

Stock Code: 9942

# **NAK Sealing Technologies Corporation**

## **2024 Annual General Meeting**



## **Meeting Handbook**

**Time of Meeting: 09:30 am, June 20, 2024 (Thursday)**

**Location of Meeting: No. 336, Industrial Road, Nantou City, Nantou County (the hall on the 1st floor of the company building)**

**Meeting method: Physical venue**

# **NAK Sealing Technologies Corporation**

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# One. Meeting Agenda

## NAK Sealing Technologies Corporation

### Meeting Agenda for the 2024 Annual General Meeting

- I. Meeting method: Physical venue
- II. Time: 09:30 am, June 20, 2024 (Thursday)
- III. Location: No. 336, Industrial Road, Nantou City, Nantou County (the hall on the 1st floor of the company building)
- IV. Report the number of shares in attendance and call the meeting to order.
- V. Chair's speech
- VI. Report Items
  - (I) 2023 Business Report.
  - (II) Audit Committee's review of the 2023 year-end report.
  - (III) Report on distribution of 2023 director and employee remuneration.
  - (IV) Report on the collection of the remuneration of directors for 2023.
  - (V) Amendment to provisions of the "Board Meeting Rules of Procedures".
- VII. Ratification Topics
  - (I) 2023 business report, parent-only financial reports and consolidated financial reports.
  - (II) 2023 profit distribution.
- VIII. Discussion Item: Amendment of provisions of the "Articles of Incorporation".
- IX. Extraordinary Motions
- X. Adjournment

## Two. Report Items:

(I) 2023 Business Report

Description: Please refer to Attachment 1 (page 14) of the meeting handbook for the Company's 2023 business report.

(II) Audit Committee's review of the 2023 year-end report.

Description: Please refer to Attachment 2 (page 17) of the meeting handbook for the Audit Committee Report.

(III) Report on distribution of 2023 director and employee remuneration.

Description: 1. The 2023 net income before tax before subtracting the allocation of remuneration to employees and directors was NT\$1,288,165,517. According to the provisions of Article 28 of the Articles of Incorporation, 4.54%, or NT\$58,506,207, of the abovementioned amount was allocated as employees' remuneration, while 0.39%, or NT\$5,000,000, was allocated as directors' remuneration, all of which were paid in cash.

2. Please kindly find the attached report for your reference.

(IV) Report on the collection of the remuneration of directors for 2023.

Description: 1. The distribution made to general directors was based on the 2023 results of the operation and performance of the Board of Directors. Please refer to Attachment 3 (page 18) of the meeting handbook for the detailed information on the distribution and the collection of remuneration by general directors and independent directors of the Company.

2. The remuneration policies and procedures for the Company's general directors and independent directors, and its relevance to business performance, responsibilities, future risks, and time commitment:

(1) Remuneration paid to the Chairman and general directors: It is divided into business execution expenses and remuneration distributed from annual profits and is paid in accordance with the Company's Articles of Incorporation and the "Regulations Governing the Remuneration of Directors and Independent Directors".

(2) Remuneration paid to independent directors: It is divided into business execution expenses and fixed remuneration and is paid in accordance with the "Regulations Governing the Remuneration of Directors and Independent Directors" of the Company, except that independent directors do not participate in the annual remuneration distribution of profits.

(3) For the remuneration of the Company's directors (including independent directors), the remuneration committee considers the operating achievements of the Company throughout the year and the evaluation results under the Regulations for Performance Evaluation of the Board to recommend a reasonable remuneration paid to the directors (including independent directors). The recommendation is reported to the Board of Directors for discussions, and the distribution

is made after it is approved.

- (4) The remuneration of the Company's directors (including independent directors) is based on the market positioning of the Company's overall remuneration and industry salary survey results with reference to the comprehensive considerations to the internal fairness, and the operating performance of the Company, and it is highly related to the responsibilities and risks assumed and time invested.

(V) Amendment to provisions of the "Board Meeting Rules of Procedures".

Description: 1. It is proposed to amend provisions of the "Board Meeting Rules of Procedures" to meet the Company's practical needs.

