35,282	51,308	-	86,590
Appropriation and distribution of retained earnings:									
Cash dividends of ordinary share	-	-	-	-	(8,126)	(8,126)	-	-	(8,126)
Stock dividends of ordinary share	2,438	-	-	-	(2,438)	(2,438)	-	-	-
Special reserve appropriated	-	-	-	27,224	(27,224)	-	-	-	-
Conversion of convertible bonds	2,934	6,239	-	-	-	-	-	-	9,173
Purchase of treasury share	-	-	-	-	-	-	-	(15,950)	(15,950)
<b>Balance at December 31, 2024</b>	<b>\$ 868,495</b>	<b>584,685</b>	<b>123,841</b>	<b>124,368</b>	<b>122,825</b>	<b>371,034</b>	<b>(73,060)</b>	<b>(220,324)</b>	<b>1,530,830</b>

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

**Statements of Cash Flows**

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

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

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

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

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

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

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

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

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

**Notes to the Financial Statements**

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

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

**(1) Company history**

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

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

The accompanying financial statements were authorized for issue by the Board of Directors on March 12, 2025.

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

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2024:

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

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its financial statements:

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

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

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

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

**Notes to the Financial Statements**

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

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

- Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Sections 3.1 and 3.3 of IFRS 9 and the related disclosure requirements of IFRS 7
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

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

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

##### (a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

##### (b) Basis of preparation

###### (i) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value.

###### (ii) Functional and presentation currency

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

**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.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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

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

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

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

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

(e) Cash and cash equivalents

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

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

(f) Financial instruments

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost and Fair value through profit or loss (FVTPL) Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

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

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

3) Impairment of financial assets

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

## 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 ;

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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

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

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

#### 4) Derecognition of financial assets

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

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

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

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

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

##### 2) Equity instrument

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

**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.

## 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.

## 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:

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

- 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;

## 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 a major part of the economic life of the asset.

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

## 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.

**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.

## 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

## 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:**

In preparing these financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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

(a) The loss allowance of accounts receivables

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

(b) Valuation of inventories

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

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

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

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

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

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

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

(a) Cash and cash equivalents

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

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

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

**Notes to the Financial Statements**

(b) Notes and accounts receivable

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

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

	<u>December 31, 2024</u>		
	<u>Gross carrying amount</u>	<u>Weighted-avera ge loss rate</u>	<u>Loss allowance provision</u>
Current	<u>\$ 126,679</u>	0%	<u>-</u>
	<u>December 31, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted-avera ge loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 114,650	0%	-
1 to 30 days past due	578	0.1%	1
31 to 60 days past due	164	5%	8
121 to 180 days past due	<u>473</u>	30%~100%	<u>236</u>
	<u><b>\$ 115,865</b></u>		<u><b>245</b></u>

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

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

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

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

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

**Notes to the Financial Statements**

(c) Inventories

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

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

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

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

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

(d) Investments accounted for using equity method

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

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

(i) Please refer to consolidated financial statement of 2024.

(ii) As of December 31, 2024 and 2023, the investments accounted for using the equity method of the Company had not been pledged as collateral.

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

(e) Property, plant and equipment

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

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

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

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

(f) Right-of-use assets

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

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

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

**Notes to the Financial Statements**

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

(g) Other non-current assets

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

- (i) During 2024 and 2023, the Company has capitalized borrowing costs related to the acquisition of the equipment and construction of factory of \$68 and \$515, calculated using a capitalization rate of 2.153%~2.278% and 2.026%~2.153%, respectively.
- (ii) The difference between the fair value and the amount received from the low-interest government loan project of \$835 was recognized as cost deduction on additional assets under prepayments for equipment's in 2023.

(h) Short-term borrowings

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

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

**Notes to the Financial Statements**

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

- (i) Other payables (including related parties)

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

- (j) Bonds payable

The details of bonds payable were as follows:

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

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

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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

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

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

#### The fourth domestic secured convertible bonds

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

#### The fifth domestic unsecured convertible bonds

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

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

(iii) Please refer to note 6(s) for the interest expense for the year ended December 31, 2024, and 2023.

(k) Long-term borrowings

The details were as follows:

	<b>December 31, 2024</b>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity date</u>	<u>Amount</u>
Unsecured bank loans	TWD	0.93%~2.43%	2025.05.11~2028.05.18	\$ 142,034
Secured bank loans	TWD	0.83%~2.28%	2026.03.15~2039.10.31	584,623
				726,657
Less: current portion				<u>(190,252)</u>
Total				<b><u>\$ 536,405</u></b>
Unused long-term credit lines				<b><u>\$ 239,200</u></b>

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

**Notes to the Financial Statements**

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

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

(ii) The low-interest government loans projects

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

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

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

(l) Lease liabilities

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

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

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

The amounts recognized in profit or loss were as follows:

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

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

**Notes to the Financial Statements**

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

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

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

(m) Employee benefits

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

For the years ended December 31, 2024 and 2023, the pension costs incurred from the contributions to the Bureau of Labor Insurance as follows:

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

(n) Income taxes

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

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

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

**Notes to the Financial Statements**

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

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

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

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

- (iv) Deferred tax assets and liabilities

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

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

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

**Notes to the Financial Statements**

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

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

(o) Capital and other equity

(i) Ordinary shares

As of December 31, 2024 and 2023, the number of authorized share capital were 150,000 thousand shares with par value \$10 dollar per share. The total value of authorized share capital amounted to \$1,500,000. Issued ordinary shares are 86,849 thousand shares and 86,312 thousand shares, respectively.

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

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

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

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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

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

(ii) Capital surplus

The balances of capital surplus were as follows:

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

(iii) Retained earnings

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

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

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

1) Legal reserve

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

2) Special reserve

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

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

In accordance with the aforesaid Rule, a special reserve is set aside from the current years' net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of contra accounts in shareholder's equity shall qualify for additional distributions. As of December 31, 2024 and 2023, the special reserve appropriated from the undistributed earnings amounted to \$124,368 and \$97,144.

