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NAK SEALING TECHNOLOGIES CORPORATION

ANNUAL REPORT 2023



NAK

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<http://www.nak.com.tw/>

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IV. Name of auditors of the latest audited financial report, and name, address, telephone and website of CPA firm

Accounting Firm: PricewaterhouseCoopers Taiwan

CPAs: Sung-Yuan Wu and Chih-Wei Lai

Address: 12F, No. 402, Shizheng Road, Xitun District, Taichung City

Tel.: (04) 2704-9168

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

V. Name of overseas exchange where securities are listed, and the methods for inquiring the foreign-listed securities: NA.**VI. Corporate website: <http://www.nak.com.tw>**

Table of Contents

One. Letter to Shareholders	1
I. 2023 Business Report	1
II. Summary of 2024 business plan	3
III. Future development strategies	3
IV. Influence of external competition	4
V. Impact of the regulatory environment and macroeconomic environment	4
Two. Company Profile	5
I. Date of establishment	5
II. Company history	5
Three. Corporate Governance Report	10
I. Organizational system	10
II. Profile of directors, president, vice presidents, assistant vice presidents, and supervisors of departments and branches	13
III. Implementation of corporate governance	32
IV. Audit fee of independent auditors	80
V. Information on change of accountant	80
VI. If the chairman, president and managers in charge of the Company's finance and accounting operations held any positions within the Company's independent audit firm or its affiliates during the past one year	80
VII. Changes in the transfer or pledge of shares by directors, supervisor, managerial officers, and shareholders holding over 10% of the outstanding shares in the past year and by the date of report publication.	81
VIII. Information on top ten shareholders who have mutual relationship as related parties as specified in the Financial Accounting Standards Bulletin No. 6	82
IX. The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company	83
Four. Financing Activities	84
I. Capitals and shares	84
II. Issuance of corporate bonds	91
III. Preferred stock, global depository receipts, employee stock options and new share issuance in connection with mergers and acquisitions	91
IV. Implementation of the Company's capital allocation plans	91
Five. Overview of Operations	92
I. Scope of business	92
II. Markets, production, and marketing overview	99
III. Employees	106
IV. Environmental protection expenditure:	106
V. Labor relations	107
VI. Cybersecurity Management	109

VII. Important contracts	110
Six. Overview of Financial Status	111
I. Condensed financial information for the last five fiscal years	111
II. Financial analysis for the last five years	116
III. Audit committee review of the most recent annual financial report	119
IV. Most recent annual financial report	120
V. Consolidated financial statements for the most recent fiscal year audited and certified by certified public accountants	120
VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation	120
Seven. Review and Analysis of the Financial Position and Results of Operations and Risk Management	121
I. Financial position	121
II. Operating results	122
III. Cash flow	123
IV. impact of major capital expenditures on financial operations during the latest fiscal year	124
V. Company's investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving investment profitability, and investment plans for the coming year	124
VI. Risk management and assessment	124
VII. Other important matters	128
Eight. Special Items to be Included	129
I. Information related to the Company's affiliates	129
II. Status of private placement of securities during the most recent fiscal year or up to the date of publication of the annual report	133
III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or up to the date of publication of the annual report	133
IV. Other matters that require additional description	133
Nine. Situations Listed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act Materially Affecting Shareholders' Equity or the Share Price	133

One. Letter to Shareholders

I. 2023 Business Report:

1. Achievements of business plan

The Company's consolidated revenue in 2023 is NT\$4,786,526 thousand, representing an increase of 15.00% from NT\$4,162,236 thousand in 2022; the net profit before tax in 2023 is NT\$1,328,902 thousand, representing an increase of 46.35% from NT\$908,003 thousand in 2022. This is mainly due to the rebound in the market demand for the current year, so that both net revenue and net profit before tax in 2023 increased compared with the previous period.

Unit: In NT\$ thousand

General ledger account	2023	2022	Change in %
Net Operating Income	4,786,526	4,162,236	15.00%
Gross profit	1,971,202	1,452,770	35.69%
Operating Income	1,306,083	830,909	57.19%
Pre-tax net income	1,328,902	908,003	46.35%
Net income after tax	980,511	651,774	50.44%

2. Budget execution:

The Company is not required to make public financial forecasts for 2023 under the prevailing laws. Business performance is generally in line with internal plans.

3. Analysis of revenue and expenditure and profitability:

Item		2023	2022
Financial structure (%)	Debt-to-total-assets ratio	25.08	33.58
	Long-term funds to fixed assets ratio (%)	240.53	255.18
Solvency (%)	Current ratio	376.65	247.70
	Quick ratio	255.45	152.27
Profitability (%)	Return on total assets	18.70	12.97
	Return on shareholders' equity	26.33	19.42
	Net margin	20.48	15.66
	Basic earnings per share	11.77	7.82

4. Status on research and development:

(1). Research and development results of 2023:

Item	Description
Technologies and products successfully developed	<ol style="list-style-type: none"> 1. OEM products in the automotive industry, oil seals used in gearbox of electric vehicles. 2. OEM products in the automotive industry, oil seals used in vehicle axles. 3. OEM products in the automotive industry, oil seals used in vehicle shock absorbers. 4. OEM products for industrial applications, oil seals used in low torque reducers. 5. OEM products for industrial applications, oil seals used in precision gearboxes. 6. OEM products for industrial applications, oil seals used in washing machines oil seal. 7. OEM products for agricultural construction and mining industries, oil seals used in agricultural machinery axles. 8. OEM products for agricultural construction and mining industries, oil seals used in agricultural hydraulic pumps. 9. OEM products for agricultural construction and mining industries, oil seals used in axles of construction machinery. 10. OES products in the automotive industry, oil seals used in vehicle shock absorbers. 11. OES products in the automotive industry, oil seals used in vehicle axles. 12. As for the AF products in the automotive industry, the following products have been developed in line with the sales department's strategy for the aftermarket segment: <ol style="list-style-type: none"> (1) Steering gearbox repair kit. (2) Steering pump repair kit. (3) Automatic transmission pistons repair kit. 13. Development of injection molding-grade rubber compound.

(2) The research and development expenses of 2023 is NT\$79,303 thousand, accounting for 1.66% of the net revenue.

II. Summary of 2024 business plan

1. Operating principles:

- (1) Maintain return on equity for shareholders.
- (2) Improve market share.
- (3) Information synchronization.
- (4) Business globalization.
- (5) Improve product mix.

2. Expected sales and its bases:

The 2024 revenue is still expected to come from oil seal products. The Company will expand the sales of strategic products to the existing customers to further cultivate the market, and at the same time actively develop OEM clients at home and abroad. It is expected that the European and American markets will account for 45% of the 2024 revenue. At the same time, we will continue to expand the strategic planning in the markets in Asia and emerging countries. However, the European and US markets have conservative prospects. It is expected that the revenue will decrease from last year.

3. Important manufacturing and sales policies:

(1) Key points for sales execution plan:

- A. Develop large-scale OEM clients.
- B. Develop medium-sized OEM clients.
- C. Develop aftermarket business.
- D. Reduce costs and increase profits.

(2) Production strategies and important action plans:

- A. Technical services for entire process.
- B. High-efficiency manufacturing process.
- C. International brands.
- D. Convenient transactions.

III. Future development strategies

To achieve the Company's vision of building world-class brands and factories, and the long-term global development, the strategies include:

1. Develop eight major businesses in the automotive OEM industry.
2. Develop automotive AF components market.
3. Develop eight major businesses in the industrial OEM market.
4. Expand the industrial AF components market.
5. Develop agricultural construction and mining OEM businesses.
6. Expand the agricultural construction and mining AF components market.

Looking forward to improving the Company's performance with on-time delivery, quick sample delivery, sealing solutions, product enhancements, consistent quality, and customer satisfaction.

IV. Influence of external competition

The external competition mainly comes from the rise of new manufacturers in emerging countries, the increasingly fierce price competition and the fluctuating raw materials cost. In response to these trends, the Company has formulated relevant countermeasures which include (1) Reducing costs and improving efficiency; (2) Technological innovation breakthroughs to develop value-added products; (3) Cultivating OEM markets; (4) Providing customers with convenient transaction modes; (5) Price changes to meet the challenges brought by these trends.

V. Impact of the regulatory environment and macroeconomic environment

We pay close attention to the standards of domestic and foreign regulatory environments in order to respond to their changes. In 2024, due to the global economic instability and the impact of the Russia-Ukraine war, Israel-Palestine Conflict, and inflation and rate hikes, we will continue to control costs, adopt internal agile process tools to further improve quality, provide differentiated services to clients, and actively develop new markets and products to increase revenue.

Finally, we give all valued shareholders our best wishes.

We wish everyone good health, good luck, and prosperity.

Chairman

Cheng-Fu Shih

Two. Company Profile

I. Date of establishment: August 4, 1976

II. Company history:

Year	History
1976	NAK Oil Seals Industrial Limited Company was established in Changhua with a capital of NT\$1 million. The company is engaged in the processing, manufacturing, import and export of a variety of oil seals.
1979	Applied for factory expansion in Nan-Gang Industrial District. Increase the production and sales of new types of o-rings.
1980	Moved to Nan-Gang Industrial District, which is NAK #1 factory. Cash capital increase of NT\$440,000, and the capital was increased to NT\$1.44 million. Production and sales of new types of o-ring kits.
1981	Expand the market in the Americas.
1982	Expand the market in Europe. Cash capital increase of NT\$4.56 million, and the capital was increased to NT\$6 million. Renamed as NAK Oil Seals Industrial Company Limited.
1983	Production and sales of new bonded seals. Cash capital increase of NT\$6 million, and the capital was increased to NT\$12 million.
1984	Started using the office building of NAK #1 factory. Established the employee welfare committee, and employees are responsible for coordinating various welfare measures.
1985	Production and sales of new CV joint boots.
1986	Purchased HP3000 computer systems to be incorporated into the comprehensive computerized operations. Cash capital increase of NT\$6 million, and the capital was increased to NT\$18 million. Established affiliate Lian-Shun Company, which occupies an area of 2,500 square meters.
1987	Added UK-made cutting machine into the production to make the process quicker and improve the product yield.
1988	Purchased CNC lathes to add mold manufacturing. Established R&D and quality control units to strengthen new product development and implement total quality management.
1989	Obtained the machinery component standards (MCS) certification. Added production and sales of new v-seals and valve stem seals. Collaborated with the China Productivity Center to promote production automation.
1990	Chairman Cheng-Fu Shih was elected as one of the members of the 13th National Top Ten Young Entrepreneurs Award. Production and sales of piston seals. Cash capital increase of NT\$11.48 million, and the capital was increased to NT\$29.48 million.
1991	Purchased land in the Dagang section of Nantou City, which covered an area of 19,923

Year	History
	square meters, to construct NAK #2 factory.
1992	Established the ISO 9000 quality certification coordination committee to promote standardization and quality management.
1993	Completed NAK #2 factory. Purchased new models of automated machinery to be added to the production capability.
1994	NAK #2 factory started production. Cash capital increase of NT\$14.74 million, and capitalization of profit of NT\$14.74 million, and the capital was increased to NT\$58.96million. Added HP 9000 computer systems and obtained ISO 9002 certification.
1995	One of the winners of the 4th National Award of Outstanding SMEs given by the Ministry of Economic Affairs. Cash capital increase of NT\$14.74 million, and capitalization of profit of NT\$44.22 million, and the capital was increased to NT\$117.92 million. Production and sales of polyurethane seals, hydraulic seals and PTFE seals.
1997	Capitalization of profit of NT\$47,168,000, and the capital was increased to NT\$165,088,000. Promoted computerization of management information systems. Invested in subsidiaries Race-Tec NAK Limited, NAK Australia PTY Limited, and Kish NAK Oil Seal Production Company. Production and sales of new types of boots.
1998	Merged with affiliate Lian-Shun Company, and the capital was increased to NT\$181,596,800. Implemented CIS.
1999	Implemented QS 9000 quality system. Merged with affiliates Long-Tu Company and Yi-Cheng Company, and the capital was increased to NT\$199,954,800, and the combined total land area became 27,969 square meters. Capitalization of profits of NT\$100,045,200, and the capital was increased to NT\$300 million. Commission Yuanta Securities to assist in the public listing of the Company's stocks.
2000	Set up a distribution warehouse to provide customers with faster service. Finished products automated warehousing to be added to the production capability. Implemented QS 9000 quality system. Established Kunshan Maoshun Sealing Products Industrial Co., Ltd. in Shanghai, China to serve China's domestic market. Capitalization of profits of NT\$120 million, and the capital was increased to NT\$420 million.
2001	Added Sen-Chuan Lin and Ren-An Chen as directors of the board, and Shu-Yen Liao and Chun-Chieh Lai as supervisors. Completed the establishment of Kunshan Maoshun Sealing Products Industrial Co., Ltd.,

Year	History
	and the facility started production and sales. Capitalization of profits and employee benefits of NT\$44,380,200, and the capital was increased to NT\$464,380,200 million.
2002	IPO on Taiwan Stock Exchange. By-election of Tsai-Chun Liao and Ping-Sen Shih as directors, and elected Pen-Jung Chen as supervisor.
2002	Renamed as NAK Sealing Technologies Corporation. Capitalization of profits and employee benefits of NT\$48,744,800, and the capital was increased to NT\$513,125,000.
2003	Automated warehousing for molds to be added to the production capability. Production and sales of new DSP packing and gaskets. Capitalization of profits and employee benefits of NT\$54,867,370, and the capital was increased to NT\$567,992,370.
2004	Issued first series domestic unsecured convertible corporate bonds. Re-election of directors and supervisors (all re-elected). Purchased land covering an area of 4,259 square meters, to construct NAK #5 factory. Capitalization of profits and employee benefits of NT\$61,347,630, and raised capital of NT\$25,642,030 from converting corporate bonds into common stocks, and the capital was increased to NT\$654,982,030.
2005	TPE (thermoplastic elastomer) production line to be added to the production capacity. The original NAK #4 factory area, measuring 3,896 square meters, next to #2 had the construction of new plant facilities. Capitalization of profits and employee benefits of NT\$36,767,960 and raised capital of NT\$30,102,590 from converting corporate bonds into common stocks, and the capital was increased to NT\$721,852,580.
2006	Capitalization of profits and employee benefits of NT\$38,084,190 and raised capital of NT\$3,254,530 from converting corporate bonds into common stocks, and the capital was increased to NT\$763,191,300. Established a subsidiary in Thailand for the expansion in the Southeast Asian market. Obtained ISO/TS1 6949 certification.
2007	NAK #4 factory started production. Re-election of directors and supervisors, and Chiang-Ling Chien and Yu-Chuan Wei were elected as directors. OPF (one-piece flow) production line to be added to the production capacity. Capitalization of profits and employee benefits of NT\$42,369,300 and raised capital of NT\$19,439,420 from converting corporate bonds into common stocks, and the capital was increased to NT\$825,000,020. Increased overseas investment: Brazil and Russia to expand overseas markets.
2008	Raised capital of NT\$5,421,860 from converting corporate bonds into common stocks, and the capital was increased to NT\$830,421,880.

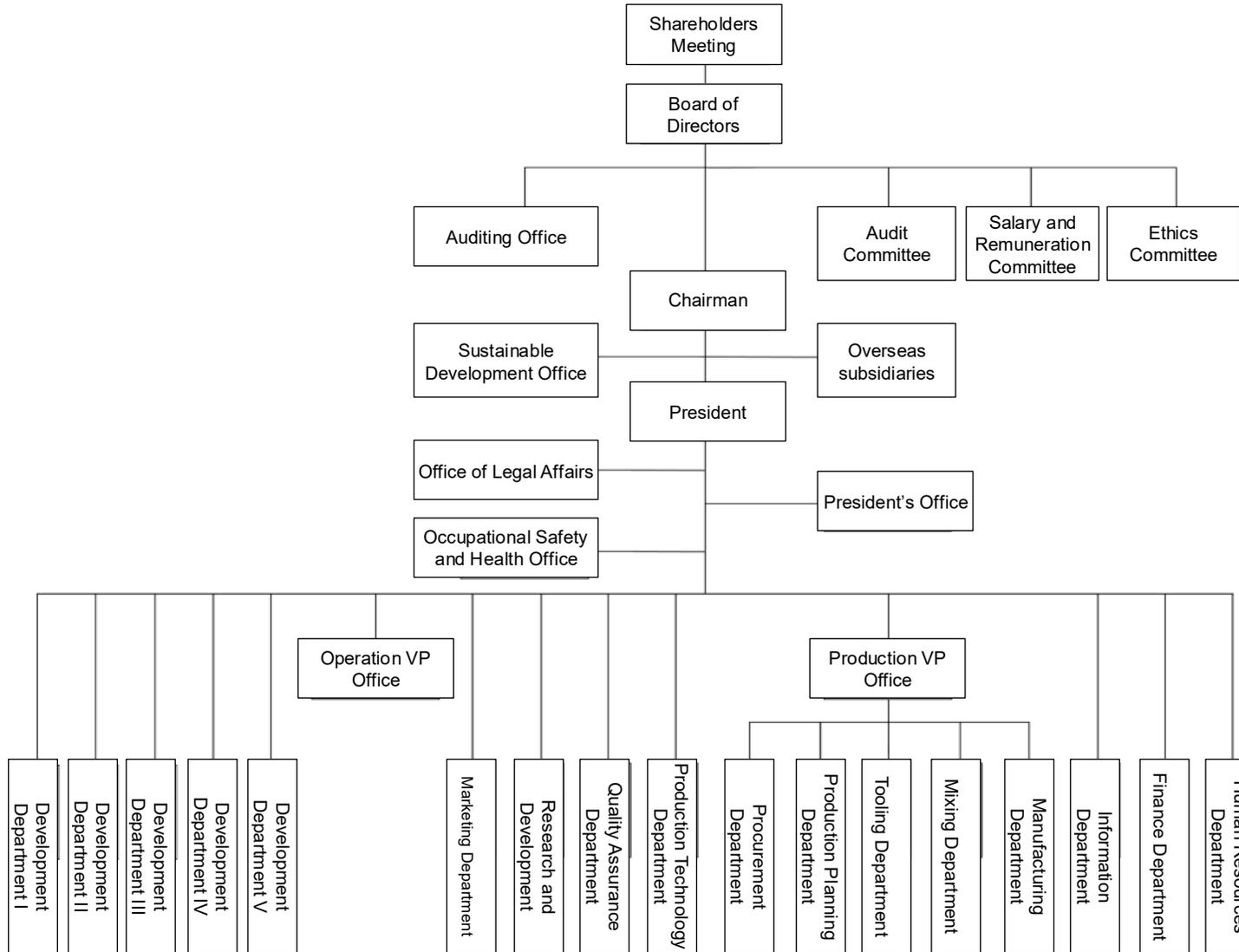
Year	History
	<p>Securities and Futures Institute rated the Company A in the 5th Listed and OTC Company Information Disclosure Evaluation.</p> <p>Obtained ISO 14001 and OHSAS 18001 certification.</p>
2009	<p>Invested subsidiary in China began the plan of land purchase for factory relocation.</p> <p>Increased the capital to NT\$831,613,200.</p>
2010	<p>Re-election of directors and supervisors, and elected Ming-Yao Shih, Mei-Chueh Chien and Chi-Yuan Shih as directors, and Li-Li Pei as a supervisor.</p>
2011	<p>Securities and Futures Institute rated the Company A in the 8th Listed and OTC Company Information Disclosure Evaluation.</p> <p>Established Salary and Remuneration Committee.</p> <p>NAK Taiwan implemented the SAP ERP system.</p>
2012	<p>Securities and Futures Institute rated the Company A in the 9th Listed and OTC Company Information Disclosure Evaluation.</p> <p>Increased investment in India to expand overseas markets.</p>
2013	<p>Invested subsidiary in China put its factory into operation.</p> <p>Securities and Futures Institute rated the Company A in the 10th Listed and OTC Company Information Disclosure Evaluation.</p> <p>NAK's subsidiary in Thailand implemented the SAP ERP system.</p>
2014	<p>Securities and Futures Institute rated the Company A in the 11th Listed and OTC Company Information Disclosure Evaluation.</p> <p>Added subsidiary Hong-Wei Medical Equipment Co., Ltd.</p>
2015	<p>Increased investment in Australia and Guangzhou, China to expand overseas markets.</p> <p>Securities and Futures Institute ranked the Company in the 66%-80% in the 2nd Listed and OTC Company "Corporate Governance Evaluation".</p> <p>Subsidiary Kunshan NAK Sealing implemented the SAP ERP system.</p> <p>Obtained healthy workplace certification.</p>
2016	<p>Established an audit committee.</p> <p>Securities and Futures Institute ranked the Company in the 36%-50% in the 3rd Listed and OTC Company "Corporate Governance Evaluation".</p>
2017	<p>Obtained IATF 16949 certification.</p> <p>Securities and Futures Institute ranked the Company in the 36%-50% in the 4th Listed and OTC Company "Corporate Governance Evaluation".</p>
2018	<p>Obtained ISO 50001 certification.</p> <p>Securities and Futures Institute ranked the Company in the 51%-65% in the 5th Listed and OTC Company "Corporate Governance Evaluation".</p> <p>Hong-Wei Medical Equipment Co., Ltd. was renamed as Triple Shun Industrial Co., Ltd.</p> <p>In June 2018, the Group raised capital of NT\$3,025 thousand in Brazilian Real through SHOWMOST International Co., Ltd. (hereinafter referred to as "SHOWMOST") to be paid to NAK DO BRASIL INDUSTRIA E COMERCIO DE COMPONENTES DE VEDACAO LTDA. (hereinafter referred to "NAK Brazil"), and sold the entire stake in</p>

Year	History
	<p>NAK Brazil in the same month.</p> <p>Obtained the OHSAS 18001 certification in 2008; the certification was revised as ISO 45001 in 2018.</p>
2019	<p>Securities and Futures Institute ranked the Company in the 51%-65% in the 6th Listed and OTC Company “Corporate Governance Evaluation”.</p> <p>Added subsidiary Sung-Chuan International Company.</p> <p>Obtained the certification of cleaner production assessment system of the Green Factory Label.</p>
2020	<p>Securities and Futures Institute ranked the Company in the 66%-80% in the 7th Listed and OTC “Company Corporate Governance Evaluation”.</p> <p>Received the Healthy Workplace Certification - Maternal Health Friendly Award from the Health Promotion Administration.</p>
2021	<p>Established an ethics committee.</p> <p>Short form merger with subsidiary Triple Shun Industrial Co., Ltd.</p> <p>Securities and Futures Institute ranked the Company in the 66%-80% in the 8th Listed and OTC Company “Corporate Governance Evaluation”.</p>
2022	<p>Securities and Futures Institute ranked the Company in the 66%-80% in the 9th Listed and OTC Company “Corporate Governance Evaluation”.</p> <p>Received the Family Friendly Enterprise Award from the Ministry of Education.</p>
2023	<p>The Company has completed the inventory of greenhouse gas (GHG) emissions in 2022.</p> <p>Securities and Futures Institute ranked the Company in the 66%-80% in the 10th Listed and OTC Company “Corporate Governance Evaluation”.</p>

Three. Corporate Governance Report

I. Organizational system

(1) Organizational structure:



(II) Business operations of main departments:

Department Name	Organizational Responsibility
Auditing Office	Coordinate the planning, implementation and audit of the Company's internal systems, and provide the management with improvement suggestions.
Sustainable Development Office	Coordinate sustainable development tasks, lead the writing of the report and lead the planning for improvement.
President's Office	Formulate company policies, determine operation and management strategies, and approve the goals of each department. Facilitate the normal, reasonable, standardized and systematic management of each department.
Office of Legal Affairs	Trademark patent, litigation, contract management, legal consultation, corporate governance and risk control.
Occupational Safety and Health Office	Management of environmental protection systems and occupational safety systems, and planning and implementation of daily environmental safety tasks.
Human Resources Department	Manpower development, manpower retention, manpower compensation, knowledge management, corporate culture, value promotion, general affairs management, and employee welfare promotion.
Procurement Department	Domestic and foreign procurement plan formulation, supplier development, supplier evaluation and management, procurement contract formulation and management, purchase price agreement and management.
Marketing Department	Market intelligence investigation, marketing planning management, marketing material production, and brand management.
Development Department Operations Department	Execution and achievement of revenue targets, preside over production and sales coordination, implement new product promotion/new customer/new market development, collect feedback on existing market competitors, customer quotation management, sample tracking and management, marketing campaign execution, distributor management, accounts payable management, order management, customer delivery schedule management, and customer relation management.
Research and Development Department	Basic research management and application, new product planning, new product development and design, design change of existing product, materials development, technical services to customers, and technical data management.
Quality Assurance Department	Quality system management, quality project management, handle external customer complaints, document management.
Production Technology	Improvement to defective products, basic research, process improvement, handle internal exceptions.

Department	
Production Planning Department	<p>Management of production planning, material planning, production scheduling, production progress control, outsourced processing, shipping process and shipping services companies.</p> <p>Industrial engineering management, evaluation and incorporation of new engineering and equipment uses, production technology improvement and management, mechanical equipment maintenance management.</p> <p>Management of warehouse planning, warehousing operation, warehousing accounting, defective products and scraps, packing and shipping operations.</p>
Manufacturing Department	<p>Execution and achievement of production targets, production scheduling, production efficiency control, exception handling, operation improvement to achieve quality goals, corrective measures for quality improvement, iron parts processing, environmental safety management, promotion of 7S system, incoming materials inspection, process inspection, finished product inspection, shipping inspection, process auditing, instrument calibration.</p> <p>Transport molds in and out of warehouses, materials requisition, return and replenishment, materials preparation management, semi-finished products production, handle exceptions, corrective measures for quality improvement.</p>
Tooling Department	<p>Execution and achievement of production targets for molds, scheduling, efficiency control, handle exceptions. Production of samples, formulate operating parameters, trial production operation, operation improvement to achieve quality goals, environmental safety management, promotion of 7S system.</p>
Mixing Department	<p>Mixing of rubber compound, processing, corrective measures for quality improvement, environmental safety management, promotion of 7S system.</p>
Finance Department	<p>Short, intermediate, and long-term financial planning and management, budget promotion and management, capital allocation and control, foreign exchange management, accounting, taxes, shareholder services, cost accounting analysis and management.</p>
Information Department	<p>Information system development and management, system analysis design and program development, software and hardware, information security, server, information product procurement recommendations and acceptance inspection, and the website.</p>

II. Profile of directors, president, vice presidents, assistant vice presidents, and supervisors of departments and branches:

(I) Directors:

Director information (I)

March 30 , 2024

Job title (Note 1)	Nationality or registration place	Name	Gender Age (Note 2)	Election / Appointment Date	Term duration	Date first elected (Note 3)	Number of shares owned at time of election		Number of shares currently held		Shareholding of spouse and minor children		Shares held in the name of others		Main work experience or education background (Note 4)	Concurrent position in the Company or other companies	Other managers, directors or supervisors who are spouse or blood relatives within the second degree			Remarks (Note 5)
							Number of shares	Ownership	Number of shares	Ownership	Number of shares	Ownership	Number of shares	Ownership			Job title	Name	Relationship	
Chairman	ROC	Cheng -Fu Shih	Male 71-80	2022.06.09	3	1976.07.23	6,913,348	8.31%	4,500,000	5.41%	84,929	0.10%	-	-	Master of Business Administration, Dominican University of California, USA Chairman of Lian-Shun Company Chairman of Yi-Cheng Company Elected as one of the members of Ten Outstanding Young Persons	Representative of SMOOTH TRACK ASSOCIATES LIMITED	Vice Chairman	Chun- Tang Hsu	In-law	None
Vice Chairman	ROC	Chun- Tang Hsu	Male 71-80	2022.06.09	3	1980.07.29	1,653,427	1.99%	1,412,427	1.70%	1,151,000	1.38%	-	-	Tung Der Vocation School Chairman or Long-Tu Automation Company Manager of Production Department, President of NAK Sealing Technologies Corporation	Chairman of Kunshan Maoshun Sealing Products Industrial Co., Ltd. Chairman of NAK Sealing Products (Thailand) Co., Ltd.	Chairman	Cheng- Fu Shih	In-law	None
Director	ROC	Ming- Yao Shih	Male 41-50	2022.06.09	3	2010.06.15	3,087,402	3.71%	1,637,412	1.97%	-	-	-	-	Lansbridge University MBA, Department of Physics of Chung Yuan Christian University Manager of Production Technology Department and Production Department at NAK Sealing	General manager of the Company	Chairman	Cheng- Fu Shih	Father-son	None
Director	ROC	Si-Hu Nian	Male 61-70	2022.06.09	3	First time elected as a supervisor on 1982.02.01, and first time elected as a director on 1999.04.08.	350,000	0.42%	275,000	0.33%	-	-	-	-	Tung Der Vocation School Manager of Production Department and Procurement Department at NAK Sealing Technologies Corporation	None	None	-	-	None
Director	ROC	Ren- An Chen	Male 71-80	2022.06.09	3	2001.05.24	963,533	1.16%	919,533	1.11%	956,035	1.15%	-	-	Overseas Chinese University Manager of Management Department at Hota Industrial	None	None	-	-	None
Independent director	ROC	Kuo- Ko Chen	Male 51-60	2022.06.09	3	2016.06.29	-	-	-	-	-	-	-	-	Master of Business Administration, National Yunlin University of Science and Technology Adjunct lecturer of Department of Business Administration at Nan Kai University of Technology Lead consultant at Taiwan Management Consulting Industry Association	None	None	-	-	None

Job title (Note 1)	Nationality or registration place	Name	Gender Age (Note 2)	Election / Appointment Date	Term duration	Date first elected (Note 3)	Number of shares owned at time of election		Number of shares currently held		Shareholding of spouse and minor children		Shares held in the name of others		Main work experience or education background (Note 4)	Concurrent position in the Company or other companies	Other managers, directors or supervisors who are spouse or blood relatives within the second degree			Remarks (Note 5)
							Number of shares	Ownership	Number of shares	Ownership	Number of shares	Ownership	Number of shares	Ownership			Job title	Name	Relationship	
Independent director	ROC	Su-Ying Lee	Female 51-60	2022.06.09	3	2016.06.29	-	-	-	-	-	-	-	-	Department of Business Administration at National Central University Vice President of Investment Banking Department, Yuanta Securities Assistant Manager in the Underwriting Department of Grand Cathay Securities	Independent director at Koan-Hao Technology Independent director at Sunspring Metal Independent director at Cayman Gourmet Master Co. Ltd. Responsible person of Ying-Chi-An Investment	None	-	-	None
Independent director	ROC	Chih-Hung Wu	Male 41-50	2022.06.09	3	2022.06.09	-	-	-	-	-	-	-	-	Department of Accounting Information at National Taichung University of Science and Technology Auditor at I-Hao Chang CPA Office	CPA Chi-Hung Wu and Associates	None			None
Independent director	ROC	Chin-Lung Lin	Male 61-70	2022.06.09	3	2022.06.09	3,000	0%	3,000	0%	-	-	-	-	Department of Law, Soochow University Prosecutor of Yunlin and Changhua District Prosecutor's Office Attorney-at-Law, Chang-De Law Firm	Practicing lawyer at Cheng-Chun Law Firm	None			None

Note 1: Corporate shareholders should be listed by their names and representatives (representatives should indicate the name of corporate shareholders for whom they represent), filled in Table 1 below.

Note 2: Actual age is listed and also expressed in range, such as 41 to 50 years old or 51 to 60 years old.

Note 3: Please note any interruption to those who serve as a director or supervisor for the first time. Note 3: Previous experience related to the current position. If the person in the most recent year has held a position at the accounting firm of the certified public accountant or an affiliated company, please state the position name and the tasks the person is responsible for.

Note 4: Previous experience related to the current position. If the person in the most recent year has held a position at the accounting firm of the certified public accountant or an affiliated company, please state the position name and the tasks the person is responsible for.

Note 5: In the event that the Company's chairman and president or a position of the same level (top-level manager) are the same person, spouse or a first-degree relative, relevant information such as the reasons, rationality, necessity and future improvement measures must be disclosed (such as adding the seat number of independent directors, and there should be ways for majority directors who are not taking concurrent positions as employees or managers). :

Director information (II)

I. Disclosure of professional qualifications of directors and independence of independent directors:

Criteria Name	Professional qualifications and experience	Independence	Concurrently serving as an independent director in other publicly listed companies
Cheng-Fu Shih	<p>Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Currently the chairman of NAK Sealing Technologies Corporation and representative of SMOOTH TRACK ASSOCIATES LIMITED.</p> <p>Has served as the Company's chairman and director.</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.</p> <p>(2) Not a director, supervisor or employee of another company or institution, who is also the chairman, president or equivalent position, or a spouse of these personnel, of the Company.</p> <p>(3) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</p> <p>(4) Not a professional individual or an owner, partner, director, supervisor or managerial officers of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration the most recent two years, to the Company or to any affiliate of the Company, or a spouse thereof.</p> <p>(5) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None
Chun-Tang Hsu	<p>Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Currently Chairman of Kunshan NAK Sealing Technologies Corporation and NAK Sealing Products (Thailand) Co., Ltd.</p> <p>Has served as the Company's director.</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act.</p> <p>(2) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.</p> <p>(3) Not a director, supervisor or employee of another company or institution, who is also the chairman, president or equivalent position, or a spouse of these personnel, of the Company.</p> <p>(4) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</p> <p>(5) Not a professional individual or an owner, partner, director, supervisor or managerial officers of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration the most recent two years, to the Company or to any affiliate of the Company, or a spouse thereof.</p> <p>(6) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None

Criteria Name	Professional qualifications and experience	Independence	Concurrently serving as an independent director in other publicly listed companies
Ming-Yao Shih	<p>Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Currently serving as the president of NAK Sealing Technologies Corporation.</p> <p>Has served as the Company's director.</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act.</p> <p>(2) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.</p> <p>(3) Not a director, supervisor or employee of another company or institution, who is also the chairman, president or equivalent position, or a spouse of these personnel, of the Company.</p> <p>(4) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</p> <p>(5) Not a professional individual or an owner, partner, director, supervisor or managerial officers of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration the most recent two years, to the Company or to any affiliate of the Company, or a spouse thereof.</p> <p>(6) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None

Criteria Name	Professional qualifications and experience	Independence	Concurrently serving as an independent director in other publicly listed companies
Ren-An Chen	<p>Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Has served as the Company's director.</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act.</p> <p>(3) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.</p> <p>(4) Not a director, supervisor or employee of another company or institution, who is also the chairman, president or equivalent position, or a spouse of these personnel, of the Company.</p>	None
Si-Hu Nian	<p>Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Has served as the Company's director.</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(5) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.</p> <p>(6) Not a professional individual or an owner, partner, director, supervisor or managerial officers of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration the most recent two years, to the Company or to any affiliate of the Company, or a spouse thereof.</p> <p>(7) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.</p> <p>(8) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None

Criteria Name	Professional qualifications and experience	Independence	Concurrently serving as an independent director in other publicly listed companies
Kuo-Ko Chen	<p>Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. Currently serving as the lead consultant at Chung-Ke Management Consulting. Served as the lead consultant at Taiwan Management Consulting Industry Association. Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the Company or any of its affiliates. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranks as one of its top ten shareholders. (4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the above persons listed in Subparagraph (2) and (3) or of the manager listed in (1).</p>	None
Su-Ying Lee	<p>Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. Concurrently serving as an independent director of Sunspring Metal, Cayman Gourmet Master Co. Ltd. and Koan-Hao Technology. Had served as the vice President of Investment Banking Department, Yuanta Securities. Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(5) Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the Company, or ranks as of its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act. (6) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.</p>	3
Chih-Hung Wu	<p>A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company. Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. Currently a CPA in CPA Chi-Hung Wu and Associates Former auditor at I-Hao Chang CPA Office Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(7) Not a director, supervisor or employee of another company or institution, who is also the chairman, president or equivalent position, or a spouse of these personnel, of the Company. (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. (9) Not a professional individual or an owner, partner, director, supervisor or managerial officers of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration the most recent two years, to the Company or to any affiliate of the Company, or a spouse thereof.</p>	None
Chin-Lung Lin	<p>A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company. Current practicing lawyer at Cheng-Chun Law Firm. Former attorney-at-law of Chang-De Law Firm and prosecutor of Yunlin and Changhua District Prosecutor's Office. Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>(10) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company. (11) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	None

II. Board diversity and independence:

(I) Diversity of the Board:

In order to promote board diversity, corporate governance and the development of board composition and structure, the nomination of candidates for the Company's board members abides by the Company's Articles of Incorporation and adopts a candidate nomination method. The education qualifications, professional background, ethics and other relevant qualifications of the candidates are first reviewed and approved by the board before being presented to the shareholder meeting for election. The Company's goal for board diversity is to have more than one-third of the board seats taken by a gender and no more than one-third of board members concurrently serving as employees. There are currently 9 directors, and the implementation of board diversity is described as follows:

*11% of the Board members are females, and 89% are males.

*33% of directors concurrently hold positions as employees, 44% of independent directors concurrently hold positions as employees, and 67% of directors do not hold positions as employees.

*Three directors are over 70 years old, two directors are 60 to 69 years old, two are 50 to 59 years old, and two are under 50 years old.

*Five have more than 10 years of experience serving as directors, and four have 3 to 9 years of experience serving as directors.

Core items for board diversity are as follows:

1. Basic composition

Diversity items	Basic composition							
	Gender	Concurrent serving as an employee of the Company	Age distribution (years old)			Service tenure of directors		
Name of Director			Under 60	61 to 69	More than 70	Less than 3 years	3 to 9 years	Over 9 years
Cheng-Fu Shih	Male	v			v			v
Chun-Tang Hsu	Male	v			v			v
Ming-Yao Shih	Male	v	v					v
Si-Hu Nian	Male			v				v
Ren-An Chen	Male				v			v
Kuo-Ko Chen	Male		v				v	
Su-Ying Lee	Female		v				v	
Chih-Hung Wu	Male		v			v		
Chin-Lung Lin	Male			v		v		

2. Professional background

Diversity items		Professional background				Professional knowledge and skills				
		Accounting	Industry	Finance	Legal	Business administration	Leadership and decision-making	Industry knowledge	Financial accounting	Crisis management
Name of Director										
Director	Cheng-Fu Shih		√			√	√	√		√
Director	Chun-Tang Hsu		√			√	√	√		√
Director	Ming-Yao Shih		√			√	√	√		√
Director	Si-Hu Nian		√			√	√	√		√
Director	Ren-An Chen	√	√	√		√		√	√	√
Independent director	Kuo-Ko Chen		√			√		√		√
Independent director	Su-Ying Lee	√		√		√			√	√
Independent director	Chih-Hung Wu	√		√		√			√	√
Independent director	Chin-Lung Lin				√	√				√

(II) Independence of the Board:

The election and appointment procedures for all directors are transparent and fair, and comply with the Company's "Articles of Incorporation", "Rules for Election of Directors", "Corporate Governance Best-Practice Principles", "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and "Article 14-2 of the Securities and Exchange Act"; the current Board consists of four independent directors (44%) and five non-independent directors (56%).

The Company's board guides the Company's strategy and supervises the management, and is responsible to the Company and shareholders. In terms of the operation and arrangement of the corporate governance system, the board exercises its powers in accordance with laws and regulations, the Articles of Incorporation or the resolutions of the shareholder meetings. The board of the Company emphasizes the functioning of independent operation and transparency. Directors and independent directors are independent individuals and exercise their powers independently. The four independent directors also abide by the relevant laws and regulations, and, combined with the functions and powers of the audit committee, review the control of the Company's existing or potential risks, so as to supervise the effective implementation of the Company's internal control, the selection (dismissal) of certified accountants and their independence and the adequate preparation of financial statements. In addition, the selection and appointment of directors and independent director adopt the candidate nomination approach

according to the Rules for Election of Directors, and shareholders are encouraged to participate in the voting. Shareholders who have a certain number of shares may propose their list of candidates. The review of candidates' qualifications and whether they have violated the clauses listed in Article 30 of the Company Act are subject to the laws and regulations in order to protect the rights and interest of shareholders, maintain independence, and prevent excessive facilitation of nomination rights.

The Company has established a performance appraisal system for the Board of Directors, and conducts internal self-evaluation of the Board and each Board member once a year. After reporting to the Board, the evaluation results are disclosed in the Company's annual report and on its website.

(II) President, vice presidents, assistant vice presidents, and supervisors of departments and branches:

Profile of president, vice presidents, assistant vice presidents, heads of departments and branches

March 30, 2024

Job title	Nationality	Name	Gender and age	Election / Appointment Date	Shareholding		Shareholding of spouse and minor children		Shares held in the name of others		Main work experience or education background	Concurrent position in other companies	Managers who are spouse or blood relatives within the second degree			Remarks
					Number of shares	Ownership	Number of shares	Ownership	Number of shares	Ownership			Job title	Name	Relationship	
President	ROC	Ming-Yao Shih	Male 41~50	2010 03.01	1,637,402	1.97%	-	-	-	-	Lansbridge University MBA Department of Physics of Chung Yuan Christian University Manager of Production Technology Department and Production Department at NAK Sealing	None	Chairman	Cheng-Fu Shih	Father-son	None
President at Kunshan	ROC	Chiang-Ling Chien	Male 51-60	2010 03.01	28,497	0.03%	23,007	0.03%	-	-	Master of Mechanical and Automation Engineering at Dayeh University President of NAK Sealing Technologies Corporation	Chairman of Kunshan Maoshun Sealing Products Industrial Co., Ltd.	-	-	-	None
Vice president of operation	ROC	Shu-Min Wu	Male 51~60	2009 01.01	25,108	0.03%	12,000	0.01%	-	-	National Taipei University of Business Manager of Operations Management Department at NAK Sealing Technologies Corporation	None	-	-	-	None
Vice president of production	ROC	Hsien-Te Shih	Male 51~60	2009 11.01	12,370	0.01%	45,835	0.06%	-	-	Chaoyang University of Technology Manager of Production Department at NAK Sealing Technologies Corporation	None	-	-	-	None

II. Remuneration paid during the most recent fiscal year to directors of the Board, the president, and vice presidents

(1) Remuneration paid to directors and independent directors

December 31, 2023
Unit: NTD in thousands

Job title	Name	Directors' remuneration							Total Remuneration (A+B+C+D) as a % of the Net Income (Note 10)		Remuneration for concurrent position as an employee						Total Compensation (A+B+C+D+E+F+G) as a % of the Net Income (Note 10)		Whether receive remuneration from non-consolidated affiliates or the parent company (Note 11)			
		Base Compensation (A) (Note 2)		Severance Pay and Pensions (B)		Directors' remuneration (C) (Note 3)		Allowances for Operations (D) (Note 4)			Base Compensation, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Employees' Profit Sharing Bonus (G) (Note 6)							
		The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company	From All Consolidated Entities (Note 7)	The Company		From All Consolidated Entities (Note 7)				
																Cash	Stock	Cash		Stock		
Chairman	Cheng-Fu Shih	-	-	-	-	1,000	1,000	48	48	0.11%	0.11%	19,619	19,619	-	-	1,053	-	1,053	-	2.22%	2.22%	None
Vice Chairman	Chun-Tang Hsu	-	-	18	18	1,000	1,000	16	16	0.11%	0.11%	504	4,601	-	-	-	-	1,678	-	0.16%	0.75%	None
Director	Ming-Yao Shih	-	-	108	108	1,000	1,000	40	40	0.12%	0.12%	13,398	13,398	-	-	973	-	973	-	1.58%	1.58%	None
Director	Si-Hu Nian	-	-	-	-	1,000	1,000	48	48	0.11%	0.11%	-	-	-	-	-	-	-	-	0.11%	0.11%	None

Director	Ren-An Chen	-	-	-	-	1,000	1,000	48	48	0.11%	0.11%	-	-	-	-	-	-	-	-	0.11%	0.11%	None
Independent director	Kuo-Ko Chen	360	360	-	-	-	-	48	48	0.04%	0.04%	-	-	-	-	-	-	-	-	0.04%	0.04%	None
Independent director	Su-Ying Lee	360	360	-	-	-	-	48	48	0.04%	0.04%	-	-	-	-	-	-	-	-	0.04%	0.04%	None
Independent director	Chih-Hung Wu	360	360	-	-	-	-	48	48	0.04%	0.04%	-	-	-	-	-	-	-	-	0.04%	0.04%	None
Independent director	Chin-Lung Lin	360	360	-	-	-	-	48	48	0.04%	0.04%	-	-	-	-	-	-	-	-	0.04%	0.04%	None

1. Please state the policy, system, standards and structure of remuneration payments to independent directors, and describe the relationship between the responsibility, risk, time committed to the organization and other factors and the amount of remuneration paid to them: The remuneration paid to independent director is subject to the results of board performance appraisal and the review conducted by the salary and remuneration committee on each director's participation in the Company's operation and value of contribution. The performance risks, reasonableness and fairness are linked with the remuneration, and the Company's performance and the pay level of other industry peers are included in the recommendations to be submitted to the board for resolution.
2. In addition to as disclosed in the above table, the remuneration received by the directors for their services provided (such as serving as a non-employee consultant for the parent company and all companies/re-investment listed in the financial reports) in the most recent fiscal year: None.

