

**SUPERALLOY INDUSTRIAL CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2023 AND 2022**

---

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

SUPERALLOY INDUSTRIAL CO., LTD.  
DECEMBER 31, 2023 AND 2022 CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
TABLE OF CONTENTS

<u>Contents</u>	<u>Page</u>
1. Cover Page	1
2. Table of Contents	2 ~ 3
3. Independent Auditors' Report	4 ~ 11
4. Consolidated Balance Sheets	12 ~ 13
5. Consolidated Statements of Comprehensive Income	14
6. Consolidated Statements of Changes in Equity	15
7. Consolidated Statements of Cash Flows	16 ~ 17
8. Notes to the Consolidated Financial Statements	18 ~ 75
(1) History and Organization	18
(2) The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization	18
(3) Application of New Standards, Amendments and Interpretations	18 ~ 19
(4) Summary of Material Accounting Policies	19 ~ 30
(5) Critical Accounting Judgements, Assumption and Key Sources of Estimates Uncertainty	30
(6) Details of Significant Accounts	30 ~ 59

Contents	Page
(7) Related Party Transactions	60
(8) Pledged Assets	60
(9) Significant Contingent Liabilities and Unrecognised Contract Commitments	60 ~ 61
(10) Significant Disaster Loss	61
(11) Significant Events after the Balance Sheet Date	61
(12) Others	61 ~ 72
(13) Supplementary Disclosures	72 ~ 73
(14) Operating Segment Information	73 ~ 75

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of SUPERALLOY INDUSTRIAL CO.,LTD

### ***Opinion***

We have audited the accompanying consolidated balance sheets of SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES (the “Group”) as at December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of 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 at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, 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 for 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 Group's 2023 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2023 consolidated financial statements are stated as follows:

#### **Cut-off on sales revenue from distribution warehouse**

##### Description

Refer to Note 4(28) for accounting policies on sales revenue recognition. For the year ended December 31, 2023, the Group's operating revenue amounted to NTD 7,779,316 thousand.

The Group is primarily engaged in manufacturing and sales of various types of automobile parts. The types of sale are separated into direct delivery and distribution warehouse sales. Distribution warehouse sales revenue constitutes 69.18% of operating revenue. Distribution warehouse sales revenue is recognised when customers pick-up the goods (control is transferred). The Group primarily recognised sales revenue based on the daily inventory movement reports provided by distribution warehouses. As the Group's distribution warehouses are located globally with numerous custodians, the process of such revenue recognition involves several manual procedures, which would potentially result in inaccurate timing of revenue recognition or the discrepancy in inventory quantities between the physical inventory and accounting records. Thus, we considered the timing of sales revenue recognition of distribution warehouse as one of the key audit matters.

### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding of the Group's sales revenue procedures and its internal control process in order to assess the effectiveness of managements' control over sales revenue recognition of distribution warehouse.
2. Tested the internal control of warehouse distribution (including checking the terms of transaction / timing of ownership transfer and dates of supporting documents) to confirm the accuracy of the timing of sales revenue recognition of distribution warehouse.
3. Performed cut-off procedures on sales revenue from distribution warehouses recognised during a specific period before and after the balance sheet date and verified the pick-up records of distribution warehouses; in addition, ensured that the movements of inventories indicated in the statements had been recognised in the appropriate period.
4. Performed physical inventory count and confirmation on the ending inventory quantities of distribution warehouses.

### **Assessment of allowance for inventory valuation losses**

#### Description

Refer to Note 4(11) for accounting policies on inventory valuation, Note 5(2) for accounting estimates and assumptions, and Note 6(5) for the related information of allowance for inventory valuation loss. As of December 31, 2023, the total inventory and allowance for inventory valuation loss amounted to NTD 6,820,959 thousand and NTD 579,869 thousand, respectively.

The Group's inventories were measured at the lower of cost and net realisable value, the reasonable net realisable value was identified according to individual inventory's number using the item by item approach. The Group provided allowance for inventory valuation losses based on usable condition of inventories that were individually identified as obsolete and damaged. As the inventory and its allowance for loss were material to the financial statements and the determination of net realisable value involved subjective judgment and estimates, we considered the assessment of allowance for inventory valuation losses as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding of the Group's nature of the operations and the industry, and assessed the reasonableness of the policies adopted in evaluating the allowance for inventory valuation losses.
2. Obtained an understanding of the Group's warehousing control procedures, reviewed annual physical inventory count plan and participated in the annual inventory count in order to assess the classification of obsolete inventory and effectiveness of internal controls over obsolete inventory.
3. Obtained the report on net realisable value of each inventory item and checked whether the calculation logic was applied consistently to each inventory item; in addition, tested the reasonableness of the supporting documents for net realizable value.
4. Validated the accuracy of the Group's inventory aging report used for valuation and recalculated to confirm that information in the report was in line with its policy.

***Other matter – Parent company only financial statements***

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of the Group as at and for the years ended December 31, 2023 and 2022.

***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 the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

***Auditor’s 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 auditor's 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 maintain 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 auditor's 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 auditor's 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 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 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 auditor's 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.

---

Liu, Mei Lan

---

Hung, Shu-Hua

For and on behalf of PricewaterhouseCoopers, Taiwan

March 7, 2024

---

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2023		December 31, 2022			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	1,237,045	7	\$	878,122	5
1110	Financial assets at fair value through profit or loss - current	6(2)		-	-		115,918	1
1150	Notes receivable, net	6(4)		4,475	-		-	-
1170	Accounts receivable, net	6(4)		1,016,780	6		827,485	5
1200	Other receivables			76,704	-		150,335	1
130X	Inventories	5(2) and 6(5)		6,241,090	36		6,413,010	36
1479	Other current assets, others			87,773	1		104,563	-
11XX	Current Assets			8,663,867	50		8,489,433	48
Non-current assets								
1535	Non-current financial assets at amortised cost	6(3) and 8		32,947	-		24,755	-
1600	Property, plant and equipment	6(6) and 8		8,339,267	48		8,736,402	50
1755	Right-of-use assets	6(7)		8,425	-		11,541	-
1780	Intangible assets	6(8)		13,643	-		19,181	-
1840	Deferred income tax assets	6(28)		194,928	1		186,201	1
1900	Other non-current assets	6(9)		122,987	1		94,082	1
15XX	Non-current assets			8,712,197	50		9,072,162	52
1XXX	Total assets		\$	17,376,064	100	\$	17,561,595	100

(Continued)

**SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ 965,144	6	\$ 1,326,569	8
2120	Financial liabilities at fair value through profit or loss - current	6(2)	9,824	-	-	-
2130	Current contract liabilities	6(22)	30,462	-	12,649	-
2150	Notes payable	6(11)	369,672	2	430,148	3
2170	Accounts payable		99,482	1	73,501	-
2200	Other payables	6(12)	679,658	4	1,055,333	6
2230	Current income tax liabilities		193,040	1	126,478	1
2250	Current provisions	6(17)	77,959	-	-	-
2280	Current lease liabilities	6(7)	5,191	-	5,983	-
2320	Long-term liabilities, current portion	6(14)	1,231,388	7	400,441	2
2399	Other current liabilities, others	6(13)(24)	54,077	-	61,127	-
21XX	<b>Current Liabilities</b>		<u>3,715,897</u>	<u>21</u>	<u>3,492,229</u>	<u>20</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(14)	5,894,400	34	6,717,938	39
2570	Deferred income tax liabilities	6(28)	52	-	33,266	-
2580	Non-current lease liabilities	6(7)	3,307	-	5,613	-
2640	Accrued pension liabilities	6(15)	22,670	-	22,637	-
2670	Other non-current liabilities, others		4,403	-	8,559	-
25XX	<b>Non-current liabilities</b>		<u>5,924,832</u>	<u>34</u>	<u>6,788,013</u>	<u>39</u>
2XXX	<b>Total Liabilities</b>		<u>9,640,729</u>	<u>55</u>	<u>10,280,242</u>	<u>59</u>
<b>Equity</b>						
	Share capital	6(16)				
3110	Share capital - common stock		2,142,551	12	2,183,151	12
	Capital surplus	6(19)				
3200	Capital surplus		1,013,145	6	1,017,386	6
	Retained earnings	6(20)				
3310	Legal reserve		916,325	5	857,797	5
3320	Special reserve		10,151	-	11,906	-
3350	Unappropriated retained earnings		3,724,967	22	3,780,377	21
	Other equity interest	6(21)				
3400	Other equity interest		( 8,607)	-	( 10,151)	-
3500	Treasury shares	6(16)	( 63,197)	-	( 559,113)	( 3)
3XXX	<b>Total equity</b>		<u>7,735,335</u>	<u>45</u>	<u>7,281,353</u>	<u>41</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 17,376,064</u>	<u>100</u>	<u>\$ 17,561,595</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

**SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Year ended December 31			
			2023		2022	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(22)		\$ 7,779,316	100	\$ 6,401,739	100
5000 Operating costs	6(5)(27)		( 6,044,901)	( 78)	( 5,189,053)	( 81)
5900 Net operating margin			<u>1,734,415</u>	<u>22</u>	<u>1,212,686</u>	<u>19</u>
Operating expenses	6(27)					
6100 Selling expenses			( 546,987)	( 7)	( 699,788)	( 11)
6200 General and administrative expenses			( 279,940)	( 3)	( 245,955)	( 4)
6300 Research and development expenses			( 153,056)	( 2)	( 142,203)	( 2)
6450 Expected credit impairment gain (loss)	12(2)		<u>427</u>	<u>-</u>	<u>( 5,786)</u>	<u>-</u>
6000 Total operating expenses			( 979,556)	( 12)	( 1,093,732)	( 17)
6900 Operating profit			<u>754,859</u>	<u>10</u>	<u>118,954</u>	<u>2</u>
Non-operating income and expenses						
7100 Interest income	6(23)		15,748	-	3,042	-
7010 Other income	6(24)		58,674	1	38,311	1
7020 Other gains and losses	6(25)		107,538	1	642,997	10
7050 Finance costs	6(26)		( 174,909)	( 2)	( 102,923)	( 2)
7000 Total non-operating income and expenses			<u>7,051</u>	<u>-</u>	<u>581,427</u>	<u>9</u>
7900 Profit before income tax			<u>761,910</u>	<u>10</u>	<u>700,381</u>	<u>11</u>
7950 Income tax expense	6(28)		( 153,474)	( 2)	( 117,706)	( 2)
8200 Profit for the year			<u>\$ 608,436</u>	<u>8</u>	<u>\$ 582,675</u>	<u>9</u>
Other comprehensive income						
8311 Other comprehensive income, before tax, actuarial losses (gains) on defined benefit plans	6(15)		( \$ 287)	-	\$ 3,257	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)		<u>57</u>	<u>-</u>	<u>( 650)</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Financial statements translation differences of foreign operations			1,930	-	2,193	-
8399 Income tax relating to the components of other comprehensive income	6(28)		( 386)	-	( 438)	-
8360 Components of other comprehensive income that will be reclassified to profit or loss			<u>1,544</u>	<u>-</u>	<u>1,755</u>	<u>-</u>
8300 Other comprehensive income for the year			<u>\$ 1,314</u>	<u>-</u>	<u>\$ 4,362</u>	<u>-</u>
8500 Total comprehensive income for the year			<u>\$ 609,750</u>	<u>8</u>	<u>\$ 587,037</u>	<u>9</u>
Profit, attributable to:						
8610 Owners of the parent			\$ 608,436	8	\$ 582,675	9
8620 Non-controlling interest			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>\$ 608,436</u>	<u>8</u>	<u>\$ 582,675</u>	<u>9</u>
Comprehensive income attributable to:						
8710 Owners of the parent			\$ 609,750	8	\$ 587,037	9
8720 Non-controlling interest			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>\$ 609,750</u>	<u>8</u>	<u>\$ 587,037</u>	<u>9</u>
Basic earnings per share	6(29)					
9750 Total basic earnings per share			<u>\$ 2.88</u>		<u>\$ 2.90</u>	
Diluted earnings per share	6(29)					
9850 Total diluted earnings per share			<u>\$ 2.88</u>		<u>\$ 2.89</u>	

The accompanying notes are an integral part of these consolidated financial statements.

**SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent								
		Capital surplus			Retained earnings			Financial statements translation differences of foreign operations	Treasury shares	Total equity
Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings				
<u>Year ended December 31, 2022</u>										
Balance at January 1, 2022		\$1,988,374	\$1,108,571	\$ 212	\$ 823,551	\$ 1,434	\$3,537,822	(\$ 11,906 )	(\$ 268,991 )	\$7,179,067
Profit for the year		-	-	-	-	-	582,675	-	-	582,675
Other comprehensive income for the year		-	-	-	-	-	2,607	1,755	-	4,362
Total comprehensive income		-	-	-	-	-	585,282	1,755	-	587,037
Appropriation and distribution of 2021 earnings:	6(20)									
Legal reserve		-	-	-	34,246	-	( 34,246 )	-	-	-
Special reserve		-	-	-	-	10,472	( 10,472 )	-	-	-
Cash dividends		-	-	-	-	-	( 194,777 )	-	-	( 194,777 )
Stock dividends		194,777	( 91,545 )	-	-	-	( 103,232 )	-	-	-
Treasury shares transferred to employee	6(16)	-	-	148	-	-	-	-	1,032	1,180
Purchase of treasury shares	6(16)	-	-	-	-	-	-	-	( 291,154 )	( 291,154 )
Balance at December 31, 2022		<u>\$2,183,151</u>	<u>\$1,017,026</u>	<u>\$ 360</u>	<u>\$ 857,797</u>	<u>\$ 11,906</u>	<u>\$3,780,377</u>	<u>(\$ 10,151 )</u>	<u>(\$ 559,113 )</u>	<u>\$7,281,353</u>
<u>Year ended December 31, 2023</u>										
Balance at January 1, 2023		\$2,183,151	\$1,017,026	\$ 360	\$ 857,797	\$ 11,906	\$3,780,377	(\$ 10,151 )	(\$ 559,113 )	\$7,281,353
Profit for the year		-	-	-	-	-	608,436	-	-	608,436
Other comprehensive (loss) income for the year		-	-	-	-	-	( 230 )	1,544	-	1,314
Total comprehensive income		-	-	-	-	-	608,206	1,544	-	609,750
Appropriation and distribution of 2022 earnings:	6(20)									
Legal reserve		-	-	-	58,528	-	( 58,528 )	-	-	-
Special reserve		-	-	-	-	( 1,755 )	1,755	-	-	-
Cash dividends		-	-	-	-	-	( 416,892 )	-	-	( 416,892 )
Retirement treasury shares	6(16)	( 40,600 )	( 18,914 )	( 18,494 )	-	-	( 189,951 )	-	267,959	-
Treasury shares transferred to employee	6(16)	-	-	33,167	-	-	-	-	227,957	261,124
Balance at December 31, 2023		<u>\$2,142,551</u>	<u>\$ 998,112</u>	<u>\$ 15,033</u>	<u>\$ 916,325</u>	<u>\$ 10,151</u>	<u>\$3,724,967</u>	<u>(\$ 8,607 )</u>	<u>(\$ 63,197 )</u>	<u>\$7,735,335</u>

The accompanying notes are an integral part of these consolidated financial statements.

**SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 761,910	\$ 700,381
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense-Property, plant and equipment	6(6)	941,512	929,686
Depreciation expense-Right-of-use-assets	6(7)	7,419	5,826
Amortization expense	6(27)	11,011	12,464
Expected credit impairment (gain) loss	12(2)	( 427 )	5,786
Share-based payments		9,782	141
Loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)	125,742	( 120,748 )
Transfer of overdue accounts payable to other revenue	6(24)	-	( 4,309 )
Government grants income	6(24)	( 7,548 )	( 6,642 )
Unfinish construction and equipment transferred to expense		475	-
Interest income	6(23)	( 15,748 )	( 3,042 )
Interest expense	6(26)	174,763	102,801
Interest expense-Right-of-use-assets	6(7)(26)	146	122
Gain on disposal of property, plant and equipment	6(25)	( 4,293 )	( 21,254 )
Unrealized foreign exchange gain		( 6,784 )	( 14,790 )
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		( 188,629 )	41,966
Other receivables		14,347	214,893
Inventories		( 12,998 )	( 1,627,141 )
Prepayments		20,255	( 24,028 )
Other current assets		( 3,286 )	20,011
Other non-current assets		5,833	923
Changes in operating liabilities			
Current contract liabilities		16,528	( 14,090 )
Notes payable		15,852	14,766
Accounts payable		25,488	11,567
Other payables		( 145,309 )	( 108,090 )
Provisions		56,610	-
Other current liabilities		( 7,550 )	12,353
Net defined benefit liabilities		( 254 )	5
Cash inflow generated from operations		1,794,847	129,557
Interest received		15,757	2,843
Interest paid		( 143,276 )	( 92,617 )
Income taxes paid		( 129,182 )	( 50,955 )
Net cash flows from (used in) operating activities		1,538,146	( 11,172 )

(Continued)



SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		( \$ 8,192 )	( \$ 4,347 )
Acquisition of property, plant and equipment	6(30)	( 719,837 )	( 471,720 )
Proceeds from disposal of property, plant and equipment	6(30)	77,199	96,455
Acquisition of intangible assets		( 1,724 )	-
Capitalized interest payments	6(6)(26)(30)	( 9,317 )	( 835 )
Decrease in refundable deposits		13,563	7,394
Net cash flows used in investing activities		( 648,308 )	( 373,053 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(31)	1,305,484	2,717,209
Decrease in short-term loans	6(31)	( 1,670,437 )	( 1,923,767 )
Increase in short-term notes and bills payable	6(31)	-	130,000
Decrease in short-term notes and bills payable	6(31)	-	( 380,000 )
Proceeds from long-term debt		565,000	1,222,000
Repayments of long-term debt		( 565,360 )	( 1,153,286 )
Repayments of lease liabilities	6(31)	( 7,401 )	( 5,926 )
Payments to acquire treasury shares		-	( 291,154 )
Treasury shares transferred to employees		251,343	1,040
Cash dividends paid	6(20)	( 416,892 )	( 194,777 )
Net cash flows (used in) from financing activities		( 538,263 )	121,339
Effects of foreign exchange rates		7,348	5,998
Net increase (decrease) in cash and cash equivalents		358,923	( 256,888 )
Cash and cash equivalents at beginning of year		878,122	1,135,010
Cash and cash equivalents at end of year		<u>\$ 1,237,045</u>	<u>\$ 878,122</u>

The accompanying notes are an integral part of these consolidated financial statements.

SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

SUPERALLOY INDUSTRIAL CO., LTD. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in June 1994. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in forging, manufacturing, processing and trading of aircraft components, vehicles and motorcycle components, aluminium-copper, steel-titanium alloys, hardware parts, and mold coupler.

2. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

These consolidated financial statements were authorized for issuance by the Board of Directors on March 7, 2024.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS®”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Material Accounting Policies

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2023, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value

through profit or loss.

(b) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, 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. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed 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.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or

losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2023	December 31, 2022	
SUPERALLOY INDUSTRIAL CO., LTD.	SuperAlloy Manufaktur GmbH. (SAMF)	Coating and processing of vehicle components, European Logistics Centre	100%	100%	

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions

None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

None.

(4) Foreign currency translation

The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

A. Foreign currency transactions and balances

- Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and

liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

#### (5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

#### (6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads which are allocated based on normal operating capacity. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the

ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Land improvements	3 ~ 11 years
Buildings and structures	2 ~ 51 years
Machinery and equipment	3 ~ 18 years
Utility equipment	2 ~ 21 years
Other equipment	3 ~ 16 years

(13) Leasing arrangements (lessee) — right-of-use assets / lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.  
Lease payments are comprised of fixed payments, less any lease incentives receivable.  
The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the



amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(14) Intangible assets

A. Trademarks and patents

Separately acquired trademarks and patents are stated at historical cost. Trademarks and patents have a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 3 to 21 years.

B. Computer software

Computer software is stated at acquisition cost and amortized on a straight-line basis over its estimated useful life of 3~7 years.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(16) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(17) Accounts and notes payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured

at initial invoice amount as the effect of discounting is immaterial.