3) Earnings distribution

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

	2023		2022	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.10	8,126	0.20	16,169
	dollar		dollar	
Share	0.03	2,438	0.05	4,042
	dollar			
Total		<b>\$ 10,564</b>		<b>20,211</b>

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

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

**Notes to the Financial Statements**

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

(iv) Treasury shares

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

On August 10, 2024, the Company decided to repurchase shares (the fifteenth time) as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 1,000,000 shares between August 12, 2024, to October 11, 2024. The expected range of repurchased price is between \$21.39 dollar to \$49.65 dollar TWD. The Company had repurchased 500,000 shares, and the actual average share price was \$31.90 dollar TWD per share. The total amount of shares repurchased was \$15,950.

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

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

The Company changes of treasury shares were as follows:

(in thousands of shares)

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

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

**Notes to the Financial Statements**

(v) Other equity items

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

(p) Earnings per share

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

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

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

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

**Notes to the Financial Statements**

(q) Revenue from contracts with customers

(i) Details of revenue

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

	<b>For the year ended December 31, 2023</b>			
	<b>Parts of HDD</b>	<b>Parts of vehicles</b>	<b>Management &amp; operations</b>	<b>Total</b>
Major products/services lines:				
Sales of goods	\$ 300,064	61,299	34,792	396,155
Other sales revenue	-	-	12,088	12,088
Total	<b>\$ 300,064</b>	<b>61,299</b>	<b>46,880</b>	<b>408,243</b>
Timing of revenue recognition:				
Products transferred at a point in time	<b>\$ 300,064</b>	<b>61,299</b>	<b>46,880</b>	<b>408,243</b>

(ii) Contract balances

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

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

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

**Notes to the Financial Statements**

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

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

The Company's estimated employee compensation for 2024 was \$909 and estimated directors' remuneration was \$454. The Company reported pre-tax losses in 2023, hence no remuneration was provided for employee's directors. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2024 and 2023. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2023 and 2022.

(s) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

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

(ii) Other income

The details of other income were as follows:

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

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

**Notes to the Financial Statements**

(iii) Other gains and losses

The details of other gains and losses were as follows:

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

(iv) Finance costs

The details of finance costs were as follows:

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

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. The maximum amount was both \$347,483 and \$295,659 in 2024 and 2023.

2) Concentration of credit risk

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

#### 3) Credit risk of receivables and debt securities

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

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

#### (ii) Liquidity risk

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

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

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

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

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

2) Sensitivity analysis

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

A strengthening (weakening) of 1% of the TWD against the USD in 2024 and 2023, would have increased (decreased) the net profit after tax by \$746 and \$2, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2023.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2024 and 2023, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$4,925 and \$2,244, respectively.

(iv) Interest rate analysis

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

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

If the interest rate had increased / decreased by 10 basis points, the Company' s net income would have increased / decreased by \$737 for the year ended December 31, 2024 and \$829 for the year ended December 31, 2023, with all other variable factors remaining constant. This is mainly due to the Company' s borrowing at variable rates.

(v) Fair value information

1) Fair value and type of financial instruments

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

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

b) Derivative financial instruments

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

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

(u) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

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

(iii) Credit risk

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

1) Accounts and other receivables

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

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

#### 2) Investments

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

#### 3) Guarantee

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

#### (iv) Liquidity risk

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

As of December 31, 2024 and 2023, the Company's unused credit line were amounted to \$339,200 and \$454,200, respectively.

#### (v) Market risk

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

#### 1) Currency risk

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

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

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

2) Interest rate risk

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

3) Other market price risk

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

(v) Capital management

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

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

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

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

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

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

As of December 31, 2024, 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
China Fineblanking International Co., Ltd. (CFTC International)	A subsidiaries
CFTC Precision (Jia-Xing) (CFTC Jia-Xing)	A subsidiaries
CFTC (Huai-An) Limited (CFTC Huai-An)	A subsidiaries
Yung-Hung Engineering Ltd. (Yung-Hung Engineering)	The entity's owner is the chairman of the Company
Feng-Jia Industry Co., Ltd. (Feng-Jia Industry)	The entity's director is second-degree relative of the chairman of the Company
Ping-Ho Environmental Technology Co., Ltd. (Ping-Ho Environmental)	The entity's general manager is second-degree relative of the chairman of the Company
Cingjing Exhibition Industry Co., Ltd (Cingjing Exhibition Industry)	The entity's director is second-degree relative of the chairman of the Company

(b) Significant transactions with related parties

(i) Sales

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

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

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.

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

(ii) Purchases

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

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

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

**Notes to the Financial Statements**

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

(iii) Receivables to related parties

The receivables to related parties were as follows:

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

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts payables	Subsidiaries – CFTC Jia-Xing	\$ 56,112	38,427
Other payables	Other related-party – Yung-Hung Engineering	111	102
Other payables	Other related-party – Feng-Jia Industry	12	8
Other payables	Other related-party – Ping-Ho Environmental	2,770	1,205
Other payables	Other related-party – Cingjing Exhibition industry	361	-
		<u>\$ 59,366</u>	<u>39,742</u>

(v) Borrowings from related parties

The borrowings from related parties were as follows:

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

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

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

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

**Notes to the Financial Statements**

(vi) Guarantees

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

(vii) Other incomes and expenses

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

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

(viii) Other

- 1) Due to operational requirements, the Company purchased chemicals and consumables from Feng-Jia Industry in 2024 and 2023 and reported manufacturing overhead amounted to \$39 and \$15, respectively.
- 2) Due to operational requirements, the Company appointed Ping-Ho Environmental to provide wastewater treatment services in 2024 and 2023 and reported manufacturing overhead amounted to \$12,510 and \$4,332, respectively.
- 3) Due to operational requirements, the Company purchased items required for the manufacturing process from Yung-Hung Engineering in 2024 and 2023, and reported manufacturing overhead amounting to \$217 and \$174, respectively.
- 4) In 2024, the Company appointed Cingjing Exhibition industry to handle sludge, incurring expenses amounting to \$912, which was reported as manufacturing overhead.

(c) Key management personnel compensation

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

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

**Notes to the Financial Statements**

**(8) Pledged assets:**

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

**(9) Commitments and contingencies:**

The Board of Directors of the Company approved the construction project of entering Erlin Science Park of Central Taiwan Science Park at December 14, 2018, and paid \$3,000 as the deposit to the Administration of Central Taiwan Science Park, Ministry of Science and Technology. The Company has terminated the investment plan with the Administration of Central Taiwan Science Park, and the deposit has not yet been received.