2. The comparison of amendments to the "Board Meeting Rules of Procedures" is shown as follows:

Article	Before Amendment	After Amendment	Descriptions
Article 10	<p>The Chair shall call the meeting to order immediately when more than half of the directors have attended the meeting at the convening time of the meeting. However, if one-half of all Board of Directors is not present, the Chair may announce that the meeting time will be postponed, provided that no more than two postponements are made. If the quorum is still not met after two postponements, the Chair shall declare the meeting adjourned, and no agenda shall be provisionally resolved.</p> <p>The terms “all directors” in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>The Chair shall call the meeting to order immediately when more than half of the directors have attended the meeting at the convening time of the meeting. <u>When the meeting time is due and one-half of all Board of Directors is not present,</u> the Chair may announce that the meeting time will be postponed <u>on the day</u>, provided that no more than two postponements are made. If the quorum is still not met after two postponements, the Chair shall declare the meeting adjourned, and no agenda shall be provisionally resolved.</p> <p>The terms “all directors” in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.</p>	<p>In accordance with the Jin-Guan-Zi Document 1120383996 issued by the Financial Supervisory Commission on January 10, 2024.</p>
Article 11	<p>In principle, a Board meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed</p>	<p>A Board meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the</p>	<p>In accordance with the Jin-Guan-Zi Document 1120383996 issued by the Financial</p>

Article	Before Amendment	After Amendment	Descriptions
	<p>with the approval of a majority of directors present at the meeting.</p> <p>The Chair may not declare the meeting closed without the approval of a majority of directors present at the meeting.</p> <p>If at any time during the proceedings of a Board meeting, the directors sitting at the meeting are not more than half of the directors present at the meeting, then upon motion by the directors sitting at the meeting, the Chair shall declare a suspension of the meeting, in which case Paragraph 1 of the preceding article shall apply mutatis mutandis.</p> <p>While the meeting is in progress, the Chair may announce a break or time for discussion discretionally.</p>	<p>approval of a majority of directors present at the meeting.</p> <p>The Chair may not declare the meeting closed without the approval of a majority of directors present at the meeting.</p> <p>If at any time during the proceedings of a Board meeting, the directors sitting at the meeting are not more than half of the directors present at the meeting, then upon motion by the directors sitting at the meeting, the Chair shall declare a suspension of the meeting, in which case Paragraph 1 of the preceding article shall apply mutatis mutandis.</p> <p><u>During the proceedings of a Board meeting, if the Chair is unable to Chair the meeting or fails to declare the meeting closed as provided in Paragraph 2, the provisions under Paragraph 3, Article 7 shall apply mutatis mutandis to the selection of the deputy to act in place thereof.</u></p>	<p>Supervisory Commission on January 10, 2024.</p>
Article 20	The Board Meeting Rules of Procedures were established on	The Board Meeting Rules of Procedures were established on	Add the date of the new amendment.

Article	Before Amendment	After Amendment	Descriptions
	<p>March 29, 2006. The 1st amendment was made on November 6, 2006. The 2nd amendment was made on March 19, 2007. The 3rd amendment was made on March 5, 2008. The 4th amendment was made on March 20, 2012. The 5th amendment was made on December 25, 2012. The 6th amendment was made on March 26, 2013. The 7th amendment was made on March 24, 2016. The 8th amendment was made on December 15, 2017. The 9th amendment was made on March 25, 2019. The 10th amendment was made on March 23, 2020. The 11th amendment was made on March 17, 2022. The 12th amendment was made on December 20, 2022.</p>	<p>March 29, 2006. The 1st amendment was made on November 6, 2006. The 2nd amendment was made on March 19, 2007. The 3rd amendment was made on March 5, 2008. The 4th amendment was made on March 20, 2012. The 5th amendment was made on December 25, 2012. The 6th amendment was made on March 26, 2013. The 7th amendment was made on March 24, 2016. The 8th amendment was made on December 15, 2017. The 9th amendment was made on March 25, 2019. The 10th amendment was made on March 23, 2020. The 11th amendment was made on March 17, 2022. The 12th amendment was made on December 20, 2022. <u>The 13th amendment was made on January 30, 2024.</u></p>	

## Three. Ratification Topics:

Motion 1 Proposed by the Board of Directors

Summary: Please ratify the 2023 business report, parent-only financial reports and consolidated financial reports for ratification.