(18) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(19) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(21) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated

as financial liabilities at fair value through profit or loss upon initial recognition.

(22) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(25) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity that intend to settle on a net basis or realize

the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, personnel training expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(26) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Dividends

Cash dividends are recorded as liabilities in the Group's financial statements in the period in which they are resolved by the Group's Board of Directors. Stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

The Group manufactures and sells forging wheel products. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. The products are often sold with volume discounts based on aggregate sales over a 12-month period. Accumulated experience is used to estimate and provide for the volume discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the control of ownership has been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(29) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that

the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Assumption and Key Sources of Estimates Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. There might be material changes to the evaluation of inventories.

As of December 31, 2023, the carrying amount of inventories was \$6,241,090 thousand.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 431	\$ 453
Checking accounts and demand deposits	1,236,614	570,569
Time deposits	-	307,100
	<u>\$ 1,237,045</u>	<u>\$ 878,122</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

- B. The Group's time deposits with maturity date over 3 months and time deposits pledged as collateral have been reclassified under "financial assets at amortised cost", please refer to Notes 6(3) and 8.

(2) Financial assets at fair value through profit or loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
-Derivative instruments	<u>\$ -</u>	<u>\$ 115,918</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
-Derivative instruments	<u>\$ 9,824</u>	<u>\$ -</u>

- A. Nature of financial assets at fair value through profit or loss is as follows:

Derivative instrument: including forward foreign exchange contracts and forward commodities contract.

- B. The net gain or loss on financial assets at fair value through profit or loss held by the Group recognized for the years ended December 31, 2023 and 2022, were gain of \$115,633 thousand (including loss on valuation of \$125,742 thousand and realized gain on disposal of \$241,375 thousand), and gain of \$498,006 thousand (including gain on valuation of \$120,748 thousand and realized gain on disposal of \$377,258 thousand), respectively.

- C. The non-hedging derivative instruments transaction and contract information are as follows:

<u>Derivative financial instruments</u>	<u>December 31, 2023</u>	
	<u>Contract notional principal</u>	<u>Contract period</u>
Current items:		
Forward exchange contracts	<u>USD 19,000 thousand</u>	2023.08.17~2024.10.16
	<u>EUR 3,900 thousand</u>	2023.10.16~2024.10.16
<u>Derivative financial instruments</u>	<u>December 31, 2022</u>	
	<u>Contract notional principal</u>	<u>Contract period</u>
Current items:		
Forward exchange contracts	<u>USD 110,348 thousand</u>	2022.01.27~2023.12.08
Forward commodities contracts	<u>USD 1,040 thousand</u>	2022.03.01~2023.01.31

(a) Forward exchange contracts

The Group entered into foreign exchange swap to buy or sell USD and EUR to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(b) Forward commodities contract

The Group entered into forward commodities trade contracts to pre-buy or pre-sell aluminum to hedge price risk of raw materials in stock. However, these forward commodities trade

contract are not accounted for under hedge accounting.

D. Information relating to credit risk of financial assets and liabilities at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortized cost

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current items:		
Pledged time deposits	\$ <u>32,947</u>	\$ <u>24,755</u>

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	<u>Years ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Interest income	\$ <u>1,028</u>	\$ <u>309</u>

B. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group was \$32,947 thousand and \$24,755 thousand, respectively.

C. Details of the Company's financial assets at amortized cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(4) Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	\$ <u>4,475</u>	\$ <u>-</u>
Accounts receivable	\$ <u>1,027,314</u>	\$ <u>838,446</u>
Less: Allowance for bad debts	( <u>10,534</u> )	( <u>10,961</u> )
	\$ <u>1,016,780</u>	\$ <u>827,485</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:



	December 31, 2023		December 31, 2022	
	Accounts receivable	Other notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 953,213	\$ 4,475	\$ 712,556	\$ -
Up to 30 days	53,296	-	85,196	-
31 to 90 days	9,509	-	23,177	-
91 to 180 days	2,791	-	7,901	-
Over 180 days	8,505	-	9,616	-
	<u>\$ 1,027,314</u>	<u>\$ 4,475</u>	<u>\$ 838,446</u>	<u>\$ -</u>

The above ageing analysis was based on past due date.

B. As at December 31, 2023, December 31, 2022 and January 1, 2022, the balances of receivables from contracts with customers amounted to \$1,031,789 thousand, \$838,446 thousand and \$881,563 thousand, respectively.

C. As at December 31, 2023 and 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$4,475 thousand and \$1,016,780 thousand ; \$0 thousand and \$827,485 thousand, respectively.

D. The Group did not hold any collateral.

E. Details of other notes receivable are provided in Note 6(30).

F. Information relating to credit risk of accounts receivable is provided in Note 12(2).

#### (5) Inventories

	December 31, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,040,560	(\$ 127,527)	\$ 3,913,033
Work in progress	1,402,011	( 223,509)	1,178,502
Finished goods	1,378,388	( 228,833)	1,149,555
	<u>\$ 6,820,959</u>	<u>(\$ 579,869)</u>	<u>\$ 6,241,090</u>
	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,976,358	(\$ 117,509)	\$ 3,858,849
Work in progress	1,812,733	( 249,419)	1,563,314
Finished goods	1,215,019	( 224,172)	990,847
	<u>\$ 7,004,110</u>	<u>(\$ 591,100)</u>	<u>\$ 6,413,010</u>

The cost of inventories recognized as expense for the period:

	Years ended December 31	
	2023	2022
Cost of goods sold	\$ 5,726,274	\$ 4,623,564
Unallocated fixed overhead expense	252,405	379,115
(Gain on reversal of) loss on slow-moving inventories and decline in market value	( 11,231)	95,558
Others	77,453	90,816
	<u>\$ 6,044,901</u>	<u>\$ 5,189,053</u>

The Group reversed a previous inventory write-down because of the sale of certain inventories which were previously provided with allowance for the year ended December 31, 2023.

(Remainder of page intentionally left blank)

(6) Property, plant and equipment

Year ended December 31, 2023	Beginning balance	Additions	Decreases	Transfers	Net exchange differences	Ending balance
<u>Cost</u>						
Land	\$ 2,546,062	\$ -	\$ -	\$ -	\$ 779	\$ 2,546,841
Land improvements	31,191	-	-	-	-	31,191
Buildings and structures	2,739,543	376 (	950)	110,307	10,045	2,859,321
Machinery and equipment	5,714,968	17,244 (	606,846)	681,656	10,364	5,817,386
Utilities equipment	827,851	-	-	27,406	-	855,257
Other equipment	596,788	5,319 (	72,536)	198,754	1,201	729,526
Unfinished construction and equipment under acceptance	872,120	344,002	- (	836,692)	-	379,430
	<u>\$ 13,328,523</u>	<u>\$ 366,941</u>	<u>(\$ 680,332)</u>	<u>\$ 181,431</u>	<u>\$ 22,389</u>	<u>\$ 13,218,952</u>
<u>Accumulated depreciation</u>						
Land improvements	\$ 25,842	\$ 2,434	\$ -	\$ -	\$ -	\$ 28,276
Buildings and structures	830,252	85,930 (	950)	-	1,862	917,094
Machinery and equipment	2,993,373	645,390 (	599,634)	-	5,673	3,044,802
Utilities equipment	434,831	60,767	-	-	-	495,598
Other equipment	307,823	146,991 (	61,642)	-	743	393,915
	<u>\$ 4,592,121</u>	<u>\$ 941,512</u>	<u>(\$ 662,226)</u>	<u>\$ -</u>	<u>\$ 8,278</u>	<u>\$ 4,879,685</u>
Book value	<u>\$ 8,736,402</u>					<u>\$ 8,339,267</u>

Year ended December 31, 2022	Beginning balance	Additions	Decreases	Transfers	Net exchange differences	Ending balance
<u>Cost</u>						
Land	\$ 2,545,198	\$ -	\$ -	\$ -	\$ 864	\$ 2,546,062
Land improvements	30,191	-	-	1,000	-	31,191
Buildings and structures	2,724,592	-	-	3,794	11,157	2,739,543
Machinery and equipment	5,881,678	5,295	( 628,604)	445,091	11,508	5,714,968
Utilities equipment	818,932	-	-	8,919	-	827,851
Other equipment	547,641	10,033	( 74,540)	112,346	1,308	596,788
Unfinished construction and equipment under acceptance	411,609	859,931	-	( 399,420)	-	872,120
	<u>\$ 12,959,841</u>	<u>\$ 875,259</u>	<u>(\$ 703,144)</u>	<u>\$ 171,730</u>	<u>\$ 24,837</u>	<u>\$ 13,328,523</u>
<u>Accumulated depreciation</u>						
Land improvements	\$ 22,612	\$ 3,230	\$ -	\$ -	\$ -	\$ 25,842
Buildings and structures	744,585	84,230	( 541)	-	1,978	830,252
Machinery and equipment	2,909,955	630,279	( 552,862)	-	6,001	2,993,373
Utilities equipment	373,114	61,717	-	-	-	434,831
Other equipment	231,348	150,230	( 74,540)	-	785	307,823
	<u>\$ 4,281,614</u>	<u>\$ 929,686</u>	<u>(\$ 627,943)</u>	<u>\$ -</u>	<u>\$ 8,764</u>	<u>\$ 4,592,121</u>
Book value	<u>\$ 8,678,227</u>					<u>\$ 8,736,402</u>

- A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	Years ended December 31	
	2023	2022
Amount capitalised	\$ 9,317	\$ 835
Range of the interest rates for capitalisation	1.56%~1.92%	0.95%~2.00%

- B. The amount of transfers for the year ended December 31, 2023 pertained to the completion of acceptance of the construction in progress and equipment under acceptance, the items which belonged to equipment in nature transferred from inventories and the items which belonged to intangible assets, etc. in nature transferred to related accounts. The amount of transfers for the year ended December 31, 2022 pertained to the completion of acceptance of the construction in progress and equipment under acceptance, the items which belonged to equipment in nature transferred from inventories and the items which belonged to intangible assets, etc. in nature transferred to related accounts.
- C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
- D. The Group acquired land with nos. #407, #408, #409, #410, #411, Huxi Section, Douliu City, Yunlin County, with a total book value of \$50,145 thousand. The land is adjacent to the industrial zone, which is currently used for the Group's business. As the lands are farmlands which cannot be transferred to the Group, the ownership is under the name of other parties. The Group retains the original certificate of the land ownership and has a trust agreement with the nominal owner. The two parties have agreed before the ownership registration, the nominal owner shall not transfer the ownership to any third party nor set up any mortgage.