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

**(11) Subsequent events:**

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

**(12) Other:**

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

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

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

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

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

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

(a) Independent Directors:

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

(b) Other Directors:

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

(c) Managers:

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

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

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

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

**(13) Other disclosures:**

## (a) Information on significant transactions:

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

## (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CFTC Jia-Xing	The Company	Other receivables	Yes	55,734	-	-	5.58%	Note 1	-	-	-	-	-	695,662	695,662
1	CFTC Jia-Xing	The Company	Other receivables	Yes	13,102	-	-	5.60%	Note 1	-	-	-	-	-	695,662	695,662
1	CFTC Jia-Xing	CFTC Huai-An	Other receivables	Yes	22,725	22,390	22,390	3.50%	Note 2	-	The operating turnover	-	-	-	695,662	695,662
1	CFTC Jia-Xing	The Company	Other receivables	Yes	13,826	13,805	13,805	5.55%	Note 1	13,805	-	-	-	-	695,662	695,662
1	CFTC Jia-Xing	The Company	Other receivables	Yes	4,166	4,160	4,160	5.58%	Note 1	4,160	-	-	-	-	695,662	695,662
1	CFTC Jia-Xing	The Company	Other receivables	Yes	8,514	8,501	8,501	5.60%	Note 1	8,501	-	-	-	-	695,662	695,662
1	CFTC Jia-Xing	The Company	Other receivables	Yes	10,397	10,381	10,381	5.65%	Note 1	10,381	-	-	-	-	695,662	695,662

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

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

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

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

## (ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CFTC Jia-Xing	1	306,166	172,710	89,560	-	-	5.82%	612,332	Y	N	Y
1	CFTC Jia-Xing	CFTC Huai-An	4	612,332	60,578	31,346	31,346	-	2.04%	612,332	N	N	Y

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

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

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

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.

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

- (iii) Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
CFTC Jia-Xing	CFTC Huai-An	Subsidiary of the Company	Purchase	115,010	16.93%	90 days	Normal	Normal	(10,355)	(4.60)%	-
CFTC Huai-An	CFTC Jia-Xing	Subsidiary of the Company	Sale	115,010	98.72%	90 days	Normal	Normal	10,355	99.77%	-

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

(ix) Trading in derivative instruments: Please refer to Note 6(j)

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2024 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/ thousand shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2024	December 31, 2023	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	China Fineblanking Group Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	1,785,619	(2,106)	277	Note 1
The Company	CFTC Precision Sdn. Bhd.	Malaysia	Property management	MRY 30,288	MRY 30,288	30,288	100.00%	13,732	(802)	(802)	-
China Fineblanking Group Co., Ltd.	China Fineblanking International Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	USD 54,619	(USD65)	-	-

Note1 : The current net income or loss included the influences of upstream and downstream transactions within the associates.

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2024	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
CFTC Jia-Xing	Manufacture and sale of hardware parts, mechanical hardware parts and molding components	RMB 324,995 (USD48,200)	(Note1)	1,173,787 (USD37,500)	-	-	1,173,787 (USD37,500)	10,440 (USD324)	100.00%	10,440 (USD324)	1,739,156 (USD53,047)	122,355 (USD3,933)
CFTC Huai-An	Manufacture of mechanical parts and molding components	RMB 17,131 (USD2,580)	(Note1)	82,131 (USD2,580)	-	-	82,131 (USD2,580)	(12,545) (USD389)	100.00%	(12,545) (USD389)	50,889 (USD1,552)	-

## CHINA FINEBLANKING TECHNOLOGY CO., LTD.

### Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,255,918	1,664,822 (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		7,354,000	8.46%
CHIA-CHUAN Investment Co. LTD		6,082,869	7.00%
HSIEH, LING		5,811,630	6.69%

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

(ii)As of December 31, 2024, the Company repurchased a total of 5,554,000 shares, represented 6.39% of the share outstanding.

**(14) Segment information:**

Please refer to the consolidated financial statements of 2024.

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

**Statement of cash and cash equivalents**

**December 31, 2024**

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

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

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

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

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

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

Entity	Balance on January 1, 2024		Increase in current period		Decrease in current period		Balance on December 31, 2024			Market price or total equity amount		Valuation basis	Details of collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of voting interest	Amount	Price per share	Total amount		
CFTC Group	USD 40,080	\$ 1,786,451	-	65,541	-	66,373	USD 40,080	100.00%	1,785,619	USD 1.36	1,785,619	Equity method	None
CFTC Malaysia	MYR 30,288	13,220	-	1,314	-	802	MYR 30,288	100.00%	13,732	MYR 0.06	13,732	"	"
		<u>\$ 1,799,671</u>		<u>66,855</u>		<u>67,175</u>			<u>1,799,351</u>				

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

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

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

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

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

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

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

**Statement of short-term bills payable**

**December 31, 2024**

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

**Statement of bonds payable**

**December 31, 2024**

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

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

**Statement of long-term borrowings**

**December 31, 2024**

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

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

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

**Statement of operating revenue**

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

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

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

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

**Statement of operating costs**

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

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

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

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

**Statement of manufacturing overhead**

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

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

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

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

**Statement of operating expenses**

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

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

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

**Consolidated Financial Statements**

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

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

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## Representation Letter

The entities that are required to be included in the combined financial statements of CHINA FINEBLANKING TECHNOLOGY CO., LTD. as of and for the year ended December 31, 2024 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CHINA FINEBLANKING TECHNOLOGY CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: CHINA FINEBLANKING TECHNOLOGY CO., LTD.  
Chairman: I-HSIANG HUANG  
Date: March 12, 2025.

## Independent Auditors' Report

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

### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ( "IFRSs" ), International Accounting Standards ( "IASs" ), Interpretations developed by the International Financial Reporting Interpretations Committee ( "IFRIC" ) or the former Standing Interpretations Committee ( "SIC" ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

#### 1. Revenue recognition

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

Description of key audit matter:

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

Our principal audit procedures included:

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

2. Inventory valuation

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

Description of key audit matter:

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

Our principal audit procedures included:

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

**Other Matter**

CHINA FINEBLANKING TECHNOLOGY CO., LTD. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2024 and 2023, on which we have issued an unqualified opinion.