Director Remuneration Scale Table

Scale of Remuneration Paid to Directors	Name of Director			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	The Company (Note 8)	From All Consolidated Entities (Note 9) H	The Company (Note 8)	From All Consolidated Entities (Note 9) I
Below NT\$1,000,000	Kuo-Ke Chen, Su-Ying Li Chi-Hung Wu, Chin-Lung Lin	Kuo-Ke Chen, Su-Ying Li Chi-Hung Wu, Chin-Lung Lin	Kuo-Ke Chen, Su-Ying Li Chi-Hung Wu, Chin-Lung Lin	Kuo-Ke Chen, Su-Ying Li Chi-Hung Wu, Chin-Lung Lin
NT\$1,000,000 (included) - NT\$2,000,000 (excluded)	Cheng-Fu Shih, Chun-Tang Hsu Ming-Yao Shih, Si-Hu Nian Ren-An Chen	Cheng-Fu Shih, Chun-Tang Hsu Ming-Yao Shih, Si- Hu Nian Ren-An Chen	Chun-Tang Hsu, Si-Hu Nian, Ren- An Chen	Si-Hu Nian, Ren- An Chen
NT\$2,000,000 (included) - NT\$3,500,000 (excluded)	-	-	-	-
NT\$3,500,000 (included) - NT\$5,000,000 (excluded)			-	-
NT\$5,000,000 (included) - NT\$10,000,000 (excluded)	-	-		Chun-Tang Hsu
NT\$10,000,000 (included) - NT\$15,000,000 (excluded)	-	-	-	-
NT\$15,000,000 (included) - NT\$30,000,000 (excluded)	-	-	Cheng-Fu Shih, Ming-Yao Shih	Cheng-Fu Shih, Ming-Yao Shih
NT\$30,000,000 (included) - NT\$50,000,000 (excluded)	-	-	-	-
NT\$50,000,000 (included) - NT\$100,000,000 (excluded)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	9 seats	9 seats	9 seats	9 seats

Note 1: The names of directors should be separately listed (corporate shareholder should list the name of the legal person and the representative separately), and the payment to each director and independent director should be summarized and disclosed. If a director takes a concurrent position as the president or vice president, please fill out Table 3.

Note 2: Refers to the remuneration of directors in the most recent year (including the salary, differential pay for the job, severance pay, various rewards, bonuses and others).

Note 3: Fill in the remuneration amount allocated to directors approved by the board meeting in the most recent year.

Note 4: Refers to the related business implementation expenses of directors in the most recent years (including transportation, special disbursement, various allowance, housing, cars and other tangibles). In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here.

- Note 5: Refers to the salary, differential pay for the job, severance pay, various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles for the directors taking concurrent positions as employees (including as the general manager, assistant general manager, other department managers or employees). In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS 2 "Share-based Payment", including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.
- Note 6: Refers to those directors taking concurrent positions as employees (including as the general manager, assistant general manager, other department managers or employees) and receiving employee compensation (including stocks and cash) in the most recent year, of whom the allocated employee compensation approved by the board shall be disclosed. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year and then fill out Table 1-3.
- Note 7: The total amount of remunerations paid to directors of the Company by all companies (including the Company) shall be disclosed in the consolidated report.
- Note 8: The total amount of remunerations paid to each director by the Company, and disclose the names in the specified range.
- Note 9: The total amount of various types of remunerations paid by all companies (including the Company) in the consolidated report to each director should be disclosed. Disclose the names of directors in the specified range.
- Note 10: The net income after tax refers to the number in the standalone and individual financial reports.
- Note 11: a. This field should clearly state the amount of remuneration paid to directors from non-consolidated affiliates or the parent company. (Please fill in "None", if there is none).
- b. If a director of the Company receives a remuneration from a non-consolidated affiliates or the parent company, the amount shall be included in Field I of the appropriate range grade, and the field name should be changed to "Parent company and all non-consolidated affiliates".
- c. Remunerations refer to remuneration, compensation (including employee, director and supervisor compensation) and allowance for business operations received by the supervisors of the Company who serve as directors, supervisors or managing executives of the other non-consolidated affiliates that are not subsidiaries or the parent company.
- * The remunerations disclosed here in this Table are different from the incomes defined by the Income Tax Act. This Table is for the purpose of information disclosure and not for tax matters.

(2) Remuneration to president and vice presidents

December 31, 2023
Unit: NTD in thousands

Job title	Name	Salary (A) (Note 2)		Severance Pay and Pensions (B)		Bonuses and Allowances (C) (Note 3)		Employees' Profit Sharing Bonus (D) (Note 4)				Total Remuneration (A+B+C+D) as a % of the Net Income (Note 8)		Whether receive remuneration from non- consolidated affiliates or the parent company (Note 9)
		The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company		From All Consolidated Entities (Note 5)		The Company	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
President	Ming-Yao Shih	2,667	2,667	108	108	10,731	10,731	973	-	973	-	1.48%	1.48%	None
President at Kunshan	Chiang-Ling Chien	3,681	7,126	108	108	-	1,645			1,645		0.39%	1.07%	None
Vice president of operation	Shu-Min Wu	2,110	2,110	153	153	4,676	4,676	699		699		0.78%	0.78%	None
Vice president of production	Hsien-Te Shih	2,154	2,154	108	108	1,858	1,858	680		680		0.49%	0.49%	None

President and Vice Presidents Remuneration Scale Table

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 6)	From All Consolidated Entities (Note 7)
Below NT\$1,000,000	-	-
NT\$1,000,000 (included) - NT\$2,000,000 (excluded)	-	-
NT\$2,000,000 (included) - NT\$3,500,000 (excluded)	-	-
NT\$3,500,000 (included) - NT\$5,000,000 (excluded)	Chiang-Ling Chien Hsien-Te Shih	Hsien-Te Shih
NT\$5,000,000 (included) - NT\$10,000,000 (excluded)	Shu-Min Wu	Shu-Min Wu
NT\$10,000,000 (included) - NT\$15,000,000 (excluded)	Ming-Yao Shih	Ming-Yao Shih Chiang-Ling Chien
NT\$15,000,000 (included) - NT\$30,000,000 (excluded)	-	-
NT\$30,000,000 (included) - NT\$50,000,000 (excluded)	-	-
NT\$50,000,000 (included) - NT\$100,000,000 (excluded)	-	-
Over NT\$100,000,000	-	-
Total	4	4

- Note 1: The names of president and vice presidents should be separately listed and summarized to disclose the payment for each person. If a director takes a concurrent position as the president or vice president, please fill out this Table (1).
- Note 2: Refers to the salary, differential pay for the job, retirement pension and severance of president and vice presidents in the most recent year.
- Note 3: Refers to the various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles and other remunerations of general manager and assistant general managers in the most recent year. In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS 2 "Share-based Payment", including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.
- Note 4: Refers to the employee remuneration (including stocks and cash), approved by the board, to be allocated to the president and vice presidents in the most recent year. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year and then fill out Table 1-3.
- Note 5: The total amount of remunerations paid to the Company's president and vice presidents by all companies (including the Company) shall be disclosed in the consolidated report.
- Note 6: The total amount of various types of remunerations paid by the Company to the president and each vice president, and disclose the names in the specified range grades.
- Note 7: The amount of various types of remunerations paid by all companies (including the Company) in the consolidated report to each one of president and vice presidents should be disclosed. Disclose their names in the specified range grades.
- Note 8: The net income after tax refers to the number in the standalone and individual financial reports.
- Note 9:
- This field should clearly state the amount of remuneration paid to the president and vice presidents from non-consolidated affiliates or the parent company. (Please fill in "None", if there is none).
 - If the president or vice presidents of the Company receive remuneration from a non-consolidated affiliates or the parent company, the amount shall be included in Field E of the appropriate grade range, and the field name should be changed to the "parent company and all non-consolidated affiliates".
 - Remunerations refer to remuneration, compensation (including employee, director and supervisor compensation) and allowance for business operations received by the president and vice presidents of the Company who serve as directors, supervisors or managing executives of the other non-consolidated affiliates that are not subsidiaries or the parent company.

* The remunerations disclosed here in this Table are different from the incomes defined by the Income Tax Act. This Table is for the purpose of information disclosure and not for tax matters.

(3) The remuneration of the supervisors with top five highest remuneration

December 31, 2023

Unit: NTD in thousands

Job title	Name	Salary (A) (Note 2)		Severance Pay and Pensions (B)		Bonuses and Allowances (C) (Note 3)		Employees' Profit Sharing Bonus (D) (Note 4)				Total Remuneration (A+B+C+D) as a % of the Net Income (Note 6)		Whether receive remuneration from non- consolidated affiliates or the parent company (Note 7)
		The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company		From All Consolidated Entities (Note 5)		The Company	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
President	Ming-Yao Shih	2,667	2,667	108	108	10,731	10,731	973	-	973	-	1.48%	1.48%	None
President at Kunshan	Chiang-Ling Chien	3,681	7,126	108	108	-	1,645	-	-	1,645	-	0.39%	1.07%	None
Vice president of operation	Shu-Min Wu	2,110	2,110	153	153	4,676	4,676	699	-	699	-	0.78%	0.78%	None
Vice president of production	Hsien-Te Shih	2,154	2,154	108	108	1,858	1,858	680	-	680	-	0.49%	0.49%	None
Manager of Manufacturing Department	Hao-Wei Huang	1,358	1,358	84	84	2,016	2,016	622	-	622	-	0.42%	0.42%	None

Note 1: The "supervisors with top five highest remuneration" refer to the Company's managers; the criteria for identifying relevant managers is subject to the application scope of "managers" stated in the Letter Tai-Cai-Zheng-San-Zi No. 0920001301 dated March 27, 2003 issued by the former Securities and Futures Management Commission, Ministry of Finance. Regarding the principle for determining the "supervisors with top five highest remuneration", the sum of salary, severance pay and pensions, bonuses and allowances, and employees' profit sharing bonus (A + B + C + D) received from all consolidated entities is used to determine the supervisors with top five highest remuneration after sorting. If a director concurrently a supervisor mentioned above, please fill out this Table and the above table (1-1).

Note 2: Refer to the salary, differential pay for the job, and severance of supervisors with top five highest remuneration in the most recent year.

Note 3: Refers to the various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles and other remunerations of supervisors with top five highest remuneration, in the most recent year. In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS 2 "Share-based Payment", including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.

Note 4: Refers to the employee remuneration (including stocks and cash), approved by the Board, to be allocated to the supervisors with top five highest remuneration in the most recent year. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year and then fill out Table 1-3.

Note 5: The total amount of remunerations paid to the Company's supervisors with top five highest remuneration by all companies (including the Company) shall be disclosed in the consolidated report.

Note 6: The net income after tax refers to the number in the standalone and individual financial reports.

Note 7: a. This field should clearly state the amount of remuneration paid to supervisors with top five highest remuneration, from non-consolidated affiliates or the parent company. (Please fill in "None", if there is none).

b. Remunerations refer to remuneration, compensation (including employee, director and supervisor compensation) and allowance for business operations received by supervisors with top five highest remuneration of the Company who serve as directors, supervisors or managing executives of the other non-consolidated affiliates that are not subsidiaries or the parent company.

* The remunerations disclosed here in this Table are different from the incomes defined by the Income Tax Act. This Table is for the purpose of information disclosure and not for tax matters.

Names of managerial officers who are assigned employee remuneration and the status of assignment

December 31, 2023
Unit: NTD in thousands

	Job title	Name	Stock	Cash	Total	Total as % of the Net Income
Officers	Chairman	Cheng-Fu Shih	-	5,747	5,747	0.59%
	Chairman at Kunshan	Chun-Tang Hsu				
	President	Ming-Yao Shih				
	President at Kunshan	Chiang-Ling Chien				
	Vice president of operation	Shu-Min Wu				
	Vice president of production	Hsien-Te Shih				
	Manager of Auditing Office	Yu-Chin Chen				
	Manager of Procurement Department	Fu-Chieh Huang				
	Manager of Development Department I	Hsueh-Chi Chiu				
	Manager of Development Department II	Yen-Lin Tseng				
	Manager of Development Department III	Kai-Yin Shih				
	Manager of Development Department V	Shu-Chun Hsu				
	Manager of Research and Development Department	Ming-Chen Weng				
	Manager of Quality Assurance Department	Yen-Ting Li				
	Manager of Production Planning Department	Ming-Ho Shih				
	Manager of Production Technology Department	Chih-Chao Hsu				
	Manager of Mixing Department	Li-Chung Lin				
	Manager of Manufacturing Department	Hao-Wei Huang				
	Manager of Finance Department	Ju-Ching Hsueh				
Manager of Human Resources Department	Po-Wen Hsiao					

(IV) Analysis on the ratio taken by the gross total of profit sharing from earnings paid by the Company and all firms disclosed in the consolidated financial statements to the directors, supervisors, presidents and vice presidents of the Company to the net earnings after tax over the past two years, including a description of the policies, criteria and composition of profit sharing from earnings; the procedures to determine profit sharing from earnings, and their interrelations with business performance and future risks.

1. Analysis of total remuneration paid as % of the net income:

Unit: NTD in thousands

Year	Total remuneration to director, president and vice presidents (NT\$ in thousands)		Total as % of the Net Income (Note)	
	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities
2022	41,122	54,787	6.32%	8.43%
2023	57,742	70,252	5.89%	7.16%

Note: The Company's net income after tax in 2022 was NT\$651,774 thousand, and the net income after tax in 2023 was NT\$980,511 thousand

A. Description of changes in total remuneration:

a. For the rules on the Company's payment of remunerations to directors, supervisors and employees, please refer to the dividend policy on page 90.

b. Reasons for the increase in remuneration paid by the Company in 2023:

Mainly due to the 2023 net income after tax increasing compared with that in 2022.

B. Description of changes in remuneration as a percentage (%) of net income:

The remuneration paid by the Company as a proportion of net income after tax in 2023 (all companies in the consolidated statements) decreased slightly, mainly because the increase in remuneration payment was less than the increase in net income after tax.

2. The policy, standard and package of remuneration

(1) Directors and independent directors:

A. Remuneration to the Chairman and general directors: It is divided into allowance for business operations and annual profit sharing bonus, and is distributed in accordance with the Company's Articles of Incorporation and the "Rules Governing the Remuneration of Directors and Independent Directors".

B. Remuneration to independent directors: It is divided into allowance for business operations and fixed remuneration, and is distributed in accordance with the scope specified in the "Rules Governing the Remuneration of Directors and Independent Directors" of the Company, except that independent directors do not participate in the annual profit sharing bonus.

(2) Presidents and vice presidents:

The Company's remuneration to the president (vice presidents) includes salary, allowances, bonuses and employees' profit sharing bonus. The remuneration policy is subject to the Company's "Rules Governing the Remuneration and Performance Appraisal of Key Managers".

3. Procedures for determining remuneration

(1) Directors (including independent directors):

For the remuneration of the Company's directors (including independent directors), the Remuneration Committee considered the operating achievements of the Company throughout the year and the evaluation results in accordance with the "Board Performance Appraisal Measures" to recommend a reasonable remuneration paid to directors (including independent directors), and reported it to the Board for discussion; the remuneration is distributed after being approved.

(2) Presidents and vice presidents:

For the Company's remuneration to the president (vice presidents) is adjusted according to the "Regulations Governing the Remuneration and Performance Appraisal of Key Managers", the achievement of the Company's annual business objectives, and the individual annual appraisal performance. The above shall be reported to the Remuneration Committee for review regarding the reasonableness, and then reported to the Board for approval before distribution.

4. Correlation with business performance, responsibilities, and future risks:

According to Article 28 of the Company's Articles of Incorporation, if the Company is profitable in the fiscal year, no less than 3% of the profit shall be offered as employee remuneration, and no more than 3% of the profit shall be allocated as directors' remuneration. The remuneration of the Company's directors (including independent directors) and managers is based on market position of the overall remuneration of the Company and the results of the industry salary survey, taking the Company's internal fairness into account, and it is highly correlated with the Company's operating performance and the responsibilities, risks and liabilities they assumed, and the time they invested. The Company's management and the Remuneration Committee also regularly review the Company's salary policy and make appropriate adjustments, hoping to balance and ensure the Company's competitive advantage in human resources and risk control.

III. Implementation of corporate governance:

(I) Operation of the board of directors:

Information on the operation of the Board of Directors

The board of directors had 6 meetings(A) in the most recent fiscal year, and the attendance of directors is shown as follows:

Job title	Name (Note 1)	Actual Attendance in Person, B	Attendance by Substitution	Actual Attendance Rate (%) (B/A) (Note 2)	Remarks
Chairman	Cheng-Fu Shih	6	-	100%	Re-elected on 20220609
Director	Chun-Tang Hsu	2	4	33%	Re-elected on 20220609
Director	Ming-Yao Shih	5	1	83%	Re-elected on 20220609
Director	Si-Hu Nian	6	-	100%	Re-elected on 20220609
Director	Ren-An Chen	6	-	100%	Re-elected on 20220609
Independent director	Kuo-Ko Chen	6	-	100%	Re-elected on 20220609
Independent director	Su-Ying Lee	6	-	100%	Re-elected on 20220609
Independent director	Chih-Hung Wu	6	-	100%	Newly appointed on 20220609
Independent director	Chin-Lung Lin	6	-	100%	Newly appointed on 20220609

Other matters to be recorded:

I. The date, session, proposal content, and resolution specified and the opinion expressed by independent directors shall be specified under any one of the following circumstances:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act.

1. Date of Board meeting: 2023.03.16 Session: 6th meeting of the 18th session

Content of motion: (1) Distribution of 2022 remunerations to directors and employees.

(2) Issue the 2022 Statement on Internal Control.

(3) Amendment to provisions of the “Corporate Governance Best-Practice Principles”.

(4) Assessment of the independence and competency of

CPAs.

- (5) Lending of funds to overseas subsidiary Kish NAK Oil seal MFG. Co., Ltd.

Results of board resolution: Approved.

2. Date of Board meeting: 2023.05.11 Session: 7th meeting of the 18th session
Content of motion: Lending of funds to overseas subsidiary Kish NAK Oil seal MFG. Co., Ltd.

Results of board resolution: Approved.

3. Date of Board meeting: 2023.08.08 Session: 9th meeting of the 18th session
Content of motion: (1) Lending of funds to overseas subsidiary Kish NAK Oil seal MFG. Co., Ltd.
(2) Distribution of 2022 remunerations to individual directors.
(3) The individual allocation of remuneration to senior managers for 2022.

Results of board resolution: Approved.

4. Date of Board meeting: 2023.11.08 Session: 10th meeting of the 18th session
Content of motion: (1) Lending of funds to overseas subsidiary Kish NAK Oil seal MFG. Co., Ltd.
(2) Change in CPAs in line with the internal rotation of the CPA's firm.
(3) Revise the Company's salary cycle.

Results of board resolution: Approved.

5. Date of Board meeting: 2023.12.26 Session: 11th meeting of the 18th session
Content of motion: Revise the Company's R&D cycle.

(II) Other BOD resolutions to which objections or qualified opinions for the record or in writing are expressed by independent directors: None.

II. Implementation of directors' recusal for conflict of interest: The Company's directors have all recused themselves from motions with which they may have conflict of interest.

III. Execution of board evaluation:

(I) Evaluation cycle

Once a year.

(II) Evaluation period

January 1, 2023 to December 31, 2023.

(III) Scope of evaluation

1. Board of directors.
2. Each board member.
3. Functional committees.

(IV) Evaluation methods

Self-directed evaluation. The evaluation results were sent to the Board on March 13, 2024 as a basis for future review and improvement.

(V) Evaluation contents

1. Performance appraisal of the board:

The participation in the operation of the Company, improvement of the quality of the board of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors and internal control.

2. The evaluation of each member of the board:

The alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education and internal control.

3. Performance appraisal of the functional committees:

The participation in the operation of the Company, awareness of the duties of the functional committees, improvement of quality of decisions made by the committees, makeup of the committees and election of their members and internal control.

IV. The goal of improving the performance of Board of Directors in this year and latest fiscal year (including the establishment of audit committee and improvement of the information transparency, etc.) and the analysis of implementation:

(I) The Company established an audit committee in 2016.

(II) In compliance with relevant laws and regulations, the Company discloses directors' attendance at board meetings on the official website and annual reports for shareholder meetings. The information on important resolutions of the board and election and appointment of independent directors shows the Company's emphasis on corporate governance.

(III) On March 23, 2020, the board approved the Board Performance Appraisal Measures, and internal performance appraisal of the board is carried out at least once a year.

(IV) The Company has assigned personnel responsible for the disclosure of monthly revenue announcements and material information which is also entered into the Market Observation Post System (MOPS) in accordance with regulations.

(V) Improve operation and decision-making effectiveness of the board:

The Company has formulated the Board Meeting Rules of Procedures, which strengthen functions of the board and promote the healthy development of the board's participation in decision-making.

(VI) Actively establish communication with stakeholders: We have established positions of spokesperson and acting spokesperson, and stakeholders can communicate with us through the spokespersons. The shareholders meetings accept shareholder proposals according to the schedule every year. Shareholders who have the right to make proposals may apply to the Company during the acceptance period, and the Company will convene a board meeting for review in accordance with regulations.

(VII) Strengthen professional knowledge: We proactively provide information on various training courses, and also encourages the Board members to participate in

various corporate governance courses, or arrange lecturers to teach classes from time to time to strengthen the functions of Board members. In 2023, a total of 9 directors attended a total of 63 hours of classes.

Note 1: For directors who are legal entities, the name of the corporate shareholders and their representatives shall be disclosed.

Note 2: (1) If a director leaves before the year ends, the resignation date, the rate of actual attendance or attendance as a non-voting participant shall be calculated based on the number of board meetings and the actual attendance in person or attendance as a non-voting participant.

(2) If there is a re-election of directors before the year end, the newly elected and incumbent directors shall be listed. Their status of being the current, newly elected or re-elected and the re-election date shall be described in the remark field. The percentage of actual attendance or attendance as a non-voting participant shall be calculated based on the number of board meetings and the number of actual attendance in person or attendance as a non-voting participant.

(II) Operation of the audit committee:

Information on the operation of the Audit Committee

1. Professional qualifications and experience of independent directors

Job title	Name	Professional qualifications and experience
Convener	Su-Ying Lee	Former Vice President of Investment Banking Department, Yuanta Securities, with practical experience in securities management and finance; now concurrently serving as an independent director of Sunspring Metal, Cayman Gourmet Master Co. Ltd. and Koan-Hao Technology.
Member	Kuo-Ko Chen	Has served as the lead consultant at Taiwan Management Consulting Industry Association, once served as a human resources consultant to Howard Hotels, Te Chang Construction, Yao-I Fabric and Yong-Lun Co., Ltd. Currently serving as the lead consultant at Taiwan Management Consulting Industry Association.
Member	Chih-Hung Wu	Qualified as an accountant in Taiwan and specializes in financial and tax planning. Currently a practicing accountant at CPA Chih-Hong Wu and Associates, and has education background and practical experience in financial accounting.
Member	Chin-Lung Lin	Qualified as a lawyer in Taiwan and a former prosecutor of Yunlin District Court and Changhua District Court Prosecutor's Office. Currently the lead attorney of Cheng-Chun Law Firm.

2. Work highlight

The Audit Committee consists of four independent directors. The purpose of the Committee is to assist the board to fulfill its supervision of the quality and integrity involved in performing accounting, financial reporting and auditing to improve the corporate governance performance, and communicate with CPAs and audit personnel on key matters of the Company's financial position and business. Work highlights of the 2023 audit are as follows:

- (1) Deliberation on/review of the financial report.
- (2) Evaluation of the effectiveness of the internal control protocols.
- (3) Establish or amend procedures for significant financial or operating activities, such as acquisition or disposal of assets, engaging in derivatives trading, lending funds to others, endorsements or guarantees to others.
- (4) Deliberation on material monetary loan, endorsement or provision of guarantee.
- (5) Deliberation on the hiring or dismissal of an attesting CPA or the compensation given thereto.
- (6) Audit pla

3. The Audit Committee had six meetings in the most recent fiscal year, and the attendance of independent directors is shown as follows:

Job title	Name	Actual Attendance in Person (B)	Attendance by Substitution	Actual Attendance Rate (%) (B/A) (Note 1 and Note 2)	Remarks
Independent director	Kuo-Ko Chen	6	-	100%	Re-elected on 20220609
Independent director	Su-Ying Lee	6	-	100%	Re-elected on 20220609
Independent director	Chih-Hung Wu	6	-	100%	Newly appointed on 20220609
Independent director	Chin-Lung Lin	6	-	100%	Newly appointed on 20220609

Other matters to be recorded:

I. The date, session and proposal content of audit committee meetings, objection, qualified opinions and content of significant recommendations of independent directors, the Audit Committee's resolutions and the Company's handling of the audit committee's comments shall be specified under any one of the following circumstances.

(I) Matters specified in Article 14-5 of the Securities and Exchange Act.

1. Date of Audit Committee meeting: 2023.03.16 Session: 5th meeting of the 3rd session

Content of motion:

- (1) 2022 business report, parent-only financial reports and consolidated financial reports.
- (2) 2022 profit distribution.
- (3) Conduct the evaluation of the 2022 effectiveness of internal control protocols and issue the Statement on Internal Control.
- (4) Lending of funds to overseas subsidiary Kish NAK Oil seal MFG. Co., Ltd.
- (5) Assessment of the independence and competency of CPAs.

Results of audit committee resolutions: Unanimous approval by the committee members after consultation by the chairperson.

The Company's handling of the opinions of the audit committee: Proposed to the 6th meeting of the 18th session of Board for resolution and is to be implemented in accordance with the Board resolution.

2. Date of Audit Committee meeting: 2023.05.11 Session: 6th meeting of the 3rd session

Content of motion:

- (1) Q1 2023 consolidated financial report.
- (2) Application for line of credit from Chang Hwa Bank.
- (3) Lending of funds to overseas subsidiary Kish NAK Oil seal MFG. Co., Ltd.

Results of audit committee resolutions: Unanimous approval by the committee

members after consultation by the chairperson.

The Company's handling of the opinions of the audit committee: Proposed to the 7th meeting of the 18th session of Board for resolution and is to be implemented in accordance with the Board resolution.

3. Date of Audit Committee meeting: 2023.08.08 Session: 8th meeting of the 3rd session

Content of motion: (1) Q2 2023 consolidated financial report
(2) Lending of funds to overseas subsidiary Kish NAK Oil seal MFG. Co., Ltd.

Results of audit committee resolutions: Unanimous approval by the committee members after consultation by the chairperson.

The Company's handling of the opinions of the audit committee: Proposed to the 9th meeting of the 18th session of Board for resolution and is to be implemented in accordance with the Board resolution.

4. Date of Audit Committee meeting: 2023.11.08 Session: 9th meeting of the 3rd session

Content of motion: (1) Q3 2023 consolidated financial report
(2) Lending of funds to overseas subsidiary Kish NAK Oil seal MFG. Co., Ltd.
(3) Change in CPAs in line with the internal rotation of the CPA's firm.
(4) Revise the Company's salary cycle.

Results of audit committee resolutions: Unanimous approval by the committee members after consultation by the chairperson.

The Company's handling of the opinions of the audit committee: Proposed to the 10th meeting of the 18th session of Board for resolution and is to be implemented in accordance with the Board resolution.

5. Date of Audit Committee meeting: 2023.12.26 Session: 10th meeting of the 3rd session

Content of motion: Revise the Company's R&D cycle.

Results of audit committee resolutions: Unanimous approval by the committee members after consultation by the chairperson.

The Company's handling of the opinions of the audit committee: Proposed to the 11th meeting of the 18th session of Board for resolution and is to be implemented in accordance with the Board resolution.

II. When there is avoidance of conflicts of interest by a director, state the name of that director, the involved proposal(s), the cause(s) of the avoidance of conflicts of interest, and the participation in voting of that director: None.

III. Communication between independent directors and internal auditing managers and accountants (communicate materiality, methods and results of the Company's financial and business conditions).

- (I) The Audit Committee maintains good communication with head of internal audit, and the key matters of communication and interactions are as follows:
1. The internal auditor compiles the audit report of the previous month before the end of each month and submits it to the independent directors who may raise questions.
 2. The auditors track the deficiencies of internal control and the improvement of abnormal matters, and prepare a follow-up report to be submitted to the independent directors.
 3. The auditors track the deficiencies of internal control and the improvement of abnormal matters, and prepare a follow-up report to be submitted to the independent directors.

Date	Key points	Results
March 16, 2023	The 1st communication in 2023 between the independent directors and head of internal auditor covered the execution of audit works between December 2022 and February 2023.	Inquire for details
May 11, 2023	The 2nd communication in 2023 between the independent directors and head of internal auditor covered the execution of audit works between March and April 2023.	Inquire for details
August 8, 2023	The 3rd communication in 2023 between the independent directors and head of internal auditor covered the execution of audit works between May and July 2023.	Inquire for details
November 8, 2023	The 4th communication in 2023 between the independent directors and head of internal auditor covered the execution of audit works between August and September 2023.	Inquire for details
December 26, 2023	The 5th communication in 2023 between the independent directors and head of internal auditor covered (1) the execution of audit works between October and November 2023.	Inquire for details
	(2) 2024 annual audit plan.	Report to the board after review and approval

(II) In addition to reporting to the independent directors on the audit or review of the financial report, the certified accountants hold at least one promotion session at the Company every year to disseminate new knowledge of financial and tax laws and measures to deal with related impacts. Independent directors and the accountants may contact one another by email, telephone or meeting at any time as needed. The communication between the independent directors and the accountants is considered good. The previous communication in 2023 is summarized in the following table:

Date	Key points	Results
March 16, 2023	<ol style="list-style-type: none"> 1. The accountant explained the audit results of the 2022 financial report and the consolidated financial report, and discussed the audit findings. 2. Accountants discussed and communicated the questions raised by the meeting participants. 3. Communication of key audit matters in the audit report. 4. Explanation of recent financial reporting-related statutes and amendments to the Securities and Exchange Act. 	The annual financial report is approved by the audit committee and submitted to the board for approval, and then publicly announced and reported to the competent authority as scheduled.
August 8, 2023	<ol style="list-style-type: none"> 1. The accountant explained the audit results of the Q2 2023 consolidated financial report, and discussed the audit findings. 2. Accountants discussed and communicated the questions raised by the meeting participants. 3. Communication on key audit matters. 	The Q2 financial report is approved by the audit committee and submitted to the board for approval, and then publicly announced and reported to the competent authority as scheduled.
December 26, 2023	<ol style="list-style-type: none"> 1. The accountants explained the new audit report format applicable to the 2023 annual financial report, and explained and discussed the regulations that may be of great concern to the governance unit and may have an impact on the Company. 2. Accountants discussed and communicated the questions raised by the meeting participants. 3. 2023 financial statement audit matters and audit plan report. 	Unanimous approval by all audit committee members.

(III) Status of corporate governance implementation and the difference from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons:

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
I. Does the Company follow the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies to establish and disclose its corporate governance practices?	V		The 17th meeting of the 17th board held on November 9, 2021 resolved to approve the formulation of the Corporate Governance Best-Practice Principles. The board meeting on March 16, 2023 then resolved to amend the Principles in order to reinforce the internal control system, improve information transparency and protect rights and interests of shareholders and stakeholders, and disclosed them on the Company's website and the information reporting website designated by the securities competent authority.	Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure and shareholders' equity (I) Does the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(I) Based on compliance with laws and regulations and in accordance with the Company's Articles of Incorporation, we respect shareholders' proposals and assess and handle the proposals in a prudent manner in order to protect shareholders' rights and interests. We have established positions of spokesperson and acting spokesperson and a Corporate Relations Department to communicate with shareholders and protect their interests. Our website also has an investor contact platform to respond to shareholders' suggestions, concerns, disputes or inquiries. There were no litigation cases with shareholders during the year.	(I) Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
(II) Does the Company possess a list of principal shareholders and beneficial owners of these principal shareholders?	V		(II) The Company keeps track of any increase or decrease in shareholding or changes in pledge of shareholders holding more than 5% of shares, and directors and managerial officers, and discloses information on shareholders holding more than 5% of shares in quarterly financial reports in accordance with regulations. The shareholding of directors and managerial officers and shareholders with more than 5% shareholding is entered into the information reporting website designated by the securities authority every month for disclosure.	(II) Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the Company built and implemented a risk management system and “firewall” between the Company and its affiliates?	V		(III) The internal control covers company-level risk management and operation-level operating activities, and has the Supervision and Management Rules for Subsidiaries to implement risk control measures for subsidiaries. We have established the Management Rules for Related-Party Transactions to regulate matters such as purchase and sales transactions, acquisition or disposal of assets, endorsement and guarantees, and lending of funds to others among related companies.	(III) Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Has the Company established internal rules prohibiting insider trading of negotiable securities on undisclosed information?	V		(IV) Our employees, officers and directors shall comply with the Securities and Exchange Act and the Company’s Code of Ethics and Conducts, the Procedures for Handling Material Inside Information and the Procedures for Ethical Management and Guidelines for Conduct, and relevant personnel shall not use the undisclosed information they know to	(IV) Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status		Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No		Summary Description
			<p>engage in insider trading, and shall not disclose such information to others so as to prevent them from using the information to engage in insider trading.</p> <p>In response to the competent authority's amendment to Article 11 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, we also amended Article 11 of the Corporate Governance Best-Practice Principles on May 5, 2022, adding that directors shall not trade the Company's stocks during the close period within 30 days before the release date of the annual financial report and 15 days before the release date of the quarterly financial report.</p>
<p>III. Composition and responsibilities of the board of directors</p> <p>(I) Has the board established a policy on diversity and specific management objectives, and have they been implemented accordingly?</p>	V	(I) Article 23 of the Company's Corporate Governance Best-Practice Principles has clearly stipulated that the composition of the board should take into account diversity, gender equality and nationality, and that the board as a whole should have capabilities in judgment on operations, accounting and financial analysis, business management, crisis management, industry knowledge, perspectives on international markets, leadership and decision-making. There are nine Board members, of which four are independent directors and one is female (accounting for 11.11% of the Board seats). The goal is to have more than 50% of directors with different industry experience or expertise. For the	(I) Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
(II) Other than the salary and remuneration committee and the audit committee which are required by law, does the Company plan to set up other functional committees?		V	<p>implementation of Board diversity, please refer to P.13–21 of the annual report and the Company’s website.</p> <p>(II) In addition to the salary and remuneration committee, we have established the audit committee in 2016 and the ethical management committee in 2021. Others are not required at this point.</p>	(II) In the future, it will be decided whether to add other functional committees as needed.
(III) Has the Company established its Board Performance Appraisal Measures and the evaluation methods, conducted the performance appraisal regularly every year and provided the results to the board as the reference for directors’ remuneration and nomination and renewal?		V	<p>(III) The board resolved to formulate the Board Performance Appraisal Measures on March 23, 2020, which require the board to conduct at least one performance appraisal of the board as a whole, board members, Remuneration Committee and Audit Committee per year. The internal evaluation for the current year should be conducted according to the Measures before the end of the fiscal year.</p> <p>The 2023 performance evaluation of the Board, Remuneration Committee and Audit Committee is described as follows:</p> <p>The scope of the performance evaluation of the board as a whole includes the following five dimensions with 45 evaluation items:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company. 2. Improvement of the quality of the board of directors’ decision making. 3. Composition and structure of the board of directors. 4. Election and continuing education of the directors. 5. Internal control. <p>The scope of the self-evaluation of the board</p>	(III) Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status		Summary Description	Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No		
			<p>members includes the following six dimensions with 23 evaluation items:</p> <ol style="list-style-type: none"> 1. Understand the objectives and missions of the Company. 2. Awareness of the duties of a director. 3. Participation in the operation of the Company. 4. Management of internal relationship and communication. 5. The director's expertise and continuing education. 6. Internal control. <p>The scope of the performance evaluation of the Remuneration Committee includes the following five dimensions with 19 evaluation items:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company. 2. Understanding of the Remuneration Committee's duties. 3. Improvement of the quality of the Remuneration Committee' decision making. 4. Makeup of the Remuneration Committees and election of members. 5. Internal control. <p>The scope of the performance evaluation of the Audit Committee includes the following five dimensions with 22 evaluation items:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company. 2. Understanding of Audit Committee's duties. 	

Issues to be Assessed	Implementation Status		Summary Description	Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No		
			<p>3. Improvement of the quality of the Audit Committee' decision making.</p> <p>4. Makeup of the Audit Committees and election of members</p> <p>5. Internal control.</p> <p>The head and specialists of corporate governance carry out the evaluation of the board, Remuneration Committee and Audit Committee. Board members carry out their self-evaluation and turn the results to the governance personnel for compilation. The evaluation uses internally distributed questionnaires. The results of the abovementioned performance evaluation are provided to the directors, and can be used as reference for decision-making by directors, the Remuneration Committee and Audit Committee members to improve the quality of the decisions made, and used as reference for the nomination of directors or selection of Remuneration Committee and Audit Committee members. The results of the overall evaluation of the board performance are excellent, indicating that the board can properly perform its functions. The average score is 4.82 (out of 5). The results of the evaluation of the Remuneration Committee are excellent, indicating that the Committee can properly perform its functions. The average score is 4.54 (out of 5). The results of the evaluation of the Audit Committee are excellent, indicating that the Committee can properly perform its functions. The average score is 4.54 (out of 5). Board members, Remuneration Committee members and Audit Committee members have not provided any other recommendations in 2023.</p>	

Issues to be Assessed	Implementation Status		Summary Description	Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No		
(IV) Does the Company regularly assess its external auditors' independence?	V		<p>The results of the abovementioned performance appraisal have been submitted to the Board meeting on March 13, 2024.</p> <p>(IV) The Audit Committee evaluates the independence and competency of certified accountants every year. In addition to requiring the certified accountants to provide their statement of independence and report of audit quality indicators (AQIs), assessment is conducted based on the five main dimensions and 13 audit quality indicators (AQI). It has been confirmed that except for fees for audit and taxation projects, the CPAs and the Company have no other financial interests or business relation, and that the family members of CPAs do not violate the requirements of independence. The AQIs information shows that the audit experience and number of hours for training received of the CPAs and the accounting firm are better than that of that other industry peers. Digital audit tools will also be continuously incorporated into the audit work within the next three years to improve the audit quality. The evaluation results of the most recent year have been discussed and approved by the Audit Committee on January 30, 2024 and then reported to the Board on January 30, 2024 for the resolution on approving the assessment of independence and competency of the CPAs.</p>	(IV) Comply with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Note 1: CPA Independence Assessment Form

Issues to be Assessed	Implementation Status		Summary Description	Assessment Results	Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences																																		
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IV. Has the Company allocated qualified and sufficient number of personnel and appointed managers in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors to comply with laws, handling matters relating to board meetings and shareholder meetings according to laws,	V		<ol style="list-style-type: none"> The board meeting held on November 9, 2021 appointed the manager of the Finance Department, Mr. Jul-Ching Hsueh, as the head of the corporate governance, and also selected specialists in the Finance Department responsible for handling matters relevant to corporate governance. The head of corporate governance is responsible for handling matters relating to board meetings, audit committee meetings, salary and 		Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.																																		

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recording minutes of board meetings and shareholder meetings, etc.)?			remuneration committee meetings and shareholders' meetings according to laws; assisting in onboarding and continuous training of directors; furnishing information required for business execution by directors; assisting directors with regulatory compliance.																									
			<p>3. The 2023 continuing education of the head of corporate governance:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Continuing education courses</th> <th>Organizer</th> <th>Course hours</th> </tr> </thead> <tbody> <tr> <td>2023.05.11</td> <td>How Does Board Meetings Work? Case Sharing for Common Deficiencies in the Procedure of Board Meetings of TWSE/TPEX-listed Companies</td> <td>Taiwan Corporate Governance Association</td> <td>3</td> </tr> <tr> <td>2023.05.23</td> <td>Sustainability Action Plan Promotion Conference for TWSE/TPEX-listed Companies</td> <td>TWSE and Taipei Exchange</td> <td>3</td> </tr> <tr> <td>2023.09.22</td> <td>2030/2050 Green Industrial Revolution</td> <td>Securities and Futures Institute</td> <td>3</td> </tr> <tr> <td>2023.09.23</td> <td>Sustainable Development Practice Conference</td> <td>Securities and Futures Institute</td> <td>3</td> </tr> <tr> <td>2023.11.08</td> <td>Intellectual Property Management and Corporate Governance</td> <td>Taiwan Corporate Governance Association</td> <td>3</td> </tr> </tbody> </table>	Date	Continuing education courses	Organizer	Course hours	2023.05.11	How Does Board Meetings Work? Case Sharing for Common Deficiencies in the Procedure of Board Meetings of TWSE/TPEX-listed Companies	Taiwan Corporate Governance Association	3	2023.05.23	Sustainability Action Plan Promotion Conference for TWSE/TPEX-listed Companies	TWSE and Taipei Exchange	3	2023.09.22	2030/2050 Green Industrial Revolution	Securities and Futures Institute	3	2023.09.23	Sustainable Development Practice Conference	Securities and Futures Institute	3	2023.11.08	Intellectual Property Management and Corporate Governance	Taiwan Corporate Governance Association	3	15
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Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
V. Has the Company established communication channels with stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers) and set up an area dedicated to stakeholders on the Company website, and does the Company respond appropriately to corporate social responsibility issues that stakeholders consider important?	V		To pursue sustainable development, deeply recognize the importance of stakeholders, and continue to demonstrate our commitments to the society, the Company is committed to establishing transparent and effective communication channels for all stakeholders. The Company has established a stakeholder section on its website (http://www.nak.com.tw) to help stakeholders understand the Company. There are also contacts, contact number, and E-mail to respond to and explain important corporate social responsibility issues or other related issues to stakeholders. To respond to the important issues of concern of stakeholders, departments divided the work to be responsible for stakeholder communication and regularly compile and report the data to the Board. The Company communicates with stakeholders and understands their needs by adopting the spirit of sustainable corporate management and continuous improvement to serves as a reference for the formulation of the Company's policies and plans. It also listens to stakeholders' feedback during the course of policy planning and plan execution at all times to serve as topics for subsequent improvements.	Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VI. Has the Company designated an agent specializing in shareholder services to handle shareholder meeting matters?	V		"Shareholder Services Department of Yuanta Securities" handles matters relevant to the Company's shareholder meetings.	Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
<p>VII. Information disclosure</p> <p>(I) Has the Company established a public website to disclose operational, financial, and corporate governance information?</p> <p>(II) Has the Company adopted other methods of information disclosure (e.g., setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)?</p> <p>(III) Has the Company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?</p>	V		<p>(I) We have set up a company website (http://www.nak.com.tw), and relevant information is disclosed on the site.</p> <p>(II) We adopt a variety of information disclosure methods, and assigned dedicated personnel responsible for reporting information on the MOPS and related websites. In 2023, we had one institutional investor conferences (2023.09.14), and the meeting contents are on our website. We have also implemented a spokesperson system.</p> <p>(III) The annual financial reports, the Q1, Q2 and Q3 financial reports and the operational status of each month are announced and reported before the specified statutory deadlines, and they are not announced and reported in advance.</p>	<p>Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>We will actively improve the issuance time of the annual financial report so that we can announce and report it on time.</p>
<p>VIII. Does the Company have other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to the current status of employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor training regimes, risk management policies, and risk measurement standards as well as the implementation of client policies and the Company's purchase of liability insurance for its directors and supervisors)?</p>	V		<p>(I) Continuing education of directors: We have disclosed the information on the directors' continuing education (P.75-76) and their attendance at Board meetings (P.32) on the MOPS.</p> <p>(II) Employee rights: Employees are the Company's most important asset. Internally, we have a labor-management meeting organization which holds quarterly meetings to review labor-management relations. We also value employees' opinions and hope that by providing a good workplace environment, employees will be able to work to their full potential. Employees of NAK can</p>	<p>Complies with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Issues to be Assessed	Implementation Status		Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No		Summary Description
			<p>voice their opinions on personal rights, welfare, management and work environment to the Company at any time. The feedback can be forwarded through e-mail or in-writing to the immediate supervisors or the Human Resources Department, or delivered to the physical suggestion box.</p> <p>(III) Employee care: Based on the philosophy of “Living worry-free and working happily”, we have implemented a welfare system and education and training system to build a harmonious relationship of mutual benefit and trust with employees. For example: Regular physical examination, doctor visits from time to time, subsidies for employee trips, wedding gifts, condolences gifts for bereavement, professional capacity improvement courses and industry-academia collaboration courses.</p> <p>(IV) Implementation of risk management policies and risk measurement standards: We have adopted a prevention approach for risk management. In addition to the internal control system that is implemented by the audit office according to the audit plan, major policies related to operations, investment projects, bank financing, etc., are all assessed and analyzed by responsible units before the board resolution approves the implementation. We also have purchased property insurance, product liability insurance and recycling insurance policies to avoid risks.</p> <p>(V) In terms of consumer protection or</p>

Issues to be Assessed	Implementation Status		Summary Description	Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No		
			<p>implementation of customer policy: Quality first is the core value we have always emphasized. The Company obtained the ISO 14001 certification in 2008 and the ISO 50001 certification in 2018. Through measures such as pollution prevention, process waste reduction and continuous improvement, we adopt “green process” to manufacture “green products”, and improve environmental performance and business efficiency. The measures cover environmental protection design for products, waste water discharge, waste gas discharge, waste removal and treatment, efficient use of natural resources, energy conservation and waste reduction efficiency, etc., to establish the basis for sustainable business operations and protect the rights and interests of consumers.</p> <p>(VI) Investor relations: NAK has set up an investor service section on the official website to provide the Company’s financial and business-related information for shareholders and the general public. The Company has assigned personnel to maintain and update the website content to ensure that the information which may affect shareholders’ or stakeholders’ decision can be disclosed in a timely, complete, fair and transparent manner. In addition to making various announcements on the Taiwan Stock Exchange on time, the website has the Company’s annual reports, financial reports, monthly revenue, stock price quotation, dividend history and future dividend and bonus stock information readily available,</p>	

Issues to be Assessed	Implementation Status			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
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			so that investors can quickly understand the Company's operations. (VII) Status of directors liability insurance: The Company has purchased a directors liability insurance policy with an insured amount of US\$5 million, and the important contents of the insurance have been reported at the Board meeting on August 8, 2023.	