(7) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings and forklifts. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The Group's short-term leases and low-value assets pertain to land improvements and property, plant and equipment.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2023		December 31, 2022	
	Carrying amount		Carrying amount	
Land	\$	3,409	\$	4,545
Buildings		2,452		1,878
Transportation equipment (forklifts)		2,564		5,118
	\$	8,425	\$	11,541

  

	Years ended December 31			
	2023		2022	
	Depreciation charge		Depreciation charge	
Land	\$	1,136	\$	1,136
Buildings		2,142		595
Transportation equipment (forklifts)		4,141		4,095
	\$	7,419	\$	5,826

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$4,303 thousand and \$14,446 thousand, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 146	\$ 122
Expense on short-term lease contracts	6,221	1,734
	\$ 6,367	\$ 1,856

F. For the years ended December 31, 2023 and 2022, the Group's total cash outflow for leases were \$13,768 thousand and \$7,782 thousand, respectively.

(8) Intangible assets

	Year ended December 31, 2023					
Cost	Beginning balance	Additions	Amortizations	Transfers	Net exchange differences	Ending balance
Computer software	\$ 18,800	\$ 1,690	(\$ 10,899)	\$ 3,003	\$ 2	\$ 12,596
Intangible assets	381	14	( 112)	764	-	1,047
Book value	\$ 19,181	\$ 1,704	(\$ 11,011)	\$ 3,767	\$ 2	\$ 13,643

Year ended December 31, 2022

Cost	Beginning balance	Additions	Amortizations	Transfers	Net exchange differences	Ending balance
Computer software	\$ 31,028	\$ -	(\$ 12,368)	\$ 207	(\$ 67)	\$ 18,800
Intangible assets	407	-	( 96)	70	-	381
Book value	<u>\$ 31,435</u>	<u>\$ -</u>	<u>(\$ 12,464)</u>	<u>\$ 277</u>	<u>(\$ 67)</u>	<u>\$ 19,181</u>

Details of amortization on intangible assets are as follows:

	Years ended December 31	
	2023	2022
Operating costs	\$ 985	\$ 1,377
Selling expenses	732	-
General and administrative expenses	5,467	6,656
Research and development expenses	3,827	4,431
	<u>\$ 11,011</u>	<u>\$ 12,464</u>

(9) Other non-current assets

	December 31, 2023	December 31, 2022
Prepayments for business facilities	\$ 71,621	\$ 23,532
Guarantee deposits paid	45,517	59,080
Others	5,849	11,470
	<u>\$ 122,987</u>	<u>\$ 94,082</u>

(10) Short-term borrowings

Type of borrowings	December 31, 2023	Interest rate range	Collateral
Unsecured borrowings	<u>\$ 965,144</u>	1.67%~5.01%	None
Type of borrowings	December 31, 2022	Interest rate range	Collateral
Unsecured borrowings	<u>\$ 1,326,569</u>	1.42%~6.18%	None

Information about interest expense recognized in profit or loss for the years ended December 31, 2023 and 2022 is provided in Note 6(26).

(11) Notes payable

	December 31, 2023	December 31, 2022
Notes payable – general	\$ 349,042	\$ 333,190
Notes payable – payment for equipment	20,630	96,958
	<u>\$ 369,672</u>	<u>\$ 430,148</u>

(12) Other payables

	December 31, 2023	December 31, 2022
Wages and salaries payable	\$ 181,803	\$ 176,351
Payable on machinery and equipment	131,804	369,600
Freight payable	71,349	151,972
Employees' compensation and directors' and supervisors' remuneration payable	47,551	51,724
Processing fees payable	39,118	34,456
Utilities expense payable	35,140	37,547
Labour and health insurance fees payable	29,325	21,373
Commission payable	11,978	69,599
Other payables	131,590	142,711
	<u>\$ 679,658</u>	<u>\$ 1,055,333</u>

(13) Other current liabilities

	December 31, 2023	December 31, 2022
Refund liabilities	\$ 37,196	\$ 39,040
Gains on deferred government grants	6,881	6,702
Others	10,000	15,385
	<u>\$ 54,077</u>	<u>\$ 61,127</u>

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2023
Long-term bank borrowings				
Secured borrowings	Borrowings are repayable in installments before March 2040	1.65% ~ 2.70%	Property, plant and equipment	\$ 4,249,850
Unsecured borrowings	Borrowings are repayable in installments before March 2028	1.63% ~ 2.10%		<u>2,887,222</u>
				7,137,072
Less: Gains on deferred government grants				( 11,284)
Less: Current portion				( 1,231,388)
				<u>\$ 5,894,400</u>



Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Long-term bank borrowings				
Secured borrowings	Borrowings are repayable in installments before March 2040	1.13% ~ 2.70%	Property, plant and equipment	\$ 4,268,640
Unsecured borrowings	Borrowings are repayable in installments before March 2028	1.15% ~ 2.00%		2,865,000
				7,133,640
Less: Gains on deferred government grants				( 15,261)
Less: Current portion				( 400,441)
				<u>\$ 6,717,938</u>

(15) Pensions

A. (a) The Group has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Group would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 41,367	\$ 43,362
Fair value of plan assets	( 18,697)	( 20,725)
Net defined benefit liability	<u>\$ 22,670</u>	<u>\$ 22,637</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2023			
At January 1	\$ 43,362	(\$ 20,725)	\$ 22,637
Current service cost	72	-	72
Interest expense (income)	562	( 266)	296
Past service cost	( 265)	-	( 265)
	<u>43,731</u>	<u>( 20,991)</u>	<u>22,740</u>
Remeasurements:			
Return on plan assets	-	( 173)	( 173)
Change in demographic assumptions	3	-	3
Change in financial assumptions	440	-	440
Experience adjustments	18	-	18
	<u>461</u>	<u>( 173)</u>	<u>288</u>
Pension fund contribution	-	( 358)	( 358)
Paid pension	( 2,825)	2,825	-
At December 31	<u>\$ 41,367</u>	<u>(\$ 18,697)</u>	<u>\$ 22,670</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2022			
At January 1	\$ 45,810	(\$ 19,921)	\$ 25,889
Current service cost	72	-	72
Interest expense (income)	309	( 133)	176
	<u>46,191</u>	<u>( 20,054)</u>	<u>26,137</u>
Remeasurements:			
Return on plan assets	-	( 1,569)	( 1,569)
Change in demographic assumptions	375	-	375
Change in financial assumptions	( 3,063)	-	( 3,063)
Experience adjustments	1,000	-	1,000
	<u>( 1,688)</u>	<u>( 1,569)</u>	<u>( 3,257)</u>
Pension fund contribution	-	( 243)	( 243)
Paid pension	( 1,141)	1,141	-
At December 31	<u>\$ 43,362</u>	<u>(\$ 20,725)</u>	<u>\$ 22,637</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Group's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the

“Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund” (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Group has no right to participate in managing and operating that fund and hence the Group is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2023	2022
Discount rate	1.25%	1.35%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality rate are set based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 1,080)	\$ 1,122	\$ 1,111	(\$ 1,075)
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 1,112)	\$ 1,156	\$ 1,145	(\$ 1,107)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2024 amount to \$1,378 thousand.

(g) As of December 31, 2023, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	963
1-2 year(s)		1,556
2-5 years		7,611
Over 5 years		36,489
	\$	<u>46,619</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) For the aforementioned pension plan, the Group recognized pension costs of \$30,009 thousand and \$29,763 thousand for the years ended December 31, 2023 and 2022, respectively.

(c) The subsidiaries in Europe contribute to the statutory pension insurance or pension fund for their employees based on their wages and salaries in compliance with local laws and regulations. Other than the annual contributions, the entities have no further obligations. For the aforementioned pension plan, the Group recognized pension costs of \$6,237 thousand and \$6,364 thousand for the years ended December 31, 2023 and 2022, respectively.

#### (16) Share-based payment

A. For the years ended December 31, 2023 and 2022, the Company’s share-based payment arrangements were as follows:

Year ended December 31, 2023				
Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Treasury stock transferred to employees	2023.5.5	3,022 thousand shares	0.13 year	Vested immediately
Treasury stock transferred to employees	2023.8.7	1,414 thousand shares	0.01 year	Vested immediately
Year ended December 31, 2022				
Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Treasury stock transferred to employees	2022.2.9	20 thousand shares	0.01 year	Vested immediately

Treasury stock transferred to employee plan issued by the Company shall not be disposed within

one year after the stocks are subscribed. However, voting right and dividend right are not restricted on these stocks. Employees are not required to return the stocks received and related dividends distributed if they resign during the vesting period.

- B. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Year ended December 31, 2023									
Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit of the option	Fair value of the target
Treasury stock transferred to employees	2023.5.5	64.10	56.66	32.20%	0.13	-	1.09%	3.2368	57.69
Treasury stock transferred to employees	2023.8.7	58.09	56.66	12.96%	0.01	-	1.09%	-	53.01

Year ended December 31, 2022									
Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit of the option	Fair value of the target
Treasury stock transferred to employees	2022.2.9	67.1	52.00	25.36%	0.01	-	0.34%	7.0514	59.05

- (a) The fair value of the target takes into consideration that the transferred stocks were subject to the restriction that they shall not be transferred within one year. Thus, the range of discount of the target stocks subject to this restriction was considered to reasonably reflect the fair value of the restricted stocks.
- (b) Expected price volatility rate was estimated by using the daily history stock prices of the most recent three months before the grant date, and the standard deviation of return on the stock during this period.
- C. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31	
	2023	2022
Equity-settled	\$ 9,782	\$ 141

(17) Provisions

	Provision for litigation
At January 1, 2023	\$ -
Additional provisions	77,959
At December 31, 2023	<u>\$ 77,959</u>

For the year ended December 31, 2022: None.