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

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

**Consolidated Balance Sheets**

**December 31, 2024 and 2023**

(Expressed in Thousands of New Taiwan Dollar)

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

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

**Consolidated Statements of Comprehensive Income**

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

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

		<u>2024</u>		<u>2023</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (Notes (6)(q) and (14))</b>	\$ 2,572,580	100	2,310,590	100
5000	<b>Operating costs (Notes (6)(c)(m)(r), (7) and (12))</b>	<u>2,170,804</u>	<u>84</u>	<u>2,054,576</u>	<u>88</u>
5900	<b>Gross profit from operations</b>	<u>401,776</u>	<u>16</u>	<u>256,014</u>	<u>12</u>
6000	<b>Operating expenses (Notes (6)(m)(r) and (12)):</b>				
6100	Selling expenses	61,996	3	46,708	2
6200	Administrative expenses	183,121	7	173,441	8
6300	Research and development expenses	124,901	5	104,799	4
6450	Expected credit impairment gain (Note (6)(b))	<u>(988)</u>	<u>-</u>	<u>(1,328)</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>369,030</u>	<u>15</u>	<u>323,620</u>	<u>14</u>
6900	<b>Net operating income (loss)</b>	<u>32,746</u>	<u>1</u>	<u>(67,606)</u>	<u>(2)</u>
	<b>Non-operating income and expenses (Notes (6)(l)(s) and 12):</b>				
7100	Interest income	2,836	-	2,214	-
7010	Other income	31,080	1	31,151	1
7020	Other gains and losses, net	10,979	-	8,042	-
7050	Finance costs, net	<u>(36,474)</u>	<u>(1)</u>	<u>(47,207)</u>	<u>(2)</u>
	<b>Total non-operating income and expenses</b>	<u>8,421</u>	<u>-</u>	<u>(5,800)</u>	<u>(1)</u>
	<b>Profit (Loss) from continuing operations before tax</b>	41,167	1	(73,406)	(3)
7950	Less: Income tax expenses (benefit) (Note (6)(n))	<u>5,885</u>	<u>-</u>	<u>(19,093)</u>	<u>(1)</u>
	<b>Profit (Loss)</b>	<u>35,282</u>	<u>1</u>	<u>(54,313)</u>	<u>(2)</u>
8300	<b>Other comprehensive income:</b>				
8360	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	64,134	2	(34,030)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note (6)(n))	<u>12,826</u>	<u>-</u>	<u>(6,806)</u>	<u>-</u>
8300	<b>Other comprehensive income</b>	<u>51,308</u>	<u>2</u>	<u>(27,224)</u>	<u>(1)</u>
	<b>Total comprehensive income</b>	<u>\$ 86,590</u>	<u>3</u>	<u>(81,537)</u>	<u>(3)</u>
	<b>Earnings per share (Note (6)(p)) (in new Taiwan Dollars)</b>				
9750	Basic earnings per share	<u>\$ 0.43</u>		<u>(0.67)</u>	
9810	Diluted earnings per share	<u>\$ 0.42</u>			

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

**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2024 and 2023**  
**(Expressed in Thousands of New Taiwan Dollar)**

	Equity attributable to owners of parent								Total equity
	Share capital	Retained earnings					Total other equity interest		
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	
<b>Balance at January 1, 2023</b>	\$ 858,988	555,218	119,528	119,793	181,519	420,840	(97,144)	(195,747)	1,542,155
Loss	-	-	-	-	(54,313)	(54,313)	-	-	(54,313)
Other comprehensive income	-	-	-	-	-	-	(27,224)	-	(27,224)
Total comprehensive income	-	-	-	-	(54,313)	(54,313)	(27,224)	-	(81,537)
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	4,313	-	(4,313)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(16,169)	(16,169)	-	-	(16,169)
Stock dividends of ordinary shares	4,042	-	-	-	(4,042)	(4,042)	-	-	-
Reversal of special reserve	-	-	-	(22,649)	22,649	-	-	-	-
Conversion of convertible bonds	93	192	-	-	-	-	-	-	285
Purchase of treasury share	-	-	-	-	-	-	-	(8,627)	(8,627)
Issuance of convertible bonds	-	23,036	-	-	-	-	-	-	23,036
Balance at December 31, 2023	863,123	578,446	123,841	97,144	125,331	346,316	(124,368)	(204,374)	1,459,143
Profit	-	-	-	-	35,282	35,282	-	-	35,282
Other comprehensive income	-	-	-	-	-	-	51,308	-	51,308
Total comprehensive income	-	-	-	-	35,282	35,282	51,308	-	86,590
Appropriation and distribution of retained earnings:									
Cash dividends of ordinary shares	-	-	-	-	(8,126)	(8,126)	-	-	(8,126)
Stock dividends of ordinary shares	2,438	-	-	-	(2,438)	(2,438)	-	-	-
Special reserve appropriated	-	-	-	27,224	(27,224)	-	-	-	-
Conversion of convertible bonds	2,934	6,239	-	-	-	-	-	-	9,173
Purchase of treasury share	-	-	-	-	-	-	-	(15,950)	(15,950)
<b>Balance at December 31, 2024</b>	<b>\$ 868,495</b>	<b>584,685</b>	<b>123,841</b>	<b>124,368</b>	<b>122,825</b>	<b>371,034</b>	<b>(73,060)</b>	<b>(220,324)</b>	<b>1,530,830</b>

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

**Consolidated Statements of Cash Flows**

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

(Expressed in Thousands of New Taiwan Dollar)

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

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

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

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

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

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

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

**Notes to the Consolidated Financial Statements**

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

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

**(1) Company history**

CHINA FINEBLANKING TECHNOLOGY CO., LTD. (the “Company”) was incorporated in November 1992. The major business activities of the Company are the manufacture and sale of hardware parts, mechanical hardware parts and molding components. The Company completed supplementary procedures for classification as a public company on August 18, 2008. The procedures were approved by the Financial Supervisory Commission R.O.C.(Taiwan) Securities and Futures Bureau. The Company’s common shares were listed on GreTai Securities Market (Formerly known as the ROC Over-the-Counter Securities Exchange) on January 9, 2012. The address of its registered office and principal place of business is No.40, 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 12, 2025.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2024:

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

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

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

**Notes to the Consolidated Financial Statements**

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

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

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

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

it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.

- Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Sections 3.1 and 3.3 of IFRS 9 and the related disclosure requirements of IFRS 7
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

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

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value.