Description: 1. The Company's 2023 parent-only and consolidate financial report have been audited by accountants Song-Yuan Wu and Chih-Wei Lai of PricewaterhouseCoopers Taiwan and submitted to the Company's audit committee, together with the financial statements and business report, for review.

2. Please ratify the parent-only and consolidated financial statements (refer to Attachment 3 (pages 18-40 of the meeting handbook)) and the 2023 business report (refer to Attachment 1 (page 14 of the meeting handbook)).

Resolution:

Motion 2 Proposed by the Board of Directors

Summary: Submit the 2023 earnings distribution for ratification.

Descriptions: Please ratify the 2023 earnings distribution which has been prepared by the Board in accordance with the Company Act and the Articles of Incorporation.

NAK Sealing Technologies Corporation

2023 Profit Distribution Table

Unit: NT\$

Item		Amount	Remarks
2023 Net income after tax	\$ 979,206,387		
Re-measured actuarial gains and losses of the defined benefit plans recognized in the retained earnings	10,975,493		
The amount of which the net income after taxes plus the items other than the net income added to the undistributed retained earnings		\$ 990,181,880	
Less: 10% as legal reserve		( 99,018,188)	
Less: Special reserve		( 30,884,499)	
2023 distributable earnings		\$ 860,279,193	
Add: Beginning undistributed earnings		1,070,300,579	
Accumulated distributable earnings as of the end of 2023		\$ 1,930,579,772	
Less: Shareholder bonus - Cash dividends (NT\$7.0/share)		( 582,129,240)	Note 1
Undistributed earnings at the end of the period		\$ 1,348,450,532	

Note:

Note 1: The amount of dividends per share to be distributed is calculated based on the number of 83,161,320 issued shares outstanding as of March 13, 2024.

Note 2: The fractional cash dividends that do not amount to a full NT\$1 shall be added to the Company's other income.

Chairman: Cheng-Fu Shih

President: Ming-Yao Shih

Principal Accounting Officer: Jul-Ching Hsueh

Resolution:

## Four. Discussion Items

(1) Amendment of provisions of the “Articles of Incorporation”.

- Description: 1. It is proposed to amend provisions of the “Articles of Incorporation” to meet the Company’s practical needs.
2. The comparison of amendments to the “Articles of Incorporation” is shown as follows:

Article	Before Amendment	After Amendment	Descriptions
Article 15	<p>The Company has nine directors, who are elected by the candidate nomination approach. Shareholders shall elect directors from the list of candidates. The term of service is three years and they can be re-elected. The total shareholding of all directors is subject to the regulations of the securities regulatory agency.</p> <p>According to the provisions of Article 14-2 of the Securities and Exchange Act, there shall be no less than three independent directors, and they shall represent no less than one-fifth of the above-mentioned directors of the Company. The election of independent directors adopts a candidate nomination approach, and they are elected from the list of candidates for</p>	<p>The Company has nine directors, who are elected by the candidate nomination approach. Shareholders shall elect directors from the list of candidates. The term of service is three years and they can be re-elected. The total shareholding of all directors is subject to the regulations of the securities regulatory agency.</p> <p>According to the provisions of Article 14-2 of the Securities and Exchange Act, there shall be no less than three independent directors, and they shall represent no less than <u>one-third</u> of the above-mentioned directors of the Company. The election of independent directors adopts a candidate nomination approach, and they are elected from the list of candidates for</p>	Amend the provision as required by laws and regulations of the competent authority.