IX. Please explain improvements that have been made as well as priorities to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center:

Major improvement recommended	Improvement measures
Does the Company record the important contents of shareholders' questions and the Company's responses in the minutes of annual general meetings?	Improved in 2023
Does the Company report the remuneration paid to directors at the shareholders' meeting (including the remuneration policy, content and amounts of individual remunerations)?	Expected to be improved during the year (2024)
Has the Company disclosed the annual GHG emissions, water consumption, and total weight of waste in the past two years and obtained external verification?	Expected to be improved in 2025

(I) If the Company has established a salary and remuneration committee, please disclose its composition, responsibilities and operations:

1. Information on members of the Remuneration Committee

December 31, 2023

Title (Note 1)	Name	Criteria	Professional qualifications and experience (Note 2)	Independence (Note 3)	Number of other public companies for which the director concurrently serving as committee member
Independent director	Kuo-Ko Chen	Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. Currently serving as the lead consultant at Chung-Ke Management Consulting. Served as the lead consultant at Taiwan Management Consulting Industry Association. Not been a person of any conditions specified in Article 30 of the Company Act.	The independent director, the spouse, and second-degree relatives do not serve as directors, supervisors or employees of the Company or other affiliates; do not hold shares of the Company; do not serve as directors, supervisors or employees of the companies that have	None	
Independent director	Su-Ying Lee	Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. Concurrently serving as an independent director and member of the salary and remuneration committee and audit committee of Sunspring Metal, Cayman Gourmet Master Co. Ltd., and Koan-Hao Technology. Vice President of Investment Banking Department, Yuanta Securities. Not been a person of any conditions specified in Article 30 of the Company Act.	business relations with the Company. In the past two years, there has been no remuneration received for providing business, legal, financial, accounting and other services to the Company or other affiliates.	3	

Title (Note 1)	Name	Criteria	Professional qualifications and experience (Note 2)	Independence (Note 3)	Number of other public companies for which the director concurrently serving as committee member
Independent director	Chih-Hung Wu	<p>A lecturer or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university.</p> <p>Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>Currently a CPA in CPA Chi-Hung Wu and Associates</p> <p>Former auditor at Yi-Hao Chang CPA Office</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>	<p>The independent director, the spouse, and second-degree relatives do not serve as directors, supervisors or employees of the Company or other affiliates; do not hold shares of the Company; do not serve as directors, supervisors or employees of the companies that have business relations with the Company.</p> <p>In the past two years, there has been no remuneration received</p>	<p>for providing business, legal, financial, accounting and other services to the Company or other affiliates.</p>	None
Independent director	Chin-Lung Lin	<p>A lecturer or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university.</p> <p>Current practicing lawyer at Cheng-Chun Law Firm</p> <p>Attorney-at-Law, Chang-De Law Firm</p> <p>Not been a person of any conditions specified in Article 30 of the Company Act.</p>			None

2. Operations of the Remuneration Committee

- (1) The Remuneration Committee has four members.
- (2) Term of office: June 12, 2022 to June 11, 2025. The Committee has held 3 meetings (A) in the most recent fiscal year, and the qualifications and attendance of the members are shown as follows:

Job title	Name	Actual Attendance in Person (B)	Attendance by Substitution	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Convener	Kuo-Ko Chen	3	0	100%	Re-elected on 20220612
Member	Su-Ying Lee	3	0	100%	Re-elected on 20220612
Member	Chih-Hung Wu	3	0	100%	Newly appointed on 20220612
Member	Chin-Lung Lin	3	0	100%	Newly appointed on 20220612

- (3) Authority of the Remuneration Committee

The Remuneration Committee shall faithfully perform the following duties with attention as a good administrator and shall submit its recommendations to the board of directors for discussion.

- A. Stipulate and regularly review the performance of the directors and managers; as well as the compensation policies, systems, standards and structure.
- B. Regularly evaluate and stipulate director and manager compensation.

- (4) The meeting dates, session, contents of motions and results of resolutions of the Remuneration Committee in the most recent fiscal year, as well as the Company's handling of the Remuneration Committee's opinions.

Salary and Remuneration Committee	Proposal Content and Follow-up Implementation	Resolutions	Company's handling of the remuneration committee's opinions
2023.01.13 1st of 2023	<ol style="list-style-type: none"> 1. Regularly review the reasonableness of directors' remuneration. 2. Regularly review the reasonableness of the remuneration of key managers. 3. Appropriate the 2022 employee remuneration. 4. The Company's distribution of 2022 performance bonus. 5. 2022 year-end bonus for key managers. 	Unanimous approval by all committee members.	Submitted to the board for discussion, and unanimous approval by all directors attending the board meeting.
2023.08.08 2nd of 2023	<ol style="list-style-type: none"> 1. Distribution of 2022 remunerations to individual directors. 2. The individual allocation of remuneration to senior managers for 2022. 	Unanimous approval by all committee members.	Submitted to the board for discussion, and unanimous approval by all directors attending the board meeting.
2023.12.26 3rd of 2023	Discussion of the qualification and salary of the chief of information security and dedicated personnel.	Unanimous approval by all committee members.	Submitted to the board for discussion, and unanimous approval by all directors attending the board meeting.

Other matters to be recorded:

- I. If the board of directors does not adopt or amend the recommendations from the Remuneration Committee, it shall clarify the date, session, content of the motion and resolution of the board and how the Company handles the recommendations of the Committee (such as that the salary and remuneration approved by the board being better than what the Committee recommended, and the differences and reasons should be clarified): Not applicable.
- II. If the Committee members have objections or reservations and there are records or written statements from the meetings, the date, term, proposal content, opinions of all members and the handling of their opinions shall be clearly stated: Not applicable.

3. Evaluation of the Remuneration Committee

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation methods	Evaluation contents
Once a year	2023.01.01 - 2023.12.31	Performance appraisal of the Remuneration Committee	Internal self-evaluation of the Remuneration Committee	<ol style="list-style-type: none"> 1. Participation in the operation of the Company. 2. Understanding of Remuneration Committee's job responsibilities 3. Improvement of the quality of the Remuneration Committee' decision making. 4. Makeup of the Remuneration Committees and election of members. 5. Internal control.

The Company has conducted the 2023 performance appraisal. For the content of the evaluation, please refer to the table above. The abovementioned performance appraisal was done by distributing internal questionnaires. The results of the evaluation of the Remuneration Committee are excellent, indicating that the Committee can properly perform its functions, and the average score is 4.54 (out of 5). The Remuneration Committee members did not offer any recommendations for 2023. The results of the abovementioned performance appraisal have been submitted to the 13th meeting of the 18th session of the Board held on March 13, 2024.

(V) 1. Status of promotion of sustainable development and its discrepancies from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
I. Has the Company established a governance structure to promote sustainable development, and set up a dedicated (or one holding concurrent positions) unit to promote sustainable development, with the board authorizing the senior management to manage the organization which is supervised by the board?	V		The Sustainable Development Office has been established in January 2023. It is responsible for coordinating the various operating strategies to fulfill the value of “long-term orientation” and ensure the sustainable operation of the Company.	No major differences
II. Has the Company conducted risk assessments on environmental, social and corporate governance issues related to the Company’s operations in accordance with the materiality principle, and formulated relevant risk management policies and strategies?	V		The Company incorporates the issues of environmental, social and corporate governance risk into the operational strategy, including corporate policies, internal operational management and business execution.	No major differences
III. Environmental issues (I) Has the Company set an environmental management system designed to industry characteristics?	V		(I) The Company obtained the ISO14001 international certification in 2008, and has adopted measures such as pollution prevention, process waste reduction and continuous improvement to enhance its environmental protection and operational effectiveness. There are dedicated management personnel assigned to promote relevant systems.	Item 4 is still under planning, and the rest has no major differences.
(II) Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact?	V		(II) The Company complies with domestic environmental protection regulations and continuously improves the utilization efficiency of various resources and actively develops raw materials with	

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
(III) Has the Company assessed the current and future potential risks and opportunities from climate changes and taken measures to address climate-related issues?		V	environmental impact. (III) The global climate change and greenhouse effect have caused great impacts, and their intensity and scope of influence have gradually increased, causing potential risks to the sustainable operation of companies. We actively apply quality control of manufacturers for customers in the supply chain, and have established a relevant emergency response system, so that we can respond quickly in the event of a disaster to minimize the impact.	
(IV) Has the Company compiled the greenhouse gas emissions, water consumption and total weight of waste the past two years and established management policies for energy saving and reduction of greenhouse gas emission, water consumption and other wastes?		V	(IV) The Company has compiled the statistics of the water consumption and total weight of waste for the last two years, and incorporated the use of the ISO 14064 GHG inventory standards in 2023 to take inventory of the GHG emissions since 2022. We also actively plan and formulate management policies for energy conservation and reduction of greenhouse gas emission, water consumption and other wastes to meet the challenges of climate change.	

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
<p>IV. Social Issues</p> <p>(I) Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> <p>(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits) and appropriately reflected the business performance or results in the employee remuneration policy?</p> <p>(III) Has the Company provided employees with a safe and healthy work environment and regularly conducted safety and health training?</p>	V		<p>(I) The Company complies with relevant labor laws and regulations, formulates relevant management regulations, and regularly holds labor-management meetings to communicate with employees about the business and management to protect the employees' rights and interests.</p> <p>(II) The Company offers a variety of employee benefits, and has established an employee welfare committee to handle related activities. The Company allocates a fixed percentage of profit as employee bonuses, and conducts performance-based salary adjustments every year.</p> <p>(III) The Company obtained the OHSAS 18001 (currently ISO 45001) international certification in 2008, and strives to provide employees with a safe and healthy work environment, and has dedicated personnel to implement related activities. In addition, the Company regularly reviews the safety of the work environment and carries out health examination, promotes information on safety and hygiene from time to time, and communicates relevant precautions and health management knowledge with employees through the intranet.</p>	No major differences

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
			<p>Disclosures related to occupational accidents and fire incidents of the year:</p> <ol style="list-style-type: none"> 1. Occupational accidents in 2023 <ol style="list-style-type: none"> (1) There were 8 cases of occupational accidents involving disabling employees (2) There were 8 disabled employees due to occupational accidents (3) Disabled employees accounted for 0.73% of the total number of employees. (4) The improvement measures are as follows: Strengthen hazard identification, improve relevant equipment, and provide employee education and training. 2. Fire incidents in 2023 <ol style="list-style-type: none"> (1) There was 1 case of fire incident. (2) 1 employee was injured during the fire incident. (3) The injured employee accounted for 0.09% of the total number of employees. (4) The improvement measures are as follows: Improve relevant equipment, install additional fire extinguishers, and increase the frequency of fire control drills. 	

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
(IV) Has the Company established an effective career development training program for employees?	V		(IV) We have a clear career development plan for each position to enrich employees' professional and management skills.	
(V) Has the Company complied with the relevant regulations and international standards and formulated policies for protection of consumers and clients' rights and interests and grievance procedures with respect to consumer health and safety, customer privacy, marketing and labeling of products and services?	V		(V) Our marketing and labeling of products and services comply with relevant regulations and international standards. We have purchased product liability insurance to protect consumers' rights and interests. Contact the Company by phone or email if there are questions about the products. We will assign specialists to understand, coordinate and properly handle related matters.	
(VI) Has the Company established supplier management policies which require suppliers to comply with regulations on environmental protection, occupational safety and health or labor rights, and reported the implementation?	V		(VI) The Company has begun to ask suppliers to sign the "Supplier Code of Conduct" starting 2022. It is hoped that our business partners can abide by all applicable laws, specifications and standards to protect the environment and systematically take effective preventive measures to reduce the impact of carbon emissions on the environment through clean production and procurement, control of pollution, reduction in resources consumption, chemicals and hazardous materials, air pollutants, wastewater and waste, and increase automation to reduce workers' load, improvement of production efficiency, reduce waste from processing, recovery and reuse of various materials and products. The management of	

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
			environmental protection, safety and health measures is included in the items of supplier audit.	
V. Has the Company referred to international reporting standards or guidelines in its preparation of corporate social responsibility reports and other reports which disclose the Company's non-financial information? Have the abovementioned reports obtained the verification or assurance opinions from third-party certification organizations?	V		The Company has not yet compiled a corporate social responsibility report, but we have formulated the Sustainable Development Best-Practice Principles which fulfill corporate social responsibility by taking into consideration stakeholders' interests, treating customers in a fair and reasonable manner, and requiring suppliers to abide by the standards of the social and environmental agreement.	In line with the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies.
VI. If the Company has established its own sustainability code based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation in the Company: The board meeting on November 23, 2011 approved the Company's formulation of the Corporate Social Responsibility Best-Practice Principles, which were renamed the Sustainable Development Best-Practice Principles by the board's approval on December 20, 2022. The purpose is to fulfill social responsibility and promote the balanced and sustainable development of economy, society and environment, which are aligned with the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies.				
VII. Other important information for facilitating the understanding of sustainability and its implementation: (I) Environmental protection: The Company has obtained the ISO 14001 environmental management system certification in January 2008, and the ISO 50001 energy management system certification in 2018. (II) Community participation: The Company has adopted the sidewalks and the roadway medians in Nangang Industrial Park to improve the overall landscaping both inside and outside the company's area. It is hoped that the continuous efforts on environmental landscaping can make the surroundings better and the Earth more beautiful. Donates regularly to family support centers and the Genesis Social Welfare Foundation. (III) Consumer rights and interests: The Company has obtained the ISO 14001 certification in 2008. Through measures such as pollution prevention, process waste reduction and continuous improvement, we adopt "green process" to manufacture "green products", and improve environmental performance and business efficiency. The measures cover environmental protection design for products, waste water discharge, waste gas discharge, waste removal and treatment, efficient use of natural resources, energy conservation and waste reduction efficiency, etc., to establish the basis for sustainable business operations and protect the rights and interests of consumers. (IV) Human rights: The Company provides employees with adequate and appropriate care and protection in accordance with the Labor Standards Act and other relevant regulations. Relevant labor-management issues are discussed at labor-management meetings to facilitate harmonious				

Promotion Items	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary Description	
			<p>development of labor-management relations. Employee welfare programs are subject to the Employee Welfare Fund Act and other relevant regulations. We highly value positive labor-management relations and the welfare and rights of employees. In October 2007, the leisure hall on the fourth floor of the new factory was completed, which included the opening of the new employee restaurant, ball courts, sports classroom, and multi-functional classrooms, creating a more comfortable living space. In 2015 and 2020, we also obtained the quality healthy workplace certification issued by the Health Promotion Administration of the Ministry of Health and Welfare. We prioritize the well-being of our female employees, and offer support better than the regulatory requirements during pregnancy and breastfeeding periods, and provide user-friendly breastfeeding rooms that have been certified by the county government. We also provide dormitories for non-local employees, physical and health examinations, domestic and international tours and bonuses for employees, so that they can work happily in the NAK family.</p> <p>(V) Safety and health: We obtained occupational safety and health (ISO 45001) certification in January 2008 and healthy workplace certification in 2015 and 2020.</p>	

2. Climate-related information of TWSE/TPEX-listed Companies - Implementation status of climate-related information

Item	Implementation
(I) Describe the supervision and governance of climate-related risks and opportunities by the Board and the management.	(I) Under planning.
(II) Describe the effects of climate risks and opportunities identified on the Company's business, strategy, and finance (short-, mid-, and long-term).	(II) Under planning.
(III) Describe the impact of extreme weather events and transformation actions on finance.	(III) Under planning.
(IV) Describe the incorporation method of the identification, evaluation, and management procedures of climate risks in the overall risk management system.	(IV) Under planning.
(V) If scenario analysis is used to assess resilience in the face of climate change risks, the scenarios, parameters, assumptions, analysis factors used, and major financial impacts shall be specified.	(V) Under planning.
(VI) If there is a transformation plan in response to the management of climate-related risks, the content of the plan and the indicators and targets used to identify and manage physical risks and transformation risks shall be specified.	(VI) Under planning.
(VII) If internal carbon pricing is used as a planning tool, the basis for setting the price shall be specified.	(VII) Under planning.
(VIII) If climate-related goals are set, the activities covered, the scope of GHG emissions, the planned period, and the progress of each year shall be specified; if carbon offsets or renewable energy certificates (RECs) were used to achieve the goals, the source and quantity of carbon reduction credits or quantity of RECs used for exchange shall be specified.	(VIII) Under planning.
(IX) GHG inventory and assurance status, as well as reduction targets, strategies, and substantial action plans.	(IX) Please refer to Table 1-1 below.

1-1 The Company's GHG inventory and assurance status in the most recent two years

1-1-1 GHG inventory information

Specify GHG emissions (tCO₂e), intensity (tCO₂e/NT\$ million), and the data coverage in the most recent two years.

The GHG emissions for the most recent two years are shown in the table below: The inventory of Scope 1 to Scope 3 covers the information on the parent company's plants in Taiwan.

Year	Scope 1 - Direct GHG emissions and removal (tCO ₂ e)	Scope 2 - Indirect GHG emissions from imported energy (tCO ₂ e)	Scope 3 - Indirect GHG emissions (tCO ₂ e)	Intensity (tCO ₂ e/NT\$ million)
2022	2,334.3953	14,430.7832	20,033.0416	12.17
2023	1,548.3642	12,431.9052	14,909.6889	8.38

1-1-2 Information on GHG assurance

Specify the assurance in the most recent two years and up to the publication date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.

Year	Assurance institutions	Description of assurance
2022	Metal Industries Research & Development Centre (MIRDC)	The direct GHG emissions were 2,334.3953 tCO ₂ e, the indirect GHG emissions were 34,463.8248 tCO ₂ e, and the total direct and indirect GHG emissions were 36,798.220 tCO ₂ e. MIRDC implemented the verification process according to the auditing standards, which was in line with the materiality threshold; reasonable assurance was granted.
2023		In 2023, the assurance has not been completed by an assurance institution, and it is expected to be completed in the middle of 2024.

1-2 GHG inventory and assurance status, as well as reduction targets, strategies, and substantial action plans.

The GHG reduction base year is 2022, and the direct emissions were 2,334.3953 tCO₂e, indirect emissions from energy were 14,430.7832 tCO₂e, and other indirect emissions were 20,033.0416 tCO₂e, totaling 36,798.220 tCO₂e.

The direct emissions in 2023 were 1,548.3642 tCO₂e indirect emissions from energy were 12,431.9052 tCO₂e, and other indirect emissions were 14,909.6889 tCO₂e, totaling 28,889.9583 tCO₂e.

The total emissions in 2023 were 28,889.9583 tCO₂e, representing a decrease of 7,908.2618 tCO₂ or 21% from 36,798.220 tCO₂ in 2022. It is evident that the Company's reduction actions have achieved substantial results.

Reduction targets and strategies:

1. Carry out carbon inventory and establish GHG emissions information to serve as the basis for in-house emission management.
2. Reduce the generation of waste and use resources efficiently.
3. Implement energy-saving measures and improve energy efficiency.
4. Understand the implementation of the Climate Change Response Act and relevant carbon emission regulations in different countries.
5. Raise employees' awareness of climate change and GHG reduction.
6. Expand the waste recycling program to recycle the wastes that were incinerated or had physical treatment initially.

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
(III) Has the Company defined operating procedures, conduct guidelines, disciplinary penalties and grievance process in the program preventing unethical conduct and put them in practice, and regularly reviewed and amended the program?	V		related policies, prevention programs and the consequences of committing unethical conduct. The auditing unit also conducts irregular audits and accepts internal grievance filing as preventive measures. (III) We have established the NAK Family Code and the related internal measures to prohibit the acceptance of vendors' gratuity, gifts, kickbacks or other illegal benefits through the performance of duties or violations of duty responsibilities, and the Code and the measures are introduced through internal education and training sessions and then implemented.	
II. Practice ethical operations (I) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		(I) The Company stipulates the "Clause of Good Faith" for suppliers in the procurement contracts, which requires that suppliers shall not provide the Company's personnel with gratuity, gifts, kickbacks or other inappropriate benefits.	Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Has the Company established a specialized unit under the Board responsible for the promotion of corporate ethics management, which regularly (at least once a year) reports policies on ethical operations, programs on prevention of unethical conduct and the status of supervision to the Board?	V		(II) The Company has set up a dedicate unit to promote ethical management in operations and implement and supervise solutions preventing unethical behaviors, and the unit is to report to the board at least once a year. The Company reports to the Board of Directors on a regular basis the implementation results of ethical management in the previous year, and	Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			<p>assists the Board in evaluating whether the preventive measures for ethical management established by the company are operating effectively. On March 13, 2024, the Board completed the reporting on the implementation of ethical management in 2023. The status of the implementation in 2023:</p> <ol style="list-style-type: none"> 1. Education and training The dedicated unit responsible for ethical management promotes the “ethics and integrity” as the core value of the Company to all employees, conducts education and training courses for new hires on key issues to know when performing duties (81 people attended the 2023 training for new hires, and 505 in-service employees also attended the courses). 2. Communication channels Employees can respond to and communicate with various management levels and human resources units through various channels (including company website, and internal email mailbox). 3. Grievance filing system and whistleblower protection The Company provides channels for whistleblowers to report illegal acts of the Company’s personnel. The dedicated unit 	

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
(III) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		<p>handling ethical management accepts the reported cases, and forwards the cases to the top manager of the relevant units for investigation, and tracks the results of the case. The identity of the whistleblowers and the content of the grievances filed are kept confidential. The case acceptance, investigation process and results are all recorded. There were no effective cases of external grievances filing or internal employee filing, and there were no major unethical events.</p> <p>(III) The Board Meeting Rules of Procedures have provisions for recusal from conflict of interest. We have established the NAK Family Code to prohibit the acceptance of vendors' gratuity, gifts, kickbacks or other illegal benefits through the performance of duties or violations of duty responsibilities. The Company's Employee Reward and Punishment Management Regulations stipulate that employees who engage in work outside the company which may lead to a conflict of interest will be dismissed.</p>	Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Has the Company established an effective accounting and internal control system to put ethical operations management into practice and arranged for the internal audit unit to formulate audit plans based on the risk assessment of unethical conduct and audit the	V		<p>(IV) The Company has established an effective accounting system and internal control system, and the Company's auditing unit performs audit operations in accordance with the annual audit plan approved by the Board and submits reports</p>	Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
<p>compliance to prevent unethical conduct, or commissioned independent auditors to conduct the audit?</p> <p>(V) Does the Company provide internal and external ethical conduct training programs on a regular basis?</p>	V		<p>to audit committee members. The audit status is reported in the meetings of audit committee and the Board, and also forwarded to the competent authority in accordance with regulations.</p> <p>(V) The Human Resources Department disseminates information on ethical management to new hires and converts the materials into digital files, so that all employees can easily review them at any time. In 2023, the Company held external training courses (on regulatory compliance and internal control related to ethical management), and a total of 505 person-time attending a total of 250 hours of classes.</p> <p>In 2023, the Company arranged relevant internal and external training courses for directors, managerial officers and employees, including the source of insider trading law, applicable subjects, regulatory subjects, scope of significant impact information, identification and penalties of insider trading period. A total of 26 people attended the 1-hour course, and the internal training course briefings and audio-visual files are placed in the internal employee system for reference at any time.</p>	Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
<p>III. Operations of the Company's grievance reporting system</p> <p>(I) Does the Company establish specific whistleblowing and reward procedures, set up conveniently accessible</p>	V		<p>(I) The Company has established a specific grievance filing and reward system, and has set up physical</p>	Comply with the Ethical Corporate Management

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
whistleblowing channels and designate responsible individuals to handle the complaints received?			suggestion boxes and virtual email address (talk@mail.nak.com.tw) in each factory, and assigned a dedicated unit to conduct follow-up processes in a confidential manner.	Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company establish standard operating procedures for investigating the complaints received, follow-up measures to be adopted and the related confidentiality measures after investigation?	V		(II) According to Article 20 of the “Ethical Corporate Management Best-Practice Principles”, the “Regulations on the Management of Employee Complaint Channels”, and Article 21 of the “Procedures for Ethical Management and Guidelines for Conduct”, acceptance of grievances files, investigation process and results are recorded and filed, and the identity of whistleblowers and the content of cases are kept strictly confidential. The investigation unit shall immediately produce reports and notify the independent directors in writing if it finds that there are major violations of rules or that the Company may experience significant damage: No such incident occurred this year.	Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company adopt proper measures to shield a whistleblower from retaliation for filing grievances?	V		(III) Details involving the handling of reported issues are made known to only the president and two other supervisors, and the information is kept confidential to prevent the exposure of a whistleblower’s identity and mishandling of matters.	Comply with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
IV. Enhance information disclosure Does the Company disclose its guidelines on business ethics as well as information about implementation of	V		The Company has a website which discloses the code of conduct for ethical management and related governance information produced by dedicated	Comply with the Ethical Corporate Management Best Practice Principles

Issues to be Assessed	Implementation Status			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
such guidelines on its website and the Market Observation Post System?			personnel (http://www.tonslight.com/tw/csr/). The Company also has the spokesperson system, so that shareholders, stakeholders and the competent authority can learn about the Company's status at any time.	for TWSE/TPEX Listed Companies.
V. If the company has established ethical policies based on the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the policies and their implementation in the Company: We have established the "Ethical Corporate Management Best-Practice Principles" for compliance and built a corporate culture of ethical management, and the development and operation are in line with the Ethical Corporate Management Best-Practice Principles.				
VI. Other important information to facilitate better understanding of the Company's corporate conduct and ethics compliance practices (such as reviewing and amending the Company's existing Ethical Corporate Management Best Practice Principles):				
<ol style="list-style-type: none"> 1. The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/TPEX listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management. 2. The Company's "Board Meeting Rules of Procedures" stipulate that directors or other legal person representatives shall commit to a high degree of self-discipline and, when discussing any of the following matters in meetings, state their opinions and answer questions without participating in the discussion and voting and may not act as another director's proxy to exercise voting rights on such matters. I. They themselves or the legal person they represent are the interested parties, and they shall explain the important content of their interest at the meeting at the time. II. Directors believe that they should recuse themselves from the matters. III. The board resolution determines that they shall recuse themselves from the matters. 3. The Company has established the "Operating Procedures for Management of Prevention of Insider Trading" and the "Procedures for Handling Material Inside Information" which specify that the directors, officers and employees who know the material inside information shall not disclose such information to others. The directors, managerial officers and employees shall not inquire those who know the Company's material inside information or collect undisclosed information not related to their personal duties, and shall not disclose to others such information that is not known through the performance of the business activities. 				

(VII) If the Company has adopted corporate governance best-practice principles or the related bylaws, disclose how they can be found:
The Company has established the Corporate Governance Best Practice Principles, which has relevant standards for protecting the rights and interests of shareholders and reinforcing the capacity of the board of directors. For the information on the Corporate Governance Best Practice Principles, please visit the Company's website at <http://www.nak.com.tw/>

(VIII) Other material information that will provide a better understanding of the state of the Company's implementation of corporate governance

For important information on the implementation of corporate governance, please refer to (III) Status of corporate governance implementation and the differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons (P.41 to 54), and the status of directors' continuing education in 2023 is as follows:

Job title	Name	Date of inauguration	Date of continuing education courses		Organizer	Course name	Course hours	Whether the continuing education program complies with the requirements
			From	Ends				
Director	Cheng-Fu Shih	1110609	1120511	1120511	Taiwan Corporate Governance Association	How Does Board Meetings Work? Case Sharing for Common Deficiencies in the Procedure of Board Meetings of TWSE/TPEX-listed Companies	3.0	Yes
			1121108	1121108	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3.0	Yes
Director	Chun-Tang Hsu	1110609	1120511	1120511	Taiwan Corporate Governance Association	How Does Board Meetings Work? Case Sharing for Common Deficiencies in the Procedure of Board Meetings of TWSE/TPEX-listed Companies	3.0	Yes
			1121108	1121108	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3.0	Yes
Director	Ming-Yao Shih	1110609	1120511	1120511	Taiwan Corporate Governance Association	How Does Board Meetings Work? Case Sharing for Common Deficiencies in the Procedure of Board Meetings of TWSE/TPEX-listed Companies	3.0	Yes
			1121108	1121108	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3.0	Yes
Director	Si-Hu Nian	1110609	1120511	1120511	Taiwan Corporate Governance Association	How Does Board Meetings Work? Case Sharing for Common Deficiencies in the Procedure of Board Meetings of TWSE/TPEX-listed Companies	3.0	Yes
			1121108	1121108	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3.0	Yes
Director	Ren-An Chen	1110609	1120511	1120511	Taiwan Corporate Governance Association	How Does Board Meetings Work? Case Sharing for Common Deficiencies in the Procedure of Board Meetings of TWSE/TPEX-listed Companies	3.0	Yes
			1121108	1121108	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3.0	Yes

Job title	Name	Date of inauguration	Date of continuing education courses		Organizer	Course name	Course hours	Whether the continuing education program complies with the requirements
			From	Ends				
Independent director	Kuo-Ko Chen	1110609	1120511	1120511	Taiwan Corporate Governance Association	How Does Board Meetings Work? Case Sharing for Common Deficiencies in the Procedure of Board Meetings of TWSE/TPEX-listed Companies	3.0	Yes
			1121108	1121108	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3.0	Yes
Independent director	Su-Ying Lee	1110609	1120511	1120511	Taiwan Corporate Governance Association	How Does Board Meetings Work? Case Sharing for Common Deficiencies in the Procedure of Board Meetings of TWSE/TPEX-listed Companies	3.0	Yes
			1121108	1121108	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3.0	Yes
Independent director	Chih-Hung Wu	1110609	1120511	1120511	Taiwan Corporate Governance Association	How Does Board Meetings Work? Case Sharing for Common Deficiencies in the Procedure of Board Meetings of TWSE/TPEX-listed Companies	3.0	Yes
			1121108	1121108	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3.0	Yes
Independent director	Chin-Lung Lin	1110609	1120511	1120511	Taiwan Corporate Governance Association	How Does Board Meetings Work? Case Sharing for Common Deficiencies in the Procedure of Board Meetings of TWSE/TPEX-listed Companies	3.0	Yes
			1121108	1121108	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3.0	Yes

(IX) Status of implementation of the Company’s internal control protocols:

1. Statement on Internal Control:

NAK Sealing Technologies Corporation
Statement on Internal Control

Date: March 13, 2024

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year of 2023:

- I. The Company’s board and management are responsible for establishing, implementing and maintaining a proper internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability of our financial reporting and compliance with applicable laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and we take immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “The Governing Principles”) to determine whether or not the existing policies continue to be effective. The criteria adopted by the Governing Principles identify five key components of managerial internal control: 1. Control environment. 2. Risk assessment. 3. Control activities. 4. Information and communication. 5. Monitoring. Each component has its own items. Please see the Governing Principles for details.
- IV. We have evaluated the design and operating effectiveness of our internal control system according to the aforementioned Regulations.
- V. Based on the findings of such evaluation, we believe that on December 31, 2023, it has maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting and compliance with applicable laws and regulations.
- VI. This Statement will be an integral part of the Company’s annual report and prospectus and will be made public. Any falsehood, concealment or other illegality in the content made public will entail legal liability under Article 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This Statement has been approved by the Board of Directors on March 13, 2024. Among the nine directors present, none of them has any objection, and all the others agree with the content of this statement, and declare.

NAK Sealing Technologies Corporation

Chairman:

Signature and seal

President:

Signature and seal

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: Not applicable.
- (X) Regulatory authorities' legal penalties to the Company or its employees, and the Company's resulting punishment on its employees for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements in the most recent year and as of the date of this annual report:
1. No internal personnel of the Company have been punished according to law.
 2. Internal personnel who violate the rules of internal control system are subject to punishment in accordance with the Company's employee reward and punishment rules.
 3. The Company's internal audit has been carried out in accordance with the internal audit plan, and no major deficiencies have been found in 2023.
- (XI) Material resolutions of a shareholders' meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:
1. Key resolutions of the 2023 annual general meeting (on June 15, 2023).
 - (1) Approved the 2022 business report.
 - (2) Approved the Audit Committee's review report of the 2022 year-end report.
 - (3) Approved the 2022 distribution of directors' remuneration and employees' remuneration.
 - (4) Approved the amendment to provisions of the "Board Meeting Rules of Procedures".
 - (5) Approved the amendment to the provisions of the "Corporate Social Responsibility Best-Practice Principles".
 - (6) Approved the 2022 business report, standalone financial reports and consolidated financial reports.
 - (7) Approved the 2022 annual profit distribution.

Implementation: The base date of distribution was set for August 7, 2023, and the date of cash dividend release was set for August 25, 2023. (Cash dividend at NT\$5.6 per share)
 2. Key resolutions of Board meetings during 2023 or during the current fiscal year up to the date of publication of the annual report:
 - 7th meeting of the 18th session of the Board (May 11, 2023)
 - (1) Q1 2023 consolidated financial report.
 - (2) Application for line of credit from Chang Hwa Bank.
 - 8th meeting of the 18th session of the Board (June 15, 2023)
 - (1) Resolved to have August 7, 2023 as the record date of 2022 dividends.
 - (2) Line of credit from Mega International Commercial Bank.
 - (3) Line of credit from First Commercial Bank of Taiwan.
 - 9th meeting of the 18th session of the Board (August 8, 2023)
 - (1) Approved the Q3 2023 consolidated financial report.
 - (2) Distribution of 2022 remunerations to individual directors.
 - (3) The individual allocation of remuneration to senior managers for 2022.
 - 10th meeting of the 18th session of the Board (November 8, 2023)
 - (1) Q3 2022 consolidated financial report.
 - (2) Change in CPAs in line with the internal rotation of the CPA's firm.
 - (3) Formulated the Rules Governing Financial and Business Matters with Related Parties.
 - (4) Revise the Company's salary cycle.
 - 11th meeting of the 18th session of the Board (December 26, 2023)

- (1) 2024 operational plan and budget.
- (2) 2024 annual audit plan.
- (3) Amendment to provisions of the “Rules Governing the Management of Cash Receipts and Expenditures”.
- (4) Amendment to provisions of the “Rules Governing the Management of Petty Cash”.
- (5) Establishment of the “Standard Operating Procedures for Handling Directors’ Requests”.
- (6) Revise the Company’s R&D cycle.
- (7) Appointment of the chief of information security and dedicated personnel.
- (8) Application for line of credit from First Commercial Bank of Taiwan.

12th meeting of the 18th session of the Board (January 30, 2024)

- (1) Appropriate the 2023 employee remuneration.
- (2) Distribution of the 2023 directors’ remuneration of the Company.
- (3) 2023 year-end bonus for key managers.
- (4) Amendment to provisions of the “Board Meeting Rules of Procedures”.
- (5) Assessment of the independence and suitability of CPAs.

13th meeting of the 18th session of the Board (March 13, 2024)

- (1) Resolved the distribution of 2023 remunerations to directors and employees.
- (2) Resolved the 2023 collection of directors’ remuneration.
- (3) Resolved the 2023 business report, parent-only financial reports and consolidated financial reports.
- (4) Resolved the 2023 profit distribution.
- (5) Amendment of provisions of the “Articles of Incorporation”.
- (6) Conduct the evaluation of the 2023 effectiveness of internal control protocols and issue the Statement on Internal Control.
- (7) Determine the date and agenda of the 2024 annual general meeting and the acceptance of motions from shareholders with at least 1% in shareholding and the time, venue and relevant matters of motions.

(XII) Where, during the most recent fiscal year and up to the date of this annual report, a director has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: Not applicable.

(XIII) A summary of resignations and dismissals of personnel related to financial reporting (including the chairman, president, principal accounting officer, and internal audit supervisor) during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

IV. Audit fee of independent auditors:

(I) Audit fee of independent auditors

Unit: NT\$ thousand

Name of CPA's Firm	Name of Accountant	Audit period	Audit fees	Non-audit fees					Remarks
				System Design	Company Registration	Human Resources	Others (Note 1)	Subtotal	
Pricewaterhouse Coopers, Taiwan	Sung-Yuan Wu	2023/01/01 - 2023/12/31	5,841	-	-	-	360	360	(Note 1) Service fee for transfer pricing.
	Chih-Wei Lai								

(II) Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year, and disclosure for the change in audit fee, and the reason for the change: Not applicable.

(III) If the professional audit fee has decreased by more than 10% compared with the previous year, the decreased amount, proportion and reason for the reduction of professional audit fee shall be disclosed: Not applicable.

V. Information on change of accountant: Not applicable.

VI. If the chairman, president and managers in charge of the Company's finance and accounting operations held any positions within the Company's independent audit firm or its affiliates during the past one year: Not applicable.

VII. Changes in the transfer or pledge of shares by directors, officers, and shareholders holding over 10% of the outstanding shares in the past year and by the date of report publication.

1. Changes in shareholding of directors, supervisors, officers and principal shareholders

Job title	Name	2023		As of March 30 of the current year	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Chairman	Cheng-Fu Shih	(240,000)	0	(1,918,348)	0
Director	Chun-Tang Hsu	(110,000)	0	0	0
Director	Ren-An Chen	(21,000)	0	0	0
Director	Si-Hu Nian	(25,000)	0	(50,000)	0
Director	Ming-Yao Shih	0	0	(1,450,000)	0
Independent director	Kuo-Ko Chen	0	0	0	0
Independent director	Su-Ying Lee	0	0	0	0
Independent director	Chih-Hung Wu	0	0	0	0
Independent director	Chin-Lung Lin	0	0	0	0

Note:

1. We have established an audit committee, so there are no supervisors.
2. Stock trade with a related party: Not applicable.
3. Stock pledge with a related party: Not applicable.

VIII.Information on top ten shareholders who have mutual relationship as related parties as specified in the Financial Accounting Standards Bulletin No. 6:

March 30, 2024

Name	Shareholding		Shareholding of spouse and minor children		Total shares held in the name of others		Title, name and relationship of the top ten shareholders who have mutual relationship as interested persons according to the Accounting Standards 6 or as spouse or blood relative within the second degree.		Remarks
	Number of shares	Ownership	Number of shares	Ownership	Number of shares	Ownership	Title (or name)	Relationship	
Fu Mao Mei Investment	9,368,488	11.27%							-
Representative: Cheng-Fu Shih	4,500,000	5.41%	84,929	0.10%	-	-	Ming-Yao Shih Ming-Ho Shih Chun-Tang Hsu	Father-son Father-son In-Law	
Tang-Di Investment	4,159,000	5.00%	-	-	-	-	-	-	-
Representative: Tzu-Wen Nien	295,000	0.35%	-	-	-	-	-	-	-
I-Lung Chiu	1,793,000	2.16%	1,200,000	1.44%	-	-	-	-	-
Mei-Ching Chen	1,639,000	1.97%			-	-	Hsin-Chung Chen	Sister and brother	-
Ming-Yao Shih	1,637,402	1.97%			-	-	Cheng-Fu Shih Ming-Ho Shih	Father-son Brothers	
Hsin-Chung Chen	1,576,000	1.90%	463,000	0.66%	-	-	Mei-Ching Chen	Sister and brother	-
Chun-Tang Hsu	1,412,427	1.70%	1,151,000	1.38%			Chung-Fu Shih	In-Law	
Ming-Ho Shih	1,312,764	1.58%	705,000	0.85%	-	-	Chung-Fu Shih Ming-Yao Shih	Father-son Brothers	-
CHB Bank (Taiwan) Limited Trust Property	1,300,000	1.56%	-	-	-	-	-	-	-
Representative: Chin-Shih Nien Huang	-								

IX. The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company

Total shareholding

Unit: Share, %

Investee (Note)	Ownership by the Company		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries		Total Ownership	
	Number of shares	Ownership	Number of shares	Ownership	Number of shares	Ownership
SMOOTH-TRACK ASSOCIATES LIMITED	4,698 thousand shares	100%	None	None	4,698 thousand shares	100%
NAK SEALING PRODUCTS (THAILAND)CO., LTD.	15 thousand shares	100%	None	None	15 thousand shares	100%
KISH NAK OIL SEAL. CO., LTD	151 thousand shares	49%	None	None	151 thousand shares	49%
SHOWMOST INTERNATIONAL CO., LTD.	578 thousand shares	100%	None	None	578 thousand shares	100%
NAK TOTAL SEALING SOLUTIONS PTY LTD.	5 thousand shares	49%	None	None	5 thousand shares	49%
Song-Quan International Company.	15 thousand shares	100%	None	None	15 thousand shares	100%

Note: Investment by the Company by using the equity method.

Four. Financing Activities

I. Capitals and shares

(I) Source of capital:

March 30, 2023

Unit: Share

Type of Shares	Authorized Share Capital			Remarks
	Shares outstanding (Note 1)	Un-issued Shares	Total	
Common Stock	83,161,320	16,838,680	100,000,000	

Note 1: Shares outstanding.

(Blank below)

History of capital formation:

March 30, 2024

Year and Month	Issue Price	Authorized Share Capital		Paid-in Capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital Increase by Assets Other than Cash	Others
65.08	1,000	1,000	1,000,000	1,000	1,000,000	Cash capitalization	None	None
69.07	1,000	1,440	1,440,000	1,440	1,440,000	Cash capital increase of NT\$440,000	None	None
71.08	1,000	6,000	6,000,000	6,000	6,000,000	Cash capital increase of NT\$4,560,000	None	None
72.09	1,000	12,000	12,000,000	12,000	12,000,000	Cash capital increase of NT\$6,000,000	None	None
75.12	1,000	18,000	18,000,000	18,000	18,000,000	Cash capital increase of NT\$6,000,000	None	None
79.10	1,000	29,480	29,480,000	29,480	29,480,000	Cash capital increase of NT\$11,480,000	None	None
83.08	10	5,896,000	58,960,000	5,896,000	58,960,000	Cash capital increase of NT\$14,740,000 Capitalization of profit of NT\$14,740,000	None	The face value of each share is changed from NT\$1,000 to NT\$10.
84.06	10	11,792,000	117,920,000	11,792,000	117,920,000	Cash capital increase of NT\$14,740,000 Capitalization of profit of NT\$44,220,000	None	None
86.08	10	16,508,800	165,088,000	16,508,800	165,088,000	Capitalization of profit of NT\$47,168,000	None	1997.10.06 Jing (86) Shang-Zi Document #11919
87.04	10	18,159,680	181,596,800	18,159,680	181,596,800	Capital increase through mergers of NT\$16,508,800	None	1998.05.01 Jing (87) Shang-Zi Document #109443
88.03	10	19,995,480	199,954,800	19,995,480	199,954,800	Capital increase through mergers of NT\$18,358,000	None	1999.04.228 Jing (88) Shang-Zi Document #114796
88.07	10	60,000,000	600,000,000	30,000,000	300,000,000	Capitalization of profit of NT\$100,045,200	None	1999.06.25 (88) Tai-Tsai-Cheng (I) #56365
89.07	10	60,000,000	600,000,000	42,000,000	420,000,000	Capitalization of profit of NT\$120,000,000	None	2000.07.10 (89) Tai-Tsai-Cheng (I) #59163
90.08	10	60,000,000	600,000,000	46,438,020	464,380,200	Capitalization of profit of NT\$42,000,000 Capitalization of employee bonus of NT\$2,380,200	None	2001.07.12 (90) Tai-Tsai-Cheng (I) #144796
91.08	10	60,000,000	600,000,000	51,312,500	513,125,000	Capitalization of profit of NT\$46,438,020 Capitalization of employee bonus of NT\$2,306,780	None	2002.05.15 (91) Tai-Tsai-Cheng (I) #126296
92.09	10	60,000,000	600,000,000	56,799,237	567,992,370	Capitalization of profit of NT\$51,312,500 Capitalization of employee bonus of NT\$3,554,870	None	2003.07.17 Tai-Tsai-Cheng I #0920130133
93.08	10	100,000,000	1,000,000,000	62,934,000	629,340,000	Capitalization of profit of NT\$56,799,230 Capitalization of employee bonus of NT\$4,548,400	None	2004.08.13 Jing-Shou-Shang-Zi #093011047170
93.11	10	100,000,000	1,000,000,000	63,207,738	632,077,380	Convertible bonds converted to common stocks worth NT\$2,737,380	None	2004.11.02 Jing-Shou-Shang-Zi #09301207110
94.02	10	100,000,000	1,000,000,000	65,498,203	654,982,030	Convertible bonds converted to common stocks worth NT\$22,904,650	None	2005.02.25 Jing-Shou-Shang-Zi #09401032000

Year and Month	Issue Price	Authorized Share Capital		Paid-in Capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital Increase by Assets Other than Cash	Others
94.04	10	100,000,000	1,000,000,000	67,933,928	679,339,280	Convertible bonds converted to common stocks worth NT\$24,357,250	None	2005.04.22 Jing-Shou-Shang-Zi #09401067350
94.09	10	100,000,000	1,000,000,000	71,845,355	718,453,550	Capitalization of profit of NT\$33,807,750 Capitalization of employee bonus of NT\$2,960,210 Conversion of corporate bonds for NT\$2,346,310	None	2005.09.05 Jing-Shou-Shang-Zi #09401170190
95.01	10	100,000,000	1,000,000,000	72,185,258	721,852,580	Conversion of corporate bonds for NT\$3,399,030	None	2006.01.02 Jing-Shou-Shang-Zi #09401268880
95.09	10	100,000,000	1,000,000,000	75,993,677	759,936,770	Capitalization of profit of NT\$36,092,630 Capitalization of employee bonus of NT\$1,991,560	None	2006.09.01 Jing-Shou-Shang-Zi #09501196950
96.03	10	100,000,000	1,000,000,000	77,996,397	779,963,970	Conversion of corporate bonds for NT\$20,027,200	None	2007.03.30 Jing-Shou-Shang-Zi #09601065880
96.08	10	100,000,000	1,000,000,000	82,262,079	822,620,790	Capitalization of profit of NT\$38,998,200 Capitalization of employee bonus of NT\$3,371,100 Conversion of corporate bonds for NT\$287,520	None	2007.08.01 Jing-Shou-Shang-Zi #09601184980
96.12	10	100,000,000	1,000,000,000	82,500,002	825,000,020	Conversion of corporate bonds for NT\$2,379,230	None	2008.04.28 Jing-Shou-Shang-Zi #09701098670
97.05	10	100,000,000	1,000,000,000	83,024,138	830,241,380	Conversion of corporate bonds for NT\$5,241,360	None	2008.10.14 Jing-Shou-Shang-Zi #09701262290
97.09	10	100,000,000	1,000,000,000	83,042,188	830,421,880	Conversion of corporate bonds for NT\$180,500	None	2008.12.15 Jing-Shou-Shang-Zi #09701312720
98.09	10	100,000,000	1,000,000,000	83,161,320	831,613,200	Conversion of corporate bonds for NT\$1,191,320	None	2009.09.07 Jing-Shou-Shang-Zi #09801205300

Note 1: There is no capital increase by assets other than cash so far.