(ii) Functional and presentation currency

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

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

(c) Basis of consolidation

(i) Principles for preparing consolidated financial statements

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

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

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

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

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

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2024	December 31, 2023	
The Company	China Fineblanking Group Co., Ltd. (CFTC Group)	Investment activities	100.00%	100.00%	
The Company	CFTC Precision Sdn. Bhd. (CFTC Malaysia)	Property management	100.00%	100.00%	(1)
CFTC Group	China Fineblanking International Co., Ltd.  (CFTC International)	Investment activities	100.00%	100.00%	
CFTC International	CFTC Precision (Jia-Xing) (CFTC Jia-Xing)	Manufacture and sale of hardware parts, mechanical hardware parts and molding components	100.00%	100.00%	
CFTC International	CFTC (Huai-An) Limited (CFTC Huai-An)	Manufacture of mechanical parts and molding components	100.00%	100.00%	

Note 1: Since CFTC Precision Sdn. Bud have completed the phased milestone, the liquidation

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

procedure of the company had been approved during the Company' s board meeting held on January 14, 2022 in order to lower the cost of operation. The related liquidation procedure were completed on January 17, 2025.

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(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.

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

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

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(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

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

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

3) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4) Derecognition of financial assets

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

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

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

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

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

##### 2) Equity instrument

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

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## 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.

## 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:

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

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

#### (j) Leases

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

##### (i) As a lessee

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

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

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

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

- fixed payments;

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

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

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

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

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

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

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

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

(ii) As a lessor

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

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

**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	2~10 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment – non-financial assets

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

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

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

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

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

**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.

**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;

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

### Notes to the Consolidated Financial Statements

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

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

- (s) Operating segments

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

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

### Notes to the Consolidated Financial Statements

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

In preparing these consolidated financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

**(a) The loss allowance of accounts receivables**

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

**(b) Valuation of inventories**

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

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

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

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

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

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

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

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

(a) Cash and cash equivalents

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Cash on hand and petty cash	\$ 169	167
Cash in banks	449,140	414,325
	<b><u>\$ 449,309</u></b>	<b><u>414,492</u></b>

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

(b) Notes and accounts receivable

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Notes receivable	\$ 94,529	85,200
Accounts receivable	653,713	711,477
Less: Loss allowance	(4,454)	(5,270)
	<b><u>\$ 743,788</u></b>	<b><u>791,407</u></b>

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:

	<b>December 31, 2024</b>		
	<b>Gross carrying amount</b>	<b>Weighted-avera ge loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 712,064	0%	-
1 to 30 days past due	22,020	0.1%	22
31 to 60 days past due	4,969	5%	248
61 to 120 days past due	5,989	10%~16.43%	984
121 to 180 days past due	2,091	30%~100%	2,091
More than 181 days past due	1,109	70%~100%	1,109
	<b><u>\$ 748,242</u></b>		<b><u>4,454</u></b>

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted-avera ge loss rate</b>	<b>Loss allowance provision</b>
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
	<b>\$ 796,677</b>		<b>5,270</b>

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

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

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

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

(c) Inventories

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

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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For the years ended December 31, 2024 and 2023, the components of the cost of sales were as follows:

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

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

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

(d) Prepayments

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

(e) Property, plant and equipment

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

	<b>Construction in progress and testing equip</b>									<b>Total</b>
	<b>Land</b>	<b>Buildings and construction</b>	<b>Machinery and equipment</b>	<b>Molds</b>	<b>Transportation equipment</b>	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Other facilities</b>	<b>Construction in progress and testing equip</b>	
<b>Cost or deemed cost:</b>										
Balance on January 1, 2024	\$ 479,357	744,193	1,724,251	326,105	8,450	49,055	-	8,481	210	3,340,102
Additions	-	934	19,593	4,896	394	224	-	-	3,311	29,352
Reclassification	-	1,671	25,659	11,758	-	-	-	-	(1,671)	37,417
Disposal	-	-	(20,385)	(57,488)	(1,130)	(4,477)	-	-	-	(83,480)
Effect of movements in exchange rates	-	14,747	49,348	7,983	291	1,248	-	-	-	73,617
Balance on December 31, 2024	<b>\$ 479,357</b>	<b>761,545</b>	<b>1,798,466</b>	<b>293,254</b>	<b>8,005</b>	<b>46,050</b>	<b>-</b>	<b>8,481</b>	<b>1,850</b>	<b>3,397,008</b>
Balance on January 1, 2023	\$ 479,357	751,985	1,769,449	324,224	11,153	50,368	96	8,581	210	3,395,423
Additions	-	231	23,584	4,196	-	384	-	-	-	28,395
Reclassification	-	-	19,436	17,273	-	76	-	-	-	36,785
Disposal	-	(114)	(61,712)	(15,291)	(2,536)	(1,087)	(96)	(100)	-	(80,936)
Effect of movements in exchange rates	-	(7,909)	(26,506)	(4,297)	(167)	(686)	-	-	-	(39,565)
Balance on December 31, 2023	<b>\$ 479,357</b>	<b>744,193</b>	<b>1,724,251</b>	<b>326,105</b>	<b>8,450</b>	<b>49,055</b>	<b>-</b>	<b>8,481</b>	<b>210</b>	<b>3,340,102</b>