Article	Before Amendment	After Amendment	Descriptions
	<p>independent directors at the shareholders' meeting. The professional qualifications, shareholding, part-time restrictions, nominations and other rules to be followed regarding the election of independent directors shall be handled in accordance with laws and regulations of the securities authority.</p> <p>The Company establishes an audit committee, and the committee shall be composed of all independent directors. The audit committee or its members are responsible for performing the functions of supervisors specified in the Company Act, Securities and Exchange Act and other regulations.</p>	<p>independent directors at the shareholders' meeting. The professional qualifications, shareholding, part-time restrictions, nominations and other rules to be followed regarding the election of independent directors shall be handled in accordance with laws and regulations of the securities authority.</p> <p>The Company establishes an audit committee, and the committee shall be composed of all independent directors. The audit committee or its members are responsible for performing the functions of supervisors specified in the Company Act, Securities and Exchange Act and other regulations.</p>	
Article 23	<p>The remuneration of directors shall be determined by the Board according to the standards among the industry peers.</p>	<p>The Company shall pay compensation to <u>directors of the Company who engages in business execution of the Company, regardless of the operating gain or loss of the Company, and the compensation shall be determined based on the level of participation</u></p>	<p>The article is amended to reflect the actual operations.</p>

Article	Before Amendment	After Amendment	Descriptions
		<u>in the Company’s operations and the value of contributions with reference to the general standards within the industry. If the Company has earnings, the earnings shall be distributed in accordance with Article 28.</u>	
Article 31	<p>The Articles of Incorporation were established in July 23, 1976... The 25th amendment was made on June 15, 2010. The 26th amendment was made on June 6, 2012. The 27th amendment was made on June 12, 2015. The 28th amendment was made on June 29, 2016. The 29th amendment was made on June 22, 2017. The 30th amendment was made on July 29, 2011.</p>	<p>The Articles of Incorporation were established in July 23, 1976...The 25th amendment was made on June 15, 2010. The 26th amendment was made on June 6, 2012. The 27th amendment was made on June 12, 2015. The 28th amendment was made on June 29, 2016. The 29th amendment was made on June 22, 2017. The 30th amendment was made on July 29, 2011. The 31st amendment was made on June 9, 2022. <u>The 32nd amendment was made on June 20, 2024.</u></p>	Add the date of the new amendment.

## Five. Extraordinary Motions

## Six. Adjournment

## Attachment 1

### 2023 Business Report

#### 1. Achievements of business plan

The Company's net revenue in 2023 is NT\$3,447,437 thousand, representing an increase of 14.03% from NT\$3,023,279 thousand in 2022; the net profit before tax in 2023 is NT\$1,224,659 thousand, representing an increase of 49.96% from NT\$816,669 thousand in 2022. This is mainly due to the rebound in the market demand for the current year, so that both net operating income and net profit before tax in 2023 increased compared with the previous period.

Unit: In NT\$ thousand

Item	2023	2022	Change in %
Net Operating Income	3,447,437	3,023,279	14.03%
Gross profit	1,299,948	916,201	41.88%
Operating Income	811,383	460,967	76.02%
Pre-tax net income	1,224,659	816,669	49.96%
Net income after tax	979,206	650,200	50.60%

#### 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
Capital structure (%)	Debt-to-total-assets ratio	20.67	29.07
	Long-term funds to fixed assets ratio (%)	374.25	337.13
Solvency (%)	Current ratio	277.66	178.18
	Quick ratio	172.73	98.62
Profitability (%)	Return on total assets	19.88	13.82
	Return on shareholders' equity	26.37	19.46
	Net margin	28.40	21.51
	Earnings per share – After tax (NT\$)	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"> <li>1. OEM products in the automotive industry, oil seals used in gearbox of electric vehicles.</li> <li>2. OEM products in the automotive industry, oil seals used in vehicle axles.</li> <li>3. OEM products in the automotive industry, oil seals used in vehicle shock absorbers.</li> <li>4. OEM products for industrial applications, oil seals used in low torque reducers.</li> <li>5. OEM products for industrial applications, oil seals used in precision gearboxes.</li> <li>6. OEM products in the industrial industry, used in washing machine oil seals.</li> <li>7. OEM products for agricultural construction and mining industries, oil seals used in agricultural machinery axles.</li> <li>8. OEM products for agricultural construction and mining industries, oil seals used in agricultural hydraulic pumps.</li> <li>9. OEM products for agricultural construction and mining industries, oil seals used in axles of construction machinery.</li> <li>10. OES products in the automotive industry, oil seals used in vehicle shock absorbers.</li> <li>11. OES products in the automotive industry, oil seals used in vehicle axles.</li> <li>12. As for 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"> <li>(1) Steering gearbox repair kit.</li> <li>(2) Steering pump repair kit.</li> <li>(3) Automatic transmission pistons repair kit.</li> </ol> </li> <li>13. Development of injection molding-grade rubber compound.</li> </ol>

- (2) The research and development expenses of 2023 is NT\$79,303 thousand, accounting for 2.30% of the net operating income.