Note 2: The Company has not adopted the shelf registration as approved to issue securities.

(II) Shareholder structure:

March 30, 2024

Composition of Shareholders Quantity	Government Agencies	Financial Institutions	Other Legal Persons	Individual	Foreign Institutions and Natural Persons	Total
Number of people	1	4	87	10,383	75	10,550
No. of Shares Held	62,000	986,000	16,450,726	61,326,844	4,335,750	83,161,320
Ownership	0.07%	1.19%	19.78%	73.75%	5.21%	100.00%

(III) Ownership dispersion:

March 30 , 2024

Shareholding Levels	Number of Shareholders	No. of Shares Held	Ownership
1 to 999	3,444	532,305	0.64%
1,000 to 5,000	5,956	11,172,325	13.43%
5,001 to 10,000	578	4,497,796	5.41%
10,001 to 15,000	185	2,380,194	2.86%
15,001 to 20,000	88	1,630,414	1.96%
20,001 to 30,000	89	2,308,806	2.78%
30,001 to 40,000	44	1,572,144	1.89%
40,001 to 50,000	30	1,383,264	1.66%
50,001 to 100,000	51	3,667,086	4.41%
100,001 to 200,000	34	5,095,509	6.13%
200,001 to 400,000	24	6,987,221	8.40%
400,001 to 600,000	2	1,011,000	1.22%
600,001 to 800,000	10	6,879,939	8.27%
800,001 to 1,000,000	2	1,875,568	2.26%
1,000,001 to 10,000,000	13	32,167,749	38.68%
Total	10,550	83,161,320	100.00%

Note: The Company has not issued preferred stocks.

(IV) List of principal shareholders:

March 30, 2024

Name of Principal Shareholders	Shares	No. of Shares Held	Ownership
Fu Mao Mei Investment		9,368,488	11.27%
Cheng-Fu Shih		4,500,000	5.41%
Tang-Di Investment		4,159,000	5.00%
I-Lung Chiu		1,793,000	2.16%
Mei-Ching Chen		1,639,000	1.97%
Ming-Yao Shih		1,637,402	1.97%
Hsin-Chung Chen		1,576,000	1.90%
Chun-Tang Hsu		1,412,427	1.70%
Ming-Ho Shih		1,312,764	1.58%
CHB Bank (Taiwan) Limited Trust Property		1,300,000	1.56%

(V) Market price, net worth, earnings and dividends per share and the related information for the most recent two years:

Item		Year	2022	2023	2024
Market Price Per Share (Note 1)	Highest		121.50	163.00	Not applicable
	Lowest		82.10	101.50	
	Average		94.42	135.01	
Net Worth Per Share (Note 2)	Before distribution		41.69	47.63	
	After distribution		36.09	Not yet distributed (Note 7)	
Earnings per share	Weighted Average Shares (thousand shares)		83,161	83,161	
	Earnings per share (before retrospective adjustment) (Note 3)		7.82	11.77	
	Earnings per share (after retrospective adjustment) (Note 3)		7.82	Not yet distributed (Note 7)	
Dividends Per Share	Cash dividends		5.60	7.00	
	Bonus Share	-	-	-	
		-	-	-	
	Dividends in Arrears		-	-	
Analysis of Return on Investment	Price/Earnings Ratio (Note 4)		12.07	11.47	
	Price/Dividends Ratio (Note 5)		16.86	19.29	
	Cash Dividends Yield (Note 6)		0.06	0.05	

Note 1: List the highest and lowest market price per share in the most recent two years. Calculate each fiscal year's average market price based on each fiscal year's actual trading prices and volume.

Note 2: Refer to the number of issued shares at the end of the year and fill in according to the resolution of the Board or the shareholder meeting of the next year.

Note 3: Retrospective adjustment has been made due to bonus shares, and the earnings per share before and after the adjustment are listed.

Note 4: Price-Earnings ratio = Average closing price per share / Earnings per share of the year.

Note 5: Price-Dividends ratio = Average closing price per share / Cash dividends per share of the year.

Note 6: Cash dividends yield = Cash dividend per share / Average closing price per share of the year.

Note 7: The 2023 profit distribution was only resolved in the Board meeting, and still needed to be approved by the shareholders' meeting.

(VI) Company's dividends policy and the implementation status:

1. Dividends policy:

Article 28-1 of the Article of Incorporation: The current year's earnings after year-end accounting, if any, shall first be used to pay taxes and offset prior years' operating losses, and then 10% of the remaining amount shall be set aside as legal reserve. This does not apply if the legal reserve has reached the Company's paid-in capital. Special reserve is then allocated or reversed in accordance with the law or regulations of the authority. With respect to the balance and the accumulated undistributed profits of the previous year, the board proposes a profit distribution plan to the shareholders meeting for a resolution on the distribution of dividends and bonuses.

The Company's dividend policy is based on the current and future development plans and considers the investment environment and competition both at home and abroad and the interests of shareholders. More than 50% of the accumulated earnings available for distribution is allocated as shareholders' dividends and bonuses every year; more than 20% of the shareholders' dividends and bonuses shall be cash dividends. The percentages of shareholders' dividends and bonuses and cash dividends may be adjusted by the resolution of the shareholders' meeting depending on the actual profits and capital status of the current year.

2. Proposal to distribute cash dividend at the Shareholders' Meeting:

The Board has resolved to distribute cash dividends of NT\$7.0 per share for the 2023 profit distribution, and after the resolution of the annual general meeting approved the profit distribution, a date of record will be determined.

(VII) The impact of bonus shares proposed by the shareholders' meeting on the Company's operating performance and earnings per share: Not applicable.

(VIII) Remuneration for employees and directors:

1. The percentages or ranges with respect to employees' and directors' remuneration specified in the Articles of Incorporation.

Article 28 of the Company's Articles of Incorporation: If the Company is profitable in the fiscal year, no less than 3% of the profit shall be offered as employee remuneration, and no more than 3% of the profit shall be allocated as directors' remuneration. However, if the Company still has accumulated losses, an amount shall be reserved in advance to make up for the losses.

Employee remuneration is mainly in the form of stocks or cash, and the recipients shall include the employees of subsidiaries who meet certain criteria specified by the board. The remunerations for directors are to be paid in cash only.

2. The basis for estimating the amount of employee and director compensation, calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The remuneration to employees and directors for the current period is estimated based on the percentage stipulated in the Articles of Incorporation after considering the legal reserve, special reserve and other factors. If there is a difference between the actual amount distributed as resolved by the board and the estimated amount, it shall be recognized as the profit and loss of the following year. Stock dividends are calculated based on the fair value per share (closing price) the day before the resolution of the shareholder meeting of the next year for the year of the financial reports, after taking into account the effects of ex-rights and ex-dividends.

3. Distribution of compensation as approved by the Board:

- (1). Amount of remuneration for employees and directors payable in cash or stocks: If the amount recognized in the fiscal year is different from the estimate, please disclose the difference, reasons and treatment:

Employee Compensation in Cash	NT\$58,506,207
Employee Compensation in Stocks	NT\$0
Directors' remuneration	NT\$5,000,000

The abovementioned amount proposed to be distributed is not different from the amount estimated in 2023.

- (2). The percentage of profit sharing from earnings for employees distributed in stock in the total amount of net profit after tax and profit sharing from earnings for employees:

The Company has not proposed to distribute employee remuneration in the form of stocks, so this does not apply.

4. The actual distribution of employee and director remuneration for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee and director remuneration, additionally the discrepancy, cause, and how it is treated:

2023 shareholders' meeting and Board
meeting
Resolution of actual distribution of
2022 profit

- (1). Status of distribution:

Employee Compensation in Cash	NT\$35,264,892
Employee Compensation in Stocks	NT\$0
Directors' remuneration	NT\$6,000,000

There is no difference between the actual distribution and the amount recognized for 2022 by the Company.

(IX) Stock buybacks of the Company: None.

II. Issuance of corporate bonds: None.

III. Preferred stock, global depository receipts, employee stock options and new share issuance in connection with mergers and acquisitions: None.

IV. Implementation of the Company's capital allocation plans: As of the date of publication of the annual report, the Company has completed the implementation of capital allocation plan for all issued securities, and the plan performance has been significant, so this item is not applicable.

Five. Overview of Operations

I. Scope of business

(I) Scope of business

1. Core business:

- (1) Processing, manufacturing and import and export of oil seals for automobiles, motorcycles, machinery and transportation equipment.
- (2) Machinery and equipment manufacturing.
- (3) Die manufacturing.
- (4) Production and sales of rubber compounds.

2. Core products and their proportion of the overall business:

2023

Item	Percentage of operation (%)
Oil seals	90.20%
Rubber compound	2.95%
Others	6.85%
Total	100.00%

3. Current products:

Processing, manufacturing and sales of various oil seals, boots and other rubber products.

4. New products to be developed:

- (1) Product development - Develop products according to the Company's strategy and customer needs:

Automobile industry:

- Development of oil seal products for electric motors of electric vehicles.
- Oil seal products for gearboxes of electric vehicles.
- High-voltage current-guided oil seal products for electric vehicles.
- Oil seal products for vehicle actuators.
- Oil seal products for electric power steering (EPS) systems.
- Oil seal products for motorcycle shock absorbers.
- Development of oil seal products for electric motors of electric motorcycles.
- Oil seal products for truck axles.
- Oil seal products for transmission input shaft and output shaft
- Oil seals for torque converters.
- Oil seals for gearbox front covers.
- Automatic transmission (AT) oil seals and repair kits.
- Continuously variable transmission (CVT) oil seals and repair kits.
- Dual-clutch transmission (DCT) oil seals and repair kits.
- Repair kits for steering oil seals.
- Repair kits for power steering pump oil seals.

Industrial applications:

- Development of oil seal products for low-torque reducers.
- Oil seal products for precision gearboxes of robotic arms.
- Oil seal products for hydraulic pumps.
- Oil seal products for hydraulic motors.
- Air compressor oil seals.

- Washing machine oil seals.

Agricultural construction and mining industry:

- Oil seal products for agricultural machinery diesel engines.
 - Oil seals for agricultural machinery gearboxes.
 - Oil seals for agricultural machinery pumps.
 - Oil seals for agricultural machinery axles.
 - PTO seals for agricultural machinery.
 - Oil seals for agricultural machinery hydraulic cylinders.
 - Oil seals for construction machinery main pumps/travel motors/rotary motors.
 - Oil seals for construction machinery hydraulic cylinders.
- (2) Test machine construction - Improve product quality and reliability:
 - Seals testing machine for robotic arms.
 - Testing machine for seals used on agricultural machinery axles.
 - (3) Test machine construction - Improve fundamental research capabilities:
 - Testing machine for seals used on precision gearboxes.
 - Low-torque slewing test machine.
 - Variable pressure testing machine.
 - (4) Development of innovative materials - Materials to meet the needs of different industries for seals.
 - Development of oil seals and rubber materials for motors of high rotational speed used on electric vehicles.
 - Oil seals and rubber materials for gearboxes of high speed electric vehicles.
 - Development of high-voltage current-guided oil seal materials for electric vehicles.
 - Development and application of NBR, HNBR and FKM rubber compound for actuator oil seals.
 - Oil seals and NBR compound for low-torque reducers.
 - Research and development of oil seals and rubber compound used for electric power steering (EPS) systems.
 - Verification and application of high-performance raw rubber, reinforcing agents, antioxidants and processing aids.
 - Development and application of injection molding-grade rubber compound.
 - Development and application of high-performance heat-resistant eco-friendly adhesives.
 - Continuous research, development and application of eco-friendly formulas.
 - Maintain TAF certification for the laboratory.
 - Development of eco-friendly shock absorber oil seals and rubber compound.
 - Development of low-friction shock absorber oil seals and rubber compound.

(II) Industry overview

1. Status and development of the industry

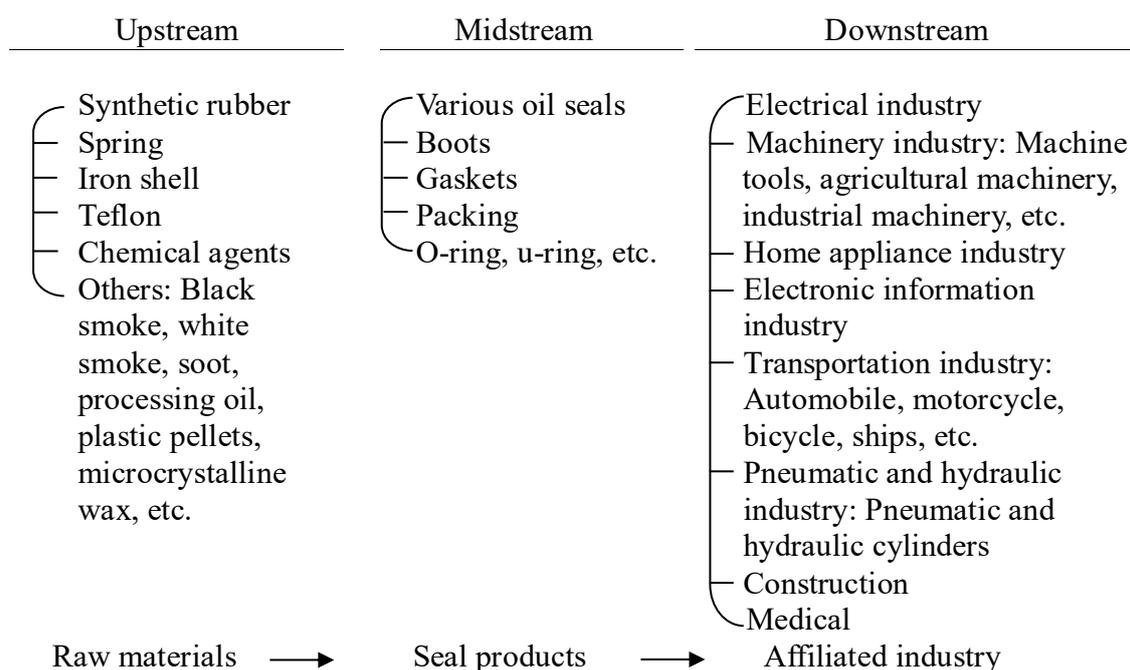
Products are mainly seals and gaskets. The products are indispensable components for transportation (automobiles, motorcycles, bicycles, ships and aircrafts), industrial machinery, electrical machinery, construction, electronics, home appliances, aerospace, medical and other industries. The extensive use of seals can achieve the anti-leak, anti-dust, anti-shock, wear-resistant and fastening performance, and the product requirements also increase with the industrialization and modernization of various countries. According to the statistics compiled by The Freedonia Group, Inc., a professional research and survey agency on the international market for seals, the overall market size has an average annual compound growth rate of about 5.0% from 2014 to 2024, showing a steady and small growth every year. The 2023 total sales of seals around the world is about US\$84.4 billion, of which oil seals account for about US\$52.8 billion and gaskets account for about US\$31.6 billion. Current technology has not been able to invent alternatives or any new

products with better performance that can completely replace the important functions of seals, so the future market outlook is still optimistic.

Estimated global demand for seals		
Unit: US\$ 100 million		
Item	2023	2024
Total demand for seals	844	886
Seals	528	554
Gaskets	316	332

Source : The Freedonia Group, Inc. · 《World Gaskets & Seals》

2. Relations between upstream, midstream and downstream of the industry:
Diagram showing relations between upstream, midstream and downstream of the seal industry



3. Various product trends

Seal products are indispensable components for transportation vehicles, electronic, electrical, machinery, home hardware, construction and pneumatic and hydraulic application industries, and the more industrialized countries tend to need more seal products.

The global market demand for seals may be increasing year by year, but the market competition has become increasingly fierce due to the emergence of competitors in China and India and the strong consolidation of Japanese manufacturers. In response, the Company will develop high-quality and high-performance sealing products, and accelerate the planning of global strategies and human resources cultivation, so as to enhance the overall competitive advantage. The following is a detailed description of the product development trend of the industry of seals:

(1) The expanding scale of the Company, and the barriers to entry are high in terms of the technology

Seal products are susceptible to many interferences during the production, making the product quality fluctuate greatly. The products are considered components used in precision industries making transportation vehicles, agricultural machinery, construction machinery, machining tools, electronic products and others, which also have relatively high requirements for quality. In terms of the product quality, company scale or operations, it is better to adopt business combination or the approach of going public to gradually expand the company scale, so that more automated equipment and instruments can be purchased to perform more precise quality verification to build statistical databases as a basis for quality improvement and accumulation of technical experience.

(2) Products are being developed with high technology and higher added value

The seal industry has entered a mature stage. Amid the fierce competition in the market, all industry players are actively moving toward making a full lineup of product with higher technology and added value, so that the products can be more widely used in transportation vehicles, ships, national defense, precision medical

equipment, aerospace and other high-tech industries.

(3) Low-end products moved out

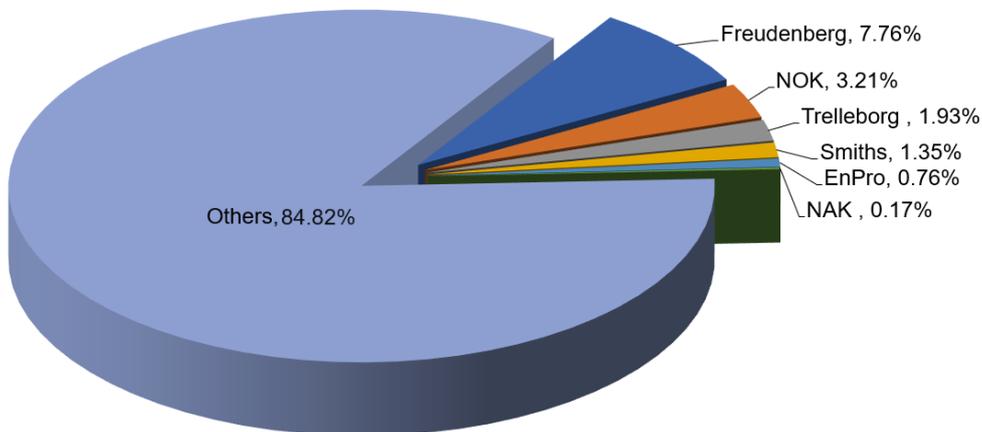
There is still room for demand for low-end products. Amid the fierce global market competition, labor-intensive products will gradually be at a disadvantage. Besides, the education standard in Taiwan has generally improved, and there are not as many workers willing to work in the field of production, resulting in labor shortages and rising costs. Therefore, it has become one of the development trends to move low-end products to regions with abundant labor and low labor costs.

4. Market competition

Due to the extremely wide range of applications, the market of seals is quite broad, and there are many competitors, so no single leading manufacturer can completely control all segments of the market. According to the 2022 financial reports of major competitors and the statistics compiled by The Freedonia Group, Inc. for the market of oil seals, the competition between companies is rather fierce. Our company currently has less than 1% of market share, and there is still a lot of room for future growth.

Market share of leading brands in the global market of seals:

Annual market share of foreign competitors in the oil seal industry



Source: 2022 financial reports of major competitors and the scale of oil seal market in the “World Gaskets & Seals”, The Freedonia Group, Inc.

(III) Overview of technology and R&D

- R&D expenses spent in the most recent two years and as of the publication date of the annual report:

Unit: In NT\$ thousand

Year	2022	2023	As of March 30, 2024
Research and development expenses	65,938	79,303	Not applicable

2. R&D results in the last two years:

Item	Description
Technologies and products successfully developed	<ol style="list-style-type: none"> 1. OEM products in the automotive industry, oil seals used in gearbox of electric vehicles. 2. OEM products in the automotive industry, oil seals used in vehicle transmission. 3. OEM products in the automotive industry, oil seals used in vehicle shock absorbers. 4. OEM products in the automotive industry, oil seals used in vehicle axles. 5. OEM products for industrial applications, oil seals used in precision gearboxes. 6. OEM products for industrial applications, oil seals used in low torque reducers. 7. OEM products for industrial applications, oil seals used in washing machines for dirt-resistant and energy-saving purposes. 8. OEM products for industrial applications, oil seals used in air compressors. 9. OEM products for agricultural construction and mining industries, oil seals used in agricultural machinery axles. 10. OEM products for agricultural construction and mining industries, oil seals used in agricultural hydraulic pumps. 11. OEM products for agricultural construction and mining industries, oil seals used in hydraulic cylinders of construction machinery. 12. OEM products for agricultural construction and mining industries, oil seals used in axles of construction machinery. 13. OES products in the automotive industry, oil seals used in vehicle shock absorbers. 14. OES products in the automotive industry, oil seals used in vehicle axles. 15. As for the AF products in the automotive industry, the following products have been developed in line with the sales department's strategy for the aftermarket segment: <ol style="list-style-type: none"> (1) Steering gearbox repair kit. (2) Steering pump repair kit. (3) Automatic transmission pistons repair kit. 16. Injection molding-grade rubber compound.

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

1. Marketing - Short-term
 - (1) Expansion in overseas markets.
 - (2) Investment and strategic alliances.
 - (3) Cultivate the heavy industry.
 - (4) Cultivate the product and component markets.
2. Marketing - Long-term
 - (1) Satisfactory quality.

- (2) Reasonable price.
- (3) Differentiated service.
- (4) Convenience/selection.
- 3. Production policy - Short-term
 - (1) Shorten lead time.
 - (2) Reduce production cost.
- 4. Production policy - Long-term
 - (1) Continuous process improvement.
 - (2) Continue to improve performance.
 - (3) Reinforce the supply chain.
 - (4) Improve factory safety.
 - (5) Reduce environmental impact of products.
- 5. Direction of product research and development
 - (1) Automotive power system - Oil seals for engine valves, camshaft and front and rear crankshafts.
 - (2) Automobile drivetrain system - Oil seals for manual transmission, automatic transmission, axles, wheel hubs.
 - (3) Automotive chassis system - Oil seals for shock absorbers and power steering.
 - (4) AP and ST oil seals for agricultural, construction, mining and forestry machinery.
 - (5) Electronics - Oil seals for washing machine.
 - (6) Industrial applications - Oil seals for hydraulic pumps, gearboxes, motors, robotic arms, hand tools and wind power.
 - (7) Development of various raw materials to meet the needs of OEM customers and new product development.
- 6. Operation and management strategy - Short-term
 - (1) Promote the management system of key performance indicators (KPIs).
 - (2) Reduce costs.
- 7. Operation and management strategy - Long-term
 - (1) Human resources development and talent cultivation programs.
 - (2) Continue to promote knowledge management.

II. Markets, production, and marketing overview:

(I) Market analysis:

1. Major markets of the Company's products:

Main products:

Unit: In NT\$ thousand

Products	Year	2023	
		Amount	%
Oil seals		4,317,173	90.20%
Rubber compound		141,256	2.95%
Others		328,097	6.85%
Total		4,786,526	100.00%

Major sales regions:

Year	Regions	Europe	Americas	Asia	Others	Taiwan	Total
	2023		29.08%	16.53%	50.93%	1.09%	2.37%	100%

2. Market share

Since seals are widely used in various infrastructure industries such as automobiles, electronics, electrical machinery, construction, national defense, etc. the classification can be difficult. The domestic statistics compilation units and research institutes do not have data dedicated to seal products. Besides, domestic seal makers, other than our company, tend to be smaller in scale and are not publicly traded companies. The Company relies on export sales, and the value for the last three years accounted for 26.23%, 24.30%, and 27.81%, respectively, of the total export value of products related to seals. This shows the Company's leadership among domestic players in terms of the market share of export and the overall revenue.

Unit: In NT\$ thousand

Item	Year	2021	2022	2023
	Amount of NAK's export sales(A)		2,625,301	2,852,491	3,319,911
Taiwan's export scale for seals (B)		10,007,847	11,740,108	11,937,687
(A)/(B)		26.23%	24.30%	27.81%

Note: The data for Taiwan's export scale for seals is compiled by the Customs Administration of the Ministry of Finance, and the product categories are sealing gaskets and oil seals and rings.

3. Future demand and growth potential:

Seal products are widely used in electronics, machinery, transportation vehicles, construction and aerospace industries. The more industrialized countries tend to have more demand for seals. Countries in the European Union and the Americas are the most industrialized and are the largest export market for Taiwan’s seal products. The industrialization and the increasing domestic demand in China, Southeast Asia and Eastern Europe have also increased the demand for seals, making them the markets with great potential in the future.

Especially for the automobile and motorcycle, home appliances, agricultural machinery and green energy industries in China, the market for OEM and aftermarket products is expected to grow vigorously. Taiwan’s domestic market and export for seals have also grown in both the demand and output value due to the global industrialization and economic recovery, and domestic manufacturers have also improved their production technology and product quality, making them competitive. The global seal market is expected to reach US\$88.6 billion in 2024. The annual compound growth rate of 3% to 5% is showing a trend of year-over-year growth, showing that there is still room for growth and the future is bright.

Estimated global demand for seals		Unit: US\$ 100 million
Item	2023	2024
Total demand for seals	844	886

Source: The Freedonia Group, Inc. 《World Gaskets & Seals》

Looking at the demand for seals by industry, the results of studies conducted by The Freedonia Group, Inc. showed that the output value of each industry has grown steadily (refer to the table below).

Industry	2024		2023		Compared with 2023
	(US\$ 100 million)	Percentage	(US\$ 100 million)	Percentage	Growth rate
Global	886	-	844	-	4.98%
Vehicle	333	37.58%	324	38.39%	2.78%
Industrial	294	33.18%	275	32.58%	6.90%
Electronics	133	15.01%	126	14.93%	5.56%
Others	126	14.23%	119	14.10%	5.88%

Source : The Freedonia Group, Inc. · 《World Gaskets & Seals》

4. Competitive niche:

(1) Product diversification and broad market

The Company collaborates with distributors through existing marketing channels, and collects market and industry information in various regions to fully grasp the industry trends. By understanding the market and technology trends, the Company makes the product diversification and the distribution of marketing channels more effective, and can respond to the different economic characteristics of each region to catch the industry growth.

- (2) Excellent product quality and R&D and the improvement of production technology
Our products are known for their high quality, and we spare no effort in collecting information of new technology and developing new products and materials. We have obtained the ISO/IEC 17025 certification in 2021. We have also conducted proper planning of our production technology to improve the automation of our factory equipment, which further reduces our product costs and increases product competitiveness.
 - (3) Effective production management model
As there are so many types of seal products, we tend to take the high variety low volume approach in our production. In response to the abovementioned production model, we have developed more than 100,000 products and molds in-house. We have also accumulated more than 40 years of experience in specialized manufacturing which improves our production management, quality control and cost control needed in mass production, so that we can offer lower operating costs and products with competitive quality to attract orders from clients in Europe and the Americas.
 - (4) Excellent molding tools development capability
We have always valued the importance of production and development of tooling. We have a Tooling Department and specialized technicians are assigned to conduct mold design, development and improvement and operation of various machines, ensuring the quality of mold drawings, design, trial production, pre-production and mass production. We have developed and produced more than 100,000 types of molds, and our tooling capability is superior to other industry peers.
 - (5) Comprehensive after-sales service
We serve our customers with products that have the best quality, reasonable prices and satisfactory services. We can provide correct and effective Q&A services at all times to meet customer needs regarding the uses of various products. Our R&D unit performs dynamic tests on products to ensure their safety and stability in use, and then provides customers with comprehensive after-sales service, which greatly improves customer satisfaction.
5. Factors favorable and unfavorable to the development, and countermeasures:
- (1) Favorable factors
 - A. Establish comprehensive marketing channels and market information collection measures through overseas investment and strategic alliances
We have established long-term and secured friendship and good interactions with customers. Through strategic alliances or joint investment with distributors or professional R&D companies in Europe, the Americas and other industrialized countries, we have developed and designed new products with more added value and made with more advanced technology. This approach overcomes limitations such as the lack of understanding of the needs of end users and market information, so that we can stand out from other domestic competitors. In response to the trends of international division of labor and the need for quickly responding to customer demand, we have adopted joint venture or proprietary investment in China, Iran, Thailand, Russia India, Australia and other regions, which help us manufacture seal products with the cheaper local labor force and land costs. We also deliver products in the quickest way possible to target markets through efficient service locations in each region to meet the needs of local customers.
 - B. Product diversification to meet customers' diverse needs
The Company has been in business for more than 40 years, and has learned specialized production technologies and accumulated capabilities through independently developing and designing products and molding tools. So far, we have made more than 100,000 molding tools, enabling us to make diverse

products in the shortest time to meet customer needs.

- C. Excellent molding tools development capability
Seal products serve a wide range of applications, and the type and quality of molds are the main keys contributing to product diversity. We have a variety of processing machines and a mold-making team with more than 30 technicians specializing in designing, developing and improving molds. In order to reinforce the management of molds, the drawings, design, trial production, pre-production and mass production are all done in-house, so that we can improve the speed of mold development and ensure quality.
- D. Product quality recognized, leading to good reputation
Seals are considered products with high precision, and quality requirements tend to be strict. Customers generally do not change their source of purchase once they make the decision in using certain products. Therefore, having a stable customer base can be conducive to the future market expansion and maintenance. The Company attaches great importance to product quality. In addition to obtaining the ISO 9002 international quality assurance certification in 1994, the Company successfully obtained the QS 9000 quality assurance system certification in 2000, TS 16949 quality certification in 2005, and IATF 16949 certification in 2017 Certification.
- E. Fulfill corporate social responsibility to achieve sustainable development of the company
In order to fulfill corporate social responsibility, we have formulated a set of environmental safety and health policies, obtaining the ISO 14001 and OHSAS 18001 certificates in March 2008, the ISO 50001 certificate in 2018 and the ISO 45001 certificate in 2019. The environmental safety and health management system ensures that everything we do is good for the environment. The continuous operation and improvement in environmental safety and health practices enable us to create a favorable environment for sustainable operations and manufacturing products and services that meet customer satisfaction.

(2) Unfavorable factors and countermeasures

- A. Products are mostly for export, and the exchange risk is relatively high
Our products are mainly for export, so exchange rate changes can have a considerable impact on our operations and profits.
Countermeasures:
(A) The export quotation takes into account the exchange rate fluctuations, and adjusts the selling price by reflecting the cost at the time.
(B) Analyze and evaluate trends of exchange rates and operate financial instruments accordingly, such as forward exchange contracts to reduce the risks arising from exchange rate fluctuations.
(C) Continue to pay attention to the global financial situation, collect information on exchange rate changes and review relevant impact from time to time.
(D) Establish a foreign currency account to reduce the impact of exchange rate fluctuations, and choose a favorable timing to settle or pay off foreign currency payments in advance.
- B. Insufficient OEM and end user market information
It is not easy to obtain the information on the OEM and end user markets, so at times, we are unable to fully grasp the trends of products and markets and future development, which prevents the revenue from growing significantly.
Countermeasures:
We have long been committed to the improvement of quality and research and development capabilities. The Company has successfully created the NAK brand

with its great efforts. In addition to selling in-house products through distributors and agents with strong marketing capabilities, we plan to expand to regions where distributors do not reach, hoping to increase our OEM market share to gain a strong foothold in the global market. We also have effectively grasped the trends of market development through the market information and R&D results provided by our overseas ally distributors and marketing bases. The collaboration enables us to understand the direction and development of target markets and respond to their changes.

C. Labor shortage and increase in labor cost

The domestic economy growth and the improvement of people’s income have increased the wages paid to laborers, making the labor costs relatively higher than before. The production and the operating costs are also relatively high.

Countermeasures:

In order to reduce labor costs, we are committed to promoting and improving the degree of production automation for better efficiency. We also have invested in establishing factories overseas and hiring local manpower to reduce our product costs to cope with the fierce market competition.

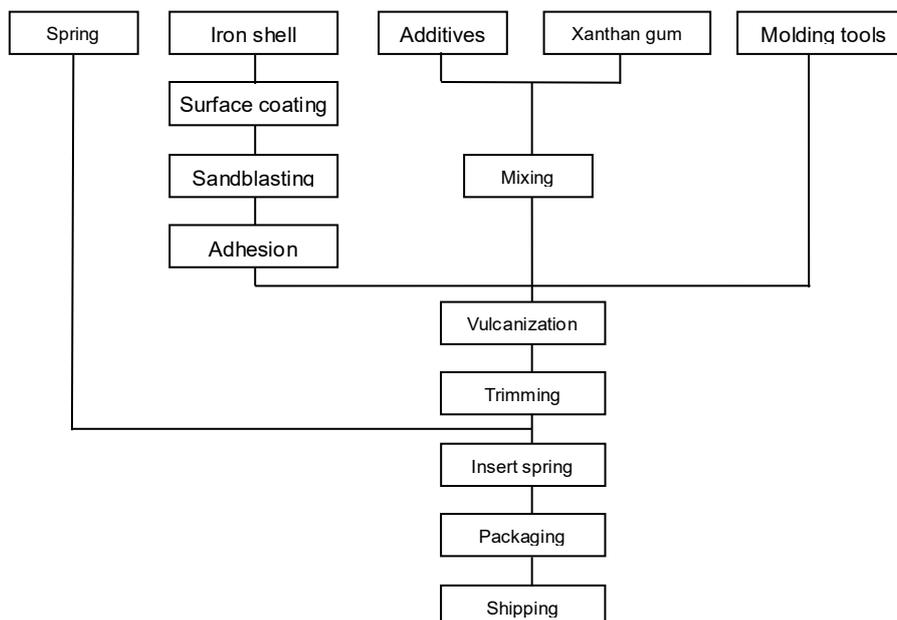
(II) Main uses and production processes of major products:

1. Important uses of main products:

Our oil seals are used in automobiles, motorcycles and bicycles of various brands and the sealing assembly of various types of machinery.

Product Type	Use
Oil seals	Oil seals are used in automobiles, motorcycles, agricultural machinery, machine tools and even aerospace turbines. Prevent the leakage of lubricating oil or the intrusion of external dust, water, foreign objects in the bearing of rotating shafts. Installed in air compressors or hydraulic machines and various chemical and mechanical pressurized containers to achieve the function of sealing medium. Sealing devices are important in that they act as heart valves.

2. Production process of main products: Manufacturing flow chart for oil seals



(III) Supply status of main raw materials:

Supply status of raw materials for products made in-house

Product Type	Main raw materials	Main suppliers	Supply status
Oil seals	Xanthan gum	ZEON CORPORATION The Chemours (Taiwan) Company Limited SONG DAY Enterprises Co., Ltd.	Products from well-known manufacturers, and the lead time/quality are stable.
	Iron shell	Tung Liin Corp. Charng Jin Enterprise Co., Ltd. Chia-Meng Industry Co., Ltd. Hsiang-Yu Industry Co., Ltd. Shing Yuan Hardware Co., Ltd. Ly Yang Enterprise Co., Ltd.	Long-term cooperation, offering stable quality/lead time.
	Spring	SunSum Spring Industrial Co., Ltd.	Long-term cooperation, offering stable quality/lead time.

(IV) Parties who deliver more than 10% of the total raw materials or buy more than 10% of goods sold in any one of the last two years, their amount, proportion and reasons for changes:

1. The purchase amount from the Company's major suppliers in 2023 and 2022 did not reach 10% of the Company's total purchase.
2. The sales amount to the Company's major customers in 2023 and 2022 did not reach 10% of the Company's total sales.

(V) Production volume the most recent two years:

Unit: thousand pieces/NT\$1,000

Product volume and value	Year	2023			2022		
		Production capacity	Volume	Value	Production capacity	Volume	Value
Main products							
Oil seals		321,171	267,297	2,953,667	319,573	292,541	2,506,974
Rubber compound		3,073	2,584	96,979	3,043	2,181	152,628
Others (Note 2)		28,811	18,026	116,994	28,525	20,417	107,941
Subtotal for manufacturing in- house		353,055	287,907	3,167,640	351,141	315,139	2,767,543
Sourced (Note 3)		-	37,893	86,143	-	65,477	111,929
Total		353,055	325,800	3,253,783	351,141	380,616	2,879,472

Note 1: Production capacity refers to the amount that the company can produce under normal operation using existing production equipment after taking into account factors such as necessary shutdowns and holidays.

If the production of each product can be substituted, the capacity may be calculated on a consolidated basis.

Note 2: Others refer to dust boots, O-rings, V-rings, gaskets, other auto parts and raw materials for sale, etc.

Note 3: Sourced refers to the procurement amount.

(VI) Sales volume the most recent two years:

Unit: thousand pieces/NT\$1,000

Sales Volume and Value	Year	2023				2022			
		Domestic		Overseas		Domestic		Overseas	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main products									
Oil seals		4,908	91,881	225,684	4,225,292	9,390	132,509	246,591	3,479,721
Rubber compound		154	29,945	1,095	111,311	237	42,509	1,741	175,403
Others (Note)		1,621	10,820	47,524	317,277	4,366	19,181	71,227	312,913
Total		6,683	132,646	274,303	4,653,880	13,993	194,199	319,559	3,968,037

Note: Others refer to dust boots, O-rings, V-rings, gaskets, other auto parts and raw materials for sale, etc.

III. Employees

Information on employees for the most recent two years and up to the publication date of the annual report

Year		2022	2023	As of March 30, 2024
Number of employees	Manufacturing (direct labor)	1,070	971	938
	Manufacturing (indirect labor)	170	155	155
	Sales and marketing personnel	148	146	146
	Research and development personnel	90	91	91
	Operations management personnel	95	94	94
	Total	1,573	1,457	1,424
Average age		38	40	41
Average service tenure (year)		8.3	8.8	8.9
Distribution of educational background	Master's degree	7.6%	7.8%	7.8%
	Bachelor's degree	26.6%	27.0%	27.6%
	Technical college	15.5%	15.1%	15.1%
	Senior high school	39.0%	38.8%	38.6%
	Junior high school and below	11.3%	11.3%	10.9%

IV. Environmental protection expenditure:

1. Total amount of loss (including damages) and penalties incurred due to pollution as of the most recent year and the date of publication of the annual report: Not applicable.
2. Future countermeasures (including improvement) and their potential expenditures (including estimates for potential loss, penalty and compensation if not taking the countermeasures) for losses (including damages) and penalties due to pollution: Not applicable.
3. Due to the growing awareness of environmental protection, the EU has formulated relevant environmental protection directives for all products imported into Europe, namely WEEE (Directive on the Waste Electronics and Electrical Equipment), RoHS (Restriction of the use of Hazardous Substance), REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and EUP (Eco-Design Requirements for Energy Using Products), and the relevant details are as follows:

- (1). WEEE (Directive on the Waste Electronics and Electrical Equipment): The European Union approved the directive on January 27, 2003 and started the implementation on August 13, 2005. The directive requires manufacturers to be responsible for collecting, recycling and properly disposing of electronic and electrical equipment products. We take the initiative submitting our export products to the impartial international certification unit "SGS" (SGS Taiwan Limited) for inspection, and we also comply with the abovementioned standard of the European Union.
- (2). RoHS (Restriction of the use of Hazardous Substance): The European Union approved the directive on January 27, 2003, and it was implemented on July 1, 2006. The directive requires manufacturers to fully prohibit the use of six hazardous substances lead (Pb),

mercury (Hg), cadmium (Cd), hexavalent chromium (Cr+6), polybrominated biphenyls (PBBs) and polybrominated diphenyl ethers (PBDEs) in their products or components. Considering that the directive is a global environmental protection standard, we have also proactively cooperated with the RoHS counseling group of the Ministry of Economic Affairs, and at present, the rubber materials of all products are in compliance with the standard.

- (3). REACH (Registration, Evaluation, Authorization and Restriction of Chemicals): The EU's REACH regulation came into effect on June 1, 2007. The European Chemicals Agency (ECHA) established and started to implement the REACH on June 1, 2008. There are 73 SVHC in the list. At present, the rubber compounds of all products are in compliance with the standard.
- (4) EUP (Eco-Design Requirements for Energy Using Products): The content of EUP is about how energy-using products (excluding transportation vehicles) must incorporate the concept of life-cycle, and should have eco-profiles. The directive was implemented on August 13, 2005. Our products have gone through the strenuous process and meet the expectations of the directive.
- (5). In order to respond to the trends of environmental protection and fulfill corporate social responsibility, we have implemented an environmental management system (ISO 14000) since 2007, and obtained the ISO 14000 2004 international certification on March 3, 2008. Through the process of "green management", we will continue to improve the environmental protection measures, which will enhance the reputation and corporate image, and ensure the continuing support from our customers.

V. Labor relations

1. Welfare and implementation status:

In order to take care of the daily life of our employees, the Company provides a comfortable and safe work environment, and offers various welfare measures and activities organized by the Welfare Committee, so that the employees can relax outside of work and relieve themselves of the burden and tension, making their life more fulfilled and comfortable, and the relationship more harmonious.

The Company offers the following benefits:

- (1) Generous bonus: No less than 6% of the pre-tax net profit is allocated every year as the employee's year-end bonus and regular bonus. The year-end bonus is given out before the Lunar New Year vacation, and the regular bonus is distributed after the annual general meeting of shareholders. There are bonus for role model employees, attendance bonus and gold jewelry for employees with long tenure of service.
- (2) Complete insurance program: In addition to statutory labor and health insurance, life insurance and accident insurance are provided. For medical insurance and cancer policies, employees can pay half of the group special discount.
- (3) Considerate subsidies and gifts: Weddings, maternity, funeral, company travel, birthday gift certificates, May 1 Labor Day gift certificates, Mid-Autumn Festival gift certificates, etc.
- (4) Considerate health care: Health examinations for everyone, physical and mental-related lectures, medical consultations and seminars are held every year.
- (5) Plenty of group activities: Group events such as barbecue during the Mid-Autumn Festival, year-end dinner banquet, etc.
- (6) Comfortable cafeteria: Spacious and lively dining environment, and dining expenses are subsidized.
- (7) Leisure space: Leisure club building of more than 4,900-square-meters. The design concept incorporates culture and nature into a sky garden which has a indoor basketball court, badminton court, billiard room, table tennis room, gym, aerobic classroom and SPA hall and other equipment.

2. Education and training:

In order to achieve sustainable operations and cultivate outstanding talents, the Company provides staff with education and training, hoping to strengthen their capacity and skills, improving work efficiency and maximizing potential, so as to achieve rationalization of the operation and management.

- (1) The content of the Company's education and training system is as follows:
 - Core capacity: Enterprise core capacity education.
 - Management capacity: Give training to personnel at different managerial levels.
 - Professional capacity: Divided into nine categories, business planning, human resources and general affairs, research and development, mold production technology, sales and marketing, quality management, information management, financial and accounting, and manufacturing.
 - Training for new employees: Education and training activities are carried out to enable new employees to understand the Company's various management systems and cultivate complete work capabilities.
 - Environmental safety and health training: For those who meet the regulatory requirements, such as for forklift operation, stationary cranes, firefighters, first aid personnel, labor safety and hygiene, organic solvent, and dust operations.
 - Employees' self-development: Provide reading clubs and seminars so that employees can have self-directed learning opportunities.
- (2) Education and training plan:

An implementation plan formulated in accordance with the Company's job hierarchy planning and professional skills needs. The main education and training courses this year are as follows: 1. Statistical quality control; 2. Job capacity; 3. Environmental safety and health courses.
- (3) External education and training:

Training conducted in external education and training units for personnel in various workplaces or involving significant environmental aspect and unacceptable risk levels identified by each department, including teaching, lectures, field visits, seminars, etc.
- (4) Internal education and training:

Training conducted by internal lecturers or external lecturers invited by the education and training unit for personnel in various workplaces or involving significant environmental aspect and unacceptable risk levels identified by each department, including teaching, seminars, etc.
3. Employees' behaviors and ethics:
 - (1) Our values include "Empathy for customers", "Innovative breakthrough", "People-oriented", "Responsible", "Leadership style" and "Long-term focus", and adhere to the "Love, trust, responsibility, tolerance" business philosophy.
 - (2) The "NAK Family Code" is as follows:
 - A. Employees should perform their duties faithfully, abide by all rules of the company, and obey the reasonable orders of supervisors at all levels.
 - B. Prohibit the acceptance of vendors' gratuity, gifts, kickbacks or other illegal benefits through the performance of duties or violations of duty responsibilities.
 - C. Employees are not allowed to criticize the company, departments and colleagues in private. Employees should raise questions if they have any concerns to avoid affecting work morale and company reputation.
 - D. Supervisors are not allowed to accept objects of monetary value and gifts from their subordinates, nor can they borrow money from their subordinates.
 - E. Employees should abide by safety regulations, and when entering a dangerous workplace, must be equipped with the protective equipment required for the site.
4. Retirement system and implementation progress:
 - (1) The Company's retirement system complies with the Labor Standard Act.
 - (2) The Company established the Labor Pension Fund Supervisory Committee in June 1986, and started contributing labor pension reserve at 9% of salaries and wages to a dedicated

account in the Bank of Taiwan to protect employees' rights and interests.

- (3) The new pension system went into effect on July 1, 2005. The Company contributes to the labor pension by allocating an amount at 6% of the salaries and wages of domestic employees who are eligible for the Labor Standard Act. If employees voluntarily contribute to the pension, the amount will be deducted from their monthly salary according to the contribution rate to the employees' personal pension account in the Bureau of Labor Insurance.

5. Employee-employer negotiation:

Respecting every individual is part of NAK's value. With love and empathy as the starting point, we use communication, sincere dialogue and various channels to fully understand employees' voices, and at the same time promote the Company's information and policies. Communication channels include

- (1) Suggestion mailbox: Suggestion boxes set up at specific locations and electronic mailbox "Talk".
- (2) Employee-employer meetings: Held quarterly to establish a bilateral communication channel.

6. Personnel involved in the transparency of financial information who obtain the certificates specified by the competent authority:

The head of audit Yu-Chin Chen has passed the internal auditor examination in February 2007.

7. Protection measures for work environment and employees' personal safety:

- (1). The company obtained the certification of the ISO 14001 Environmental Management System and ISO 45001 Occupational Safety and Health Management System in 2008.