Analysis of total provisions:

	December 31, 2023	December 31, 2022
Current	<u>\$ 77,959</u>	<u>\$ -</u>

(18) Share capital

- A. As of December 31, 2023, the Company's authorized capital was \$4,000,000 thousand, consisting of 400,000 thousand shares of ordinary stock (including 40,000 thousand shares reserved for employee stock options), and the paid-in capital was \$2,142,551 thousand with a par value of \$10 (in dollars) per share. As of December 31, 2023, the number of ordinary shares outstanding amounted to 212,882 thousand shares.
- B. Movements in the number of the Company's ordinary shares (in thousands) outstanding are as follows:

	2023	2022
At January 1	208,446	194,757
Less: Purchase of treasury shares	- (	5,809)
Add: Stock dividends	-	19,478
Add: Transfer of treasury shares	4,436	20
At December 31	<u>212,882</u>	<u>208,446</u>

- C. The shareholders of the Company during their meeting on June 27, 2022 resolved to issue 19,478 new shares through capitalization of unappropriated retained earnings of \$103,232 thousand and capital surplus of \$91,545 thousand. The capital increase had been approved by the Financial Supervisory Committee on July 13, 2022 and the registration had been completed on August 26, 2022.
- D. Treasury share
- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares (in thousand) are as follows:

		Year ended December 31, 2023	
<u>Reason for share reacquisition</u>		Number of shares	Carrying amount
To be reissued to employees	At January 1	9,869	\$ 559,113
	Shares retired	( 4,060)	( 267,959)
	Shares transferred	( 4,436)	( 227,957)
	At December 31	<u>1,373</u>	<u>\$ 63,197</u>
		Year ended December 31, 2022	
<u>Reason for share reacquisition</u>		Number of shares	Carrying amount
To be reissued to employees	At January 1	4,080	\$ 268,991
	Shares increased	5,809	291,154
	Shares transferred	( 20)	( 1,032)
	At December 31	<u>9,869</u>	<u>\$ 559,113</u>

- (b) On April 18, 2022, the Board of Directors of the Company resolved to transfer 20 thousand shares of treasury shares purchased in 2020 to employees at NT\$52 (in dollars) per share.
- (c) On August 8, 2022, the Board of Directors of the Company resolved to repurchase treasury shares in the amount of 5,000 thousand shares. The above treasury shares in the amount of 2,840 shares were actually repurchased and the repurchase was completed on October 7, 2022.
- (d) On April 17, 2023, the Board of Directors of the Company resolved to transfer 3,022 thousand shares of treasury shares purchased in 2022 to employees at NT\$56.66 (in dollars) per share.
- (e) On August 7, 2023, the Board of Directors of the Company resolved to transfer 1,414 thousand shares of treasury shares purchased in 2022 to employees at NT\$56.66 (in dollars) per share.
- (f) On August 7, 2023, the Board of Directors of the Company resolved to retire treasury shares with the effective date set on August 7, 2023. On September 13, 2023, the retirement of 4,060 thousand shares of treasury shares and the registration change for the paid-in capital were completed.
- (g) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. As of December 31, 2023 and 2022, the balance of the treasury shares repurchased and transferred to employees amounted to \$63,197 thousand and \$559,113 thousand, respectively.
- (h) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (i) Pursuant to the R.O.C. Company Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the three-year period are to be retired.

(19) Capital surplus

	Years ended December 31	
	2023	2022
Used to offset deficits, distributed as cash dividends or transferred to share capital		
Additional paid-in capital in excess of par-ordinary share	\$ 998,112	\$ 1,017,026
Treasury share transactions	15,033	360
	<u>\$ 1,013,145</u>	<u>\$ 1,017,386</u>

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay income tax returns and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. In addition, after special reserve is set aside or reversed in accordance with relevant regulations, the remainder along with accumulated unappropriated earnings shall be proposed by the Board of Directors and resolved at the shareholders' meeting to be distributed as dividends and bonus to shareholders. However, the distribution of dividends and bonus or legal reserve and capital surplus, in whole or in part, in the form of cash in accordance with regulations or paragraph 5, Article 240 of the Company Act, shall be authorized to the Board of Directors, through a resolution adopted by the majority vote at their meeting attended by two-thirds of the total number of directors, and the report of such distribution shall be reported to the shareholders during their meeting.
- B. The Company's dividend policy is summarized below:  
To improve the Company's dividend policy and consider the Company's capital position, the total dividends are distributed at 10% to 90% of the accumulated distributable earnings, and cash dividends shall account for at least 20% of the total dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in



excess of 25% of the Company's paid-in capital.

- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. (a) The appropriations of 2022 and 2021 earnings as resolved by the Board of Directors and the shareholders at their meetings on April 17, 2023 and June 27, 2022, respectively, were as follows:

	2023		2022	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 58,528		\$ 34,246	
(Reversal of) special reserve	( 1,755)		10,472	
Cash dividends	416,892	\$ 2.00	194,777	\$ 1.00
Stock dividends - capitalisation of earnings	-	-	103,232	0.53
Stock dividends - capitalisation of capital surplus	-	-	91,545	0.47
	<u>\$ 473,665</u>		<u>\$ 434,272</u>	

- (b) The appropriations of 2023 earnings had been approved by the shareholders on March 7, 2024. Details are summarized below:

	Year ended December 31, 2023	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 60,821	
Reversal of special reserve	( 1,544)	\$ 2.0129
Cash dividends	428,510	
	<u>\$ 487,787</u>	

(21) Other equity items

	Years ended December 31	
	2023	2022
At January 1	(\$ 10,151)	(\$ 11,906)
Currency translation differences:		
- Group	1,930	2,193
- Tax on Group	( 386)	( 438)
At December 31	<u>(\$ 8,607)</u>	<u>(\$ 10,151)</u>

(22) Operating revenue

	Years ended December 31	
	2023	2022
Revenue from contracts with customers	\$ 7,779,316	\$ 6,401,739

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major geographical regions:

	Year ended December 31, 2023				
	America	Wheels Europe	All other segments	Other products	Total
Revenue from external customer contracts	\$ 1,755,608	\$ 3,877,072	\$ 997,463	\$ 1,149,173	\$ 7,779,316
	Year ended December 31, 2022				
	America	Wheels Europe	All other segments	Other products	Total
Revenue from external customer contracts	\$ 1,462,261	\$ 3,150,400	\$ 468,128	\$ 1,320,950	\$ 6,401,739

B. Contract liabilities and refund liabilities

(a) The Group has recognized the following revenue-related contract liabilities and refund liabilities (recorded as other current liabilities):

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities	\$ 30,462	\$ 12,649	\$ 25,130
Refund liabilities	\$ 37,196	\$ 39,040	\$ 34,398

(b) Revenue recognized that was included in the contract liability balance at the beginning of the period:

	Years ended December 31	
	2023	2022
Revenue recognized that was included in the contract liability balance at the beginning of the period	\$ 8,188	\$ 20,343

(23) Interest income

	Years ended December 31	
	2023	2022
Interest income from bank deposits	\$ 14,720	\$ 2,634
Interest income from financial assets measured at amortized cost	1,028	309
Interest income from bonds sold under repurchase agreement	-	99
	<u>\$ 15,748</u>	<u>\$ 3,042</u>

(24) Other income

	Years ended December 31	
	2023	2022
Government grant income	\$ 16,051	\$ 8,475
Compensation income	5,669	138
Gains on write-off of past due payable	-	4,309
Other income, others	36,954	25,389
	<u>\$ 58,674</u>	<u>\$ 38,311</u>

- A. The Company had obtained 8 loans totaling \$1,635,000 thousand at the preferential interest rates from the government under the “Action Plan for Accelerated Investment by Domestic Corporations” from Chang Hwa Bank, Taiwan Cooperative Bank and Bank of Taiwan, respectively, as of December 31, 2023. The loans will be used for the working capital and purchase of equipment and will be repaid in installments before December 2027 and September 2026, respectively. The fair value of the loans estimated based on the market interest rate of each loan at the time was \$1,623,716 thousand in total. The differences between the obtained amount and the fair value of the loans amounting to \$11,284 thousand were considered as government grants of low-interest loans and recognized as gain on deferred government grants (shown as other current liabilities and other non-current liabilities). The gain on deferred government grants was transferred to other income - government grant income following the interest amortization. There were \$7,548 thousand and \$6,642 thousand transferred to other income - government grant income for the years ended December 31, 2023 and 2022, respectively.
- B. As the Group was eligible for the ‘Stable Employment Plan’ of the Ministry of Labor, the Group had employed unemployed people who met the qualifications of the plan according to the government grants and recognized government grant income amounting to \$1,054 thousand and \$1,834 thousand for the years ended December 31, 2023 and 2022, respectively.

C.As the Group was eligible for the ‘Power and Public Equipment Subsidy’ promoted by the Ministry of Economic Affairs, the Group had recognized government grant income amounting to \$999 thousand for the year ended December 31, 2023.

D.The Group had obtained the government grants from the ‘Taiwan Industry Innovation Platform Program’ of the Ministry of Economic Affairs and transferred other income - government grant income amounting to \$6,450 thousand for the year ended December 31, 2023.