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

### Notes to the Consolidated Financial Statements

	Land	Buildings and construction	Machinery and equipment	Molds	Transportation equipment	Office equipment	Leasehold improvements	Other facilities	Construction in progress and testing equip	Total
<b>Depreciation and impairment loss:</b>										
Balance on January 1, 2024	\$ -	158,986	999,537	298,135	7,208	39,799	-	4,229	-	1,507,894
Depreciation	-	29,952	125,152	20,707	493	2,648	-	440	-	179,392
Disposal	-	-	(16,424)	(54,102)	(1,017)	(4,000)	-	-	-	(75,543)
Effect of movements in exchange rates	-	4,677	32,160	7,378	249	975	-	-	-	45,439
Balance on December 31, 2024	<b>\$ -</b>	<b>193,615</b>	<b>1,140,425</b>	<b>272,118</b>	<b>6,933</b>	<b>39,422</b>	<b>-</b>	<b>4,669</b>	<b>-</b>	<b>1,657,182</b>
Balance on January 1, 2023	\$ -	131,023	946,488	293,271	8,661	38,253	96	3,889	-	1,421,681
Depreciation	-	30,418	127,462	19,885	969	3,027	-	440	-	182,201
Disposal	-	(71)	(57,626)	(11,032)	(2,283)	(959)	(96)	(100)	-	(72,167)
Effect of movements in exchange rates	-	(2,384)	(16,787)	(3,989)	(139)	(522)	-	-	-	(23,821)
Balance on December 31, 2023	<b>\$ -</b>	<b>158,986</b>	<b>999,537</b>	<b>298,135</b>	<b>7,208</b>	<b>39,799</b>	<b>-</b>	<b>4,229</b>	<b>-</b>	<b>1,507,894</b>
<b>Carrying amounts:</b>										
Balance on December 31, 2024	<b>\$ 479,357</b>	<b>567,930</b>	<b>658,041</b>	<b>21,136</b>	<b>1,072</b>	<b>6,628</b>	<b>-</b>	<b>3,812</b>	<b>1,850</b>	<b>1,739,826</b>
Balance on January 1, 2023	<b>\$ 479,357</b>	<b>620,962</b>	<b>822,961</b>	<b>30,953</b>	<b>2,492</b>	<b>12,115</b>	<b>-</b>	<b>4,692</b>	<b>210</b>	<b>1,973,742</b>
Balance on December 31, 2023	<b>\$ 479,357</b>	<b>585,207</b>	<b>724,714</b>	<b>27,970</b>	<b>1,242</b>	<b>9,256</b>	<b>-</b>	<b>4,252</b>	<b>210</b>	<b>1,832,208</b>

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

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

(f) Right-of-use assets

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

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

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

As of December 31, 2024 and 2023, the right-of-use assets of the Group had been pledged as collateral for long and short-term borrowings; please refer to Note 8.

(g) Other non-current assets

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

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

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

(h) Short-term borrowings

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

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

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

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(i) Other payables (including related parties)

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

(j) Bonds payable

The details of bonds payable were as follows:

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

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

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

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

### Notes to the Consolidated Financial Statements

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

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

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

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

### 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, 2024 and 2023.

(k) Long-term borrowings

The details were as follows:

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

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

**Notes to the Consolidated Financial Statements**

	<b>December 31, 2023</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity date</b>	<b>Amount</b>
Unsecured bank loans	TWD	0.80%~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><b>\$ 734,686</b></u>
Unused long-term credit lines				<u><b>\$ 239,200</b></u>

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

(ii) The low-interest government loans projects

As of December 31, 2022, the Group had borrowed secured bank loans of \$20,000. The annual interest rates of loans was 0.45%, due in October 2027. The loans were applied according to the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” . Due to the impact of the Central Bank’ s interest rate hike policy, the annual interest rate was changed to 0.7% in 2023.

As of December 31, 2023, the Group had borrowed secured bank loans of \$35,000. The annual interest rates of loans was 0.7%, due in October 2027. The loans were applied according to the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” .

(iii) As of December 31, 2024 and 2023, the Group had borrowed the secured and unsecured bank loans of amounted to \$81,173 and \$179,000; and had been repaid at the amounts of \$295,104 and \$150,104, respectively.

(l) Lease liabilities

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

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

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

The amounts recognized in profit or loss were as follows:

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

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

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

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

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

(m) Employee benefits

(i) Defined contribution plans

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

For the years ended December 31, 2024 and 2023, the pension costs incurred from the contributions to the Bureau of Labor Insurance as follows:

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

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

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

(n) Income taxes

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

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

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

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

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

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

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

(iv) Deferred tax assets and liabilities

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

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

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

**Notes to the Consolidated Financial Statements**

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

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

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

(o) Capital and other equity

(i) Ordinary shares

As of December 31, 2024 and 2023, the number of authorized share capital were \$150,000 thousand shares with par value \$10 dollar per share. The total value of authorized share capital amounted to \$1,500,000. Issued ordinary shares are 86,849 thousand shares and 86,312 thousand shares, respectively.

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

(in thousands of shares)

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

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

### Notes to the Consolidated Financial Statements

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

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

A resolution was passed during the general meeting of shareholders held on May 31, 2023 for the issuance of 10 thousand new shares by retained earnings with par value of \$10 dollar per share, amounting to \$9. On September 14, 2023, the chairman of the Board of Directors authorized the increase of capital by the Bond of Directors on August 7, 2023 to set the capital increase record date as October 8, 2023. The relevant statutory registration procedures have since been completed by October 26, 2023.

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

#### (ii) Capital surplus

The balances of capital surplus were as follows:

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

#### (iii) Retained earnings

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

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

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

### Notes to the Consolidated Financial Statements

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

#### 1) Legal reserve

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

#### 2) Special reserve

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

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

In accordance with the aforesaid Rule, a special reserve is set aside from the current years' net income after tax and prior year's undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of contra accounts in shareholder's equity shall qualify for additional distributions. As of December 31, 2024 and 2023, the special reserve appropriated from the undistributed earnings amounted to \$124,368 and \$97,144.

#### 3) Earnings distribution

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

	2023		2022	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.10 dollar	8,126	0.20 dollar	16,169
Share	0.03 dollar	<u>2,438</u>	0.05 dollar	<u>4,042</u>
Total		<u>\$ 10,564</u>		<u>20,211</u>

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

### Notes to the Consolidated Financial Statements

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

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

(iv) Treasury shares

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

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

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

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

The Company changes of treasury share as follows:

(in thousands of shares)

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

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

(v) Other equity items

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

(p) Earnings per share

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

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

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.

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

## (q) Revenue from contracts with customers

## (i) Details of revenue

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

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

## (ii) Contract balances

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

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

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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(r) Employee compensation and directors' and supervisors' remuneration

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

The Company's estimated employee compensation for 2024 was \$909 and estimated directors' remuneration was \$454. The Company reported pre-tax losses in 2023, hence no remuneration was provided for employees or directors. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2024 and 2023. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2023 and 2022.

(s) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

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

(ii) Other income

The details of other income were as follows:

	<b>For the years ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Other income	\$ 31,080	31,151

Other income is mainly subsidy, sample and rental income.