- (2). Our environmental safety and health policy:

NAK is a manufacturer specializing in sealing components. In order to fulfill social responsibility, the Company effectively plans resources, establishes practices of a healthy and safe work environment and environmental control of pollution prevention, and promotes health to achieve the goal of sustainable operation. We are committed to: Regulatory compliance, green supply, energy conservation and waste reduction, hazard prevention, health promotion, continuous improvement and goal setting.

8. Losses due to labor disputes and the disclosure of potential current and future amount and response measures as of the most recent year and the date of publication of the annual report: We value the welfare of employees, and provide a good work environment to maintain good communication and relationship between employees and the management. At present, there is no loss due to labor disputes, and the possibility of having labor disputes in the future is extremely small.

VI. Cybersecurity Management:

- (I) Describe the information security risk management framework, the information security policy, the specific management plan, and the resources committed to the information security management, etc.

1. Information security risk management framework:

The Company's Information Department is responsible for coordinating and implementing information security policies, disseminating messages on information security, strengthening employees' information security awareness, and collecting and improving technologies, products or procedures for the performance and effectiveness of the organization's information security management system. The auditing office conducts annual cybersecurity audits on the internal control - electronic computer cycle to evaluate the effectiveness of the internal control of the Company's information operations.

2. Information security policy:

In order to implement information security management, the Company has established an internal control system - electronic computer cycle and information security policy regulations, and cybersecurity inspection control. The joint efforts of all employees are

expected to achieve the following policy goals:

- (1) Ensure the confidentiality and integrity of information assets.
- (2) Ensure that data access is according to departmental functions.
- (3) Ensure the continuous operation of the information system.
- (4) Prevent unauthorized modification or use of data and systems.
- (5) Regularly perform information security audits to ensure the implementation of information security.

3. Specific management solutions:

- (1) Internet information security control:
 - A. Set up a firewall.
 - B. Regularly scan the computer system for viruses.
 - C. Regularly review the system log of various network services and track exceptions.
- (2) Data access control:
 - A. Computer equipment should be maintained by dedicated personnel, and the account number and password should be set.
 - B. Provide different access levels according to the job functions.
 - C. Transferred personnel should have the original authorization canceled.
 - D. Confidential and sensitive information and copyrighted software should be removed or overwritten before the equipment is scrapped.
 - E. The remote access management information system should be properly approved.
- (3) Contingency and recovery practices:
 - A. Regularly review the emergency response plan.
 - B. Regularly rehearse system recovery every year.
 - C. Establish a system backup system and implement off-site backup.
- (4) Promotion and inspection:
 - A. Promotion of information security to raise employees' awareness from time to time.
 - B. Carry out cybersecurity inspections from time to time every year.

(II) The losses and possible impacts suffered from major information security incidents and the countermeasures in the most recent year to the date of publication of the annual report.

- (1) At present, the Company has no major information security incidents resulting in business damage.
- (2) Continue to achieves the information security management policy objectives, and regularly implement recovery plan drills to protect the Company's key systems and data security.

VII. Important contracts:

The effective renewed and expiring vendors and order contracts, technical collaboration contracts, engineering contracts, long-term loans and other important contracts that can affect shareholders' equity, which include the parties, main content, restrictive provisions and the effective and termination dates of the contracts: None.

Six. Overview of Financial Status

I. Condensed financial information for the last five fiscal years:

(I) 1. Condensed Parent-Only Balance Sheet

Unit: In NT\$ thousand

Item	Year	Financial information for the last five years					Financial information as of March 30, 2024
		2019	2020	2021	2022	2023	
Current assets		1,142,289	1,247,435	1,632,968	1,897,888	1,817,101	Not applicable (Note 2)
Property, plant and equipment		745,683	1,129,594	1,121,379	1,134,074	1,159,166	
Intangible assets		10,955	1,853	589	2,576	10,672	
Other assets		1,885,668	2,983,458	1,806,970	1,853,890	2,005,658	
Total Assets		3,784,595	4,115,165	4,561,906	4,888,428	4,992,597	
Current liabilities	Before distribution	470,596	561,804	991,278	1,063,228	654,428	
	After distribution	819,874	911,082	1,407,085	1,528,931	(Note 1)	
Non-current liabilities		322,647	526,412	355,223	358,065	377,440	
Total liabilities	Before distribution	793,243	1,088,216	1,346,501	1,421,293	1,031,868	
	After distribution	1,142,521	1,467,494	1,762,308	1,886,996	(Note 1)	
Equity attributable to shareholders of the parent company		2,991,352	3,026,949	3,215,405	3,467,135	3,960,729	
Capital		831,613	831,613	831,613	831,613	831,613	
Capital surplus		214,743	214,743	214,743	214,743	214,743	
Retained earnings	Before distribution	2,131,047	2,156,764	2,361,022	2,587,559	3,112,037	
	After distribution	1,781,769	1,777,486	1,945,215	2,121,856	(Note 1)	
Other equity interests		(186,051)	(176,171)	(191,973)	(166,780)	(197,664)	
Treasury stock		-	-	-	-	-	
Non-controlling interests		-	-	-	-	-	
Total stockholders' equity	Before distribution	2,991,352	3,026,949	3,215,405	3,467,135	3,960,729	
	After distribution	2,642,074	2,677,671	2,799,598	3,001,432	(Note 1)	

Note 1: As of March 30, 2024, the distribution plan of the 2023 earnings has been approved by the Board, but has not been resolved by the shareholders' meeting, so the amount after distribution is not shown.

Note 2: As of the publication date of the annual report, there is no 2024 financial information to be audited or reviewed by accountants.

2. Condensed Consolidated Balance Sheet

Unit: In NT\$ thousand

Item	Year	Financial information for the last five years					Financial information as of March 30, 2024
		2019	2020	2021	2022	2023	
Current assets		2,164,847	2,359,334	2,888,836	3,225,065	3,236,022	Not applicable (Note 2)
Property, plant and equipment		1,567,886	1,514,734	1,514,282	1,545,148	1,843,053	
Intangible assets		11,473	14,778	3,183	14,613	21,195	
Other assets		482,025	497,995	464,354	460,124	191,984	
Total Assets		4,226,231	4,386,841	4,870,655	5,244,950	5,292,254	
Current liabilities	Before distribution	585,330	696,027	1,170,120	1,299,939	859,161	
	After distribution	934,608	653,566	1,585,927	1,765,642	(Note 1)	
Non-current liabilities		642,343	1,045,305	470,353	461,314	468,343	
Total liabilities	Before distribution	1,227,673	1,349,593	1,640,473	1,761,253	1,327,504	
	After distribution	1,576,951	1,698,871	2,056,280	2,226,956	(Note 1)	
Equity attributable to shareholders of the parent company		2,991,352	3,026,949	3,215,406	3,467,135	3,960,729	
Capital		831,613	831,613	831,613	831,613	831,613	
Capital surplus		214,743	214,743	214,743	214,743	214,743	
Retained earnings	Before distribution	2,131,047	2,156,764	2,361,023	2,587,559	3,112,037	
	After distribution	1,781,769	1,807,486	1,945,216	2,121,856	(Note 1)	
Other equity interests		(186,051)	(176,171)	(191,973)	(166,780)	(197,664)	
Treasury stock		-	-	-	-	-	
Non-controlling interests		7,206	10,299	14,776	16,562	4,021	
Total stockholders' equity	Before distribution	2,998,558	3,037,248	3,230,182	3,483,697	3,964,750	
	After distribution	2,649,280	2,687,970	2,814,375	3,017,994	(Note 1)	

Note 1: As of March 30, 2024, the distribution plan of the 2023 earnings has been approved by the Board, but has not been resolved by the shareholders' meeting, so the amount after distribution is not shown.

Note 2: As of the publication date of the annual report, there is no 2024 financial information to be audited or reviewed by accountants.

(II) 1. Condensed Parent-Only Statement of Comprehensive Income

Unit: In NT\$ thousand

Item \ Year	Financial information for the last five years					Financial information as of March 30, 2024
	2019	2020	2021	2022	2023	
Operating Income	2,284,142	2,124,001	2,795,499	3,023,279	3,447,437	Not applicable (Note)
Gross profit	683,092	576,906	819,230	916,201	1,299,948	
Operating income	370,212	242,145	408,342	460,967	811,383	
Non-operating income and expenses	147,942	231,310	270,137	355,702	413,276	
Pre-tax net income	518,154	473,455	678,479	816,669	1,224,659	
Net gain of current period from continuing operations	409,164	385,835	539,820	650,200	979,206	
Loss from discontinued operations	-	-	-	-	-	
Profit (loss) for the period	409,164	385,835	539,820	650,200	979,206	
Other comprehensive income or loss of the period (net after taxes)	(47,015)	(961)	(2,086)	17,337	(19,909)	
Total comprehensive income for the year	362,149	384,874	537,734	667,537	959,297	
Net income attributable to owners of the parent company	-	-	-	-	-	
Net income attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to owners of the parent company	-	-	-	-	-	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share	4.92	4.64	6.49	7.82	11.77	

Note: As of the publication date of the annual report, there is no 2024 financial information to be audited or reviewed by accountants.

2. Condensed Consolidated Comprehensive Income Statement

Unit: In NT\$ thousand

Item \ Year	Financial information for the last five years					Financial information as of March 30, 2024
	2019	2020	2021	2022	2023	
Operating Income	3,016,735	2,874,514	3,859,606	4,162,236	4,786,526	Not applicable (Note)
Gross profit	1,013,644	948,270	1,366,141	1,452,770	1,971,202	
Operating income	554,342	480,722	790,384	830,909	1,306,083	
Non-operating income and expenses	16,747	58,008	18,418	77,094	22,819	
Pre-tax net income	571,089	538,730	771,966	908,003	1,328,902	
Net gain of current period from continuing operations	411,285	388,910	544,437	651,774	980,511	
Loss from discontinued operations	-	-	-	-	-	
Profit (loss) for the period	411,285	388,910	544,437	651,774	980,511	
Other comprehensive income or loss of the period (net after taxes)	(47,300)	(943)	(2,226)	17,548	(19,901)	
Total comprehensive income for the year	363,985	387,967	542,211	669,322	960,610	
Net income attributable to owners of the parent company	409,164	385,835	539,820	650,200	979,206	
Net income attributable to non-controlling interests	2,121	3,075	4,617	1,574	1,305	
Total comprehensive income attributable to owners of the parent company	362,149	384,874	537,734	667,536	959,297	
Total comprehensive income attributable to non-controlling interests	1,836	3,093	4,477	1,786	1,313	
Earnings per share	4.92	4.64	6.49	7.82	11.77	

Note: As of the publication date of the annual report, there is no 2024 financial information to be audited or reviewed by accountants.

(III) Names and opinions of auditors for the past five years:

Year	Name of Accounting Firm	Name of Accountant	Opinions
2023	PricewaterhouseCoopers, Taiwan	Song-Yuan Wu, Chi-Wei Lai	An unqualified opinion and add other audit matters
2022	PricewaterhouseCoopers, Taiwan	Chien-Yeh Hsu, Sung-Yuan Wu	An unqualified opinion and add other audit matters
2021	PricewaterhouseCoopers, Taiwan	Chien-Yeh Hsu, Sung-Yuan Wu	An unqualified opinion and add other audit matters
2020	PricewaterhouseCoopers, Taiwan	Chien-Yeh Hsu, Sung-Yuan Wu	An unqualified opinion and add other audit matters
2019	PricewaterhouseCoopers, Taiwan	Ming-Ching Yang, Chien-Yeh Hsu	An unqualified opinion and add other audit matters

Note: Information on change of accountants: In response the internal scheduling coordination of the accounting firm PwC Taiwan, the CPAs will be replaced.

II. 1. Financial analysis of the parent for the most recent five year

Items to be analyzed		Year	Financial analysis for the last five years					As of March 30, 2024
		2019	2020	2021	2022	2023		
Financial structure (%)	Debt-to-asset ratio	20.96	26.44	29.52	29.07	20.67 (1)	Not applicable (Note)	
	Long-term fund to property, plant and equipment ratio	444.42	314.57	318.41	337.13	374.25		
Solvency %	Current ratio	242.73	222.04	164.73	178.18	277.66 (1)		
	Quick ratio	135.32	138.52	105.74	98.62	172.73 (1)		
	Times interest earned	447.30	122.40	175.33	208.49	287.94 (2)		
Operating performance	Average collection turnover (times)	5.17	4.44	4.57	4.10	4.86		
	Days sales outstanding	70.60	82.21	79.87	89.02	75.10		
	Average inventory turnover (times)	3.04	3.16	3.73	2.93	2.78		
	Average payment turnover (times)	17.22	14.30	13.47	11.81	15.65 (3)		
	Average inventory turnover days	120.07	115.51	97.86	124.57	131.29		
	Property, plant and equipment turnover (times)	3.23	2.27	2.48	2.68	3.01		
	Total asset turnover (times)	0.61	0.54	0.64	0.64	0.70		
Profitability	Return on total assets (%)	10.90	9.84	12.51	13.82	19.88 (2)		
	Return on equity (%)	13.71	12.82	17.30	19.46	26.37 (2)		
	Pre-tax income to paid-in capital (%) (Note 7)	62.31	56.93	81.59	98.20	147.26 (2)		
	Net margin (%)	17.91	18.17	19.31	21.51	28.40 (2)		
	Earnings per share (NT\$)	4.92	4.64	6.49	7.82	11.77 (2)		
Cash flow	Cash flow ratio (%)	116.70	76.35	42.11	38.49	204.52 (2)		
	Cash flow adequacy ratio (%)	110.91	127.39	107.27	89.37	118.82 (2)		
	Cash reinvestment ratio (%)	4.68	1.74	1.44	(0.11)	15.36 (2)		
Leverage	Operating leverage	2.26	3.11	2.42	2.38	1.88 (2)		
	Financial leverage	1.00	1.02	1.01	1.01	1.01		

Note: As of the publication date of the annual report, there is no 2024 financial information to be audited or reviewed by accountants.

Please indicate the reasons for the changes in the financial ratios in the past two years (those who experience less than 20% in change can be exempted from the analysis).

(1) Mainly due to the increase in profit and the repayment of short-term borrowings during the period.

(2) Mainly due to the increase in sales revenue and profit.

(3) Mainly due to the increase in sales revenue and the increase in cost of sales.

2. Financial analysis of consolidated entities for the last five years

Year Items to be analyzed		Financial analysis for the last five years					As of March 30, 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt-to-asset ratio	29.05	30.76	33.68	33.58	25.08 (1)	Not applicable (Note)
	Long-term fund to property, plant and equipment ratio	232.22	243.66	244.38	255.18	240.53	
Solvency %	Current ratio	369.85	338.97	246.88	247.70	376.65 (1)	
	Quick ratio	231.04	221.18	162.75	152.27	255.45 (1)	
	Times interest earned	96.23	97.12	144.81	159.00	218.21 (2)	
Operating performance	Average collection turnover (times)	3.18	2.95	3.31	3.08	3.38	
	Days sales outstanding	114.78	123.73	110.27	118.51	107.99	
	Average inventory turnover (times)	2.40	2.36	2.76	2.43	2.46	
	Average payment turnover (times)	17.15	15.26	15.90	13.60	16.25	
	Average inventory turnover days	152.08	154.66	132.25	150.21	148.37	
	Property, plant and equipment turnover (times)	1.97	1.87	2.55	2.72	2.83	
	Total asset turnover (times)	0.74	0.67	0.83	0.82	0.91	
Profitability	Return on total assets (%)	10.08	9.13	11.85	12.97	18.70 (2)	
	Return on equity (%)	13.75	12.89	17.37	19.42	26.33 (2)	
	Pre-tax income to paid-in capital (%)	68.67	64.78	92.83	109.19	159.80 (2)	
	Net margin (%)	13.63	13.53	14.11	15.66	20.48 (2)	
	Earnings per share (NT\$)	4.92	4.64	6.49	7.82	11.77 (2)	
Cash flow	Cash flow ratio (%)	90.48	67.86	42.16	39.18	164.45 (2)	
	Cash flow adequacy ratio (%)	102.54	108.17	92.23	83.26	115.98 (2)	
	Cash reinvestment ratio (%)	2.75	1.84	2.11	1.31	11.69 (2)	
Leverage	Operating leverage	2.40	2.72	2.25	2.31	1.91	
	Financial leverage	1.01	1.01	1.01	1.01	1.00	

Note: As of the publication date of the annual report, there is no 2024 financial information to be audited or reviewed by accountants.

Please indicate the reasons for the changes in the financial ratios in the past two years (those who experience less than 20% in change can be exempted from the analysis).

(1) Mainly due to the increase in profit and the repayment of short-term borrowings during the period.

(2) Mainly due to the increase in sales revenue and profit.

Formula for financial analysis:

1. Financial structure
 - (1) Debt-to-asset ratio = Total liabilities / Total assets
 - (2) Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment
2. Solvency
 - (1) Current ratio = Current assets / Current liabilities
 - (2) Quick ratio = (Current assets – inventories – pre-paid expenses) / Current liabilities
 - (3) Times interest earned = Earnings before interest and taxes / Interest expenses
3. Operating performance
 - (1) Receivables (including accounts receivable and notes receivable due to business operation) turnover = Net sales / The balance of average receivables of different periods (including accounts receivable and notes receivable due to business operation)
 - (2) Average collection days = 365 / Receivable turnover ratio
 - (3) Average inventory turnover = Cost of goods sold / Average inventory
 - (4) Payables (including accounts payables and notes payable due to business operation) turnover = Cost of goods sold / The balance of average payables of different periods (including accounts payables and notes payable due to business operation)
 - (5) Average inventory turnover days = 365 / Inventory turnover
 - (6) Fixed asset turnover = Net sales / Average net value of fixed asset
 - (7) Total asset turnover = Net sales / Average total asset
4. Profitability
 - (1) Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets
 - (2) Return on equity attributable to shareholders of the parent = Profit or loss after tax / Average total equity
 - (3) Net margin = Net income / Net sales
 - (4) Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding
5. Cash flow
 - (1) Cash flow ratio = Net cash provided by operating activities / Current liabilities
 - (2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
 - (3) Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other non-current assets + working capital)
6. Leverage:
 - (1) Operating leverage = (Net revenue - Variable operating costs and expenses) / Operating profit
 - (2) Financial leverage = Operating profit / (Operating profit - Interest expense)

III. Audit committee review of the most recent annual financial report:

NAK Sealing Technologies Corporation
Audit Committee's Review Report

The Board of Directors has produced the Company's 2023 business report, financial statements and proposals for profits distribution, of which the financial statements have been audited by PwC Taiwan, with the auditing report attached. The business report, financial statements, and profit distribution proposal have been reviewed and determined to be correct and accurate by the audit committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Yours,

The 2024 Annual General Meeting of the Company

NAK Sealing Technologies Corporation

Convener of the Audit Committee: Su-Ying Li

March 13, 2024

- IV. Most recent annual financial report: Please see P.134–198.
- V. Consolidated financial statements for the most recent fiscal year audited and certified by certified public accountants: Please see P. 199–267.
- VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company’s financial situation: None.

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Seven. Review and Analysis of the Financial Position and Results of Operations and Risk Management

I. Financial position:

Comparison of Financial Position

Unit: In NT\$ thousand

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	3,236,022	3,225,065	10,957	0.34%
Property, plant and equipment	1,843,053	1,545,148	297,905	19.28%
Other assets	213,179	474,737	(261,558)	-55.10%
Total Assets	5,292,254	5,244,950	47,304	0.90%
Current liabilities	859,161	1,299,939	(440,778)	-33.91%
Non-current liabilities	468,343	461,314	7,029	1.52%
Total liabilities	1,327,504	1,761,253	(433,749)	-24.63%
Capital	831,613	831,613	-	-
Capital surplus	214,743	214,743	-	-
Retained earnings	3,112,037	2,587,559	524,478	20.27%
Other equity interests	(197,664)	(166,780)	(30,884)	18.52%
Non-controlling interests	4,021	16,562	(12,541)	-75.72%
Total shareholders equity	3,964,750	3,483,697	481,053	13.81%

Explanation of changes of more than 20% and the change amount of NT\$10,000 thousand between the previous and later periods:

1. Decrease in other assets: The investment property held by a subsidiary (Song Quan) has been leased to the Company; therefore, it is transferred to property, plant and equipment.
2. Decrease in current liabilities and total liabilities: Mainly due to the increase in profit and the repayment of short-term borrowings during the period.
3. The increase in retained earnings: Mainly due to the increase in sales revenue and profit.
4. Decrease in non-controlling interest: Due to cancelation of subsidiary Guangzhou Maobo.

II. Operating results:

Comparison of Operating Results

Unit: In NTS thousand

Item \ Year	2023	2022	Increase (decrease)	Change in %
Total revenue	4,786,526	4,162,236	624,290	15.00%
Operating cost	(2,810,271)	(2,708,244)	102,027	3.77%
Gross profit	1,976,255	1,453,992	522,263	35.92%
(Unrealized) Realized gain on sales	(5,053)	(1,222)	(3,831)	313.50%
Operating expenses	(665,119)	(621,861)	43,258	6.96%
Operating profit	1,306,083	830,909	475,174	57.19%
Total non-operating income and expenses	22,819	77,094	(54,275)	-70.40%
Pre-tax net income	1,328,902	908,003	420,899	46.35%
Income tax expense	(348,391)	(256,229)	92,162	35.97%
Net income for the year	980,511	651,774	328,737	50.44%
Other comprehensive gains (losses) for the period (net after tax)	(19,901)	17,548	(37,449)	-213.41%
Total comprehensive income for the year	960,610	669,322	291,288	43.52%

I. Analysis and explanation of the increase or decrease in ratio of more than 20% in the last two years:

1. The gross profit, operating gains, net profit before tax, income tax expenses and net profit for the period increased from the previous period due to the increase in the market demand and the increase in sales revenue and profit.
2. The decrease in non-operating income and expenses: Mainly due to the decrease in gains from currency exchange in the current period.
3. Decrease in the after-tax net amount of the other comprehensive gains (losses) for the period: Due to the decrease in the exchange differences arising on translation of foreign operations compared with the previous period.

II. Expected sales for the coming year:

Item	Expected sales quantity
Oil seals	220 thousand pieces
Rubber compound	1,200 thousand kg
A Others	50,000 thousand

III. Expected sales quantity in the next year and its basis and the main factors affecting the Company's expected sales quantity to continue to grow or decline:

The Company has built sales networks around the world, and will continue to expand the market in China, while developing domestic and overseas OEM customers, as well as other emerging markets. With an active approach, it is expected that the future 2024 sales will exceed that of 2023. However, the European and US markets have conservative prospects.

III. Cash flow:

Review and Analysis of Cash Flow

Analysis of Cash Flow

Unit: In NT\$ thousand

Opening Balance	Cash flow from operating activities	Cash generated (used) for the year	Amount of cash surplus (shortfall)	Remedy for insufficient cash	
				Investment plan	Financing plan
437,993	1,412,924	(1,331,831)	519,086	-	-

1. Analysis of the changes in cash flow of the current year:

- (1) Operating activities: The net cash flow in the current period increased by NT\$912,607 thousand compared with the previous period, which was mainly due to the increase in the net profit before tax in the current period compared with the previous period.
- (2) Investing activities: The net cash used in the current period increased by NT\$134,258 thousand compared with the previous period, which was mainly due to the increase in time deposits in the current period compared with the previous period.
- (3) Financing activities: The net cash used in the current period increased by NT\$622,196 thousand compared with the previous period, which was mainly due to the increase in short-term borrowings in the current period compared with the previous period.

2. Remedy and liquidity analysis for the cash shortfalls:

Year	2023	2022	Percentage increase (decrease)
Cash flow ratio	164.45	39.18	319.73%
Cash flow adequacy ratio	115.98	83.26	39.30%
Cash flow reinvestment ratio	11.69	1.31	792.37%

Analysis of percentage increase / decrease:

The abovementioned three ratios increased from the previous period, primarily due to the increase in the sales revenue and net profit before tax during the period as compared to the previous period and the increase in net cash inflow from operating activities.

3. Cash flow analysis for the coming year:

Opening Balance (A)	Estimated cash flow from operating activities (B)	Estimated cash generated (used) for the year (C)	Estimated amount of cash surplus (shortfall) (A)+(B)-(C)	Remedy for estimated cash shortfalls	
				Investment plan	Financing plan
519,086	750,000	(850,000)	419,086	-	-

Status of the changes in cash flow for the coming year:

- (1) Operating activities: The Company is committed to the European and American markets, and is expanding its marketing in China. It is expected that there will be cash inflow from operating activities of NT\$750,000 thousand.
- (2) Investing activities: It is expected that additional real estate and equipment will be purchased this year to meet the production needs, and the estimated investing activities will use NT\$250,000 thousand in cash.
- (3) Financing activities: It is expected that the distribution of 2023 cash dividends will use NT\$600,000 thousand in cash.

IV. Impact of major capital expenditures on financial operations

- (I) The use capital expenditures and sources of funds that have been invested in the last two years and planned to be invested in the next five years: Unit: NT\$ thousand

Program	Actual or planned source of capital	Actual or planned completion date	Total capital required	Planned use of capital						
				2022	2023	2024	2025	2026	2027	2028
Purchase additional equipment	Equity fund	117.12	1,467,421	173,595	193,826	220,000	220,000	220,000	220,000	220,000

- (II) Expected possible benefits: In order to increase production capacity to meet the needs of future production, additional has been purchased. It is estimated that the investment payback period will be about 5 years starting 2024. The expected benefits are as follows:

Year	Item	Unit	Production Volume	Sales Volume	Sales Value	Gross Profit
2024	Oil seals	thousand	48,000	48,000	600,000	210,000
2025	Oil seals	thousand	48,000	48,000	600,000	210,000
2026	Oil seals	thousand	48,000	48,000	600,000	210,000
2027	Oil seals	thousand	48,000	48,000	600,000	210,000
2028	Oil seals	thousand	48,000	48,000	600,000	210,000

- V. Company's investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving investment profitability, and investment plans for the coming year:
1. The Company's reinvestment policy is (1) Focusing on its own business; (2) Global strategic planning.
 2. The 2023 investment income recognized by the Company's long-term equity investment using the equity method was NT\$1,634 thousand, a decrease of NT\$6,220 thousand compared with the 2022 investment income recognized in the long-term equity investment using the equity method of NT\$7,854 thousand. This is mainly due to the decrease in the profits of invested affiliates.
 3. The Company has not added investment plan recently.

VI. Risk management and assessment

1. Risk management organizational structure:

The main risk management practices of the Company are to identify, analyze and measure the potential risks of each unit, formulate various risk control strategies and implement them, and take corresponding measures after analyzing and evaluating according to regulation, policy and market changes.

The execution and responsible units of each risk management items are as follows, and the

auditing office will check the following risk items:

- (1) Financial, liquidity and credit risks: Finance Department.
 - (2) Regulatory risk: President's Office, Legal Department, Human Resources Department.
 - (3) Market risk: President's Office and Operations Department.
 - (4) Strategic operational risk: President's Office.
2. Impact of interest rate, exchange rate fluctuation and inflation on the Company's profit and loss and the future responsive measures: We will respond to capital needs by obtaining funds at the lowest cost by means of short-term and long-term borrowings. The company follows the internal control protocols to respond to exchange rate changes, and uses forward exchange contracts to avoid the risk of exchange rate changes. The Company purchases raw materials in batches and sources them from multiple suppliers to reduce costs in response to inflation.
 3. The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees and derivatives transactions is the main reason contributing to its profits and losses and the response measures to be taken in the future: The Company is not currently involved in high-risk and high-leverage investments, and the loans to others are limited to subsidiaries (please refer to Annual Report XIII, Disclosure Matters (I) page 192). There is no profit or loss arising from engaging in high-risk and high-leverage investments in the current period. If the investments are necessary in the future, the Company will conduct them within the scope of analysis and evaluation and the internal control procedures.
 4. Future R&D projects and the projected R&D expenses:
 - (1). Research and development plan

Product development - Develop products according to the Company's strategy and customer needs:

Automobile industry:

- Development of oil seal products for electric motors of electric vehicles.
- Oil seal products for gearboxes of electric vehicles.
- High-voltage current-guided oil seal products for electric vehicles.
- Oil seal products for vehicle actuators.
- Oil seal products for electric power steering (EPS) systems.
- Oil seal products for truck axles.
- Oil seal products for transmission input shaft and output shaft
- Oil seals for gearbox front covers.
- Automatic transmission (AT) oil seals and repair kits.
- Continuously variable transmission (CVT) oil seals and repair kits.
- Dual-clutch transmission (DCT) oil seals and repair kits.
- Repair kits for steering oil seals.
- Repair kits for steering pump oil seals.

Industrial applications:

- Development of oil seal products for low-torque reducers.
- Oil seal products for precision gearboxes of robotic arms.
- Air compressor oil seals.
- Oil seal products for hydraulic pumps.
- Changed to oil seal products for hydraulic motors.
- Washing machine oil seals.

Agricultural construction and mining industry:

- Oil seal products for agricultural machinery diesel engines.
- Oil seals for agricultural machinery pumps.
- Oil seals for agricultural machinery gearboxes.
- Oil seals for agricultural machinery axles.
- PTO seals for agricultural machinery.
- Oil seals for agricultural machinery hydraulic cylinders.
- Oil seals for construction machinery main pumps/travel motors/rotary motors.
- Oil seals for construction machinery hydraulic cylinders.
- Oil seals for construction machinery axles.

Test machine construction - Improve product quality and reliability:

- Seals testing machine for robotic arms.
- Testing machine for seals used on agricultural machinery axles.

Test machine construction - Improve fundamental research capabilities:

- Testing machine for seals used on precision gearboxes.
- Low-torque slewing test machine.
- Variable pressure testing machine.

Development of innovative materials - Materials to meet the needs of different industries for seals.

- Development of oil seals and rubber materials for motors of high rotational speed used on electric vehicles.
- Oil seals and rubber materials for gearboxes of high speed electric vehicles.
- Development of high-voltage current-guided oil seal materials for electric vehicles.
- Development and application of NBR, HNBR and FKM rubber compound for actuator oil seals.
- Research and development of oil seals and rubber compound used for electric power steering (EPS) systems.
- Verification and application of high-performance raw rubber, reinforcing agents, antioxidants and processing aids.
- Development and application of injection molding-grade rubber compound.
- Development and application of high-performance heat-resistant eco-friendly adhesives.
- Continuous research, development and application of eco-friendly formulas.
- Maintain TAF certification for the materials laboratory.

- Development of eco-friendly shock absorber oil seals and rubber compound.
 - Development of low-friction shock absorber oil seals and rubber compound.
- (2) Projected R&D expenses: Have been included in the budget, and the 2024 amount is estimated at NT\$66,000 thousand.
5. Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:
The Company has always paid close attention to the policies and laws that may affect the operation, and adjusted the internal related systems accordingly. As of the publication date of the annual report, changes in relevant laws and regulations have no significant impact on the finances of the Company.
6. Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:
The current technological and industrial changes have not been detrimental to the Company's finances.
7. Effect on the Company's crisis management from changes in the Company's corporate image, and measures to be taken in response:
The Company has always highly value maintaining the corporate image, and there has been no recent change in corporate image that would have an impact on corporate crisis management.
8. Expected benefits and possible risks associated with any merger and acquisitions:
The current status of operation is good and the profitability is in line with expectations, and there is no plan for mergers and acquisitions.
9. Expected benefits and possible risks associated with any plant expansion:
The Company has no plans to expand its plant in the near future.
10. Risks associated with any consolidation of sales or purchasing operations:
- (1) Risk of purchase concentration: At present, most of the suppliers have long-term cooperative relationships with the Company, and the quality, price and delivery are considered stable.
 - (2) Risk of sales concentration: At present, the main customers are mostly concentrated in Europe and North America. Most of them are long-term customers, and we have good relationships with them in terms of product development, quality and price. While under stable growth, we have been actively developing new markets and new customers in recent years. In the last one or two years, the risk of sales concentration has been effectively reduced.
11. Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or principal shareholder holding greater than a 10% stake in the Company has been transferred or has otherwise changed hands:
Most of the current directors or principal shareholders with relatively large shareholding are the original shareholders before the public listing of the Company, and most of them are involved in the Company's operations. They have maintained good relationships with the Company, and

fully support the promotion of various policies, so there are no events of large transfer of equity or transfer of ownership.

12. Effect upon and risk to Company associated with any change in governance personnel or top management:

The current management team, with the cooperation of the chairman and professional officers, is actively expanding the marketing, establishing a brand image and developing diverse products, and there is no situation where the managerial control is changed.

13. For major litigation, non-litigation or administrative incidents that involve the Company and/or any director, supervisor, the president, any person with actual responsibility for the firm, any principal shareholder holding a stake of greater than 10% and/or any other company or companies controlled by the Company and of which the results may have a significant impact on the Company's shareholders' interests or the securities price, the facts at issue, amount of the subject matter, the start date of litigation, the main parties involved and the current status as of the publication date of the annual report shall be disclosed:

- (1) As of the date of publication of the annual report, resolved or pending litigations, non-litigations or administrative disputes which may present material impacts on the Company's shareholders' equity or stock price: Not applicable.
- (2) Major litigation, non-litigation or administrative incidents that involve the Company and/or any director, supervisor, the president, any person with actual responsibility for the firm, any principal shareholder holding a stake of greater than 10% and/or any other company or companies controlled by the Company as of the publication date of the annual report and of which the results may have a material impact on the Company's shareholders' interests or the securities prices: Not applicable.

14. Other important risks, and mitigation measures being or to be taken: Not applicable.

VII. Other important matters: None.

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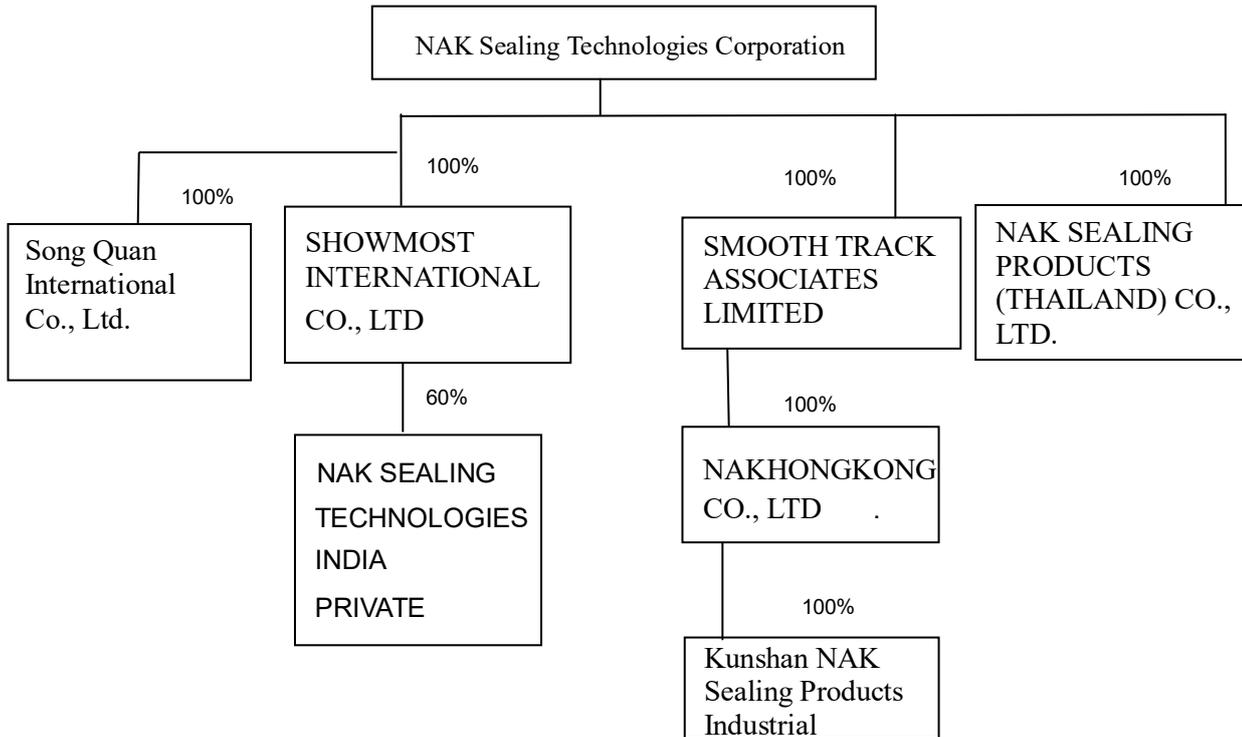
Eight. Special Items to be Included

NAK Sealing Technologies Corporation 2023 Consolidated Business Report on Subsidiaries

I. Information related to the Company’s affiliates:

(I) Overview of affiliated organization:

1. Organizational chart of affiliates



2. The entities that are required to be included in the 2023 consolidated financial statements of NAK for the period between January 1 and December 31, 2023, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standard 27, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of the parent and subsidiaries. Consequently, NAK and Subsidiaries do not prepare a separate set of consolidated financial statements. Please refer to P.199-267 of the consolidated financial statements of the parents and subsidiaries for the most recent year that have been audited and certified by accountants.
3. Affiliation report: None.

(II) Basic information of each affiliate:

Company Name	Date of Establishment	Address	Paid-in capital	Paid-in capital
NAK SEALING PRODUCTS (THAILAND)CO., LTD.	2006	120/36 MOO 12 KINGKAEW-BANGPLEE RD. TUMBUL RACHATEWA, AMPUR BANGPLEE SAMUTPRAKARN 10540	THB 15,000,000	Trading of various sealing products
SMOOTH-TRACK ASSOCIATES LIMITED	1999	P.O. Box 957, offshore incorporations centre, road town, Tortola, British virgin islands,	USD 4,697,463	General investment
Kunshan NAK Sealing Products Industrial	1999	No. 510, Hengchangjing Road, Zhoushi Town, Kunshan City, Jiangsu Province, China	USD 15,500,000	Manufacturing and trading of various sealing products
NAK HONGKONG CO., LTD.	2007	R.M. 1201, 12/F., CONNAUGHT COMM. BLDG., 185 WANCHAI RD., WANCHAI, H.K.	USD 7,320,000	General investment
SHOWMOST INTERNATIONAL CO., LTD.	2007	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	USD 577,859	General investment
NAK SEALING TECHNOLOGIES INDIA PRIVATE LIMITED	2010	P1, PHASE II, DR.V.S.IESTATE.THIRUVANMIYUR, CHENNAI-600 041. INDIA	INR 2,097,865	General investment
Song Quan International Co., Ltd.	2018	2nd Floor, No. 124, Chenggong 3rd Road, Nantou City, Nantou County	NTD 150,000,000	General investment

(III) Controlling company and affiliate companies sharing the same shareholders: Not found.

(IV) Business sectors covered by other affiliates:

The businesses operated by the Company and its affiliates include: Manufacturing and trading of various sealing products and investments.

(V) Directors, Supervisors and President of Affiliated Companies:

Company Name	Job title	Name or Representative	Ownership	
			Number of shares	Ownership (%)
NAK SEALING PRODUCTS (THAILAND) CO., LTD.	Director President	Chun-Tang Hsu, Ming-Ho Shih, Mei-Chuan Tsai, Ming-Ho Shih	15,000	100%
SMOOTH-TRACK ASSOCIATES LIMITED	Director	NAK Sealing Technologies Corporation (Representative: Cheng-Fu Shih)	4,697,463	100%
Kunshan NAK Sealing Products Industrial	Director President	Chun-Tang Hsu, Si-Hu Nian, Mu-Chao Lai, Chiang-Ling Chien	15,500,000	100%
NAK HONGKONG CO., LTD.	Director	Chun-Tang Hsu	7,320,000	100%
SHOWMOST INTERNATIONAL CO., LTD.	Director	NAK Sealing Technologies Corporation (Representative: Cheng-Fu Shih)	577,859	100%
NAK SEALING TECHNOLOGIES INDIA PRIVATE LIMITED	Director	Cheng-Fu Shih, Ming-Yao Shih, Shu-Chun Hsu, Parameswaran Raghavan, Swaminathan Shankar	2,097,865	60%
Song Quan International Co., Ltd.	Chairman	Ming-Ho Shih	15,000	100%

(VI) Overview of the business operations of each affiliate:

Unit: In NT\$ thousand

Company Name	Amount of Capital	Total Assets	Total liabilities	Net Value	Operating Income	Operating income (loss)	Profit and Loss of the Period (after taxes)	Earnings per share (NT\$) (after taxes)
NAK SEALING PRODUCTS (THAILAND) CO., LTD	12,815	55,100	4,784	50,316	55,187	7,695	8,541	569.39
SMOOTH-TRACK ASSOCIATES LIMITED	156,230	1,669,378	(7,691)	1,659,459	-	(1,963)	383,400	81.62
Kunshan NAK Sealing Products Industrial	486,400	1,952,590	293,131	1,659,459	1,517,279	481,406	386,400	24.74
NAK HONGKONG CO., LTD.	202,618	1,660,128	-	1,660,128	-	-	386,277	52.77
SHOWMOST INTERNATIONAL CO., LTD.	17,889	35,464	6	35,458	-	(203)	9,940	17.20
NAK SEALING TECHNOLOGIES INDIA PRIVATE LIMITED	1,315	20,613	10,624	9,989	63,913	3,779	3,263	1.56
Song Quan International Co., Ltd.	150,000	232,815	80,826	151,989	-	(2,137)	1,042	69.45

Note: Assets and liabilities accounts are converted at the year-end exchange rate (US\$1: NT\$30.7050, THB\$1: NT\$0.9017, RMB\$ 1: NT\$4.3233, INR\$1: NT\$0.3661), and profit and loss accounts are calculated at the weighted average exchange rate (US\$ 1: NT\$31.1048, THB\$1: NT\$0.8805, RMB\$ 1: NT\$4.4013, INR\$1: NT\$0.3763).

- II. Status of private placement of securities during the most recent fiscal year or up to the date of publication of the annual report: Not applicable.
- III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or up to the date of publication of the annual report: Not applicable.
- IV. Other matters that require additional description: Not applicable.

Nine. Situations Listed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act Materially Affecting Shareholders' Equity or the Share Price

If any of the situations listed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, have occurred during the most recent fiscal year and up to the date of publication of the annual report: Not applicable.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Nak Sealing Technologies Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Nak Sealing Technologies Corporation (the “Company”) as at December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Company's 2023 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only 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 Company's 2023 parent company only financial statements are stated as follows:

Timing of sales revenue recognition

Description

Please refer to Note 4(24) for accounting policies on revenue recognition. For the year ended December 31, 2023, the Company had operating revenue amounting to NT\$3,447,437 thousand.

The Company is primarily engaged in the manufacture and sales of various types of sealing components. In addition, the Group's marketing channels of products are spread globally, and sales to customers involve different kinds of transaction terms. The Company recognises sales revenue in accordance with the transaction terms of individual customers and after delivery and confirmation that control was transferred. Thus, the procedure for revenue recognition usually involves highly manual judgement, and the financial report period in which the sales revenue will be recognised would be affected by whether the control of goods were transferred to buyers in accordance with the performance obligations which were stipulated in the contracts before the end date of the reporting period. Thus, we consider the timing of sales revenue recognition a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Understood and assessed the working procedures and internal control system of the Company's timing of sales revenue recognition, and tested for the efficiency of such controls.
2. Performed sales cut-off test for a certain period around balance sheet date and reviewed evidence in relation to subsequent significant sales returns and discounts to assess the adequacy of revenue cut-off.

Adequacy of accounting estimates of allowance for inventory valuation losses

Description

Please refer to Notes 4(10), 5(2) and 6(4) for a description of accounting policy on inventory valuation, accounting estimates and assumptions in relation to loss allowance and details of loss allowance. As of December 31, 2023, the Company's total amount of inventories and allowance for inventory valuation losses were NT\$736,479 thousand and NT\$49,790 thousand, respectively.

The Company is primarily engaged in the manufacture and sales of various types of sealing components. Such inventories are affected by the highly competitive market and the price fluctuation of international raw materials, such as glue, fossil oil and steel, thus, there were higher risk in inventory valuation loss and obsolescence. In addition, the Company's allowance for valuation loss on inventories primarily came from individually identified obsolete or damaged inventories. Since the cash amount of inventories is significant, types of items are numerous, and the net realisable value adopted usually involves subjective judgment, therefore, there is uncertainty in accounting estimates. Thus, we consider the estimates of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the Company's operations and industry in order to assess the reasonableness of the policy on recognition of allowance for inventory valuation losses.
2. Obtained an understanding of the warehouse management processes, reviewed the annual physical inventory count plan, participated in and observed the annual inventory count in order to evaluate the effectiveness of procedures used by the management to identify and control obsolete inventories.
3. Obtained inventory ageing report statements which management used in valuation and related supporting documents to verify the date of inventory change, and tested the accuracy and reasonableness of program logic of report statements.
4. Obtained the inventory cost and net realisable value estimation data which was prepared by management to verify individual inventory item with sales evidences and its accounting records, and tested the calculation of statements for accuracy to assess the basis of net realisable value and its reasonableness.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 Company to express an opinion on the parent company only 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wu, Sung-Yuan

Lai, Chih-Wei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2024

The accompanying parent company only 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 parent company only 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.