(25) Other gains and losses

	Years ended December 31	
	2023	2022
Net gains on financial assets at fair value through profit or loss	\$ 115,633	\$ 498,006
Foreign exchange gains	18,697	123,737
Gains on disposals of property, plant and equipment	4,293	21,254
Other losses	(31,085)	-
	<u>\$ 107,538</u>	<u>\$ 642,997</u>

(26) Finance costs

	Years ended December 31	
	2023	2022
Interest expense - bank borrowings	\$ 162,731	\$ 103,636
Interest expense - lease liabilities	146	122
Interest expense - others	21,349	-
Less: Capitalisation of qualifying assets	(9,317)	(835)
	<u>\$ 174,909</u>	<u>\$ 102,923</u>

(27) Expenses by nature

	Year ended December 31, 2023		
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 816,737	\$ 184,118	\$ 1,000,855
Labour and health insurance fees	79,215	17,467	96,682
Pension costs	28,809	7,540	36,349
Directors’ remuneration	-	14,349	14,349
Other personnel expenses	57,717	13,163	70,880
	<u>\$ 982,478</u>	<u>\$ 236,637</u>	<u>\$ 1,219,115</u>
Depreciation charges	<u>\$ 913,705</u>	<u>\$ 35,226</u>	<u>\$ 948,931</u>
Amortization charges	<u>\$ 985</u>	<u>\$ 10,026</u>	<u>\$ 11,011</u>

	Year ended December 31, 2022		
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 776,295	\$ 168,521	\$ 944,816
Labour and health insurance fees	67,572	16,986	84,558
Pension costs	22,677	7,334	30,011
Directors' remuneration	-	14,505	14,505
Other personnel expenses	66,695	12,693	79,388
	<u>\$ 933,239</u>	<u>\$ 220,039</u>	<u>\$ 1,153,278</u>
Depreciation charge	<u>\$ 897,173</u>	<u>\$ 38,339</u>	<u>\$ 935,512</u>
Amortization charge	<u>\$ 1,377</u>	<u>\$ 11,087</u>	<u>\$ 12,464</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 3%~15% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. For the years ended December 31, 2023 and 2022, the employees' compensation and directors' remuneration were estimated and accrued respectively as follows based on the distributable profit of current year as of the end of reporting period:

	Years ended December 31	
	2023	2022
Employees' compensation	<u>\$ 27,938</u>	<u>\$ 25,682</u>
Accrued ratio	<u>3.50%</u>	<u>3.50%</u>
Directors' remuneration	<u>\$ 8,381</u>	<u>\$ 7,705</u>
Accrued ratio	<u>1.05%</u>	<u>1.05%</u>

Employees' compensation and directors' and supervisors' remuneration of 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31	
	2023	2022
Current tax:		
Current tax on profits for the period	\$ 194,543	\$ 125,375
Prior year income tax overestimation	1,201	( 20,550)
Total current tax	195,744	104,825
Deferred tax:		
Origination and reversal of temporary differences	( 42,270)	12,881
Total deferred tax	( 42,270)	12,881
Income tax expense	\$ 153,474	\$ 117,706

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31	
	2023	2022
Remeasurement of defined benefit plan	\$ 57	(\$ 650)
Currency translation differences	( 386)	( 438)
	(\$ 329)	(\$ 1,088)

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 152,685	\$ 126,616
Effect from items disallowed by the regulation	( 109)	( 1,676)
Prior year income tax under (over) estimation	1,215	( 20,550)
Change in assessment of realisation of deferred tax assets	( 317)	( 144)
Taxable loss not recognised as deferred tax assets	-	13,460
Income tax expense	\$ 153,474	\$ 117,706

C. Applicable tax rate: Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	Year ended December 31, 2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	\$ 118,220	(\$ 2,246)	\$ -	\$ 115,974
Allowance for bad debts that exceeds the limit for tax purpose	2,786	( 466)	-	2,320
Unused compensated absences for employees	5,957	454	-	6,411
Loss on long-term foreign investments	56,700	( 202)	-	56,498
Unrealised loss on valuation of financial assets and liabilities	-	1,965	-	1,965
Accumulated translation adjustment of long-term equity investments	2,538	-	( 386)	2,152
Unrealised exchange loss	-	1,777	-	1,777
Unrealised provisions	-	7,831	-	7,831
	<u>\$ 186,201</u>	<u>\$ 9,113</u>	<u>(\$ 386)</u>	<u>\$ 194,928</u>
Temporary differences				
Deferred tax liabilities:				
Unrealised exchange gain	(\$ 10,025)	\$ 10,025	\$ -	\$ -
Unrealised gain on valuation of financial assets and liabilities	( 23,184)	23,184	-	-
Remeasurement of defined benefit obligations	( 57)	( 52)	57	( 52)
	<u>(\$ 33,266)</u>	<u>\$ 33,157</u>	<u>\$ 57</u>	<u>(\$ 52)</u>
		<u>\$ 42,270</u>	<u>(\$ 329)</u>	

Year ended December 31, 2022				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences				
Deferred tax assets:				
Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	\$ 99,108	\$ 19,112	\$ -	\$ 118,220
Allowance for bad debts that exceeds the limit for tax purpose	1,822	964	-	2,786
Unused compensated absences for employees	5,861	96	-	5,957
Loss on long-term foreign investments	47,728	8,972	-	56,700
Unrealised loss on valuation of financial assets and liabilities	966 (	966)	-	-
Accumulated translation adjustment of long-term equity investments	2,976	- (	438)	2,538
Unrealised exchange loss	7,850 (	7,850)	-	-
Remeasurement of defined benefit obligations	593	55 (	648)	-
	<u>\$ 166,904</u>	<u>\$ 20,383</u>	<u>(\$ 1,086)</u>	<u>\$ 186,201</u>
Temporary differences				
Deferred tax liabilities:				
Unrealised exchange gain	\$ -	(\$ 10,025)	\$ -	(\$ 10,025)
Unrealised gain on valuation of financial assets and liabilities	- (	23,184)	- (	23,184)
Remeasurement of defined benefit obligations	- (	55)	( 2)	( 57)
	<u>\$ -</u>	<u>(\$ 33,264)</u>	<u>(\$ 2)</u>	<u>(\$ 33,266)</u>
		<u>(\$ 12,881)</u>	<u>(\$ 1,088)</u>	

D. The subsidiary's expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2023				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
105	Amount assessed	\$ 5,558	\$ 5,558	Note
106	Amount assessed	34,245	34,245	Note
107	Amount assessed	35,676	35,676	Note
108	Amount assessed	57,007	57,007	Note
109	Amount assessed	62,640	62,640	Note
110	Amount assessed	53,479	53,479	Note
111	Amount assessed	44,866	44,866	Note
		<u>\$ 293,471</u>	<u>\$ 293,471</u>	



December 31, 2022

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
103	Amount assessed	\$ 436	\$ 436	Note
104	Amount assessed	381	381	Note
105	Amount assessed	5,797	5,797	Note
106	Amount assessed	34,245	34,245	Note
107	Amount assessed	35,676	35,676	Note
108	Amount assessed	57,007	57,007	Note
109	Amount assessed	62,640	62,640	Note
110	Amount assessed	53,479	53,479	Note
111	Amount filed	44,868	44,868	Note
		<u>\$ 294,529</u>	<u>\$ 294,529</u>	

Note: Loss carryforward was not limited to the expiry year according to the Enterprise Income Tax Act of Germany.

E. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

F. Applicable tax rate:

Name of subsidiary	Applicable Income Tax Act	Applicable tax rate
SAMF	Enterprise Income Tax Act of Germany	Applicable tax rate 30%

(29) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 608,436</u>	<u>210,999</u>	<u>\$ 2.88</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	608,436	210,999	
Assumed conversion of all dilutive potential ordinary shares	-	468	
Employees' compensation Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 608,436</u>	<u>211,467</u>	<u>\$ 2.88</u>

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 582,675</u>	<u>201,024</u>	<u>\$ 2.90</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	582,675	201,024	
Assumed conversion of all dilutive potential ordinary shares	<u>-</u>	<u>665</u>	
Employees' compensation Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 582,675</u>	<u>201,689</u>	<u>\$ 2.89</u>

When calculating diluted earnings per share, the Group assumes that the employees' compensation will all be distributed in the form of shares for the period and the resulting potential shares will be included in the weighted average number of ordinary shares outstanding if those shares have a dilutive effect.

(30) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31	
	2023	2022
Purchase of property, plant and equipment	\$ 366,941	\$ 875,259
Add: Opening balance of payable on equipment	369,600	33,759
Add: Opening balance of notes payable on equipment	96,958	24,011
Add: Ending balance of prepayments for business facilities	71,621	23,532
Less: Ending balance of payable on equipment	( 131,804)	( 369,600)
Less: Ending balance of notes payable on equipment	( 20,630)	( 96,958)
Less: Opening balance of prepayments for business facilities	( 23,532)	( 17,448)
Less: Cash from capitalized interest payments	( 9,317)	( 835)
Cash paid during the period	<u>\$ 719,837</u>	<u>\$ 471,720</u>

	Years ended December 31	
	2023	2022
Disposal of property, plant and equipment	\$ 22,399	\$ 163,072
Add: Opening balance of receivable on equipment	66,617	-
Less: Ending balance of receivable on equipment	( 7,342)	( 66,617)
Less: Ending balance of other notes receivable	( 4,475)	-
Cash received during the year	<u>\$ 77,199</u>	<u>\$ 96,455</u>

B. Financing activities with no cash flow effects

	Years ended December 31	
	2023	2022
Stock dividends - capitalization of earnings	\$ -	\$ 103,232
Stock dividends - capitalization of capital surplus	-	91,545
Cash received during the year	<u>\$ -</u>	<u>\$ 194,777</u>

(31) Changes in liabilities from financing activities

	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Dividends payable	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2023	\$ 1,326,569	\$ -	\$ 7,118,378	\$ -	\$ 11,596	\$ 8,456,543
Changes in cash flow from financing activities	( 364,953)	-	( 360)	( 416,892)	( 7,401)	( 789,606)
Changes in other non-cash items	-	-	3,976	416,892	4,303	425,171
Impact of changes in foreign exchange rate	<u>3,528</u>	<u>-</u>	<u>3,794</u>	<u>-</u>	<u>-</u>	<u>7,322</u>
At December 31, 2023	<u>\$ 965,144</u>	<u>\$ -</u>	<u>\$ 7,125,788</u>	<u>\$ -</u>	<u>\$ 8,498</u>	<u>\$ 8,099,430</u>
	Short-term borrowings	Short-term notes and bills payable	Long-term borrowings (including current portion)	Dividends payable	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2022	\$ 538,716	\$ 249,927	\$ 7,038,579	\$ -	\$ 2,954	\$ 7,830,176
Changes in cash flow from financing activities	793,442	( 250,000)	68,714	( 194,777)	( 5,926)	411,453
Changes in other non-cash items	-	73	6,642	194,777	14,568	216,060
Impact of changes in foreign exchange rate	( 5,589)	-	4,443	-	-	( 1,146)
At December 31, 2022	<u>\$ 1,326,569</u>	<u>\$ -</u>	<u>\$ 7,118,378</u>	<u>\$ -</u>	<u>\$ 11,596</u>	<u>\$ 8,456,543</u>

## 7. Related Party Transactions

### Key management compensation

	Years ended December 31	
	2023	2022
Short-term employee benefits	\$ 24,144	\$ 24,035
Post-employment benefits	216	216
Share-based payments	1,295	-
	<u>\$ 25,655</u>	<u>\$ 24,251</u>

## 8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2023	December 31, 2022	
Property, plant and equipment	\$ 4,506,886	\$ 5,634,006	Long-term borrowings Guarantee deposits for CPC corporation and purchases of materials
Pledged time deposits (Note)	32,947	24,755	
	<u>\$ 4,539,833</u>	<u>\$ 5,658,761</u>	

Notes: Shown as non-current financial assets at amortized cost.