(iii) Other gains and losses

The details of other gains and losses were as follows:

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

**CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**  
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\$ 10,979      8,042

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

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

(iv) Finance costs

The details of finance costs were as follows:

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

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. The maximum amount was both \$1,305,391 and \$1,313,702 in 2024 and 2023.

2) Concentration of credit risk

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

3) Credit risk of receivables and debt securities

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

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

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(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 years	1-3 years	3-5 years	Over 5 years
<b>December 31, 2024</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 347,252	350,332	350,332	-	-	-
Notes and trade payable (including related parties)	320,489	320,489	320,489	-	-	-
Other payables (including related parties)	330,028	330,028	330,028	-	-	-
Bonds payable	484,617	494,575	-	494,575	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	757,914	830,926	201,654	251,350	95,102	282,820
Lease liabilities	2,443	2,492	1,774	593	125	-
	<b>\$ 2,242,743</b>	<b>2,328,842</b>	<b>1,204,277</b>	<b>746,518</b>	<b>95,227</b>	<b>282,820</b>
<b>December 31, 2023</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 320,461	331,058	331,058	-	-	-
Notes and trade payable (including related parties)	364,657	364,657	364,657	-	-	-
Other payables (including related parties)	365,919	365,919	365,919	-	-	-
Bonds payable	487,604	504,218	-	504,218	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	966,978	1,054,201	246,798	334,119	151,316	321,968
Lease liabilities	3,003	3,069	1,735	1,334	-	-
	<b>\$ 2,508,622</b>	<b>2,623,122</b>	<b>1,310,167</b>	<b>839,671</b>	<b>151,316</b>	<b>321,968</b>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

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

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

### Notes to the Consolidated Financial Statements

#### 2) Sensitivity analysis

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

A strengthening (weakening) of 1% of the TWD against the USD, JPY, and CNY in 2024 and 2023, would have increased (decreased) the net profit after tax by \$3,997 and \$3,457, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same for 2023.

#### 3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2024 and 2023, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$14,971 and \$14,789, respectively.

#### (iv) Interest rate analysis

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

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

If the interest rate had increased / decreased by 10 basis points, the Group's net income would have increased / decreased by \$884 for the year ended December 31, 2024 and \$1,030 for the year ended December 31, 2023, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rates.

#### (v) Fair value information

##### 1) Fair value and type of financial instruments

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

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### Notes to the Consolidated Financial Statements

		December 31, 2024				
		Fair Value				
	Book Value	Level 1	Level 2	Level 3	Total	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 449,309	-	-	-	-	
Notes and accounts receivables	743,788	-	-	-	-	
Other receivables	55,094	-	-	-	-	
Total	<b>\$ 1,248,191</b>	-	-	-	-	
Financial liabilities at amortized cost						
Bank loans	\$ 1,105,166	-	-	-	-	
Notes and accounts payables (including related parties)	320,489	-	-	-	-	
Other payables (including related parties)	330,028	-	-	-	-	
Lease liabilities	2,443	-	-	-	-	
Bonds payables	484,617	-	482,615	-	482,615	
Total	<b>\$ 2,242,743</b>	-	<b>482,615</b>	-	<b>482,615</b>	
		December 31, 2023				
		Fair Value				
	Book Value	Level 1	Level 2	Level 3	Total	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 414,492	-	-	-	-	
Notes and accounts receivables	791,407	-	-	-	-	
Other receivables	49,053	-	-	-	-	
Total	<b>\$ 1,254,952</b>	-	-	-	-	
Financial liabilities at amortized cost						
Bank loans	\$ 1,287,439	-	-	-	-	
Notes and accounts payables (including related parties)	364,657	-	-	-	-	
Other payables (including related parties)	365,919	-	-	-	-	
Lease liabilities	3,003	-	-	-	-	
Bonds payables	487,604	-	482,989	-	482,989	
Total	<b>\$ 2,508,622</b>	-	<b>482,989</b>	-	<b>482,989</b>	

#### 2) Valuation techniques for financial instruments measured at fair value

##### a) Non-derivative financial instruments

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

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

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

### Notes to the Consolidated Financial Statements

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

b) Derivative financial instruments

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

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

(u) Financial risk management

(i) Overview

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

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Accounts and other receivables

Credit risk is managed by each business unit subject to the Group' s established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group' s internal rating

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

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criteria, etc. To lower certain issuers' or counter parties' credit risk, credit enhancing instruments (such like sales receipts and insurance) will be taken at the appropriate time.

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

#### 2) Investments

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

#### (iv) Liquidity risk

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

As of December 31, 2024 and 2023, the Group's unused credit line were amounted to \$1,270,625 and \$1,337,126, respectively.

#### (v) Market risk

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

#### 1) Currency risk

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

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

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

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

#### 2) Interest rate risk

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

#### 3) Other market price risk

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

#### (v) Capital management

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

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

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

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

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

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

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

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

(a) Names and relationship with related parties

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

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

(b) Significant transactions with related parties

(i) Purchases

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

	<u>For the years ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Other related – Flourish Precision	<u>\$ 5,611</u>	<u>21,483</u>

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

(ii) Payables to Related Parties

The payables to related parties were as follows:

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<u>Account</u>	<u>Relationship</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts payables	Other related – Flourish Precision	\$ 2,467	10,579
Other payables	Other related – Flourish Precision	15,837	26,163
Other payables	Other related – Feng-Jia Industry	12	8
Other payables	Other related – Yung-Hung Engineering	111	102
Other payables	Other related – Ping-Ho Environmental	2,770	1,205
Other payables	Other related – Cingjing Exhibition Industry	361	-
		<u>\$ 21,558</u>	<u>38,057</u>

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**Notes to the Consolidated Financial Statements**

(iii) Other

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

(c) Key management personnel compensation

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

**(8) Pledged assets:**

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

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

### Notes to the Consolidated Financial Statements

**(9) Commitments and contingencies:**

The Board of Directors of the Company approved the construction project of entering Erlin Science Park of Central Taiwan Science Park at December 14, 2018, and paid \$3,000 as the deposit to the Administration of Central Taiwan Science Park, Ministry of Science and Technology. The Company has terminated the investment plan with the Administration of Central Taiwan Science Park, and the deposit has not yet been received.