NAK SEALING TECHNOLOGIES CORPORATION
PARENT COMPANY ONLY 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)	\$ 320,071	7	\$ 206,388	4
1136	Current financial assets at amortised cost	6(2)	102,956	2	2,956	-
1150	Notes receivable, net	6(3)	6,314	-	8,489	-
1170	Accounts receivable, net	6(3)	513,397	10	673,057	14
1180	Accounts receivable - related parties	7(2)	120,401	2	95,641	2
1200	Other receivables		12,699	-	18,982	1
1210	Other receivables - related parties	7(2)	3,671	-	3,182	-
130X	Inventories	5(2) and 6(4)	686,689	14	847,478	17
1470	Other current assets		50,903	1	41,715	1
11XX	Current Assets		<u>1,817,101</u>	<u>36</u>	<u>1,897,888</u>	<u>39</u>
Non-current assets						
1550	Investments accounted for under equity method	6(5)	1,902,774	38	1,757,921	36
1600	Property, plant and equipment	6(6) and 8	1,159,166	23	1,134,074	23
1755	Right-of-use assets	6(7)	2,505	-	4,721	-
1780	Intangible assets		10,672	-	2,576	-
1840	Deferred income tax assets	6(21)	81,919	2	72,293	2
1900	Other non-current assets		18,460	1	18,955	-
15XX	Non-current assets		<u>3,175,496</u>	<u>64</u>	<u>2,990,540</u>	<u>61</u>
1XXX	Total assets		<u>\$ 4,992,597</u>	<u>100</u>	<u>\$ 4,888,428</u>	<u>100</u>

(Continued)

NAK SEALING TECHNOLOGIES CORPORATION
PARENT COMPANY ONLY 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	%	
Current liabilities						
2100	Short-term borrowings	6(8)	\$ -	-	\$ 490,000	10
2150	Notes payable		1,339	-	3,243	-
2170	Accounts payable		85,659	2	182,309	4
2200	Other payables	6(9)	360,006	7	290,704	6
2230	Current income tax liabilities	6(21)	192,212	4	74,648	2
2280	Current lease liabilities		2,140	-	2,390	-
2399	Other current liabilities, others	6(15)	13,072	-	19,934	-
21XX	Current Liabilities		<u>654,428</u>	<u>13</u>	<u>1,063,228</u>	<u>22</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(21)	346,275	7	307,799	6
2580	Non-current lease liabilities		172	-	1,895	-
2600	Other non-current liabilities	6(10)	30,993	1	48,371	1
25XX	Non-current liabilities		<u>377,440</u>	<u>8</u>	<u>358,065</u>	<u>7</u>
2XXX	Total Liabilities		<u>1,031,868</u>	<u>21</u>	<u>1,421,293</u>	<u>29</u>
Equity						
Share capital						
3110	Share capital - common stock	6(11)	831,613	17	831,613	17
Capital surplus						
3200	Capital surplus	6(12)	214,743	4	214,743	4
Retained earnings						
3310	Legal reserve	6(13)	884,775	18	820,541	17
3320	Special reserve		166,780	3	191,973	4
3350	Unappropriated retained earnings		2,060,482	41	1,575,045	32
Other equity interest						
3400	Other equity interest	6(14)	(197,664)	(4)	(166,780)	(3)
3XXX	Total equity		<u>3,960,729</u>	<u>79</u>	<u>3,467,135</u>	<u>71</u>
Significant Contingent Liabilities and Unrecognised Contract Commitments						
Significant Events after the Balance Sheet Date						
3X2X	Total liabilities and equity		<u>\$ 4,992,597</u>	<u>100</u>	<u>\$ 4,888,428</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

NAK SEALING TECHNOLOGIES CORPORATION
PARENT COMPANY ONLY 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

Items	Notes	2023		2022	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(15) and 7(2)	\$ 3,447,437	100	\$ 3,023,279	100
5000 Operating costs	6(4)(20)	(2,132,296)	(62)	(2,100,942)	(70)
5900 Net operating margin		1,315,141	38	922,337	30
5920 Realized loss from sales		(15,193)	(1)	(6,136)	-
5950 Net operating margin		1,299,948	37	916,201	30
Operating expenses	6(20)				
6100 Selling expenses		(147,076)	(4)	(155,936)	(5)
6200 General and administrative expenses		(262,187)	(8)	(233,360)	(8)
6300 Research and development expenses		(79,302)	(2)	(65,938)	(2)
6000 Total operating expenses		(488,565)	(14)	(455,234)	(15)
6900 Operating profit		811,383	23	460,967	15
Non-operating income and expenses					
7100 Interest income	6(16) and 7(2)	2,521	-	962	-
7010 Other income	6(17)	3,756	-	4,407	-
7020 Other gains and losses	6(18)	14,892	-	66,985	2
7050 Finance costs	6(19)	(4,268)	-	(3,936)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(5)				
		396,375	12	287,284	10
7000 Total non-operating income and expenses		413,276	12	355,702	12
7900 Profit before income tax		1,224,659	35	816,669	27
7950 Income tax expense	6(21)	(245,453)	(7)	(166,469)	(6)
8200 Profit for the year		\$ 979,206	28	\$ 650,200	21
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(10)	\$ 13,719	1	(\$ 9,822)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	(2,744)	-	1,966	-
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss		10,975	1	(7,856)	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Other comprehensive (loss) income, before tax, exchange differences on translation	6(14)	(33,037)	(1)	27,710	1
8380 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(14)				
8399 Income tax relating to the components of other comprehensive income	6(14)(21)	(5,568)	-	3,782	-
8360 Components of other comprehensive (loss) income that will be reclassified to profit or loss		7,721	-	(6,299)	-
8300 Other comprehensive (loss) income for the year		(30,884)	(1)	25,193	1
8500 Total comprehensive income for the year		\$ 19,909	-	\$ 17,337	1
8500 Total comprehensive income for the year		\$ 959,297	28	\$ 667,537	22
Basic earnings per share	6(22)				
9750 Total basic earnings per share		\$	11.77	\$	7.82
9850 Total diluted earnings per share		\$	11.70	\$	7.78

The accompanying notes are an integral part of these parent company only financial statements.

NAK SEALING TECHNOLOGIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital surplus			Retained earnings		Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total equity
		Share capital - common stock	Additional paid-in capital	Premium from merger	Legal reserve	Special reserve			
Year 2022									
Balance at 1 January 2022		\$ 831,613	\$ 208,642	\$ 6,101	\$ 765,188	\$ 176,171	\$ 1,419,663	(\$ 191,973)	\$ 3,215,405
Profit for the year		-	-	-	-	-	650,200	-	650,200
Other comprehensive income (loss)	6(14)	-	-	-	-	-	(7,856)	25,193	17,337
Total comprehensive income		-	-	-	-	-	642,344	25,193	667,537
Appropriation and distribution of 2021 earnings	6(13)								
Legal reserve appropriated		-	-	-	55,353	-	(55,353)	-	-
Special reserve appropriated		-	-	-	-	15,802	(15,802)	-	-
Cash dividends		-	-	-	-	-	(415,807)	-	(415,807)
Balance at 31 December 2022		\$ 831,613	\$ 208,642	\$ 6,101	\$ 820,541	\$ 191,973	\$ 1,575,045	(\$ 166,780)	\$ 3,467,135
Year 2023									
Balance at 1 January 2023		\$ 831,613	\$ 208,642	\$ 6,101	\$ 820,541	\$ 191,973	\$ 1,575,045	(\$ 166,780)	\$ 3,467,135
Profit for the year		-	-	-	-	-	979,206	-	979,206
Other comprehensive income (loss)	6(14)	-	-	-	-	-	10,975	(30,884)	(19,909)
Total comprehensive income (loss)		-	-	-	-	-	990,181	(30,884)	959,297
Appropriation and distribution of 2022 earnings	6(13)								
Legal reserve appropriated		-	-	-	64,234	-	(64,234)	-	-
Special reserve appropriated		-	-	-	-	(25,193)	25,193	-	-
Cash dividends		-	-	-	-	-	(465,703)	-	(465,703)
Balance at 31 December 2023		\$ 831,613	\$ 208,642	\$ 6,101	\$ 884,775	\$ 166,780	\$ 2,060,482	(\$ 197,664)	\$ 3,960,729

The accompanying notes are an integral part of these parent company only financial statements.

NAK SEALING TECHNOLOGIES CORPORATION
PARENT COMPANY ONLY 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 OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,224,659	\$ 816,669
Adjustments			
Adjustments to reconcile profit (loss)			
Realized loss from sales		15,193	6,136
Depreciation expense-property, plant and equipment	6(6)(20)	115,617	115,565
Depreciation expense-right-of-use assets	6(7)(20)	9,306	4,543
Amortization expense	6(18)(20)	8,708	6,908
Loss (gain) on disposal of property, plant and equipment	6(18)	2,229	82
Share of profit of associates and joint ventures accounted for using equity method	6(5)	(396,375)	(287,284)
Loss on disposal of investments	6(18)	739	-
Interest revenue	6(16)	(2,521)	(962)
Grant revenue	6(17)	(171)	(1,673)
Financial cost-bank loan	6(19)	4,141	3,845
Financial cost-lease liabilities	6(7)(19)	127	91
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		2,175	(1,865)
Accounts receivable (including related parties)		134,900	(77,448)
Other receivables		6,313	1,461
Inventories		160,789	(262,643)
Other current assets		(9,188)	(5,962)
Changes in operating liabilities			
Notes payable		(1,903)	558
Accounts payable (including related parties)		(96,651)	14,880
Other payables		58,663	32,364
Provision		-	(17,799)
Other current liabilities		(6,862)	(5,596)
Net defined benefit liability		(7,364)	(12,639)
Cash inflow generated from operations		1,222,524	329,231
Dividends received		211,892	272,643
Interest received		2,662	936
Interest paid		(4,568)	(3,868)
Income taxes paid		(94,062)	(188,939)
Net cash flows from operating activities		<u>1,338,448</u>	<u>410,003</u>

(Continued)

NAK SEALING TECHNOLOGIES CORPORATION
PARENT COMPANY ONLY 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		(\$ 100,000)	\$ -
Increase in other receivables due from related parties		(489)	(489)
Acquisition of long-term equity investment	6(5)	(15,000)	(15,000)
Proceeds from liquidation of investees accounted for using equity method		2,760	-
Acquisition of property, plant and equipment (including prepayments for equipment)	6(23)	(135,059)	(122,228)
Proceeds from disposal of property, plant and equipment		545	216
Acquisition of intangible assets		(16,804)	(8,895)
Decrease in other non-current assets		4,048	3,081
Net cash flows used in investing activities		(259,999)	(143,315)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds of short-term loans	6(24)	2,020,000	3,934,000
Repayments of short-term debt	6(24)	(2,510,000)	(3,684,000)
Repayments of long-term debt	6(24)	-	(179,429)
Payments of lease liabilities	6(24)	(9,063)	(5,117)
Cash dividends paid	6(13)(24)	(465,703)	(415,807)
Decrease in guarantee deposits received	6(24)	-	(59)
Net cash flows used in financing activities		(964,766)	(350,412)
Net increase (decrease) in cash and cash equivalents		113,683	(83,724)
Cash and cash equivalents at beginning of year		206,388	290,112
Cash and cash equivalents at end of year		\$ 320,071	\$ 206,388

The accompanying notes are an integral part of these parent company only financial statements.

NAK SEALING TECHNOLOGIES CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. History and Organization

A. The Company was established in August 1976, and is primarily engaged in the processing and manufacturing of each kind of oil seal, manufacturing rubber machinery and metal modules, and import and export businesses.

B. The Company was approved to list on the Taiwan Stock Exchange starting from January 28, 2002.

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

These parent company only financial statements were authorised for issuance by the Board of Directors on March 13, 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 FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards that came into effect as endorsed by the FSC but not yet adopted by the Company

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 Company's financial condition and financial performance based on the Company'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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Material Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company 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 parent company only financial statements have been prepared under the historical cost convention:

Defined benefit liabilities recognised 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. Related policies on foreign currency transactions and balances were as follows:

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) 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 recognised in profit or loss.

(c) 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 recognised 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 recognised 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

- (a) The operating results and financial position of all the company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) 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 realised, 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 realised 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.

(5) 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.

(6) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Company'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 amortised cost are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Company 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 recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company'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.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company 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.

(8) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises 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 Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (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 realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(11) Investments accounted for using equity method / subsidiaries, associates and joint ventures

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the subsidiary.
- 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 recognised directly in equity.
- E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' or 'retained earnings' in proportion to its ownership.
- H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

- I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- J. In accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the profit or loss and other comprehensive income or loss presented on the parent company only financial statements are consistent with the profit or loss and the amortisation of other comprehensive income attributable to owners of the parent company presented on the consolidated financial statements. In addition, owner’s equity presented on the parent company only financial statements is consistent with equity attributable to owners of parent presented in the consolidated financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. 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	6 ~ 11 years
Buildings and structures	3 ~ 56 years
Machinery equipment	3 ~ 12 years
Transportation equipment	3 ~ 9 years
Office equipment	3 ~ 6 years
Other equipment	2 ~ 26 years

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

A. Leases are recognised 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 Company. For short-term leases or leases of low-value assets, lease payments are recognised 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 Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised 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; and
- (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 recognised as an adjustment to the right-of-use asset.

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 10 year(s).

(15) Impairment of non-financial assets

The Company 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 recognised 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 recognising 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 amortised historical cost would have been if the impairment had not been recognised.

(16) Borrowings

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

(17) Notes and accounts 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) Derecognition of financial liabilities

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

(19) 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 recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised 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 Company in current period or prior periods. The liability recognised 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised 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.

(20) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 Company 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 recognised, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment, research and development 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 utilised.

(21) Share capital

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.

(22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(23) Revenue recognition

Sales of goods

The Company manufactures and sells a range of oil seal related products. Sales are recognised when control of the products has transferred. Delivery occurs when the products have been shipped to the specific location, significant risks and returns have been transferred to the sales counterparty, and either the sales counterparty has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(24) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(25) Reorganisation

On December 1, 2021, the Company merged with the subsidiary, TRIPLE SHUN INDUSTRIAL CO., Ltd., through a simple merger. The transaction was deemed a reorganization in the Group, and was treated as consolidated at the beginning. Accordingly, the prior year financial statements should be retrospectively restated and accounted for using the book value approach.

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company'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 Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the strong competition market and the effect of price fluctuation of international raw materials, such as glue, fossil oil and steel, the Company 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 realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore,

there might be material changes to the evaluation.

As of December 31, 2023, the carrying amount of inventories was \$686,689 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 petty cash	\$ 546	\$ 1,599
Demand deposits	319,344	204,373
Checking accounts	<u>181</u>	<u>416</u>
	<u>\$ 320,071</u>	<u>\$ 206,388</u>

A. The Company 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 Company has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Time deposits (with maturity date over three months)	<u>\$ 102,956</u>	<u>\$ 2,956</u>

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

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 139</u>	<u>\$ 15</u>

B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

The Company's investments in certificates of deposit are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	<u>\$ 6,314</u>	<u>\$ 8,489</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 519,464	\$ 679,124
Less: Allowance for uncollectible accounts	<u>(6,067)</u>	<u>(6,067)</u>
	<u>\$ 513,397</u>	<u>\$ 673,057</u>

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

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 396,072	\$ 6,314	\$ 536,316	\$ 8,489
1 to 30 days	81,585	-	110,025	-
31 to 90 days	31,981	-	25,939	-
91 to 180 days	3,565	-	1,035	-
181 to 360 days	513	-	489	-
Over 361 days	<u>5,748</u>	<u>-</u>	<u>5,320</u>	<u>-</u>
	<u>\$ 519,464</u>	<u>\$ 6,314</u>	<u>\$ 679,124</u>	<u>\$ 8,489</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2023, December 31, 2022 and January 1, 2022, the balances of receivables (including notes receivables) from contracts with customers amounted to \$530,575 thousand.

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 Company's notes and accounts receivable was \$6,314 thousand and \$8,489 thousand; \$513,397 thousand and \$673,057 thousand, respectively.

D. The Company has no notes and accounts receivable pledged to others as collateral.

E. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for obsolescence and valuation loss</u>	<u>Book value</u>
Raw materials	\$ 203,497	\$ (5,732)	\$ 197,765
Work in progress	185,821	(4,543)	181,278
Finished goods	<u>347,161</u>	<u>(39,515)</u>	<u>307,646</u>
	<u>\$ 736,479</u>	<u>\$ (49,790)</u>	<u>\$ 686,689</u>

	December 31, 2022		
	Cost	Allowance for obsolescence and valuation loss	Book value
Raw materials	\$ 233,996	(\$ 4,680)	\$ 229,316
Work in progress	309,448	(8,787)	300,661
Finished goods	<u>354,833</u>	<u>(37,332)</u>	<u>317,501</u>
	<u>\$ 898,277</u>	<u>(\$ 50,799)</u>	<u>\$ 847,478</u>

The cost of inventories recognised as expense for the year :

	Year ended December 31	
	2023	2022
Cost of goods sold	\$ 2,133,396	\$ 2,093,697
Loss for obsolete and slow-moving inventories and market value decline	(1,009)	8,525
Others	<u>(91)</u>	<u>(1,280)</u>
	<u>\$ 2,132,296</u>	<u>\$ 2,100,942</u>

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

(5) Investments accounted for using equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>Shareholding ratio</u>
Subsidiaries:			
SMOOTH TRACK ASSOCIATES LIMITED	\$ 1,621,390	\$ 1,488,564	100
NAK SEALING PRODUCTS (THAILAND) CO., LTD.	39,783	35,006	100
SHOWMOST INTERNATIONAL CO., LTD.	26,470	26,041	100
Song Quan International Co., Ltd.	203,790	187,749	100
Associates:			
KISH NAK OIL SEAL MFG.CO.,LTD.	(2,668)	1,208	49
NAK TOTAL SEALING SOLUTIONS PTY LTD.	10,395	18,351	49
BUSINESS FRIEND LIMITED	<u>946</u>	<u>1,002</u>	33.34
	1,900,106	1,757,921	
Add:Transfer to "other non current liabilities"	<u>2,668</u>	<u>-</u>	
	<u>\$ 1,902,774</u>	<u>\$ 1,757,921</u>	

A. Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method was as follows:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
SMOOTH TRACK ASSOCIATES LIMITED	\$ 383,400	\$ 271,338
NAK SEALING PRODUCTS (THAILAND) CO., LTD.	8,541	6,797
KISH NAK OIL SEAL MFG. CO., LTD.	(3,635)	(1,845)
SHOWMOST INTERNATIONAL CO., LTD.	9,940	6,334
BUSINESS FRIEND LIMITED	(57)	(17)
NAK TOTAL SEALING SOLUTIONS PTY LTD.	(2,856)	3,900
Song Quan International Co., Ltd.	<u>1,042</u>	<u>777</u>
	<u>\$ 396,375</u>	<u>\$ 287,284</u>

Long-term equity investments accounted for using equity method for the years ended December 31, 2023 and 2022 was based on each investee's audited financial statements.

B. Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31,

2023 for the information regarding the Company's subsidiaries.

- C. To enlarge domestic market in Mainland China, the Company established SMOOTH TRACK ASSOCIATES LIMITED in the third area and then reinvested in the Guangzhou Mt. Port Automotive Technology Limited Company and NAK HONGKONG CO., LTD. NAK HONGKONG CO., LTD. reinvested and established KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD. in Mainland China area.
- D. To enlarge the market internationally and in South East Asia and to build sales bases of each kind of sealing products, the Company established NAK SEALING PRODUCTS (THAILAND) CO., LTD. and SHOWMOST INTERNATIONAL CO., LTD. in Thailand and the third location, respectively, and then, reinvested and established companies in Russia and India areas.
- E. Given market factors and business strategies, on August 4, 2022, the Board of Directors of the Company resolved to liquidate Guangzhou Mt. Port Automotive Technology Limited Company. The subsidiary was deregistered and dissolved on June 12, 2023.
- F. Song Quan International Co., Ltd. increased its cash capital amounting to \$15,000 thousand for the years ended December 31, 2023 and 2022. The effective date was set on April 10, 2023 and August 9, 2022, respectively. The registration for the change had been completed.
- G. The carrying amount of KISH NAK OIL SEAL MFG.CO., LTD. had become negative as its operation incurred loss for the year ended December 31, 2023. Therefore, the carrying amount was reversed to other non-current liabilities of \$2,668 thousand and the balance became \$0.

(6) Property, plant and equipment

	Year ended December 31, 2023				
	<u>Beginning</u>	<u>Additions</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u>
	<u>balance</u>				<u>balance</u>
Cost					
Land	\$ 347,356	\$ -	\$ -	\$ -	\$ 347,356
Land improvements	10,047	-	-	-	10,047
Buildings and structures	668,520	4,383	-	1,334	674,237
Machinery and equipment	764,749	72,160	(27,826)	27,683	836,766
Transportation equipment	26,208	1,385	(41)	513	28,065
Office equipment	69,584	10,930	(1,517)	-	78,997
Other equipment	536,794	40,293	(773)	7,703	584,017
Unfinished construction and equipment under acceptance	<u>42,915</u>	<u>14,332</u>	<u>-</u>	<u>(37,233)</u>	<u>20,014</u>
	<u>2,466,173</u>	<u>143,483</u>	<u>(30,157)</u>	<u>-</u>	<u>2,579,499</u>
Accumulated depreciation and impairment					
Land improvements	\$ 6,652	\$ 404	\$ -	\$ -	\$ 7,056
Buildings and structures	308,208	21,366	-	-	329,574
Machinery and equipment	583,364	42,256	(25,052)	-	600,568
Transportation equipment	18,612	3,428	(41)	-	21,999
Office equipment	59,161	8,816	(1,517)	-	66,460
Other equipment	<u>356,102</u>	<u>39,347</u>	<u>(773)</u>	<u>-</u>	<u>394,676</u>
	<u>1,332,099</u>	<u>115,617</u>	<u>(27,383)</u>	<u>-</u>	<u>1,420,333</u>
Book value	<u>1,134,074</u>				<u>1,159,166</u>

	Year ended December 31, 2022				
	Beginning balance	Additions	Decreases	Transfers	Ending balance
Cost					
Land	\$ 347,356	\$ -	\$ -	\$ -	\$ 347,356
Land improvements	8,047	2,000	-	-	10,047
Buildings and structures	651,640	16,880	-	-	668,520
Machinery and equipment	725,229	42,962	(15,197)	11,755	764,749
Transportation equipment	25,790	1,256	(838)	-	26,208
Office equipment	65,913	7,811	(4,154)	14	69,584
Other equipment	515,809	20,008	(555)	1,532	536,794
Unfinished construction and equipment under acceptance	18,575	37,641	-	(13,301)	42,915
	<u>2,358,359</u>	<u>128,558</u>	<u>(20,744)</u>	<u>-</u>	<u>2,466,173</u>
Accumulated depreciation and impairment					
Land improvements	\$ 6,410	\$ 242	\$ -	\$ -	\$ 6,652
Buildings and structures	287,832	20,376	-	-	308,208
Machinery and equipment	553,460	44,803	(14,899)	-	583,364
Transportation equipment	16,263	3,187	(838)	-	18,612
Office equipment	55,731	7,584	(4,154)	-	59,161
Other equipment	317,284	39,373	(555)	-	356,102
	<u>1,236,980</u>	<u>115,565</u>	<u>(20,446)</u>	<u>-</u>	<u>1,332,099</u>
Book value	<u>1,121,379</u>				<u>1,134,074</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: None.

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(7) Lease transactions — lessee

A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 1 to 3 year(s). 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 Company leases low-value assets which comprise photocopiers and AED 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
Buildings	\$ <u>2,505</u>	\$ <u>4,721</u>

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 9,306	\$ 4,543

D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$7,485 thousand and \$8,502 thousand, respectively.

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

<u>Items affecting profit or loss</u>	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	\$ 127	\$ 91
Expense on variable lease payments	256	261
Expense on leases of low-value assets	31	49

F. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$9,477 thousand and \$5,518 thousand, respectively.

(8) Short-term borrowings

No such situation in 2023.

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 190,000	1.67%~1.83%	Property, plant and equipment
Unsecured borrowings	<u>300,000</u>	1.78%	
	<u>\$ 490,000</u>		

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(9) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages and bonus payable	\$ 189,112	\$ 147,601
Employees' compensation and directors' remuneration payable	71,441	48,878
Payable on machinery and equipment	26,478	14,501
Consumables expenses payable	22,071	25,701
Processing fees payable	13,004	13,895
Other accrued expenses	<u>37,900</u>	<u>40,128</u>
	<u>\$ 360,006</u>	<u>\$ 290,704</u>

(10) Pensions

A. (a) The Company 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 Company contributes monthly an amount equal to 6% 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 Company 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 Company will make contributions for the deficit by next March.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	(\$ 142,058)	(\$ 154,890)
Fair value of plan assets	<u>113,734</u>	<u>106,519</u>
Net defined benefit liability	<u>(\$ 28,324)</u>	<u>(\$ 48,371)</u>

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

	2023		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 154,890)	\$ 106,519	(\$ 48,371)
Current service cost	(504)	-	(504)
Interest (expense) income	(1,980)	1,394	(586)
Past service cost	54	-	54
	<u>(157,320)</u>	<u>107,913</u>	<u>(49,407)</u>
Remeasurements:			
Change in financial assumptions	(1,235)	-	(1,235)
Return on plan assets (excluding amounts included in interest income or expense)	-	902	902
Experience adjustments	14,052	-	14,052
	<u>12,817</u>	<u>902</u>	<u>13,719</u>
Pension fund contribution	-	7,364	7,364
Paid pension	2,445	(2,445)	-
At December 31	<u>(\$ 142,058)</u>	<u>\$ 113,734</u>	<u>(\$ 28,324)</u>
	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 140,117)	\$ 89,824	(\$ 50,293)
Current service cost	(564)	-	(564)
Interest (expense) income	(963)	631	(332)
	<u>(141,644)</u>	<u>90,455</u>	<u>(51,189)</u>
Remeasurements:			
Change in financial assumptions	9,003	-	9,003
Return on plan assets (excluding amounts included in interest income or expense)	-	7,121	7,121
Experience adjustments	(25,945)	-	(25,945)
	<u>(16,942)</u>	<u>7,121</u>	<u>(9,821)</u>
Pension fund contribution	-	12,639	12,639
Paid pension	3,696	(3,696)	-
At December 31	<u>(\$ 154,890)</u>	<u>\$ 106,519</u>	<u>(\$ 48,371)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 securitisation products, etc.). With regard to the utilisation 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 authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company 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 Utilisation Report announced by the government.

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

	Year ended December 31	
	2023	2022
Discount rate	1.20%	1.30%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience for the years ended December 31, 2023 and 2022 are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

(f) 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 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ 3,057)	\$ 3,156	\$ 3,123	(\$ 3,040)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ 3,543)	\$ 3,663	\$ 3,629	(\$ 3,528)

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.

(g) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amount to \$5,965 thousand.

(h) As of December 31, 2023, the weighted average duration of the retirement plan is 8 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	5,113
1-2 year(s)		14,513
2-5 years		19,706
Over 5 years		<u>118,182</u>
	<u>\$</u>	<u>157,514</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 Company 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) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2023 and 2022, were \$27,888 thousand and \$19,504 thousand, respectively.

(11) Share capital

As of December 31, 2023, the Company’s authorised capital was \$1,000,000 thousand, and the paid-in capital was \$831,613 thousand with a par value of \$10 per share. All proceeds from shares issued have been collected.

(12) Capital surplus

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.

(13) Retained earnings

A. Under the Company’s Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and offset prior years’ operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be proposed by the Board of Directors and resolved by the stockholders.

- B. The Company's dividend policy was summarised below: for the appropriation of earnings as proposed by the Board of Directors, the shareholders' total dividends should be more than 50% of accumulated distributable earnings, and the cash dividends should be more than 20% of the shareholders' total dividends. However, the appropriation ratio of retained earnings and the shareholders' dividends ratio could be adjusted by the resolution of the shareholders based on the actual profit and capital conditions of current year.
- 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. When distributing earnings, according to Gin-Gwen-Zheng-Qi Letter No. 1010012865, dated April 6, 2012, for the net deduction amount of other equity in the current year, the special reserve which provisioned from current profit or loss and equalled to the amount which provisioned from undistributed earnings of prior year should not be appropriated. However, if the Company had provisioned special reserve as initial application of IFRSs, special reserve should be provisioned based on the difference between the amount already provisioned and the net deduction amount of other equity.
- E. (a) 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.
- (b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be the same as the amount reclassified from accumulated translation adjustment under shareholders' equity to retained earnings for the exemptions elected by the Company. The special reserve increased as a result of retained earnings arising from the conversing adoption of IFRS by \$6,326 thousand.
- F. The appropriation of 2022 and 2021 earnings were as follows:

	Year ended December 31			
	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 64,234		\$ 55,354	
Special reserve	(25,194)		15,802	
Cash dividends	<u>465,703</u>	\$ 5.6	<u>415,807</u>	\$ 5.0
	<u>\$ 504,743</u>		<u>\$ 486,963</u>	

G. The appropriation of 2023 earnings as proposed and approved by the Board of Directors in March 13, 2024 are as follows:

	<u>Year ended December 31, 2023</u>	
	<u>Amount</u>	<u>Dividends per share (in dollars)</u>
Legal reserve	\$ 99,018	
Special reserve	30,884	
Cash dividends	<u>582,129</u>	\$ 7.0

The aforementioned distribution of 2023 earnings would be effective after the resolution of the shareholders

H. Please refer to Note 6(20) for information regarding employees' compensation and directors' remuneration.

(14) Other equity items

	<u>2023</u>	
	<u>Foreign currency translation</u>	
At January 1	(\$	166,780)
Currency translation differences:		
- Group	(	33,037)
- Taxes		6,607
- Associates	(	5,568)
- Taxes		<u>1,114</u>
At December 31	(\$	<u>197,664</u>)
	<u>2022</u>	
	<u>Foreign currency translation</u>	
At January 1	(\$	191,973)
Currency translation differences:		
- Group		27,710
- Taxes	(	5,542)
- Associates		3,782
- Taxes	(	<u>757</u>)
At December 31	(\$	<u>166,780</u>)

(15) Operating revenue

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	<u>\$ 3,447,437</u>	<u>\$ 3,023,279</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

Year ended December 31, 2023

	Asia			America			Europe			Others			Total
	Oil seal	Complete rubber mix	Others	Oil seal	Complete rubber mix	Others	Oil seal	Complete rubber mix	Others	Oil seal	Complete rubber mix	Others	
	Revenue from contracts with customers	\$ 752,888	\$ 333,133	\$ 115,429	\$743,648	\$ -	\$ 51,179	\$ 1,239,865	\$ -	\$ 158,336	\$49,806	\$ -		$ 3,153	$ 3,447,437
Timing of revenue recognition													
At a point in time	\$ 752,888	\$ 333,133	\$ 115,429	\$743,648	\$ -	\$ 51,179	\$ 1,239,865	\$ -	\$ 158,336	\$49,806	\$ -	\$ 3,153	\$ 3,447,437

Year ended December 31, 2022

	Asia			America			Europe			Others			Total
	Oil seal	Complete rubber mix	Others	Oil seal	Complete rubber mix	Others	Oil seal	Complete rubber mix	Others	Oil seal	Complete rubber mix	Others	
	Revenue from contracts with customers	\$ 586,014	\$ 396,948	\$ 129,373	\$779,675	\$ -	\$ 71,605	\$ 887,421	\$ -	\$ 122,735	\$41,127	\$ -		$ 8,381	$ 3,023,279
Timing of revenue recognition													
At a point in time	\$ 586,014	\$ 396,948	\$ 129,373	\$779,675	\$ -	\$ 71,605	\$ 887,421	\$ -	\$ 122,735	\$41,127	\$ -	\$ 8,381	\$ 3,023,279

B. Contract liabilities (shown as other current liabilities)

The Company has recognised the following revenue-related contract liabilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities:			
Contract liabilities- advance sales receipts	\$ <u>10,025</u>	\$ <u>16,229</u>	\$ <u>22,729</u>

Revenue recognised that was included in the contract liability balance at the beginning of the year:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ <u>15,345</u>	\$ <u>21,216</u>

(16) Interest income

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 2,032	\$ 473
Other interest income	<u>489</u>	<u>489</u>
	<u>\$ 2,521</u>	<u>\$ 962</u>

(17) Other income

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Grant revenue	\$ 171	\$ 1,673
Other income	<u>3,585</u>	<u>2,734</u>
	<u>\$ 3,756</u>	<u>\$ 4,407</u>

(18) Other gains and losses

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Foreign exchange gains, net	\$ 17,860	\$ 67,067
Losses on disposals of property, plant and equipment	(2,229)	(82)
Gains on disposals of investments	<u>(739)</u>	<u>-</u>
	<u>\$ 14,892</u>	<u>\$ 66,985</u>

(19) Finance costs

	Year ended December 31	
	2023	2022
Bank borrowings	\$ 4,141	\$ 3,845
Lease liability	127	91
	<u>\$ 4,268</u>	<u>\$ 3,936</u>

(20) Expenses by nature

	Year ended December 31, 2023		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 489,528	\$ 255,819	\$ 745,347
Labour and health insurance fees	78,366	12,817	91,183
Pension costs	19,890	9,034	28,924
Directors' remuneration	-	6,832	6,832
Other employee benefit expenses	<u>25,380</u>	<u>9,997</u>	<u>35,377</u>
	<u>\$ 613,164</u>	<u>\$ 294,499</u>	<u>\$ 907,663</u>
Depreciation charge	<u>\$ 87,600</u>	<u>\$ 37,323</u>	<u>\$ 124,923</u>
Amortisations	<u>\$ 1,063</u>	<u>\$ 7,645</u>	<u>\$ 8,708</u>

	Year ended December 31, 2022		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 464,960	\$ 210,756	\$ 675,716
Labour and health insurance fees	66,245	12,624	78,869
Pension costs	14,233	6,167	20,400
Directors' remuneration	-	7,472	7,472
Other employee benefit expenses	<u>21,737</u>	<u>5,574</u>	<u>27,311</u>
	<u>\$ 567,175</u>	<u>\$ 242,593</u>	<u>\$ 809,768</u>
Depreciation charge	<u>\$ 88,115</u>	<u>\$ 31,994</u>	<u>\$ 120,109</u>
Amortisations	<u>\$ 1,890</u>	<u>\$ 5,018</u>	<u>\$ 6,908</u>

- A. On December 31, 2023 and 2022, the Company had 1,114 and 1,059 employees , respectively, and had 6 non-employee directors for both years.
- B. Average employee benefit expense for the years ended December 31, 2023 and 2022 were \$813 thousand and \$761 thousand, respectively.
- C. For the years ended December 31, 2023 and 2022, average employees' salary expenses were \$673 thousand and \$641 thousand, respectively.
- D. Adjustment of current average employees salaries was 4.99%.

- E. The directors' rewards includes directors' salaries, transportation allowances and directors' remuneration. Directors' salaries are determined based on the pay levels in the same industry. Transportation allowances are paid based on their attendance to the board meetings. Directors' remuneration from earnings are appropriated in accordance with the Articles of Incorporation of the Company, which shall be reviewed by the Remuneration Committee as resolved by the Board of Directors and reported to the shareholders' meeting. The salary to an individual director is determined based on each director's performance results which assessed according to 'Rules for Distribution of Remuneration to Directors and Performance Evaluation of Board of Directors'. The salary payments shall be submitted to be reviewed by the Remuneration Committee and resolved by Board of Directors. Managers' and employees' emoluments include salaries, bonuses and employee compensations, etc, which are determined based on the positions and responsibilities assumed by each manager or employee by reference to the pay levels for the same position in the same industry and according to the performance which was assessed by 'Regulations Governing Emolument and Performance Evaluation' and "Regulations Governing Direct and Indirect Employees' Compensation". The managers' emolument shall be reviewed by the Remuneration Committee and resolved by the Board of Directors.
- F. 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 not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- G. The accrual of employees' compensation and directors' remuneration (shown as wages and salaries) for the years ended December 31, 2023 and 2022 was as follows:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Employees' compensation	\$ 58,506	\$ 35,265
Directors' remuneration	<u>5,000</u>	<u>6,000</u>
	<u>\$ 63,506</u>	<u>\$ 41,265</u>

The above amounts are recorded in the salary expense account. Employees' and directors' remuneration for both 2023 and 2022 were estimated based on the earnings up to the respective periods, the estimated ratio are as follows:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Employees' compensation ratio	4.52%	4.10%
Directors' remuneration ratio	0.39%	0.70%

- H. The amounts approved by the Board of Directors for employees' and directors' remuneration in the year 2022 were \$32,265 thousand and \$6,000 thousand, respectively, consistent with the amounts recognized in the financial statements for year 2022.

I. 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.

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Current tax:		
Current tax on profits for the year	\$ 213,285	\$ 160,825
Prior year income tax underestimation	<u>(1,659)</u>	<u>1,650</u>
Total current tax	<u>211,626</u>	<u>162,475</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>33,827</u>	<u>3,994</u>
Income tax expense	<u>\$ 245,453</u>	<u>\$ 166,469</u>

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

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Currency translation differences	(\$ 7,721)	\$ 6,299
Remeasurements of defined benefit plans	<u>2,744</u>	<u>(1,966)</u>
	<u>(\$ 4,977)</u>	<u>\$ 4,333</u>

B. Reconciliation between income tax expense and accounting profit

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 244,932	\$ 163,334
Expenses disallowed by tax regulation	2,180	1,485
Prior year income tax underestimation	<u>(1,659)</u>	<u>1,650</u>
Income tax expense	<u>\$ 245,453</u>	<u>\$ 166,469</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2023			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
–Temporary differences:				
Unrealised gain on inter affiliate sales	\$ 13,195	\$ 3,040	\$ -	\$ 16,235
Allowance for inventory valuation losses	10,160	(202)	-	9,958
Allowance for bad debts	5,503	-	-	5,503
Revenue from export sales	2,656	(436)	-	2,220
Unrealised foreign exchange loss	770	2,914	-	3,684
Undistributed pensions	10,137	(1,265)	-	8,872
Unused employees’ compensated absence	4,601	122	-	4,723
Cumulative translation adjustment of long-term equity investments	23,003	-	7,721	30,724
Remeasurement of defined benefit plan	<u>2,268</u>	<u>-</u>	<u>(2,268)</u>	<u>-</u>
Subtotal	<u>\$ 72,293</u>	<u>\$ 4,173</u>	<u>\$ 5,453</u>	<u>\$ 81,919</u>
Deferred tax liabilities:				
–Temporary differences:				
Remeasurement of defined benefit plan	\$ -	\$ -	(\$ 476)	(\$ 476)
Recognised investment profit which is adopting equity method	(300,634)	(38,000)	-	(338,634)
Provision for land increment tax	<u>(7,165)</u>	<u>-</u>	<u>-</u>	<u>(7,165)</u>
	<u>(\$ 307,799)</u>	<u>(\$ 38,000)</u>	<u>(\$ 476)</u>	<u>(\$ 346,275)</u>
		<u>(\$ 33,827)</u>	<u>\$ 4,977</u>	

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
–Temporary differences:				
Unrealised gain on inter affiliate sales	\$ 11,968	\$ 1,227	\$ -	\$ 13,195
Allowance for inventory valuation losses	8,455	1,705	-	10,160
Allowance for bad debts	5,454	49	-	5,503
Revenue from export sales	2,388	268	-	2,656
Unrealised foreign exchange loss	2,145	(1,375)	-	770
Undistributed pensions	9,756	381	-	10,137
Provisions	3,559	(3,559)	-	-
Unused employees’ compensated absence	4,363	238	-	4,601
Cumulative translation adjustment of long-term equity investments	29,302	-	(6,299)	23,003
Remeasurement of defined benefit plan	<u>302</u>	<u>-</u>	<u>1,966</u>	<u>2,268</u>
Subtotal	<u>\$ 77,692</u>	<u>(\$ 1,066)</u>	<u>(\$ 4,333)</u>	<u>\$ 72,293</u>
Deferred tax liabilities:				
–Temporary differences:				
Recognised investment profit which is adopting equity method	(\$ 297,706)	(\$ 2,928)	\$ -	(\$ 300,634)
Provision for land increment tax	<u>(7,165)</u>	<u>-</u>	<u>-</u>	<u>(7,165)</u>
	<u>(\$ 304,871)</u>	<u>(\$ 2,928)</u>	<u>\$ -</u>	<u>(\$ 307,799)</u>
		<u>(\$ 3,994)</u>	<u>(\$ 4,333)</u>	

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

(22) Earnings per share

	<u>Year ended December 31, 2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 979,206</u>	<u>83,161</u>	<u>\$ 11.77</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	979,206	83,161	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>538</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 979,206</u>	<u>83,699</u>	<u>\$ 11.70</u>
	<u>Year ended December 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 650,200</u>	<u>83,161</u>	<u>\$ 7.82</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	650,200	83,161	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>413</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 650,200</u>	<u>83,574</u>	<u>\$ 7.78</u>

When calculated the diluted earnings per share, potential ordinary shares will be included in the number of weighted-average outstanding shares if potential ordinary shares had diluted effects, based on the assumption that employees' bonus will be distributed in the form of shares.

(23) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	2023	2022
Purchase of property, plant and equipment	\$ 143,483	\$ 128,558
Add: Opening balance of payable on equipment	14,501	11,303
Ending balance of prepayments for business facilities	13,946	10,393
Less: Ending balance of payable on equipment	(26,478)	(14,501)
Opening balance of prepayments for business facilities	(10,393)	(13,525)
Cash paid during the year	<u>\$ 135,059</u>	<u>\$ 122,228</u>

(24) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Dividends payable	Liabilities from financing activities-gross
January 1, 2023	\$ 490,000	\$ 4,285	\$ -	\$ 494,285
Accrued dividends payable	(490,000)	(9,063)	(465,703)	(964,766)
Changes in other non-cash items	-	7,090	465,703	472,793
December 31, 2023	<u>\$ -</u>	<u>\$ 2,312</u>	<u>\$ -</u>	<u>\$ 2,312</u>

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liability	Dividends payable	Liabilities from financing activities-gross
January 1, 2022	\$ 240,000	\$ 179,429	\$ 59	\$ 1,186	\$ -	\$ 420,674
Changes in cash flow from financing activities	250,000	(179,429)	(59)	(5,118)	(415,807)	(350,413)
Changes in other non-cash items	-	-	-	8,287	415,807	424,094
December 31, 2022	<u>\$ 490,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,355</u>	<u>\$ -</u>	<u>\$ 494,355</u>

7. Related Party Transactions

(1) Parent and ultimate controlling party

Please refer to Note 13 for details of relationship between the parent company and subsidiaries.

(2) Significant related party transactions

A. Operating revenue:

	Year ended December 31	
	2023	2022
Sales of goods:		
- Subsidiaries		
KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	\$ 219,483	\$ 216,323
Others	74,635	57,799
- Associates	<u>147,911</u>	<u>74,727</u>
	<u>\$ 442,029</u>	<u>\$ 348,849</u>

Goods sold to related parties at common price, the collection term usually was 90 days after delivery, and 30~180 days after delivery for general customers.

B. Receivables from related parties:

	December 31, 2023	December 31, 2022
Accounts receivable:		
- Subsidiaries	\$ 86,080	\$ 78,966
- Associates	<u>37,122</u>	<u>19,476</u>
	\$ 123,202	\$ 98,442
Less: Allowance for uncollectible accounts	(<u>2,801</u>)	(<u>2,801</u>)
	<u>\$ 120,401</u>	<u>\$ 95,641</u>
Long-term receivables (shown as other non-current assets):		
- Associates	\$ 24,426	\$ 24,426
Less: Allowance for uncollectible accounts	(<u>24,426</u>)	(<u>24,426</u>)
	<u>\$ -</u>	<u>\$ -</u>

(a) The receivables from related parties arise mainly from sales. The receivables are due 180 days after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

(b) For the year ended December 31, 2020, the Company transferred loss allowance for accounts receivable due from related parties into loss allowance for long-term receivables due from related parties in the amount of \$24,426 thousand and provisioned receivables due from

associate - Iran as past due credit loss in full.

- (c) The aforementioned past due accounts transferred to other receivables was a reclassification of accounts receivable which had exceed the credit term. The ageing analysis is as follows:

		<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Aging distribution</u>	<u>Overdue aging</u>	<u>Overdue aging</u>
- Associates			
KISH NAK OIL	Over 360 days	\$ <u>24,426</u>	\$ <u>24,426</u>

C. Loans to/from related parties: Refer to Note 13(1) A. for details.

(3) Key management compensation

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 57,198	\$ 40,428
Post-employment benefits	<u>652</u>	<u>694</u>
Total	<u>\$ 57,850</u>	<u>\$ 41,122</u>

8. Pledged Assets

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Property, plant and equipment	\$ <u>632,568</u>	\$ <u>644,428</u>	Short-term borrowings

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

There were no such transactions.

(2) Commitments

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	\$ <u>28,693</u>	\$ <u>66,636</u>

B. As of December 31, 2023 and 2022, the Company's total unused letters of credit for the import of raw materials and machinery equipment were \$1,945 thousand and \$14,498 thousand, respectively.

10. Significant Disaster Loss

There were no such transactions.

11. Significant Events after the Balance Sheet Date

The distribution of 2023 earnings was proposed and approved by the Company's Board of Directors on March 13, 2024. Please refer to Note 6(13) G for more details.

12. Others

(1) Capital management

The Company's objectives when managing capital are based on the industrial scale of the industry the Company operated in, considering industrial future growth and product development, to set

appropriate market share in order to plan the corresponding capital expenditure. Accordingly, the Company calculates the needed operating capital based on the financial operation plan, finally, considering operating profit and cash inflows arise from product competitiveness, determines the appropriate capital structure.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 320,071	\$ 206,388
Financial assets at amortised cost	102,956	2,956
Notes receivable	6,314	8,489
Accounts receivable (including related parties)	633,798	768,698
Other receivables (including related parties)	16,370	22,164
Guarantee deposits paid (shown as other non-current assets)	<u>924</u>	<u>1,524</u>
	<u>\$ 1,080,433</u>	<u>\$ 1,010,219</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 490,000
Notes payable	1,339	3,243
Accounts payable (including related parties)	85,659	182,309
Other accounts payable	<u>360,006</u>	<u>290,704</u>
	<u>\$ 447,004</u>	<u>\$ 966,256</u>
Lease liability	<u>\$ 2,312</u>	<u>\$ 4,285</u>

B. Financial risk management policies

- (a) The Company'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.
- (b) For the risk management, the Company's treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units, such as exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of current residual capital.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, EUR, JPY, AUD and RMB. Foreign exchange rate risk arises from future

commercial transactions and recognised assets and liabilities.