## 9. Significant Contingent Liabilities and Unrecognised Contract Commitments

### (1) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2023	December 31, 2022
Property, plant and equipment	<u>\$ 372,426</u>	<u>\$ 614,883</u>

B. The Company entered into a minimum order quantity contract with the main raw material supplier, Emirates Global Aluminium (Singapore) Pte Ltd ("EGA"), on December 6, 2023 to stabilise the safety stock of raw materials. The contract stipulated that the Company shall reach a certain minimum order quantity every year and the payment terms are telegraphic transfer after shipment by EGA. Based on the assessment, the Company shall have no concerns about fulfilling the obligations under the contract before it expires.

### (2) Contingencies

The Group entered into the Sales Representation Agreement (the "Agreement") with the German entity, LCTec GmbH ("LCTec" (Note)), in 2011. The Agreement stipulated that LCTec provides services such as sales management and technical support. The period of the Agreement was to August 31, 2016. Except for a notice 90 days in advance for cancelling the automatic renewal, the

Agreement could continue to be renewed for 2 years automatically. The Group notified LCTec to cancel the automatic renewal in April 2018. The Group later discovered there are flaws that made the Agreement entered into invalid and notified LCTec to terminate the implement of the Agreement immediately in August 2018.

LCTec filed an application to a German arbitration institution for commencing an arbitration in December 2021 and requested the Company to propose the commission reports from November 2018 to November 2021 then pay the commissions and interests based on the reports to it. The management assessed the results of the repayment and recorded the profit or loss recognised for the provision as operating expenses and finance costs according to the nature after taking appropriate legal advice for the year ended December 31, 2023.

Note: The entity had changed its name on September 25, 2018. Its original name was SuperAlloy International GmbH.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

- (1) On March 7, 2024, the Board of Directors of the Company resolved to increase its capital by issuing new shares due to the initial public offering. The Company issued 23,529 thousand shares of common shares, with a par value of \$10 (in dollars) per share, and the tentative premium issuance price was NT\$56 (in dollars) per share. However, the chairman was authorized to set the actual issuance price in accordance with the public offering related securities regulations and market conditions before the listing, which shall have mutual agreement with the lead securities underwriter. The shares would be issued when the case had been resolved by the Board of Directors and approved by the competent authority. In addition, the chairman was authorized to set the payment period, effective date of the capital increase, issuance date of shares and other relevant matters of issuing new shares.
- (2) Refer to Note 6(20)E.(b) for the details of the appropriation of 2023 earnings.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders 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 amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group monitors the Company's capital on the basis of the gearing ratio.

(2) Financial instruments

A. Financial instruments by category

Financial assets	December 31, 2023	December 31, 2022
Financial assets at fair value through profit or loss		
Financial assets held for trading	\$ -	\$ 115,918
Financial assets at amortised cost		
Cash and cash equivalents	\$ 1,237,045	\$ 878,122
Financial assets at amortised cost (including non-current)	32,947	24,755
Notes receivable	4,475	-
Accounts receivable	1,016,780	827,485
Other receivables	76,704	150,335
Guarantee deposits paid	45,517	59,080
	<u>\$ 2,413,468</u>	<u>\$ 1,939,777</u>
Financial liabilities	December 31, 2023	December 31, 2022
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 9,824	\$ -
Financial liabilities at amortised cost		
Short-term borrowings	\$ 965,144	\$ 1,326,569
Notes payable	369,672	430,148
Accounts payable	99,482	73,501
Other accounts payable	679,658	1,055,333
Long-term borrowings (including current portion)	7,125,788	7,118,379
	<u>\$ 9,239,744</u>	<u>\$ 10,003,930</u>
Lease liability	<u>\$ 8,498</u>	<u>\$ 11,596</u>

#### B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury). Group treasury identifies, evaluates and hedges financial risks such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity in close co-operation with the operating units.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

#### C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR and JPY. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require the Group to manage its foreign exchange risk against its functional currency. Each unit of the Group is required to hedge its entire foreign exchange risk exposure with the Group treasury. Each unit of the Group uses natural hedges or forward foreign exchange contracts with the Group treasury to manage and hedge the foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions and recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group hedges foreign exchange rate by using foreign exchange swap contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2023				
(Foreign currency: functional currency)	Foreign currency		Book value	
	amount	Exchange rate		(NTD)
(In thousands)				
Financial assets				
Monetary items				
Bank deposits				
USD:NTD	\$ 16,106	30.7050	\$	494,535
EUR:NTD	2,387	33.9800		81,114
JPY:NTD	2,721,324	0.2172		591,072
Financial assets at amortised cost				
USD:NTD	\$ 1,060	30.7050	\$	32,947
Receivables				
USD:NTD	\$ 19,478	30.7050	\$	598,072
EUR:NTD	5,045	33.9800		171,429
JPY:NTD	1,167,294	0.2172		253,536
Current financial assets at fair value through profit or loss				
EUR:NTD	\$ 49	33.9800	\$	1,670
Financial liabilities				
Monetary items				
Payables				
USD:NTD	\$ 459	30.7050	\$	14,094
EUR:NTD	2,120	33.9800		72,038
Current financial liabilities at fair value through profit or loss				
USD:NTD	\$ 374	30.7050	\$	11,494



December 31, 2022				
(Foreign currency: functional currency)	Foreign currency		Book value	
	amount	Exchange rate		(NTD)
(In thousands)				
Financial assets				
Monetary items				
Cash in banks				
USD:NTD	\$ 24,652	30.7100	\$	757,063
EUR:NTD	1,584	32.7200		51,828
JPY:NTD	40,403	0.2324		9,390
Financial assets at amortised cost				
USD:NTD	\$ 760	30.7100	\$	23,340
Receivables				
USD:NTD	\$ 21,196	30.7100	\$	650,929
EUR:NTD	8,708	32.7200		284,926
JPY:NTD	87,330	0.2324		20,295
Current financial assets at fair value through profit or loss				
USD:NTD	\$ 3,775	30.7100	\$	115,918
Financial liabilities				
Monetary items				
Payables				
USD:NTD	\$ 778	30.7100	\$	23,892
EUR:NTD	2,388	32.7200		78,135
Bank borrowings				
USD:NTD	\$ 6,348	30.7100	\$	194,947

- v. The Group's subsidiaries conduct forward foreign exchange contracts. Foreign currency amount is the notional principal. Exchange rate is forward exchange rate that is estimated to be settled at the balance sheet date, and the book value is the amount recognized.
- vi. The total net exchange gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022, amounted to \$18,697 thousand and \$123,737 thousand, respectively.

vii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	December 31, 2023		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
<u>Cash in banks</u>			
USD:NTD	1%	\$ 4,945	\$ -
EUR:NTD	1%	811	-
JPY:NTD	1%	5,911	-
<u>Financial assets at amortised cost</u>			
USD:NTD	1%	\$ 329	-
<u>Receivables</u>			
USD:NTD	1%	\$ 5,981	-
EUR:NTD	1%	1,714	-
JPY:NTD	1%	2,535	-
<u>Current financial assets at fair value through profit or loss</u>			
USD:NTD	1%	\$ 17	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
<u>Payables</u>			
USD:NTD	1%	\$ 141	-
EUR:NTD	1%	720	-
<u>Current financial liabilities at fair value through profit or loss</u>			
USD:NTD	1%	\$ 115	-

December 31, 2022				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
Cash in banks				
USD:NTD	1%	\$	7,571	\$ -
EUR:NTD	1%		518	-
JPY:NTD	1%		94	-
Financial assets at amortised cost				
USD:NTD	1%	\$	233	\$ -
Receivables				
USD:NTD	1%	\$	6,509	\$ -
EUR:NTD	1%		2,849	-
JPY:NTD	1%		203	-
Current financial assets at fair value through profit or loss				
USD:NTD	1%	\$	1,159	-
Financial liabilities				
Monetary items				
Payables				
USD:NTD	1%	\$	239	\$ -
EUR:NTD	1%		781	-
Bank borrowings				
USD:NTD	1%	\$	1,949	\$ -

#### Price risk

None.

#### Cash flow and fair value interest rate risk

- The Group's interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. However, partial interest rate risk is offset by cash and cash equivalents held at variable rates. For the years ended December 31, 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars and Euros.
- If the interest rates of had increased or decreased by 1%, the maximum impact on the net

of tax for the years ended December 31, 2023 and 2022 would have decreased or increased by \$64,727 thousand and \$67,560 thousand, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated at amortised cost and at fair value through profit or loss.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard receipt or payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 1 year.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Group classifies customers' accounts receivable by applying the modified approach using a provision matrix based on the loss rate methodology to estimate the expected credit loss.
- viii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

- ix. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2023 and 2022, the provision matrix is as follows:

<u>At December 31, 2023</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.09%	\$ 953,213	\$ 877
Up to 30 days	1.01%	53,296	538
31 to 90 days	7.18%	9,509	683
91 to 180 days	14.87%	2,791	415
Over 180 days	62.33%	1,285	801
Over 1 year	100%	7,220	7,220
		<u>\$ 1,027,314</u>	<u>\$ 10,534</u>
<u>At December 31, 2022</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.12%	\$ 712,556	\$ 865
Up to 30 days	1.00%	85,196	852
31 to 90 days	5.47%	23,177	1,267
91 to 180 days	23.07%	7,901	1,823
Over 180 days	51.84%	7,189	3,727
Over 1 year	100%	2,427	2,427
		<u>\$ 838,446</u>	<u>\$ 10,961</u>

- x. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>2023</u>	<u>2022</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 10,961	\$ 6,561
Expected credit loss	( 427)	5,786
Write-offs of allowance for uncollectible accounts	-	( 1,386)
At December 31	<u>\$ 10,534</u>	<u>\$ 10,961</u>

(c) Liquidity risk

- i. Group treasury monitors rolling forecasts of the liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits and beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating rate		
Expiring within one year	\$ 2,000,000	\$ 2,125,516
Expiring beyond one year	-	950,000
	<u>\$ 2,000,000</u>	<u>\$ 3,075,516</u>

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities.