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

**(11) Subsequent events:**

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

**(12) Other:**

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

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

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

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

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

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

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

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

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

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CFTC Jia-Xing	1	306,166	172,710	89,560	-	-	5.82%	612,332	Y	N	Y
1	CFTC Jia-Xing	CFTC Huai-An	4	612,332	60,578	31,346	31,346	-	2.04%	612,332	N	N	Y

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

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

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

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

(iii) Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates and joint ventures): None

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
CFTC Jia-Xing	CFTC Huai-An	Subsidiary of the Company	Purchase	115,010	16.93%	90 dyas	Normal	Normal	(10,355)	(4.60)%	Note
CFTC Huai-An	CFTC Jia-Xing	Subsidiary of the Company	Sale	115,010	98.72%	90 dyas	Normal	Normal	10,355	99.77%	Note

Note: Reconciliated in the preparation of consolidated report.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (ix) Trading in derivative instruments: Please refer to notes 6(j).
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	CFTC Jia-Xing	1	Sale	446	Normal	0.02%
0	The Company	CFTC Jia-Xing	1	Purchase	4,641	Normal	0.18%
0	The Company	CFTC Jia-Xing	1	Accounts payable	56,112	Normal	1.45%
0	The Company	CFTC Jia-Xing	1	Other payable	37,307	Loans and interest	0.97%
0	The Company	CFTC Jia-Xing	1	Financial costs, net	4,151	Loans and interest	0.16%
1	CFTC Jia-Xing	The Company	2	Sale	4,641	Normal	0.18%
1	CFTC Jia-Xing	The Company	2	Purchase	446	Normal	0.02%
1	CFTC Jia-Xing	The Company	2	Accounts receivable	56,112	Normal	1.45%
1	CFTC Jia-Xing	The Company	2	Other receivable	37,307	Loans and interest	0.97%
1	CFTC Jia-Xing	The Company	2	Interest income	4,151	Loans and interest	0.16%
1	CFTC Jia-Xing	CFTC Huai-An	3	Sale	2,329	Normal	0.09%
1	CFTC Jia-Xing	CFTC Huai-An	3	Purchase	115,010	Normal	4.47%
1	CFTC Jia-Xing	CFTC Huai-An	3	Accounts payable	10,355	Normal	0.27%
1	CFTC Jia-Xing	CFTC Huai-An	3	Other receivable	22,492	Loans and interest	0.58%
1	CFTC Jia-Xing	CFTC Huai-An	3	Interest income	884	Loans and interest	0.03%
2	CFTC Huai-An	CFTC Jia-Xing	3	Purchase	2,329	Normal	0.09%
2	CFTC Huai-An	CFTC Jia-Xing	3	Sale	115,010	Normal	4.47%
2	CFTC Huai-An	CFTC Jia-Xing	3	Accounts receivable	10,355	Normal	0.27%
2	CFTC Huai-An	CFTC Jia-Xing	3	Other payable	22,492	Loans and interest	0.58%
2	CFTC Huai-An	CFTC Jia-Xing	3	Interest expenses	884	Loans and interest	0.03%

Note 1: The numbering is as follows:

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

Note 2: Relation between related parties are as follows:

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

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

Note 4: Reconciliated in the preparation of consolidated report.

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## (b) Information on investees:

The following is the information on investees for the years ended December 31, 2024 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/ thousand shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2024			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2024	December 31, 2023	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	China Fineblanking Group Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	1,785,619	100.00%	(2,106)	277	Note 1 Note 2
The Company	CFTC Precision Sdn. Bhd.	Malaysia	Property management	MRY 30,288	MRY 30,288	30,288	100.00%	13,732	100.00%	(802)	(802)	Note 1
China Fineblanking Group Co., Ltd.	China Fineblanking International Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	USD 54,619	100.00%	USD (65)	-	Note 1

Note 1: Reconciliated in the preparation of consolidated report.

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

## (c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2024	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
CFTC Jia-Xing	Manufacture and sale of hardware parts, mechanical hardware parts and molding components	RMB 324,995 (USD48,200)	(Note1)	1,173,787 (USD37,500)	-	-	1,173,787 (USD37,500)	10,440 (USD324)	100.00%	100.00%	10,440 (USD324)	1,739,156 (USD53,047)	122,355 (USD3,933)
CFTC Huai-An	Manufacture of mechanical parts and molding components	RMB 17,131 (USD2,580)	(Note1)	82,131 (USD2,580)	-	-	82,131 (USD2,580)	(12,545) (USD389)	100.00%	100.00%	(12,545) (USD389)	50,889 (USD1,552)	-

## (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,255,918	1,664,822 (USD50,780)	NA (Note 2)

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

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

## (iii) Significant transactions:

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

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(d) Major shareholders:

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

- (i) The table discloses stockholding information of stockholders whose ownership percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.
- (ii) As of December 31, 2024, the Company repurchased a total of 5,554,000 shares, represented 6.39% of the share outstanding.

**(14) Segment information:**

(a) General information

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

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

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

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

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

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

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

<b>For the years ended December 31, 2024</b>	<b>Parts of HDD</b>	<b>Parts of vehicles</b>	<b>Management &amp;operation</b>	<b>Reconciliation and elimination</b>	<b>Total</b>
Revenue from external customers	\$ 587,676	1,875,540	109,364	-	2,572,580
Intersegment revenues	2,835	114,419	5,172	(122,426)	-
Total revenue	<u>\$ 590,511</u>	<u>1,989,959</u>	<u>114,536</u>	<u>(122,426)</u>	<u>2,572,580</u>
<b>Reportable segment profit or loss</b>	<u>\$ 102,719</u>	<u>193,528</u>	<u>(256,010)</u>	<u>930</u>	<u>41,167</u>
<b>For the years ended December 31, 2023</b>					
Revenue from external customers	\$ 300,064	1,934,457	76,069	-	2,310,590
Intersegment revenues	68,117	108,335	6,025	(182,477)	-
Total revenue	<u>\$ 368,181</u>	<u>2,042,792</u>	<u>82,094</u>	<u>(182,477)</u>	<u>2,310,590</u>
<b>Reportable segment profit or loss</b>	<u>\$ (5,563)</u>	<u>210,939</u>	<u>(278,176)</u>	<u>(606)</u>	<u>(73,406)</u>

(c) Geographic information

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

Revenue from external customers:

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

Non-current assets:

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

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

(d) Major customers

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

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

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