- ii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

<u>December 31, 2023</u>			
	Foreign currency amount		Carrying amount
	<u>(In thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 14,658	30.7050	\$ 450,074
EUR:NTD	6,134	33.9800	208,433
JPY:NTD	248,389	0.2170	53,900
AUD:NTD	670	20.9800	14,057
<u>Non-monetary items</u>			
AUD:NTD	\$ 495	20.9800	\$ 10,395
THB:NTD	44,120	0.9017	39,783
USD:NTD	53,698	30.7050	1,648,806
<u>Financial liabilities</u>			
<u>Non-monetary items</u>			
IRR:NTD	\$ 32,536,585	0.0001	\$ 2,668
<u>December 31, 2022</u>			
	Foreign currency amount		Carrying amount
	<u>(In thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 22,449	30.7100	\$ 689,409
EUR:NTD	7,717	32.7200	252,500
JPY:NTD	142,432	0.2320	33,044
AUD:NTD	521	20.8300	10,852
<u>Non-monetary items</u>			
IRR:NTD	\$ 11,772,732	0.0001	\$ 1,208
AUD:NTD	881	20.8300	18,351
THB:NTD	39,152	0.8941	35,006
USD:NTD	49,352	30.7100	1,515,607

iii. Due to various types of foreign currency, the total exchange (loss) profit, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2023 and 2022, aggregately amounted to \$17,860 thousand and \$67,607 thousand, respectively.

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

		<u>Year ended December 31, 2023</u>			
		<u>Sensitivity analysis</u>			
		<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	2%	\$	9,001	\$	-
EUR:NTD	2%		4,169		-
JPY:NTD	2%		1,078		-
AUD:NTD	2%		281		-
<u>Non-monetary items</u>					
AUD:NTD	2%	\$	-	NA	
THB:NTD	2%		-	NA	
USD:NTD	2%		-	NA	
<u>Financial liabilities</u>					
<u>Non-monetary items</u>					
IRR:NTD	2%	\$	-	NA	

Year ended December 31, 2022

Sensitivity analysis

	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	2%	\$ 13,788	\$ -
EUR:NTD	2%	5,050	-
JPY:NTD	2%	661	-
AUD:NTD	2%	217	-
<u>Non-monetary items</u>			
IRR:NTD	2%	\$ -	NA
AUD:NTD	2%	-	NA
THB:NTD	2%	-	NA
USD:NTD	2%	-	NA

Price risk

The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Company continuously observing the future development and market trends of investees.

Cash flow and fair value interest rate risk

- i. The Company's interest rate risk arises from short-term borrowings. Borrowings which were issued at variable rates let the Company be exposed to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- ii. If the borrowing interest rate had increased/decreased by 10 basis points with all other variables held constant, profit after tax for the years ended December 31, 2023 and 2022 would have decreased/increased by \$0 thousand and \$392 thousand, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company 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 notes receivable and accounts receivable (including related parties) based on the agreed terms, other receivables and guarantee deposits paid and the contract cash flows of time deposits stated at amortised cost.

- ii. The Company manages their credit risk taking into consideration the entire company's concern. Examined credit of banks, only banks assessed with good credit rating would be accepted as transaction counterparty. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard 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 following indicators are used to determine whether the credit impairment of financial assets has occurred.
 - (i) It becomes probable that the transaction counterparty will enter bankruptcy or other financial reorganisation due to their financial difficulties; and
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties.
- iv. The Company adopts following 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 default occurs when the contract payments are past due over 1 year.
- vi. The Company applies the modified approach on notes receivable and accounts receivable based on the loss rate methodology to estimate the expected credit loss.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- viii. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, thus, the provision matrix did not further distinguish customer segments, the expected credit losses were calculated from the past due date of accounts receivable.

ix. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2023 and 2022, the loss rate methodology is as follows:

<u>December 31, 2023</u>	<u>Not past due</u>	<u>1 to 30 days</u>	<u>31 to 90 days</u>	<u>91 to 180 days</u>	<u>181 to 360 days</u>	<u>over 361 days</u>	<u>Total</u>
Expected loss rate	0.00%	0.02%	0.11%	2.10%	35%	100%	
Total book value	396,072	81,585	31,981	3,565	513	5,748	519,464
Loss allowance	16	16	35	75	177	5,748	6,067
 <u>December 31, 2022</u>							
Expected loss rate	0.00%	0.00%	0.01%	24.15%	100%	100%	
Total book value	536,316	110,025	25,939	1,035	489	5,320	679,124
Loss allowance	3	2	3	250	489	5,320	6,067

x. The Company assessed the expected loss rate of financial assets at amortised cost, notes receivable, other accounts receivable and guarantee deposits paid was remote, thus, the balances of loss allowance as of December 31, 2023 and 2022 were not significant.

xi. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>Year ended December 31, 2023</u>	
	<u>Allowance for uncollectible accounts</u>	
At January 1	\$	6,067
Reversal of impairment loss		-
At December 31	\$	6,067
 <u>Year ended December 31, 2022</u>		
<u>Allowance for uncollectible accounts</u>		
At January 1	\$	6,067
Reversal of impairment loss		-
At December 31	\$	6,067

- xii. The Company transferred past due accounts receivable due from related parties into other accounts receivable due from related parties (long-term receivables due from related parties) and provisioned credit losses, the table of changes in loss allowance was as follows:

	<u>Year ended December 31, 2023</u>
	Loss allowance for accounts receivable due from related parties
At January 1 (December 31)	<u>\$ 2,801</u>
	<u>Year ended December 31, 2023</u>
	Loss allowance for long-term receivables due from related parties
At January 1 (December 31)	<u>\$ 24,426</u>
	<u>Year ended December 31, 2022</u>
	Loss allowance for accounts receivable due from related parties
At January 1 (December 31)	<u>\$ 2,801</u>
	<u>Year ended December 31, 2022</u>
	Loss allowance for long-term receivables due from related parties
At January 1 (December 31)	<u>\$ 24,426</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling capital requirement forecasts of the Company to ensure it has sufficient capital to meet operational requirements while maintaining sufficient headroom on its undrawn committed borrowing facilities at any time.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, 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	\$ 1,243,000	\$ 763,000
Expiring beyond one year	-	-
Fixed rate:		
Expiring within one year	\$ -	\$ -
Expiring beyond one year	-	-

iv. The table below analyses the Company'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. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2023	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 year(s)	Over 2 years	Total
Notes payable	\$ 1,189	\$ 150	\$ -	\$ -	\$ 1,339
Accounts payable	71,059	14,600	-	-	85,659
Other payables	244,891	115,115	-	-	360,006
Lease liability	586	1,600	401	-	2,587

December 31, 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 year(s)	Over 2 years	Total
Short-term borrowings	\$ 490,572	\$ -	\$ -	\$ -	\$ 490,572
Notes payable	3,243	-	-	-	3,243
Accounts payable	174,537	7,772	-	-	182,309
Other payables	170,432	120,272	-	-	290,704
Lease liability	601	1,789	2,142	361	4,893

(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. The fair value of the Company's investments in listed stocks and beneficiary certificates were included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (other receivables), guarantee deposits paid, short-term borrowings, notes payable, accounts payable (including related parties) and other payables are approximate to their fair values.

13. Supplementary Disclosures

(1) Significant transactions information

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

B. Provision of endorsements and guarantees to others: None.

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 2.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 5.

(4) Major shareholders information

Please refer to table 6.

14. Operating segments information

Not applicable.

NAK SEALING TECHNOLOGIES CORPORATION

Loans to others

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year		Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower (Note 1)	Reason for short-term financing	Allowance for creditor counterparty doubtful accounts		Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Footnote
					ended December 31, 2022	Equity at end of year						Item	Value					
0	NAK SEALING TECHNOLOGIES CORPORATION	KISH NAK OIL SEAL MFG. CO., LTD.	Long-term accounts receivables	Y	\$ 24,426	\$ 24,426	\$ 24,426	2%	(1)	\$ -	-	\$ 24,426	-	-	\$ -	\$ 396,073	Note 3, Note 4 and Note 5	

Note 1: (1) For whom having business relationship with the Company, limit on total loans granted was 10% of the Company's net assets, limit on loans granted for a single party is the amount of transactions with the borrower in 1 year.

(2) For short-term financing, total financing activities should not be in excess of 20% of the Company's net assets. Limit on loans granted to a single party should not be in excess of 10% of the Company's net assets.

(3) Information for the year ended December 31, 2023.

Note 2: (1) Having business relationship.

(2) Short-term financing.

Note 3: According to the Accounting Research And Development Foundation Interpretation 93-167, past due accounts receivable were transferred to other receivables.

Note 4: The amount the Company loans to KISH NAK OIL SEAL MFG. CO., LTD. had exceeded the amount of transactions with the borrower in 1 year, thus, the Company did not meet "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the Company had set a improvement plan and sent it to the audit committee.

Note 5: The Company had receivables due from related parties to KISH NAK OIL SEAL MFG. CO., LTD. in the amount of \$24,426 thousand which had provisioned past due credit loss in full amount. Please refer to Note 7(2) for information in relation to receivables due from related parties.

NAK SEALING TECHNOLOGIES CORPORATION

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 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction			Compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote
				Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance at December 31, 2023	Percentage of total notes/accounts receivable (payable)	
NAK SEALING TECHNOLOGIES CORPORATION	KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	Subsidiary	Sales	\$ 219,483	4.6%	Collection in 90 days after delivery	Note 1	Collection in 90 days after delivery	\$ 75,175	5.3%	None

Note 1: The price of finished goods sold to KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD. was slightly lower than general customers.

Note 2: The transactions were eliminated when preparing the consolidated financial statements.

NAK SEALING TECHNOLOGIES CORPORATION
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Company name	Counterparty	Relationship (Note 1)	General ledger account	Amount (Note 2)	Transaction	
						Transaction terms	Percentage of consolidated total operating revenues or total assets
0	NAK SEALING TECHNOLOGIES CORPORATION	KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	1	Sales revenue	\$ 219,483	The price of finished goods was slightly lower than general suppliers and collection in 90 days after delivery	4.6%
0	NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING PRODUCTS (THAILAND) CO., LTD.	1	Sales revenue	37,318	The sales price was consistent with general suppliers and collection in 90 days after delivery	0.8%
0	NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING TECHNOLOGIES (INDIA) PRIVATE LIMITED	1	Sales revenue	37,317	The sales price was consistent with general suppliers and collection in 90 days after delivery	0.8%
0	NAK SEALING TECHNOLOGIES CORPORATION	KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	1	Accounts receivable	75,175	The price of finished goods was slightly lower than general suppliers and collection in 90 days after delivery	1.4%
0	NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING TECHNOLOGIES (INDIA) PRIVATE LIMITED	1	Accounts receivable	10,870	The price of finished goods was slightly lower than general suppliers and collection in 90 days after delivery	0.2%

Note 1: Parent company to subsidiary.

Note 2: Only transaction amount exceeding NT\$10 million will be disclosed.

NAK SEALING TECHNOLOGIES CORPORATION

Information on investees

Year ended December 31, 2023

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Book value	Net income of investee as of December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)					
NAK SEALING TECHNOLOGIES CORPORATION	SMOOTH TRACK ASSOCIATES LIMITED	British Virgin Islands	General investments business	\$ 155,266	\$ 155,266	4,697,463	100	\$ 1,621,390	\$ 383,400	\$ 383,400		
NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING PRODUCTS (THAILAND) CO., LTD.	Thailand	Oil seal sales	12,815	12,815	15,000	100	39,783	8,541	8,541	Note 2	
NAK SEALING TECHNOLOGIES CORPORATION	KISH NAK OIL SEAL MFG. CO., LTD.	Iran	Oil seal production and sales	4,865	4,865	150,548	49	(2,668)	(7,418)	(3,635)	Note 2, Note 4	
NAK SEALING TECHNOLOGIES CORPORATION	SHOWMOST INTERNATIONAL CO., LTD.	Mauritius	General investments business	17,890	17,890	577,859	100	26,470	9,940	9,940	Note 2	
NAK SEALING TECHNOLOGIES CORPORATION	BUSINESS FRIEND LIMITED	Hong Kong	General investments business	-	-	-	33.34	946	(171)	(57)	Note 2	
NAK SEALING TECHNOLOGIES CORPORATION	NAK TOTAL SEALING SOLUTIONS PTY LTD.	Australia	Oil seal sales	13,957	13,957	4,900	49	10,395	(5,829)	(2,856)	Note 2	
NAK SEALING TECHNOLOGIES CORPORATION	松全國際股份有限公司	Taiwan	Manufacture industry of rubber products	197,560	182,560	15,000	100	203,790	1,042	1,042	Note 3	
SMOOTH TRACK ASSOCIATES LIMITED	NAK HONGKONG CO., LTD.	Hong Kong	General investments business	149,289	149,289	7,320,000	100	1,660,128	386,277	-	Note 1	
SHOWMOST INTERNATIONAL CO., LTD.	NAK INTERNATIONAL LTD.	Russia	Oil seal sales	3,561	3,561	-	33.33	29,236	24,548	-	Note 1, Note 2	
SHOWMOST INTERNATIONAL CO., LTD.	NAK SEALING TECHNOLOGIES INDIA PRIVATE LIMITED	India	Oil seal sales	1,149	1,149	2,097,865	60	6,026	3,263	-	Note 1, Note 2	

Note 1: The Company's reinvested second-tier subsidiary, and investment income (loss) recognised by the Company are not presented.

Note 2: Income(loss) from investments are recognized based on the investee company's self-calculated financial statements for the same period and which have not been reviewed by accountants.

Note 3:The subsidiary, Song Quan International Co., Ltd., increased its cash capital amounting to \$15,000 thousand in 2023. The effective date was set on April 10, 2023. The registration for the change had been completed.

Note 4:The Company continues to provide financial support to the reinvestees accounted for using equity method and transferred the credit balance arising from long-term equity investments to "other non-current liabilities".

NAK SEALING TECHNOLOGIES CORPORATION

Information on investments in Mainland China

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	Production and manufacture kinds of sealing products and its component	\$ 462,365	Note 2	\$ 148,385	\$ -	\$ -	\$ 148,385	\$ 383,400	100	\$ 383,400	\$ 1,621,390	\$ 1,606,216	Note 1 and Note 3
Guangzhou Mt. Port Automotive Technology Limited Company	Professional technology service industry	-	Note 2	2,851	-	2,851	-	(53)	55	(29)	-	12,433	Note 1、Note3 and Note 4

Note 1: Above amount involved foreign currency and was converted into New Taiwan dollar at the exchange rate on the balance sheet date.

Note 2: Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

Note 3: The financial statements that are audited and attested by R.O.C. parent company's CPA.

Note 4: Given market factors and business strategies, on August 4, 2022, the Board of Directors of the Group resolved to liquidate Guangzhou Mt. Port Automotive Technology Limited Company. The subsequent matters were carried out in accordance with the relevant laws and regulations of the local government on liquidation.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Investment amount approved by the Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
NAK SEALING TECHNOLOGIES CORPORATION	\$ 148,385	\$ 291,698	\$ 2,376,437

Note 1: Above amount involved foreign currency and was converted into New Taiwan dollar at the exchange rate on the balance sheet date.

Note 2: Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) is US\$9,500 thousand and the US dollar exchange rate is 30.7050.

NAK SEALING TECHNOLOGIES CORPORATION

Major shareholders information

Year ended December 31, 2023

Table 6

<u>Name of major shareholders</u>	<u>Name of shares held</u>	<u>Shares</u>	<u>Ownership (%)</u>
SHIH, CHENG-FU		6,418,348	7.71%
Tangdi Investment Co., Ltd.		4,159,000	5.00%

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Nak Sealing Technologies Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Nak Sealing Technologies Corporation and subsidiaries (the “Group”) as of 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 of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other independent auditors, 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:

Timing of sales revenue recognition

Description

Please refer to Note 4(26) for accounting policies on revenue recognition. For the year ended December 31, 2023, the Group had operating revenue amounting to NT\$4,786,526 thousand.

The Group is primarily engaged in the manufacture and sales of various types of sealing components. In addition, the Group's marketing channels of products are spread globally, and sales to customers involve different kinds of transaction terms. The Group recognises sales revenue in accordance with the transaction terms of individual customers and after delivery and confirmation that control was transferred. Thus, the procedure for revenue recognition usually involves highly manual judgement, and the financial report period in which the sales revenue will be recognised would be affected by whether the control of goods were transferred to buyers in accordance with the performance obligations which were stipulated in the contracts before the end date of the reporting period. Thus, we consider the timing of sales revenue recognition a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Understood and assessed the working procedures and internal control system of the Group's timing of sales revenue recognition, and tested for the efficiency of such controls.
2. Performed sales cut-off test for a certain period around balance sheet date and reviewed evidence in relation to subsequent significant sales returns and discounts to assess the adequacy of revenue cut-off.

Adequacy of accounting estimates of allowance for inventory valuation losses

Description

Please refer to Notes 4(12), 5(2) and 6(4) for a description of accounting policy on inventory valuation, accounting estimates and assumptions in relation to loss allowance and details of loss allowance. As of December 31, 2023, the Group's total amount of inventories and allowance for inventory valuation losses were NT\$1,101,809 thousand and NT\$60,500 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of various types of sealing components. Such inventories are affected by the highly competitive market and the price fluctuation of international raw materials, such as glue, fossil oil and steel, thus, there were higher risk in inventory valuation loss and obsolescence. In addition, the Group's allowance for valuation loss on inventories primarily came from individually identified obsolete or damaged inventories. Since the cash amount of inventories is significant, types of items are numerous, and the net realisable value adopted usually involves subjective judgment, therefore, there is uncertainty in accounting estimates. Thus, we consider the estimates of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the Group's operations and industry in order to assess the reasonableness of the policy on recognition of allowance for inventory valuation losses.
2. Obtained an understanding of the warehouse management processes, reviewed the annual physical inventory count plan, participated in and observed the annual inventory count in order to evaluate the effectiveness of procedures used by the management to identify and control obsolete inventories.
3. Obtained inventory ageing report statements which management used in valuation and related supporting documents to verify the date of inventory change, and tested the accuracy and reasonableness of program logic of report statements.
4. Obtained the inventory cost and net realisable value estimation data which was prepared by management to verify individual inventory item with sales evidences and its accounting records, and tested the calculation of statements for accuracy to assess the basis of net realisable value and its reasonableness.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Nak Sealing Technologies Corporation as at and for the years ended December 31, 2023 and 2022.

Responsibilities of management and those charged with governance for the parent company only 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 that came into effect 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.

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

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

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

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

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

Wu, Sung-Yuan

Lai, Chih-Wei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2024

The accompanying 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 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.

NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
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)	\$ 519,086	10	\$ 437,993	8
1136	Current financial assets at amortised cost	6(2)	163,482	3	51,499	1
1150	Notes receivable, net	6(3)	292,711	5	284,974	5
1170	Accounts receivable, net	6(3)	1,093,010	21	1,107,479	21
1180	Accounts receivable - related parties	7(2)	34,321	1	16,675	-
1200	Other receivables		29,752	-	30,968	1
130X	Inventories	5(2) and 6(4)	1,041,309	20	1,242,492	24
1470	Other current assets		62,351	1	52,985	1
11XX	Current Assets		<u>3,236,022</u>	<u>61</u>	<u>3,225,065</u>	<u>61</u>
Non-current assets						
1550	Investments accounted for under equity method	6(5)	33,215	1	42,685	1
1600	Property, plant and equipment	6(6) and 8	1,843,053	35	1,545,148	30
1755	Right-of-use assets	6(7)	51,907	1	55,357	1
1760	Investment property, net	6(8) and 8	-	-	267,188	5
1780	Intangible assets		21,195	-	14,613	-
1840	Deferred income tax assets	6(23)	84,153	2	74,635	2
1900	Other non-current assets	7(2)	22,709	-	20,259	-
15XX	Non-current assets		<u>2,056,232</u>	<u>39</u>	<u>2,019,885</u>	<u>39</u>
1XXX	Total assets		<u>\$ 5,292,254</u>	<u>100</u>	<u>\$ 5,244,950</u>	<u>100</u>

(Continued)

NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
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	%
Current liabilities						
2100	Short-term borrowings	6(9)	\$ -	-	\$ 490,000	9
2150	Notes payable		1,339	-	3,243	-
2170	Accounts payable		122,728	2	218,591	4
2200	Other payables	6(10)	477,888	9	407,111	8
2230	Current income tax liabilities	6(23)	230,307	5	147,528	3
2280	Current lease liabilities	6(7)	2,504	-	2,212	-
2320	Long-term liabilities, current portion	6(11)	11,320	-	11,320	-
2399	Other current liabilities, others	6(17)	13,075	-	19,934	1
21XX	Current Liabilities		<u>859,161</u>	<u>16</u>	<u>1,299,939</u>	<u>25</u>
Non-current liabilities						
2540	Long-term borrowings	6(11)	67,920	1	79,240	2
2570	Deferred income tax liabilities	6(23)	368,510	7	331,630	6
2580	Non-current lease liabilities	6(7)	922	-	2,073	-
2600	Other non-current liabilities	6(12)	30,991	1	48,371	1
25XX	Non-current liabilities		<u>468,343</u>	<u>9</u>	<u>461,314</u>	<u>9</u>
2XXX	Total Liabilities		<u>1,327,504</u>	<u>25</u>	<u>1,761,253</u>	<u>34</u>
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(13)	831,613	16	831,613	16
Capital surplus						
3200	Capital surplus	6(14)	214,743	4	214,743	4
Retained earnings						
3310	Legal reserve	6(15)	884,775	17	820,541	15
3320	Special reserve		166,780	3	191,973	4
3350	Unappropriated retained earnings		2,060,482	39	1,575,045	30
Other equity interest						
3400	Other equity interest	6(16)	(197,664)	(4)	(166,780)	(3)
31XX	Equity attributable to owners of the parent		<u>3,960,729</u>	<u>75</u>	<u>3,467,135</u>	<u>66</u>
36XX	Non-controlling interest		<u>4,021</u>	<u>-</u>	<u>16,562</u>	<u>-</u>
3XXX	Total equity		<u>3,964,750</u>	<u>75</u>	<u>3,483,697</u>	<u>66</u>
Significant Contingent Liabilities and Unrecognised Contract Commitments						
3X2X	Total liabilities and equity		<u>\$ 5,292,254</u>	<u>100</u>	<u>\$ 5,244,950</u>	<u>100</u>

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

NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
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					
Items		Notes	2023		2022		
			AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(17) and 7(2)	\$ 4,786,526	100	\$ 4,162,236	100	
5000	Operating costs	6(4)(22)	(2,810,271)	(59)	(2,708,244)	(65)	
5900	Net operating margin		1,976,255	41	1,453,992	35	
5920	Realized loss from sales		(5,053)	-	(1,222)	-	
5950	Net operating margin		<u>1,971,202</u>	<u>41</u>	<u>1,452,770</u>	<u>35</u>	
	Operating expenses	6(23)					
6100	Selling expenses		(214,028)	(4)	(221,259)	(5)	
6200	General and administrative expenses		(371,788)	(8)	(332,528)	(8)	
6300	Research and development expenses		(79,303)	(2)	(65,938)	(2)	
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	-	-	(2,136)	-	
6000	Total operating expenses		(665,119)	(14)	(621,861)	(15)	
6900	Operating profit		<u>1,306,083</u>	<u>27</u>	<u>830,909</u>	<u>20</u>	
	Non-operating income and expenses						
7100	Interest income	6(18) and 7(2)	5,628	-	3,411	-	
7010	Other income	6(19)	8,327	-	11,793	-	
7020	Other gains and losses	6(20)	13,348	1	59,783	2	
7050	Finance costs	6(21)	(6,118)	-	(5,747)	-	
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(5)	1,634	-	7,854	-	
7000	Total non-operating income and expenses		<u>22,819</u>	<u>1</u>	<u>77,094</u>	<u>2</u>	
7900	Profit before income tax		<u>1,328,902</u>	<u>28</u>	<u>908,003</u>	<u>22</u>	
7950	Income tax expense	6(23)	(348,391)	(8)	(256,229)	(6)	
8200	Profit for the year		<u>\$ 980,511</u>	<u>20</u>	<u>\$ 651,774</u>	<u>16</u>	
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans		\$ 13,719	-	(\$ 9,823)	-	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(2,744)	-	1,966	-	
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>10,975</u>	<u>-</u>	<u>(7,857)</u>	<u>-</u>	
	Components of other comprehensive income that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(16)	(33,029)	-	27,922	-	
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method	6(16)	(5,568)	-	3,782	-	
8399	Income tax relating to the components of other comprehensive income	6(16)(23)	7,721	-	(6,299)	-	
8360	Components of other comprehensive income that will be reclassified to profit or loss		(30,876)	-	25,405	-	
8300	Total other comprehensive (loss) income for the year		<u>(\$ 19,901)</u>	<u>-</u>	<u>\$ 17,548</u>	<u>-</u>	
8500	Total comprehensive income for the year		<u>\$ 960,610</u>	<u>20</u>	<u>\$ 669,322</u>	<u>16</u>	
	Profit attributable to:						
8610	Owners of the parent		\$ 979,206	20	\$ 650,200	16	
8620	Non-controlling interest		1,305	-	1,574	-	
			<u>\$ 980,511</u>	<u>20</u>	<u>\$ 651,774</u>	<u>16</u>	
	Comprehensive income attributable to:						
8710	Owners of the parent		\$ 959,297	20	\$ 667,536	16	
8720	Non-controlling interest		1,313	-	1,786	-	
			<u>\$ 960,610</u>	<u>20</u>	<u>\$ 669,322</u>	<u>16</u>	
	Basic earnings per share	6(24)					
9750	Total basic earnings per share		<u>\$ 11.77</u>		<u>\$ 7.82</u>		
9850	Total diluted earnings per share		<u>\$ 11.70</u>		<u>\$ 7.78</u>		

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

NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent									Non-controlling interest	Total equity
		Capital surplus			Retained earnings			Financial statements translation differences of foreign operations	Total			
		Share capital - common stock	Additional paid-in capital	Premium from merger	Legal reserve	Special reserve	Unappropriated retained earnings					
<u>Year 2022</u>												
Balance at 1 January 2022		\$ 831,613	\$ 208,642	\$ 6,101	\$ 765,188	\$ 176,171	\$ 1,419,664	(\$ 191,973)	\$ 3,215,406	\$ 14,776	\$ 3,230,182	
Profit for the year		-	-	-	-	-	650,200	-	650,200	1,574	651,774	
Other comprehensive income (loss)	6(17)	-	-	-	-	-	(7,857)	25,193	17,336	212	17,548	
Total comprehensive income		-	-	-	-	-	642,343	25,193	667,536	1,786	669,322	
<u>Appropriation and distribution of 2021 earnings</u>												
Legal reserve appropriated	6(16)	-	-	-	55,353	-	(55,353)	-	-	-	-	
Special reserve appropriated		-	-	-	-	15,802	(15,802)	-	-	-	-	
Cash dividends		-	-	-	-	-	(415,807)	-	(415,807)	-	(415,807)	
Balance at 31 December 2022		\$ 831,613	\$ 208,642	\$ 6,101	\$ 820,541	\$ 191,973	\$ 1,575,045	(\$ 166,780)	\$ 3,467,135	\$ 16,562	\$ 3,483,697	
<u>Year 2023</u>												
Balance at 1 January 2023		\$ 831,613	\$ 208,642	\$ 6,101	\$ 820,541	\$ 191,973	\$ 1,575,045	(\$ 166,780)	\$ 3,467,135	\$ 16,562	\$ 3,483,697	
Profit for the year		-	-	-	-	-	979,206	-	979,206	1,305	980,511	
Other comprehensive income (loss)	6(17)	-	-	-	-	-	10,975	(30,884)	(19,909)	8	(19,901)	
Total comprehensive income (loss)		-	-	-	-	-	990,181	(30,884)	959,297	1,313	960,610	
<u>Appropriation and distribution of 2022 earnings</u>												
Legal reserve appropriated	6(16)	-	-	-	64,234	-	(64,234)	-	-	-	-	
Special reserve appropriated		-	-	-	-	(25,193)	25,193	-	-	-	-	
Cash dividends		-	-	-	-	-	(465,703)	-	(465,703)	-	(465,703)	
Deregistration of subsidiary		-	-	-	-	-	-	-	-	(13,854)	(13,854)	
Balance at 31 December 2023		\$ 831,613	\$ 208,642	\$ 6,101	\$ 884,775	\$ 166,780	\$ 2,060,482	(\$ 197,664)	\$ 3,960,729	\$ 4,021	\$ 3,964,750	

The accompanying notes are an integral part of these financial statements

NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
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 OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,328,902	\$ 908,003
Adjustments			
Adjustments to reconcile profit (loss)			
Realized loss (profit) from sales		5,053	1,222
Depreciation expense-property, plant and equipment	6(6)(22)	159,645	152,939
Depreciation expense-right-of-use assets	6(7)(22)	5,672	5,900
Depreciation expense-investment property	6(8)(22)	-	653
Amortization expense	6(22)	14,732	9,879
Expected credit loss	12(2)	-	2,136
Loss on disposal of property, plant and equipment	6(20)	2,245	1,803
Share of profit of associates and joint ventures	6(5)		
accounted for using equity method		(1,634)	(7,854)
Loss on disposal of investments	6(20)(26)	739	-
Interest revenue	6(18)	(5,628)	(3,411)
Grant revenue	6(19)	(4,940)	(1,673)
Financial cost-bank loan	6(21)	5,850	5,453
Financial cost-lease liabilities	6(7)(21)	108	91
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(7,737)	57,210
Accounts receivable(include related parties)		(3,177)	(178,552)
Other receivable		6,659	7,981
Inventories		201,183	(258,032)
Other current assets		(9,388)	(4,403)
Changes in operating liabilities			
Notes payable		(1,904)	775
Accounts payable		(95,863)	44,625
Other payables		57,035	21,226
Provision		-	(17,799)
Other current liabilities		(6,859)	(8,678)
Net defined benefit liability		(7,364)	(12,639)
Cash inflow generated from operations		1,643,329	726,855
Dividend income		2,981	6,251
Interest received		5,614	3,402
Interest paid		(6,187)	(5,299)
Income taxes paid		(232,813)	(230,892)
Net cash flows from operating activities		<u>1,412,924</u>	<u>500,317</u>

(Continued)

NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
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>			
Proceeds from disposal of financial assets at amortised cost		(\$ 111,983)	\$ 7,917
Increase in other receivables due from related parties		(489)	(470)
Proceeds from liquidation of investees accounted for using equity method		2,760	-
Acquisition of property, plant and equipment	6(26)	(193,826)	(173,595)
Proceeds from disposal of property, plant and equipment		548	550
Acquisition of intangible assets		(21,452)	(21,299)
Decrease in other non-current assets		5,084	1,797
Net cash flows used in investing activities		(319,358)	(185,100)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds of short-term loans	6(27)	2,020,000	3,934,000
Repayments of short-term loans	6(27)	(2,510,000)	(3,684,000)
Repayments of long-term debt	6(26)	(11,320)	(190,749)
Payments of lease liabilities	6(26)	(4,087)	(5,118)
Cash dividends paid	6(15)(26)	(465,703)	(415,807)
Payments to non-controlling interest for deregistration of subsidiary		(13,319)	-
Decrease in guarantee deposits received	6(26)	-	(559)
Net cash flows used in financing activities		(984,429)	(362,233)
Effect of exchange rate changes on cash and cash equivalents		(28,044)	14,994
Net increase (decrease) in cash and cash equivalents		81,093	(32,022)
Cash and cash equivalents at beginning of year		437,993	470,015
Cash and cash equivalents at end of year		\$ 519,086	\$ 437,993

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

NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. History and Organization

The Nak Sealing Technologies Corporation (the “Company”) was established in August 1976. The Company and subsidiaries (the “Group”) are primarily engaged in the processing and manufacturing of each kind of oil seal, manufacturing rubber machinery and metal modules, and import and export businesses.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 13, 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 FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 applied in the preparation of these consolidated financial statements are 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, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the

“IFRSs”).

(2) Basis of preparation

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

Defined benefit liabilities recognised 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 unrealised 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 noncontrolling 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 recognised 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 recognised in profit or loss. All amounts previously recognised 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 recognised 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	
NAK SEALING TECHNOLOGIES CORPORATION	SMOOTH TRACK ASSOCIATES LIMITED ("SMOOTH")	Engaged in general investment activities.	100	100	Note 1
NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING PRODUCTS (THAILAND) CO., LTD.	Expanding market share in Southeast Asia through sales of seals and accessories.	100	100	
NAK SEALING TECHNOLOGIES CORPORATION	SHOWMOST INTERNATIONAL CO., LTD. ("SHOWMOST")	Engaged in general investment activities.	100	100	
NAK SEALING TECHNOLOGIES CORPORATION	Song Quan International Co., Ltd.	Manufacturing of rubber products.	100	100	Note 3
SHOWMOST INTERNATIONAL CO., LTD. ("SHOWMOST")	NAK SEALING TECHNOLOGIES INDIA PRIVATE LIMITED	Selling seals and accessories.	60	60	
SMOOTH TRACK ASSOCIATES LIMITED ("SMOOTH")	NAK HONGKONG CO., LTD.	Engaged in general investment activities.	100	100	Note 1
SMOOTH TRACK ASSOCIATES LIMITED ("SMOOTH")	Guangzhou Mt. Port Automotive Technology Limited Company	Professional technical services industry.	-	55	Note 2
NAK HONGKONG CO., LTD.	KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	Production of various types of seals and accessories.	100	100	Note 1

Note 1: Significant subsidiaries.

Note 2: Given market factors and business strategies, on August 4, 2022, the Board of Directors of the Group resolved to liquidate Guangzhou Mt. Port Automotive Technology Limited Company. The subsidiary was deregistered and dissolved on June 12, 2023.

Note 3: Song Quan International Co., Ltd. increased its cash capital amounting to \$15,000 thousand for the years ended December 31, 2023 and 2022. The effective date was set on April 10, 2023 and August 9, 2022, respectively. The registration for the change had been completed.

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

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) 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 recognised in profit or loss in the period in which they arise.
- (b) 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 recognised in profit or loss.
- (c) 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 recognised 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 recognised 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

- (a) The operating results and financial position of all the Group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

- (c) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

(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 realised, 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 realised 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 amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company'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 amortised cost are recognised and derecognised using settlement 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 recognised in profit or loss when the asset is derecognised 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 Company 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 amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises 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 Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

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

(11) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (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 realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the applicable variable selling expenses to make the sale.

(13) Investments accounted for using equity method / subsidiaries, associates and joint ventures

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' or 'retained earnings' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. 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 improvement	6 ~ 11 years
Buildings and structures	3 ~ 56 years
Machinery equipment	3 ~ 12 years
Transportation equipment	3 ~ 9 years
Office equipment	3 ~ 6 years
Other equipment	2 ~ 26 years

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

A. Leases are recognised 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 recognised 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 amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised 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; and
- (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 recognised as an adjustment to the right-of-use asset.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 1 ~ 11 year(s).

(17) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 10 year(s).

(18) 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 recognised 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 recognising 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 amortised historical cost would have been if the impairment had not been recognised.

(19) Borrowings

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

(20) Notes and accounts 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.

(21) Derecognition of financial liabilities

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

(22) 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 recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised 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 recognised 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' 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.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment, research and development 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 utilised.

(24) Share capital

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.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(26) Revenue recognition

Sales of goods

The Group manufactures and sells a range of oil seal related products. Sales are recognised when control of the products has transferred. Delivery occurs when the products have been shipped to the specific location, significant risks and returns have been transferred to the sales counterparty, and either the sales counterparty has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(27) Government grants

Government grants are recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(28) 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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements of the Group requires management to make critical judgements in applying the Company'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 Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the strong competition market and the effect of price fluctuation of international raw materials, such as glue, fossil oil and steel, the Company 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 realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2023, the carrying amount of inventories was \$1,041,309 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 petty cash	\$ 1,446	\$ 2,688
Demand deposits	472,202	264,164
Foreign currency deposit	45,257	170,725
Checking accounts	181	416
	<u>\$ 519,086</u>	<u>\$ 437,993</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 has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Time deposits (with maturity date over three months)	<u>\$ 163,482</u>	<u>\$ 51,499</u>

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

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Interest income	<u>\$ 809</u>	<u>\$ 430</u>

B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

The counterparties of the Group's investments in certificates of deposit are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Notes receivable	<u>\$ 292,711</u>	<u>\$ 284,974</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 1,106,874	\$ 1,121,505
Less: Allowance for uncollectible accounts	(13,864)	(14,026)
	<u>\$ 1,093,010</u>	<u>\$ 1,107,479</u>

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

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 927,752	\$ 292,711	\$ 928,637	\$ 284,974
1 to 30 days	111,685	-	142,603	-
31 to 90 days	43,074	-	35,436	-
91 to 180 days	11,789	-	4,723	-
181 to 360 days	5,263	-	2,477	-
Over 361 days	7,311	-	7,629	-
	<u>\$ 1,106,874</u>	<u>\$ 292,711</u>	<u>\$ 1,121,505</u>	<u>\$ 284,974</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2023, December 31, 2022 and January 1, 2022, the balances of receivables (including notes receivables) from contracts with customers amounted to \$1,283,233 thousand.

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 \$292,711 thousand and \$284,974 thousand; \$1,093,010 thousand and \$1,107,479 thousand, respectively.

D. The Company has no notes and accounts receivable pledged to others as collateral.

E. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	<u>December 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for obsolescence and valuation loss</u>	<u>Book value</u>
Raw materials	\$ 322,160	(\$ 5,758)	\$ 316,402
Work in progress	227,253	(6,023)	221,230
Finished goods	552,396	(48,719)	503,677
	<u>\$ 1,101,809</u>	<u>\$ (60,500)</u>	<u>\$ 1,041,309</u>

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for obsolescence and valuation loss</u>	<u>Book value</u>
Raw materials	\$ 370,821	(\$ 4,706)	\$ 366,115
Work in progress	336,539	(10,299)	326,240
Finished goods	<u>596,863</u>	<u>(46,726)</u>	<u>550,137</u>
	<u>\$ 1,304,223</u>	<u>(\$ 61,731)</u>	<u>\$ 1,242,492</u>

The cost of inventories recognised as expense for the year :

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 2,811,657	\$ 2,701,502
Loss for obsolete and slow-moving inventories and market value decline	(1,231)	8,525
Others	<u>(155)</u>	<u>(1,783)</u>
	<u>\$ 2,810,271</u>	<u>\$ 2,708,244</u>

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

(5) Investments accounted for using equity method

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>Shareholding ratio</u>
KISH NAK OIL SEAL MFG.CO.,LTD.	(\$ 2,668)	\$ 1,208	49%
NAK TOTAL SEALING SOLUTIONS PTY LTD.	10,395	18,351	49%
BUSINESS FRIEND LIMITED	946	1,002	33.34%
NAK INTERNATIONAL LTD.("NAK INTERNATIONAL")	<u>21,874</u>	<u>22,124</u>	33.33%
	30,547	42,685	
Add:Transfer to "other non- current liabilities"	<u>2,668</u>	<u>-</u>	
	<u>\$ 33,215</u>	<u>\$ 42,685</u>	

A. Share of profit of associates and joint ventures accounted for using equity method are as follows:

	Year ended December 31	
	2023	2022
Share of (loss)/profit of associates and accounted for under equity method:		
KISH NAK OIL SEAL MFG.CO.,LTD.	(\$ 3,635)	(\$ 1,845)
NAK TOTAL SEALING SOLUTIONS PTY LTD.	(2,856)	3,900
BUSINESS FRIEND LIMITED	(57)	(17)
NAK INTERNATIONAL LTD.(“NAK INTERNATIONAL”)	8,182	5,816
	1,634	7,854
Other comprehensive (loss) income, net of tax	(4,455)	3,025
Total comprehensive (loss) income	(\$ 2,821)	\$ 10,879

Long-term equity investments accounted for using equity method for the years ended December 31, 2023 and 2022 were based on each investee’s audited financial statements.

B. The carrying amount of KISH NAK OIL SEAL MFG.CO., LTD. had become negative as its operation incurred loss for the year ended December 31, 2023. Therefore, the carrying amount was reversed to other non-current liabilities of \$2,668 thousand and the balance became \$0.

(6) Property, plant and equipment

Year ended December 31, 2023

	Beginning		Net			Ending
	balance	Additions	Decreases	Transfers	exchange differences	balance
Cost						
Land	\$ 350,356	\$ -	\$ -	\$264,802	\$ 26	\$ 615,184
Land improvements	10,047	-	-	-	-	10,047
Buildings and structures	1,010,341	14,442	-	7,934	(6,713)	1,026,004
Machinery and equipment	1,113,547	100,987	(27,826)	30,363	(7,651)	1,209,420
Transportation equipment	35,749	1,440	(480)	513	(179)	37,043
Office equipment	75,757	11,827	(1,517)	-	65	86,132
Other equipment	572,360	46,625	(2,609)	8,203	(797)	623,782
Unfinished construction and equipment under acceptance	<u>46,235</u>	<u>26,086</u>	<u>-</u>	<u>(39,913)</u>	<u>(228)</u>	<u>32,180</u>
	<u>\$3,214,392</u>	<u>\$201,407</u>	<u>(\$ 32,432)</u>	<u>\$271,902</u>	<u>(\$ 15,477)</u>	<u>3,639,792</u>
Accumulated depreciation and impairment						
Land improvements	\$ 6,652	\$ 404	\$ -	\$ -	\$ -	\$ 7,056
Buildings and structures	404,325	32,928	-	4,382	(1,959)	439,676
Machinery and equipment	795,585	64,354	(25,052)	-	(4,705)	830,182
Transportation equipment	27,225	3,449	(480)	-	(164)	30,030
Office equipment	64,515	9,144	(1,517)	-	45	72,187
Other equipment	<u>370,942</u>	<u>49,366</u>	<u>(2,590)</u>	<u>332</u>	<u>(442)</u>	<u>417,608</u>
	<u>\$1,669,244</u>	<u>\$159,645</u>	<u>(\$ 29,639)</u>	<u>\$ 4,714</u>	<u>(\$ 7,225)</u>	<u>\$1,796,739</u>
Book value	<u>\$1,545,148</u>					<u>\$1,843,053</u>

Year ended December 31, 2022

	Beginning		Net			Ending
	balance	Additions	Decreases	Transfers	exchange differences		balance
Cost						
Land	\$ 350,157	\$ -	\$ -	\$ -	\$ 199	\$ 350,356
Land improvements	8,047	2,000	-	-	-	10,047
Buildings and structures	987,691	16,881	-	-	5,769	1,010,341
Machinery and equipment	1,049,788	72,090	(29,421)	15,918	5,172	1,113,547
Transportation equipment	35,426	1,256	(1,130)	-	197	35,749
Office equipment	71,630	7,871	(4,154)	14	396	75,757
Other equipment	539,811	37,805	(7,173)	1,560	357	572,360
Unfinished construction and equipment under acceptance	<u>21,966</u>	<u>41,797</u>	<u>-</u>	<u>(17,583)</u>	<u>55</u>	<u>46,235</u>
	<u>\$3,064,516</u>	<u>\$179,700</u>	<u>(\$ 41,878)</u>	<u>(\$ 91)</u>	<u>\$ 12,145</u>	<u>3,214,392</u>
Accumulated depreciation and impairment						
Land improvements	\$ 6,410	\$ 242	\$ -	\$ -	\$ -	\$ 6,652
Buildings and structures	371,929	30,777	-	-	1,619	404,325
Machinery and equipment	755,202	64,277	(27,124)	-	3,230	795,585
Transportation equipment	24,640	3,510	(1,099)	-	174	27,225
Office equipment	60,497	7,833	(4,154)	-	339	64,515
Other equipment	<u>331,556</u>	<u>46,300</u>	<u>(7,148)</u>	<u>-</u>	<u>234</u>	<u>370,942</u>
	<u>\$1,550,234</u>	<u>\$152,939</u>	<u>(\$ 39,525)</u>	<u>\$ -</u>	<u>\$ 5,596</u>	<u>\$1,669,244</u>
Book value	<u>\$1,514,282</u>					<u>\$1,545,148</u>

- A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows: None.
- B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.
- C. The investment property held by the Company's subsidiary, Song Quan International Co., Ltd., has been leased by the Company from 2023 and transferred as property, plant and equipment. Refer to Note 6(8).

(7) Lease transactions – lessee

- A. The Group leases various assets including land, and business vehicles. Rental contracts are typically made for periods of 1 to 50 year(s). Land has the rights of possession, use and income according to the agreement and the use of land shall not be changed arbitrarily. Other 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 lease period of some transportation equipment leased by the Group does not exceed 12 months, and the underlying assets leased with low value are photocopiers and AED equipment.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land-use right	\$ 48,301	\$ 50,636
Buildings	2,505	4,721
Transportation equipment (official vehicle)	1,101	-
	<u>\$ 51,907</u>	<u>\$ 55,357</u>
	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land-use right	\$ 1,328	\$ 1,357
Buildings	4,196	4,543
Transportation equipment (official vehicle)	148	-
	<u>\$ 5,672</u>	<u>\$ 5,900</u>

- D. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$3,628 thousand and \$8,502 thousand, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

<u>Items affecting profit or loss</u>	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	\$ 108	\$ 91
Expense on short-term lease contracts	481	498
Expense on variable lease payments	256	261
Expense on leases of low-value assets	31	49

- F. For the years ended December 31, 2023 and 2022, the Company's total cash outflow for leases were \$4,963 thousand and \$6,017 thousand, respectively.