	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 year(s)</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
December 31, 2023						
Non-derivative financial liabilities						
Short-term borrowings (Note)	\$ 567,197	\$ 400,476	\$ -	\$ -	\$ -	\$ 967,673
Notes payable	368,560	1,112	-	-	-	369,672
Accounts payable	95,719	3,763	-	-	-	99,482
Other payables	679,658	-	-	-	-	679,658
Long-term borrowings (including current portion; Note)	200,435	1,123,474	1,442,228	2,314,097	2,277,772	7,358,006
Lease liability (Note)	1,882	3,382	2,170	1,170	-	8,604
Derivative financial liabilities						
Forward exchange contract	\$ -	\$ 9,824	\$ -	\$ -	\$ -	\$ 9,824

December 31, 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 year(s)	Between 2 and 5 years	Over 5 years	Total
Non-derivative financial liabilities						
Short-term borrowings (Note)	\$ 534,612	\$ 824,056	\$ -	\$ -	\$ -	\$ 1,358,668
Notes payable	429,326	822	-	-	-	430,148
Accounts payable	56,631	16,870	-	-	-	73,501
Other payables	1,055,333	-	-	-	-	1,055,333
Long-term borrowings (including current portion; Note)	65,676	425,530	1,728,129	2,529,411	2,889,222	7,637,968
Lease liability (Note)	1,522	4,565	3,344	2,340	-	11,771

Note: The amount includes expected future interest payments.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The Group's financial instruments not measured at fair value includes the carrying amount of cash and cash equivalents, accounts receivable, other receivables, financial assets at amortised cost, short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2023 and 2022 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2023	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial assets mandatorily measured at fair value through profit or loss				
-Derivative instruments	\$ -	\$ 9,824	\$ -	\$ 9,824
December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets mandatorily measured at fair value through profit or loss				
-Derivative instruments	\$ -	\$ 115,918	\$ -	\$ 115,918

D. The methods and assumptions the Group used to measure fair value are as follows:

- (a) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (b) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants. Forward exchange contracts are usually valued based on the current forward exchange rate.
- (c) For the years ended December 31, 2023 and 2022, there was no transfer between Level 1 and Level 2.
- (d) For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.

### 13. Supplementary Disclosures

#### (1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates



and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative financial instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(3).

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: None.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Not applicable.

14. Operating Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. It has been identified that the Group has two reportable operating segments which were divided based on different products including rims and other products (chassis components, aerospace components and aluminium, etc.).

There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(2) Measurement of segment information

A. The Group did not allocate income tax expenses to reportable segments. The reportable

amounts are in agreement with the amount stated in the report to the Chief Operating Decision-Maker.

- B. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4. The Group's segment profit or loss is measured with the gross profit, which is used as a basis for the Group in assessing the performance of the operating segments.

(3) Information about segment revenue and segment income (loss)

For the years ended December 31, 2023 and 2022, the segment information provided to the chief operating decision-maker for the reportable segments is as follows:

<u>Year ended December 31, 2023</u>	<u>Wheels</u>	<u>All other segments</u>	<u>Write-offs</u>	<u>Total</u>
Revenue				
Revenue from external customers	\$ 6,630,143	\$ 1,149,173	\$ -	\$ 7,779,316
Inter-segment revenue	-	-	-	-
Total segment revenue	<u>\$ 6,630,143</u>	<u>\$ 1,149,173</u>	<u>\$ -</u>	<u>\$ 7,779,316</u>
Segment income	<u>\$ 1,623,982</u>	<u>\$ 110,433</u>	<u>\$ -</u>	<u>\$ 1,734,415</u>
<u>Year ended December 31, 2022</u>	<u>Wheels</u>	<u>All other segments</u>	<u>Write-offs</u>	<u>Total</u>
Revenue				
Revenue from external customers	\$ 5,080,790	\$ 1,320,949	\$ -	\$ 6,401,739
Inter-segment revenue	-	-	-	-
Total segment revenue	<u>\$ 5,080,790</u>	<u>\$ 1,320,949</u>	<u>\$ -</u>	<u>\$ 6,401,739</u>
Segment income	<u>\$ 782,028</u>	<u>\$ 430,658</u>	<u>\$ -</u>	<u>\$ 1,212,686</u>

(4) Reconciliation for segment revenue and segment income (loss)

- A. Total revenue is consistent with the total revenue of reportable operating segments. No reconciliation required.
- B. Pre-tax adjustment is consistent with the reportable segment income or loss. No reconciliation required.

(5) Information and products and services

The Group is engaged in forging, manufacturing, processing and trading of aircraft components, vehicles and motorcycle components, aluminium-copper, steel-titanium alloys, hardware parts, and mold coupler, which are divided into wheels, chassis parts and aerospace parts.

	Year ended December 31, 2023	Year ended December 31, 2022
Wheels	\$ 6,630,143	\$ 5,080,790
Chassis parts and aerospace parts	1,149,173	1,320,949
	<u>\$ 7,779,316</u>	<u>\$ 6,401,739</u>

(6) Geographical information

Geographical information for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Non-current assets	Revenue	Non-current assets
UK	\$ 1,936,854	\$ -	\$ 1,371,977	\$ -
USA	1,886,861	-	1,593,984	-
Germany	1,813,179	350,846	1,674,069	374,794
Europe	481,456	-	543,587	-
Taiwan	1,636,519	8,092,002	1,148,978	8,295,989
Others	24,447	-	69,144	-
	<u>\$ 7,779,316</u>	<u>\$ 8,442,848</u>	<u>\$ 6,401,739</u>	<u>\$ 8,670,783</u>

The Group's geographical revenue is calculated based on the countries where sales occur. Europe refers to European countries other than the United Kingdom and Germany, including Italy, Austria, Belgium, Slovakia, and Sweden. Other countries include Australia and China. Non-current assets refer to property, plant and equipment, right-of-use assets, investment property, intangible assets (shown as other non-current assets) and guarantee deposits paid (shown as other non-current assets), but exclude financial instruments and deferred income tax assets.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Revenue	Segment	Revenue	Segment
A	\$ 1,275,133	16	\$ 778,594	12
B	982,864	13	689,338	11
C	746,080	10	644,602	10
	<u>\$ 3,004,077</u>	<u>39</u>	<u>\$ 2,112,534</u>	<u>33</u>

SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2023	Balance at December 31, 2023	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
0	SUPERALLOY INDUSTRIAL CO., LTD.	SuperAlloy Manufaktur GmbH	Other receivables	Y	122,328	122,328	122,328	1.64%	Note 2	239,092	Not applicable	-	None	-	239,092	1,547,067	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:  
(1) The Company is ‘0’.  
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: The amount of transactions with the borrower for a most recent year.

Note 3: The amount of loan at the end of the period has been translated at the exchange rate prevailing at December 31, 2023.

Note 4: For the companies having business relationship with the Company, the ceiling on total loans granted shall not exceed 20% of the creditor’s net worth; limit on loans granted to a single party shall not exceed the amount of business transactions occurred between the creditor and borrower in the latest one year.

SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Party being endorsed/ guaranteed		Relationship with the endorser /guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2023	Outstanding endorsement/ guarantee amount at December 31, 2023	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
	Endorser/guarantor	Company name												
0	SUPERALLOY INDUSTRIAL CO., LTD.	SuperAlloy Manufaktur GmbH	2	\$ 2,320,601	\$ 225,522	\$ 225,522	\$ 190,183	\$ -	2.92%	\$ 2,320,601	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/ guaranteed subsidiary.

(3) The Endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/ guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Limit on endorsements/guarantees provided for a single party is 20% of the Company's net assets. However, limit on endorsements/guarantees provided for a single overseas affiliate is 30% of the Company's net assets.

SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2023

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable	Footnote
SUPERALLOY INDUSTRIAL CO., LTD.	SuperAlloy Manufaktur GmbH	The Company's subsidiary	Outsourcing expenses	\$ 239,092	7.79%	Payment term is 30 days after monthly billings.	Note 1	Note 1	\$ 3,310	0.71%	Note 2

Note 1: It is refer to the market price and would be determined based on mutual agreement.

Note 2: The transaction had been eliminated in the consolidated financial statements.

SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2023

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023			Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts	Footnote
			General ledger account	Amount	Turnover rate	Amount	Action taken			
SUPERALLOY INDUSTRIAL CO., LTD.	SuperAlloy Manufaktur GmbH	The Company's subsidiary	Other receivables	\$ 123,009	-	\$ -	-	\$ -	\$ -	Notes 2, 3

Note 1: Amounts have been collected as of March 7, 2024.

Note 2: The transaction had been eliminated in the consolidated financial statements.

Note 3: The amount is in the nature of a loan of funds, thus the turnover rate is not applicable.

SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
Significant inter-company transactions during the reporting periods  
Year ended December 31, 2023

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	SUPERALLOY INDUSTRIAL CO., LTD.	SuperAlloy Manufaktur GmbH	1	Outsourcing expenses	\$ 239,092	Payment term is 30 days after monthly billings.	3.07%
0	SUPERALLOY INDUSTRIAL CO., LTD.	SuperAlloy Manufaktur GmbH	1	Other receivables	123,009	Interests are paid semi-annually.	0.71%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: It refers to the market price and would be determined based on mutual agreement.



SUPERALLOY INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2023

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023 (Note 2)	Investment income (loss) recognised by the Company for the year ended December 31, 2023 (Note 2)	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
SUPERALLOY INDUSTRIAL CO., LTD.	SuperAlloy Manufaktur GmbH	Germany	Coating and manufacturing of rims	\$ 358,258	\$ 358,258	-	100.00	\$ 52,863	\$ 1,011	\$ 1,011	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2023' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the year ended December 31, 2023' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company for the year ended December 31, 2023' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.