(8) Investment property

	2023			
	<u>Land</u>	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
At January 1				
Cost	\$ 264,802	\$ 6,600	\$ 500	\$ 271,902
Accumulated depreciation and impairment	<u>-</u>	<u>(4,382)</u>	<u>(332)</u>	<u>(4,714)</u>
	<u>\$ 264,802</u>	<u>\$ 2,218</u>	<u>\$ 168</u>	<u>\$ 267,188</u>
Opening net book amount as at January 1	\$ 264,802	\$ 2,218	\$ 168	\$ 267,188
Transfers	(264,802)	(6,600)	(500)	(271,902)
Depreciation charge	<u>-</u>	<u>4,382</u>	<u>332</u>	<u>4,714</u>
Closing net book amount as at December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
At December 31				
Cost	\$ 264,802	\$ 6,600	\$ 500	\$ 271,902
Accumulated depreciation and impairment	<u>(264,802)</u>	<u>(6,600)</u>	<u>(500)</u>	<u>(271,902)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	2022			
	<u>Land</u>	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
At January 1				
Cost	\$ 264,802	\$ 6,600	\$ 500	\$ 271,902
Accumulated depreciation and impairment	<u>-</u>	<u>(3,774)</u>	<u>(287)</u>	<u>(4,061)</u>
	<u>\$ 264,802</u>	<u>\$ 2,826</u>	<u>\$ 213</u>	<u>\$ 267,841</u>
Opening net book amount as at January 1	\$ 264,802	\$ 2,826	\$ 213	\$ 267,841
Depreciation charge	<u>-</u>	<u>(608)</u>	<u>(45)</u>	<u>(653)</u>
Closing net book amount as at December 31	<u>\$ 264,802</u>	<u>\$ 2,218</u>	<u>\$ 168</u>	<u>\$ 267,188</u>
At December 31				
Cost	\$ 264,802	\$ 6,600	\$ 500	\$ 271,902
Accumulated depreciation and impairment	<u>-</u>	<u>(4,382)</u>	<u>(332)</u>	<u>(4,714)</u>
	<u>\$ 264,802</u>	<u>\$ 2,218</u>	<u>\$ 168</u>	<u>\$ 267,188</u>

- A. The investment property held by the Company’s subsidiary, Song Quan International Co., Ltd., has been leased by the Company from 2023 and transferred as property, plant and equipment. Refer to Note 6(8).
- B. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31, 2023	Year ended December 31, 2022
Rental income from investment property	\$ <u> -</u>	\$ <u> 3,870</u>
Direct operating expenses arising from the investment property that generated rental income during the year	\$ <u> -</u>	\$ <u> 865</u>

- C. The fair value of the investment property held by the Company’s subsidiary, Song Quan International Co., Ltd. was \$571,292 thousand, which belonged to the fair value in level 2, and was valued after taking into account the sales price in the neighboring areas. The Company has not appointed independent appraisers to estimate its fair value.
- D. Information about the investment property that was pledged to others as collaterals is provided in Note 8.

(9) Short-term borrowings

No such situation in 2023.

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	\$ 190,000	1.67%~1.83%	Property, plant and equipment
Unsecured borrowings	<u>300,000</u>	1.78%	
	<u>\$ 490,000</u>		

- A. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(10) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Wages and bonus payable	\$ 234,093	\$ 183,866
Employees' compensation and directors' remuneration payable	71,438	48,878
Processing fees payable	51,288	47,276
Consumables expenses payable	31,121	29,706
Payable on machinery and equipment	31,239	16,123
Insurance payable	4,889	4,892
Utility payable	6,199	8,116
Repair and maintenance payable	4,100	6,756
Other accrued expenses	43,521	61,498
	<u>\$ 477,888</u>	<u>\$ 407,111</u>

(11) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Collateral</u>	<u>December 31, 2023</u>
Secured borrowings	2015.09.24~2030.10.20, the borrowing is repayable starting from the 24th month based on annuity method	Land and structures	\$ 79,240
Less: Current portion			(11,320)
			<u>\$ 67,920</u>
Interest rate range			<u>2.09%</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Secured borrowings	2015.09.24~2030.10.20, the borrowing is repayable starting from the 24th month based on annuity method	Land and structures	\$ 90,560
Less: Current portion			(11,320)
			<u>\$ 79,240</u>
Interest rate range			<u>2.04%</u>

For information on guarantees provided for land and buildings, please refer to Note 8.

(12) Pensions

A (a) The Company 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 Company contributes monthly an amount equal to 6% 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 Company 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 Company will make contributions for the deficit by next March.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	(\$ 142,058)	(\$ 154,890)
Fair value of plan assets	<u>113,734</u>	<u>106,519</u>
Net defined benefit liability	<u>(\$ 28,324)</u>	<u>(\$ 48,371)</u>

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

	<u>2023</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	(\$ 154,890)	\$ 106,519	(\$ 48,371)
Current service cost	(504)	-	(504)
Interest (expense) income	(1,980)	1,394	(586)
Past service cost	<u>54</u>	<u>-</u>	<u>54</u>
	<u>(157,320)</u>	<u>107,913</u>	<u>(49,407)</u>
Remeasurements:			
Change in demographic assumptions	(1,235)	-	(1,235)
Return on plan assets (excluding amounts included in interest income or expense)	-	902	902
Experience adjustments	<u>14,052</u>	<u>-</u>	<u>14,052</u>
	<u>12,817</u>	<u>902</u>	<u>13,719</u>
Pension fund contribution	-	7,364	7,364
Paid pension	<u>2,445</u>	<u>(2,445)</u>	<u>-</u>
At December 31	<u>(\$ 142,058)</u>	<u>\$ 113,734</u>	<u>(\$ 28,324)</u>

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 140,117)	\$ 89,824	(\$ 50,293)
Current service cost	(564)	-	(564)
Interest (expense) income	(963)	631	(332)
	<u>(141,644)</u>	<u>90,455</u>	<u>(51,189)</u>
Remeasurements:			
Change in demographic assumptions	9,003	-	9,003
Return on plan assets (excluding amounts included in interest income or expense)	-	7,121	7,121
Experience adjustments	(25,945)	-	(25,945)
	<u>(16,942)</u>	<u>7,121</u>	<u>(9,821)</u>
Pension fund contribution	-	12,639	12,639
Paid pension	3,696	(3,696)	-
At December 31	<u>(\$ 154,890)</u>	<u>\$ 106,519</u>	<u>(\$ 48,371)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation 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 securitisation products, etc.). With regard to the utilisation 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 authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company 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 Utilisation Report announced by the government.

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

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Discount rate	<u>1.20%</u>	<u>1.30%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

Assumptions regarding future mortality experience for the years ended December 31, 2023 and 2022 are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2023				
Effect on present value of defined benefit obligation	(\$ <u>3,057</u>)	<u>\$ 3,156</u>	<u>\$ 3,123</u>	(\$ <u>3,040</u>)
December 31, 2022				
Effect on present value of defined benefit obligation	(\$ <u>3,543</u>)	<u>\$ 3,663</u>	<u>\$ 3,629</u>	(\$ <u>3,518</u>)

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.

(g) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2024 amount to \$5,965 thousand.

(h) As of December 31, 2023, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	5,113
1-2 year(s)		14,513
2-5 years		19,706
Over 5 years		<u>118,182</u>
	<u>\$</u>	<u>157,514</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 Company contribute 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) The Company’s mainland China subsidiaries, KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD. and Guangzhou Mt. Port Automotive Technology Limited Company, have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of the contribution base for payments which is announced by the local government. Other than the monthly contributions, the Group has no further obligations. The contribution percentage for the years ended December 31, 2023 and 2022, was as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	16%	16%
Guangzhou Mt. Port Automotive Technology Limited Company	14%	14%

(c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2023 and 2022, were \$38,112 thousand and \$30,195 thousand, respectively.

(13) Share capital

As of December 31, 2023, the Company’s authorised capital was \$1,000,000 thousand, and the paid-in capital was \$831,613 thousand with a par value of \$10 per share. All proceeds from shares issued have been collected.

(14) Capital surplus

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.

(15) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be proposed by the Board of Directors and resolved by the stockholders.
- B. The Company's dividend policy was summarised below: for the appropriation of earnings as proposed by the Board of Directors, the shareholders' total dividends should be more than 50% of accumulated distributable earnings, and the cash dividends should be more than 20% of the shareholders' total dividends. However, the appropriation ratio of retained earnings and the shareholders' dividends ratio could be adjusted by the resolution of the shareholders based on the actual profit and capital conditions of current year.
- 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. According to Jin-Guan-Zheng-Fa-Zi Letter No.1010012865, dated April 6, 2012, the net deduction of other shareholders' equity in the account that occurs in the current year, the same amount of special surplus reserve set aside from the current profit and loss as the undistributed earnings of the previous period shall not be distributed; however, the company has set aside a special surplus reserve when applying IFRS for the first time. As for the surplus reserve, the difference between the amount already set aside and the net deduction of other equity items should be set aside as a special surplus reserve.
- E. (a) 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.
(b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be the same as the amount reclassified from accumulated translation adjustment under shareholders' equity to retained earnings for the exemptions elected by the Company. The special reserve increased as a result of retained earnings arising from the conversing adoption of IFRS by \$6,326 thousand.

F. The appropriation of 2022 and 2021 earnings were as follows:

	Year ended December 31			
	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 64,234		\$ 55,353	
Special reserve	(25,193)		15,802	
Cash dividends	465,703	\$ 5.6	415,807	\$ 5.0
	<u>\$ 504,744</u>		<u>\$ 486,962</u>	

G. The appropriation of 2023 earnings as proposed and approved by the Board of Directors in March 13, 2024 are as follows:

	Year ended December 31, 2023	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 99,018	
Special reserve reversal	30,884	
Cash dividends	582,129	\$ 7.0
	<u>\$ 712,031</u>	

The aforementioned distribution of 2023 earnings would be effective after the resolution of the shareholders.

H. Please refer to Note 6(22) for information regarding employees' compensation and directors' remuneration.

(16) Other equity items

	<u>2023</u>	
	<u>Foreign currency translation</u>	
At January 1	(\$	166,780)
Currency translation differences:		
- Group	(	33,037)
- Taxes		6,607
- Associates	(	5,568)
- Taxes		<u>1,114</u>
At December 31	(\$	<u>197,664</u>)

	<u>2022</u>	
	<u>Foreign currency translation</u>	
At January 1	(\$	191,973)
Currency translation differences:		
- Group		27,710
- Taxes	(	5,542)
- Associates		3,782
- Taxes	(	<u>757</u>)
At December 31	(\$	<u>166,780</u>)

(17) Operating revenue

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	<u>\$ 4,786,526</u>	<u>\$ 4,126,236</u>

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 product lines and geographical regions:

Year ended December 31, 2023

	Asia			America			Europe			Others			Total
	Complete		Oil seal	Complete		Oil seal	Complete		Oil seal	Complete		Others	
	Oil seal	rubber mix		Others	rubber mix		Others	rubber mix		Others			
Total segment revenue	\$ 2,389,288	\$ 333,133	\$ 115,429	\$ 743,648	\$ -	\$ 51,179	\$ 1,239,865	\$ -	\$ 158,336	\$ 49,806	\$ -	\$ 3,153	\$ 5,083,837
Inter-segment revenue	(105,434)	(191,877)	-	-	-	-	-	-	-	-	-	-	(297,311)
Revenue from contracts with customers	<u>\$ 2,283,854</u>	<u>\$ 141,256</u>	<u>\$ 115,429</u>	<u>\$ 743,648</u>	<u>\$ -</u>	<u>\$ 51,179</u>	<u>\$ 1,239,865</u>	<u>\$ -</u>	<u>\$ 158,336</u>	<u>\$ 49,806</u>	<u>\$ -</u>	<u>\$ 3,153</u>	<u>\$ 4,786,526</u>
Timing of revenue recognition													
At a point in time	<u>\$ 2,283,854</u>	<u>\$ 141,256</u>	<u>\$ 115,429</u>	<u>\$ 743,648</u>	<u>\$ -</u>	<u>\$ 51,179</u>	<u>\$ 1,239,865</u>	<u>\$ -</u>	<u>\$ 158,336</u>	<u>\$ 49,806</u>	<u>\$ -</u>	<u>\$ 3,153</u>	<u>\$ 4,786,526</u>

Year ended December 31, 2022

	Asia			America			Europe			Others			Total
	Complete		Oil seal	Complete		Oil seal	Complete		Oil seal	Complete		Others	
	Oil seal	rubber mix		Others	rubber mix		Others	rubber mix		Others			
Total segment revenue	\$ 2,015,919	\$ 396,948	\$ 129,373	\$ 779,675	\$ -	\$ 71,605	\$ 887,421	\$ -	\$ 122,735	\$ 41,127	\$ -	\$ 8,381	\$ 4,453,184
Inter-segment revenue	(111,912)	(179,036)	-	-	-	-	-	-	-	-	-	-	(290,948)
Revenue from contracts with customers	<u>\$ 1,904,007</u>	<u>\$ 217,912</u>	<u>\$ 129,373</u>	<u>\$ 779,675</u>	<u>\$ -</u>	<u>\$ 71,605</u>	<u>\$ 887,421</u>	<u>\$ -</u>	<u>\$ 122,735</u>	<u>\$ 41,127</u>	<u>\$ -</u>	<u>\$ 8,381</u>	<u>\$ 4,162,236</u>
Timing of revenue recognition													
At a point in time	<u>\$ 1,904,007</u>	<u>\$ 217,912</u>	<u>\$ 129,373</u>	<u>\$ 779,675</u>	<u>\$ -</u>	<u>\$ 71,605</u>	<u>\$ 887,421</u>	<u>\$ -</u>	<u>\$ 122,735</u>	<u>\$ 41,127</u>	<u>\$ -</u>	<u>\$ 8,381</u>	<u>\$ 4,162,236</u>

B. Contract liabilities (shown as other current liabilities)

The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities:			
Contract liabilities- advance sales receipts	\$ <u>10,025</u>	\$ <u>16,229</u>	\$ <u>22,729</u>

Revenue recognised that was included in the contract liability balance at the beginning of the year:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ <u>15,345</u>	\$ <u>21,216</u>

(18) Interest income

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 5,139	\$ 2,922
Other interest income	489	489
	<u>\$ 5,628</u>	<u>\$ 3,411</u>

(19) Other income

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Grant revenue	\$ 4,940	\$ 1,673
Rent revenue	-	3,870
Other income	3,387	6,250
	<u>\$ 8,327</u>	<u>\$ 11,793</u>

(20) Other gains and losses

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Foreign exchange gains, net	\$ 18,389	\$ 66,782
Losses on disposals of property, plant and equipment	(2,245)	(1,803)
Loss on disposals of investments	(739)	-
Other losses	(2,057)	(5,196)
	<u>\$ 13,348</u>	<u>\$ 59,783</u>

(21) Finance costs

	Year ended December 31	
	2023	2022
Interest expense:		
Bank borrowings	\$ 5,850	\$ 5,453
Lease liability	108	91
Other finance expenses	160	203
	<u>\$ 6,118</u>	<u>\$ 5,747</u>

(22) Expenses by nature

	Year ended December 31	
	2023	2022
Employee benefit expense		
Wages and salaries	\$ 937,183	\$ 859,297
Labour and health insurance fees	91,289	78,931
Pension costs	39,148	31,091
Directors' remuneration	6,832	7,472
Other employee benefit expenses	<u>62,267</u>	<u>55,884</u>
	<u>\$ 1,136,719</u>	<u>\$ 1,032,675</u>
Depreciation charge	<u>\$ 165,317</u>	<u>\$ 159,492</u>
Amortisations	<u>\$ 14,732</u>	<u>\$ 9,879</u>

- A. In accordance with the Articles of Incorporation of the Company, the Company shall distribute profits and ensure that the ratio shall not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. The accrual of employees' compensation and directors' remuneration for the years ended December 31, 2023 and 2022 was as follows:

	Year ended December 31	
	2023	2022
Employees' compensation	\$ 58,506	\$ 35,265
Directors' remuneration	<u>5,000</u>	<u>6,000</u>
	<u>\$ 63,506</u>	<u>\$ 41,265</u>

The abovementioned amounts are shown under wages and salaries expense. For the year ended December 31, 2023, the employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current year as of the end of reporting period:

	Year ended December 31	
	2023	2022
Employees' compensation ratio	<u>4.54%</u>	<u>4.10%</u>
Directors' remuneration ratio	<u>0.39%</u>	<u>0.70%</u>

C. Employees' compensation and directors' remuneration for 2022 amounting to \$35,265 and \$6,000, respectively, as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2022 financial statements.

D. 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.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 324,878	\$ 254,083
Tax on undistributed surplus earnings	43	8
Prior year income tax overestimation	(8,869)	(1,675)
Total current tax	<u>316,052</u>	<u>252,416</u>
Deferred tax:		
Origination and reversal of temporary differences	32,339	3,813
Total deferred tax	<u>32,339</u>	<u>3,813</u>
Income tax expense	<u>\$ 348,391</u>	<u>\$ 256,229</u>

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

	Year ended December 31	
	2023	2022
Currency translation differences	(\$ 7,721)	\$ 6,299
Remeasurements of defined benefit plans	2,744	(1,966)
	<u>(\$ 4,977)</u>	<u>\$ 4,333</u>

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	\$ 362,526	\$ 255,455
Expenses disallowed by tax regulation	3,493	2,441
Prior year income tax underestimation	(8,869)	(1,675)
Tax on undistributed earnings	43	8
Others (Note1)	(8,802)	-
Income tax expense	<u>\$ 348,391</u>	<u>\$ 256,229</u>

Note1: Others refer to the deduction of research and development expenses incurred in

developing new technologies, new products and new crafts.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2023			
			Recognised in other	
	January 1	profit or loss	Recognised in comprehensive income	December 31
Deferred tax assets:				
–Temporary differences:				
Unrealised gain on inter affiliate sales	\$ 13,195	\$ 3,040	\$ -	\$ 16,235
Allowance for inventory valuation losses	10,160	(202)	-	9,958
Allowance for bad debts	5,503	-	-	5,503
Undistributed pensions	10,137	(1,265)	-	8,872
Provisions	-	-	-	-
Revenue from export sales	2,656	(436)	-	2,220
Compensation for land acquisition	2,342	(108)	-	2,234
Unused employees’ compensated absence	4,601	122	-	4,723
Unrealised foreign exchange loss	770	2,914	-	3,684
Cumulative translation adjustment of long-term equity investments	23,003	-	7,721	30,724
Remeasurement of defined benefit plan	<u>2,268</u>	<u>-</u>	<u>(2,268)</u>	<u>-</u>
Subtotal	<u>\$ 74,635</u>	<u>\$ 4,065</u>	<u>\$ 5,453</u>	<u>\$ 84,153</u>
Deferred tax liabilities:				
–Temporary differences:				
Benefits of factory relocation	(\$ 23,831)	\$ 1,596	\$ -	(\$ 22,235)
Recognised investment profit which is adopting equity method	(300,634)	(38,000)	-	(338,634)
Provision for land increment tax	(7,165)	-	-	(7,165)
Remeasurement of defined benefit plan	<u>-</u>	<u>-</u>	<u>(476)</u>	<u>(476)</u>
	<u>(\$ 331,630)</u>	<u>(\$ 36,404)</u>	<u>(\$ 476)</u>	<u>(\$ 368,510)</u>
		<u>(\$ 32,339)</u>	<u>\$ 4,977</u>	

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
–Temporary differences:				
Unrealised gain on inter affiliate sales	\$ 11,968	\$ 1,227	\$ -	\$ 13,195
Allowance for inventory valuation losses	8,455	1,705	-	10,160
Allowance for bad debts	5,454	49	-	5,503
Undistributed pensions	9,756	381	-	10,137
Provisions	3,559	(3,559)	-	-
Revenue from export sales	2,388	268	-	2,656
Compensation for land acquisition	2,360	(18)	-	2,342
Unused employees' compensated absence	4,363	238	-	4,601
Unrealised foreign exchange loss	2,145	(1,375)	-	770
Cumulative translation adjustment of long-term equity investments	29,302	-	(6,299)	23,003
Remeasurement of defined benefit plan	302	-	1,966	2,268
Subtotal	<u>\$ 80,052</u>	<u>(\$ 1,084)</u>	<u>(\$ 4,333)</u>	<u>\$ 74,635</u>
Deferred tax liabilities:				
–Temporary differences:				
Benefits of factory relocation	(\$ 24,570)	\$ 739	\$ -	(\$ 23,831)
Recognised investment profit which is adopting equity method	(297,706)	(2,928)	-	(300,634)
Provision for land increment tax	(7,165)	-	-	(7,165)
	<u>(\$ 329,441)</u>	<u>(\$ 2,189)</u>	<u>\$ -</u>	<u>(\$ 331,630)</u>
		<u>(\$ 3,273)</u>	<u>(\$ 4,333)</u>	

E. The table below listed the year which the Company and its domestic subsidiaries' income tax returns have been assessed and approved by the Tax Authority:

Company name	Approval year
NAK SEALING TECHNOLOGIES CORPORATION	2021
Song Quan International Co., Ltd.	2021

F. Situation of applicable tax rate:

<u>Subsidiaries and affiliates</u>	<u>Application of income tax law</u>	<u>Applicable tax rate:</u>
KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	Enterprise Income Tax Law of the People's Republic of China	25%
NAK SEALING PRODUCTS (THAILAND) CO., LTD.	Corporate Income Tax Act of Thailand	20%
NAK SEALING TECHNOLOGIES INDIA PRIVATE LIMITED	Corporate Tax Law	25%
Song Quan International Co., Ltd.	Profit-seeking Enterprise Income Tax	20%

(24) Earnings per share

	<u>Year ended December 31, 2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 979,206	83,161	\$ 11.77
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	979,206	83,161	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	538	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 979,206	83,699	\$ 11.70

	<u>Year ended December 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 650,200	83,161	\$ 7.82
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	650,200	83,161	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	413	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 650,200	83,574	\$ 7.78

When calculated the diluted earnings per share, potential ordinary shares will be included in the number of weighted-average outstanding shares if potential ordinary shares had diluted effects, based on the assumption that employees' bonus will be distributed in the form of shares.

(25) Supplemental cash flow information

Investing activities with partial cash payments:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Purchase of property, plant and equipment	\$ 201,407	\$ 179,700
Add: Opening balance of payable on equipment	16,123	14,364
Ending balance of prepayments for business facilities	17,928	10,393
Less: Ending balance of payable on equipment	(31,239)	(16,123)
Opening balance of prepayments for business facilities	(10,393)	(14,739)
Cash paid during the year	\$ 193,826	\$ 173,595

(26) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liability	Dividends payable	Liabilities from financing activities-gross
January 1, 2023	\$ 490,000	\$ 90,560	\$ 4,285	\$ -	\$ 584,845
Changes in cash flow from financing activities	(490,000)	(11,320)	(4,087)	(465,703)	(971,110)
Changes in other non-cash items	-	-	3,228	465,703	468,931
December 31, 2023	<u>\$ -</u>	<u>\$ 79,240</u>	<u>\$ 3,426</u>	<u>\$ -</u>	<u>\$ 82,666</u>

	Short-term borrowings	Long-term borrowings	Lease liability	Dividends payable	Guarantee deposits received	Liabilities from financing activities-gross
January 1, 2022	\$ 240,000	\$ 281,309	\$ 1,324	\$ -	\$ 559	\$ 523,192
Changes in cash flow from financing activities	250,000	(190,749)	(5,118)	(415,807)	(559)	(362,233)
Changes in other non-cash items	-	-	8,079	415,807	-	423,886
December 31, 2022	<u>\$ 490,000</u>	<u>\$ 90,560</u>	<u>\$ 4,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 584,845</u>

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
KISH NAK OIL SEAL MFG. CO., LTD. ("KISH NAK")	Affiliated Companies
NAK INTERNATIONAL LTD. ("NAK INTERNATIONAL")	Affiliated Companies
NAK TOTAL SEALING SOLUTIONS PTY LTD. ("NAK TOTAL")	Affiliated Companies

(2) Significant related party transactions

A. Operating revenue:

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Sales of goods:		
- Associates	<u>\$ 147,911</u>	<u>\$ 74,727</u>

Goods are sold to related parties at the same price to general customers. The collection term usually was 90 days after delivery, and 30~180 days after delivery for general customers.

B. Receivables from related parties:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable:		
- Associates	\$ 37,122	\$ 19,476
Less: Allowance for uncollectible accounts	(2,801)	(2,801)
	<u>\$ 34,321</u>	<u>\$ 16,675</u>
Long-term receivables:		
- Associates	\$ 24,426	\$ 24,426
Less: Allowance for uncollectible accounts	(24,426)	(24,426)
	<u>\$ -</u>	<u>\$ -</u>

(a) The receivables from related parties arise mainly from sales. The receivables are due 180 days after the date of sales. The receivables are unsecured in nature and bear no interest.

(b) The aforementioned past due accounts transferred to other receivables was a reclassification of accounts receivable which had exceed the credit term. The ageing analysis is as follows:

	<u>Aging distribution</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
		<u>Overdue aging</u>	<u>Overdue aging</u>
- Associates	More than 360 days	<u>\$ 24,426</u>	<u>\$ 24,426</u>

G. Loans to/from related parties: Refer to Note 13(1) A. for details.

(3) Key management compensation

	<u>Year ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 69,708	\$ 54,093
Post-employment benefits	652	694
Total	<u>\$ 70,360</u>	<u>\$ 54,787</u>

8. Pledged Assets

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>	
Property, plant and equipment	\$ 854,961	\$ 644,428	Long-term and short-term borrowings
Investment property	-	215,219	Short-term borrowings
	<u>\$ 854,961</u>	<u>\$ 859,647</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

There were no such transactions.

(2) Commitments

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment	\$ 33,660	\$ 67,493

B. As of December 31, 2023 and 2022, the Company's total unused letters of credit for the import of raw materials and machinery equipment were \$1,945 thousand and \$14,498 thousand, respectively.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The distribution of 2023 earnings was proposed and approved by the Company's Board of Directors on March 13, 2024. Please refer to Note 6(15)G for more details.

12. Others

(1) Capital management

The Group's objectives when managing capital are based on the industrial scale of the industry the Group operated in, considering industrial future growth and product development, to set appropriate market share in order to plan the corresponding capital expenditure. Accordingly, the Group calculates the needed operating capital based on the financial operation plan, considering operating profit and cash inflows arising from product competitiveness, and determines the appropriate capital structure.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 519,086	\$ 437,993
Financial assets at amortised cost-Current	163,482	51,499
Notes receivable	292,711	284,974
Accounts receivable (including related parties)	1,127,331	1,124,154
Other receivables (including related parties)	29,752	30,968
Guarantee deposits paid (shown as other non-current assets)	1,591	2,828
	<u>\$ 2,133,953</u>	<u>\$ 1,932,416</u>

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 490,000
Notes payable	1,339	3,243
Accounts payable (including related parties)	122,728	218,591
Other accounts payable	477,888	407,111
Long-term borrowings (including current portion)	79,240	90,560
	<u>\$ 681,195</u>	<u>\$ 1,209,505</u>
Lease liability	<u>\$ 3,426</u>	<u>\$ 4,285</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.
- (b) For the risk management, the Group's treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units, such as exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of current residual capital.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR, JPY, AUD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: RMB, USD and THD). 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 amount (In thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 14,658	30.7050	\$ 450,074
EUR:NTD	6,134	33.9800	208,433
JPY:NTD	248,389	0.2170	53,900
AUD:NTD	670	20.9800	14,057
<u>Non-monetary items</u>			
USD:NTD	743	30.7050	22,820
AUD:NTD	495	20.9800	10,395
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	\$ 1,694	7.104	\$ 52,014
<u>Non-monetary items</u>			
IRR:NTD	\$ 32,536,585	0.0001	\$ 2,668

December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 22,449	30.7100	\$ 689,409
EUR:NTD	7,717	32.7200	252,500
JPY:NTD	142,432	0.2320	33,044
AUD:NTD	521	20.8300	10,852
<u>Non-monetary items</u>			
IRR:NTD	\$ 11,846,172	0.0001	\$ 1,208
USD:NTD	753	30.7100	23,126
AUD:NTD	881	20.8300	18,351
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:RMB	\$ 1,784	6.9574	\$ 54,777

iii. Due to various types of foreign currency, the total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2023 and 2022, aggregately amounted to \$18,389 thousand and \$66,782 thousand, respectively.

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

Year ended December 31, 2023

<u>Sensitivity analysis</u>					
<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>			
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	2%	\$	9,001	\$	-
EUR:NTD	2%		4,169		-
JPY:NTD	2%		1,078		-
AUD:NTD	2%		281		-
<u>Non-monetary items</u>					
USD:NTD	2%		-	NA	
AUD:NTD	2%		-	NA	
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:RMB	2%	\$	1,040	\$	-
<u>Non-monetary items</u>					
IRR:NTD	2%	\$	-	NA	

Year ended December 31, 2022

<u>Sensitivity analysis</u>					
<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>			
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	2%	\$	13,788	\$	-
RMB:NTD	2%		95		-
EUR:NTD	2%		5,050		-
JPY:NTD	2%		661		-
AUD:NTD	2%		217		-
<u>Non-monetary items</u>					
IRR:NTD	2%	\$	-	NA	
USD:NTD	2%		-	NA	
AUD:NTD	2%		-	NA	
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:RMB	2%	\$	1,096	\$	-

Price risk

The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group continuously observes the future development and market trends of investees.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings which were issued at variable rates let the Group be exposed to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- ii. If the borrowing interest rate had increased/decreased by 10 basis points with all other variables held constant, profit after tax for the years ended December 31, 2023 and 2022 would have decreased/increased by \$63 thousand and \$464 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 notes receivable and accounts receivable (including related parties) based on the agreed terms, other receivables and guarantee deposits paid and the contract cash flows of time deposits stated at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire company's concern. Examined credit of banks, only banks assessed with good credit rating would be accepted as transaction counterparty. 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 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 following indicators are used to determine whether the credit impairment of financial assets 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; and
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

iv. The Group adopts following 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 default occurs when the contract payments are past due over 1 year.
- vi. 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.
- vii. The Group applies the modified approach on notes receivable and accounts receivable based on the loss rate methodology to estimate the expected credit loss.
- viii. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, thus, the provision matrix did not further distinguish customer segments, the expected credit losses were calculated from the past due date of accounts receivable.
- ix. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2023 and 2022, the loss rate methodology is as follows:

December 31, 2023	Not past due	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	over 361 days	Total
Expected loss rate	0.04%	0.32%	1.50%	16.26%	61.96%	100.00%	
Total book value	<u>\$ 927,752</u>	<u>\$ 111,685</u>	<u>\$ 43,074</u>	<u>\$ 11,789</u>	<u>\$ 5,263</u>	<u>\$ 7,311</u>	<u>\$ 1,106,874</u>
Loss allowance	<u>(\$ 376)</u>	<u>(\$ 355)</u>	<u>(\$ 644)</u>	<u>(\$ 1,917)</u>	<u>(\$ 3,261)</u>	<u>(\$ 7,311)</u>	<u>(\$ 13,864)</u>

December 31, 2022	Not past due	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	over 361 days	Total
Expected loss rate	0.04%	0.35%	2.01%	49.35%	100.00%	100.00%	
Total book value	<u>\$ 928,637</u>	<u>\$ 142,603</u>	<u>\$ 35,436</u>	<u>\$ 4,723</u>	<u>\$ 2,477</u>	<u>\$ 7,629</u>	<u>\$ 1,121,505</u>
Loss allowance	<u>(\$ 375)</u>	<u>(\$ 502)</u>	<u>(\$ 712)</u>	<u>(\$ 2,331)</u>	<u>(\$ 2,477)</u>	<u>(\$ 7,629)</u>	<u>(\$ 14,026)</u>

- x. The Group assessed the expected loss rate of financial assets at amortised cost, notes receivable, other accounts receivable and guarantee deposits paid was remote, thus, the balances of loss allowance as of December 31, 2023 and 2022 were not significant.
- xi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	Year ended December 31, 2023	
	Allowance for uncollectible accounts	
At January 1	\$	14,026
Provision of impairment loss		-
Effect of foreign exchange	(	162)
At December 31	\$	<u>13,864</u>

	<u>Year ended December 31, 2022</u>	
	<u>Allowance for uncollectible accounts</u>	
At January 1	\$	11,804
Reversal of impairment loss		2,136
Effect of foreign exchange		86
At December 31	<u>\$</u>	<u>14,026</u>

- xii. The Group transferred past due accounts receivable due from related parties into other accounts receivable due from related parties (long-term receivables due from related parties) and provisioned credit losses, the table of changes in loss allowance was as follows:

	<u>Year ended December 31, 2023</u>	
	<u>Loss allowance for accounts receivable due from related parties</u>	
At January 1 (December 31)	\$	2,801
	<u>Year ended December 31, 2023</u>	
	<u>Loss allowance for long-term receivables due from related parties</u>	
At January 1 (December 31)	\$	24,426
	<u>Year ended December 31, 2022</u>	
	<u>Loss allowance for accounts receivable due from related parties</u>	
At January 1 (December 31)	\$	2,801
	<u>Year ended December 31, 2022</u>	
	<u>Loss allowance for long-term receivables due from related parties</u>	
At January 1 (December 31)	\$	24,426

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling capital requirement forecasts of the Group to ensure it has sufficient capital to meet operational requirements while maintaining sufficient headroom on its undrawn committed borrowing facilities at any time.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.
- iii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating rate:		
Expiring within one year	\$ 1,243,000	\$ 763,000
Expiring beyond one year	-	-
Fixed rate:		
Expiring within one year	\$ -	\$ -
Expiring beyond one year	-	-

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. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

<u>December 31, 2023</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 year(s)</u>	<u>Over 2 years</u>	<u>Total</u>
Notes payable	1,189	150	-	-	1,339
Accounts payable	98,019	24,709	-	-	122,728
Other payables	246,272	231,616	-	-	477,888
Lease liability	730	2,021	883	524	4,158
Long-term borrowings (including current portion)	3,234	9,613	12,610	59,505	84,962

<u>December 31, 2022</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 year(s)</u>	<u>Over 2 years</u>	<u>Total</u>
Short-term borrowings	\$490,572	\$ -	\$ -	\$ -	\$ 490,572
Notes payable	3,243	-	-	-	3,243
Accounts payable	198,653	19,938	-	-	218,591
Other payables	170,735	236,376	-	-	407,111
Lease liability	600	1,789	2,142	361	4,892
Long-term borrowings (including current portion)	3,282	9,760	12,811	72,019	97,872

(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. The fair

value of the Company's investments in listed stocks and beneficiary certificates were included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of refundable deposits, short-term borrowings, notes payable, accounts payable, other payables, financial assets at amortised cost, long-term borrowings (including current portion) and guarantee deposits paid are approximate to their fair values.

C. Financial and non-financial instruments measured at fair value:

None.

13. Supplementary Disclosures

(1) Significant transactions information

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

B. Provision of endorsements and guarantees to others: None.

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 2.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 5.

(4) Major shareholders information

Please refer to table 6.

14. Operating segments 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.

There were no significant changes in the composition of the Group's businesses, the basis for segment division, and the measurement basis for segment information during the current period.

(2) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Year ended December 31, 2023	Taiwan	China	All other segments	Total
Revenue from external customers	\$ 3,153,538	\$ 1,513,877	\$119,111	\$ 4,786,526
Inter-segment revenue	293,899	3,412	-	297,311
Total segment revenue	\$ 3,447,437	\$ 1,517,289	\$119,111	\$ 5,083,837
Segment income	\$ 979,206	\$ 386,237	\$ 17,991	\$ 1,383,434
Segment income including:				
Financial cost	\$ 4,268	\$ 160	\$ 1,742	\$ 6,170
Depreciation and amortisation	133,631	49,431	2,096	185,158
Expense of income tax	245,453	100,210	2,728	348,391

Year ended December 31, 2022	Taiwan	China	All other segments	Total
Revenue from external customers	\$ 2,749,158	\$ 1,313,389	\$ 99,689	\$ 4,162,236
Inter-segment revenue	274,121	16,827	-	290,948
Total segment revenue	\$ 3,023,279	\$ 1,330,216	\$ 99,689	\$ 4,453,184
Segment income	\$ 650,200	\$ 272,534	\$ 14,286	\$ 937,020
Segment income including:				
Financial cost	\$ 3,936	\$ 203	\$ 1,608	\$ 5,747
Depreciation and amortisation	127,016	41,103	1,252	169,371
Expense of income tax	166,469	87,147	2,613	256,229

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2023 and 2022 is provided as follows:

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
Reportable segments revenue	\$	5,083,837	\$	4,453,184
Inter segment revenue	(	297,311)	(	290,948)
Consolidated operating income	\$	<u>4,786,526</u>	\$	<u>4,162,236</u>

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
Reportable segments income	\$	1,383,434	\$	937,020
Inter segment income	(	402,923)	(	285,246)
Income from continuing operations	\$	<u>980,511</u>	\$	<u>651,774</u>

(3) Information on products and services

The Group's revenue primarily comes from the production and sales of various products, including oil seals and mixed rubber compounds.

Details of revenue are as follows:

	<u>Year ended December 31,</u>		<u>Year ended December 31,</u>	
	<u>2023</u>		<u>2022</u>	
Oil Seal	\$	4,317,173	\$	3,612,230
Mixed rubber compounds		141,256		217,912
Others		328,097		332,094
	\$	<u>4,786,526</u>	\$	<u>4,162,236</u>

(4) Geographical information

The Group's geographic revenue is calculated based on the continents where sales occur. Non-current assets are classified based on geographic location of assets and included property, plant and equipment, right-of-use asset, investment property, intangible asset and other non-current asset, but exclude financial assets at amortised cost, investments accounted for using equity method and deferred tax assets.

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Asia	\$ 2,540,539	\$ 1,937,273	\$ 2,275,957	\$ 1,899,737
Europe	1,398,201	-	1,031,191	-
America	794,827	-	852,626	-
Africa	<u>52,959</u>	<u>-</u>	<u>2,462</u>	<u>-</u>
	<u>\$ 4,786,526</u>	<u>\$ 1,937,273</u>	<u>\$ 4,162,236</u>	<u>\$ 1,899,737</u>

NAK SEALING TECHNOLOGIES CORPORATION

Loans to others

Year ended December 31, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year		Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower (Note 1)	Reason for short-term financing	Allowance for creditor counterparty doubtful accounts	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Footnote
					ended December 31, 2023	Equity at end of year							Item	Value			
0	NAK SEALING TECHNOLOGIES CORPORATION	KISH NAK OIL SEAL MFG. CO., LTD.	Other receivables	Y	\$ 24,426	\$ 24,426	\$ 24,426	2%	(1)	\$ -	-	\$ 24,426	-	-	\$ -	\$ 396,073	Note 3 , Note 4 and Note 5

Note 1: (1) For whom having business relationship with the Company, limit on total loans granted was 10% of the Company's net assets, limit on loans granted for a single party is the amount of transactions with the borrower in 1 year.
 (2) For short-term financing, total financing activities should not be in excess of 20% of the Company's net assets. Limit on loans granted to a single party should not be in excess of 10% of the Company's net assets.
 (3) Information for the year ended December 31, 2022.

Note 2: (1) Having business relationship.
 (2) Short-term financing.

Note 3: According to the Accounting Research And Development Foundation Interpretation 93-167, past due accounts receivable were transferred to other receivables.

Note 4: The amount the Company loans to KISH NAK OIL SEAL MFG. CO., LTD. had exceeded the amount of transactions with the borrower in 1 year, thus, the Company did not meet "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the Company had set a improvement plan and sent it to the audit committee.

Note 5: The Company had receivables due from related parties to KISH NAK OIL SEAL MFG. CO., LTD. in the amount of \$24,426 thousand which had provisioned past due credit loss in full amount. Please refer to Note 7(2) for information in relation to receivables due from related parties.

NAK SEALING TECHNOLOGIES CORPORATION

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 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance at December 31, 2023	Percentage of total notes/accounts receivable (payable)	
NAK SEALING TECHNOLOGIES CORPORATION	KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	Subsidiary	Sales	\$ 219,483	4.6%	Collection in 90 days after delivery	Note 1	Collection in 90 days after delivery	\$ 75,175	5.3%	None

Note 1: The price of finished goods sold to KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD. was slightly lower than general customers.

Note 2: The transactions were eliminated when preparing the consolidated financial statements.

NAK SEALING TECHNOLOGIES CORPORATION
Significant inter-company transactions during the reporting periods
Year ended December 31, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Company name	Counterparty	Relationship (Note 1)	General ledger account	Transaction		Percentage of consolidated total operating revenues or total assets
					Amount (Note 2)	Transaction terms	
0	NAK SEALING TECHNOLOGIES CORPORATION	KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	1	Sales revenue	\$ 219,483	The price of finished goods was slightly lower than general suppliers and collection in 90 days after delivery	4.6%
0	NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING PRODUCTS (THAILAND) CO., LTD.	1	Sales revenue	37,318	The sales price was consistent with general suppliers and collection in 90 days after delivery	0.8%
0	NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING TECHNOLOGIES (INDIA) PRIVATE LIMITED	1	Sales revenue	37,317	The sales price was consistent with general suppliers and collection in 90 days after delivery	0.8%
0	NAK SEALING TECHNOLOGIES CORPORATION	KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	1	Accounts receivable	75,175	The price of finished goods was slightly lower than general suppliers and collection in 90 days after delivery	1.4%
0	NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING TECHNOLOGIES (INDIA) PRIVATE LIMITED	1	Accounts receivable	10,870	The price of finished goods was slightly lower than general suppliers and collection in 90 days after delivery	0.2%

Note 1: Parent company to subsidiary.

Note 2: Only transaction amount exceeding NT\$10 million will be disclosed.

NAK SEALING TECHNOLOGIES CORPORATION

Information on investees

Year ended December 31, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net income of investee as of December 31, 2023	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Footnote
				Balance as at December 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership				
							(%)	Book value			
NAK SEALING TECHNOLOGIES CORPORATION	SMOOTH TRACK ASSOCIATES LIMITED	British Virgin Islands	General investments business	\$ 155,266	\$ 155,266	4,697,463	100	\$ 1,621,390	\$ 383,400	\$ 383,400	
NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING PRODUCTS (THAILAND) CO., LTD.	Thailand	Oil seal sales	12,815	12,815	15,000	100	39,783	8,541	8,541	Note 2
NAK SEALING TECHNOLOGIES CORPORATION	KISH NAK OIL SEAL MFG. CO., LTD.	Iran	Oil seal production and sales	4,865	4,865	150,548	49	(2,668)	(7,418)	(3,635)	Note 2 Note 4
NAK SEALING TECHNOLOGIES CORPORATION	SHOWMOST INTERNATIONAL CO., LTD.	Mauritius	General investments business	17,890	17,890	577,859	100	26,470	9,940	9,940	Note 2
NAK SEALING TECHNOLOGIES CORPORATION	BUSINESS FRIEND LIMITED	Hong Kong	General investments business	-	-	-	33.34	946	(171)	(57)	Note 2
NAK SEALING TECHNOLOGIES CORPORATION	NAK TOTAL SEALING SOLUTIONS PTY LTD.	Australia	Oil seal sales	13,957	13,957	4,900	49	10,395	(5,829)	(2,856)	Note 2
NAK SEALING TECHNOLOGIES CORPORATION	Song Quan International Co., Ltd.	Taiwan	Manufacture industry of rubber products	197,560	182,560	15,000	100	203,790	1,042	1,042	Note 3
SMOOTH TRACK ASSOCIATES LIMITED	NAK HONGKONG CO., LTD.	Hong Kong	General investments business	149,289	149,289	7,320,000	100	1,660,128	386,277	-	Note 1
SHOWMOST INTERNATIONAL CO., LTD.	NAK INTERNATIONAL LTD.	Russia	Oil seal sales	3,561	3,561	-	33.33	29,236	24,548	-	Note 1 Note 2
SHOWMOST INTERNATIONAL CO., LTD.	NAK SEALING TECHNOLOGIES INDIA PRIVATE LIMITED	India	Oil seal sales	1,149	1,149	2,097,865	60	6,026	3,263	-	Note 1 Note 2

Note 1: The Company's reinvested second-tier subsidiary, and investment income (loss) recognised by the Company are not presented.

Note 2: Investment gains and losses are recognized based on the investee company's self-calculated financial statements for the same period and which have not been reviewed by accountants.

Note 3: The subsidiary, Song Quan International Co., Ltd., increased its cash capital amounting to \$15,000 thousand in 2023. The effective date was set on April 10, 2023. The registration for the change had been completed.

Note 4: The Company continues to provide financial support to the reinvestees accounted for using equity method and transferred the credit balance arising from long-term equity investments to "other non-current liabilities".

NAK SEALING TECHNOLOGIES CORPORATION

Information on investments in Mainland China

Year ended December 31, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023	Net income of investee as of December 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2023	Book value of investments in Mainland China as of December 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	Production and manufacture kinds of sealing products and its component	\$ 462,365	Note 2	\$ 148,385	\$ -	\$ -	\$ 148,385	\$ 383,400	100	\$ 383,400	\$ 1,621,390	\$ 1,606,216	Note 1 and Note 3
Guangzhou Mt. Port Automotive Technology Limited Company	Professional technology service industry	-	Note 2	2,851	-	2,851	-	(53)	55	(29)	-	12,433	Note 1 and Note 3 and Note 4

Note 1: Above amount involved foreign currency and was converted into New Taiwan dollar at the exchange rate on the balance sheet date.

Note 2: Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

Note 3: The financial statements that are audited and attested by R.O.C. parent company's CPA.

Note 4: Given market factors and business strategies, on August 4, 2022, the Board of Directors of the Group resolved to liquidate Guangzhou Mt. Port Automotive Technology Limited Company.

The subsidiary was deregistered and dissolved on June 12, 2023.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
NAK SEALING TECHNOLOGIES CORPORATION	\$ 148,385	\$ 291,698	\$ 2,376,437

Note 1: Above amount involved foreign currency and was converted into New Taiwan dollar at the exchange rate on the balance sheet date.

Note 2: Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) is US\$9,500 thousand and the US dollar exchange rate is 30.7050.

NAK SEALING TECHNOLOGIES CORPORATION

Major shareholders information

Year ended December 31, 2023

Table 6

<u>Name of major shareholders</u>	<u>Name of shares held</u>	<u>Shares</u>	<u>Ownership (%)</u>
SHIH, CHENG-FU		6,418,348	7.71%
Tangdi Investment Co., Ltd.		4,159,000	5.00%