Chairman: Cheng-Fu Shih

President: Ming-Yao Shih

Principal Accounting Officer: Jul-Ching Hsueh

## Attachment 2

### **NAK Sealing Technologies Corporation**

#### **Audit Committee 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. We hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Yours,

The 2024 Annual General Meeting

NAK Sealing Technologies Corporation

Convener of the Audit Committee: Su-Ying Li

March 13, 2024

Attachment 3

**NAK Sealing Technologies Corporation**  
**Details of Remuneration of Directors in 2023**

Unit: NT\$ thousand

Job title	Name	Directors' remuneration								Total Remuneration (A+B+C+D) as a % of the Net Income		Remuneration for concurrent position as an employee								Total Compensation (A+B+C+D+E+F+G) as a % of the Net Income		Receipt of remuneration from non- consolidated affiliates or the parent company
		Base Compensation (A)		Severance Pay and Pensions (B)		Directors' remuneration (C)		Allowances for Operations (D)				Base Compensation, Bonus Allowances (E)		Severance Pay and Pension		Employees' Profit Sharing Bonus (G)						
		The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company		From All Consolidated Entities		The Company	From All Consolidated Entities	
																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	Hsi-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

Note: 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.

## Attachment 4

### 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.

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Wu, Sung-Yuan

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Lai, Chih-Wei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2024

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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	%	
<b>Current assets</b>						
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	<b>Current Assets</b>		<u>1,817,101</u>	<u>36</u>	<u>1,897,888</u>	<u>39</u>
<b>Non-current assets</b>						
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	<b>Non-current assets</b>		<u>3,175,496</u>	<u>64</u>	<u>2,990,540</u>	<u>61</u>
1XXX	<b>Total assets</b>		<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	%
<b>Current liabilities</b>						
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	<b>Current Liabilities</b>		<u>654,428</u>	<u>13</u>	<u>1,063,228</u>	<u>22</u>
<b>Non-current liabilities</b>						
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	<b>Non-current liabilities</b>		<u>377,440</u>	<u>8</u>	<u>358,065</u>	<u>7</u>
2XXX	<b>Total Liabilities</b>		<u>1,031,868</u>	<u>21</u>	<u>1,421,293</u>	<u>29</u>
<b>Equity</b>						
Share capital		6(11)				
3110	Share capital - common stock		831,613	17	831,613	17
Capital surplus		6(12)				
3200	Capital surplus		214,743	4	214,743	4
Retained earnings		6(13)				
3310	Legal reserve		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	<b>Total equity</b>		<u>3,960,729</u>	<u>79</u>	<u>3,467,135</u>	<u>71</u>
Significant Contingent Liabilities and		9				
Unrecognised Contract Commitments						
Significant Events after the Balance		11				
Sheet Date						
3XX	<b>Total liabilities and equity</b>		<u>\$ 4,992,597</u>	<u>100</u>	<u>\$ 4,888,428</u>	<u>100</u>

**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)

Items	Notes	Year ended December 31			
		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)	( 2)
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)	( -)	( 3,926)	( -)
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(5)				
7000 Total non-operating income and expenses		306,375	12	287,284	10
7900 Profit before income tax		413,276	12	355,702	12
7950 Income tax expense	6(21)	( 1,224,659)	( 35)	( 816,669)	( 27)
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		( \$ 19,809)	( -)	\$ 17,337	( -)
8500 Total comprehensive income for the year		\$ 959,397	28	\$ 667,537	21
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			Financial statements translation differences of foreign operations	Total equity
		Share capital - common stock	Additional paid-in capital	Premium from merger	Legal reserve	Special reserve	Unappropriated retained earnings		
<b>Year 2022</b>									
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
<b>Year 2023</b>									
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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
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 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
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

## 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.

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Wu, Sung-Yuan

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Lai, Chih-Wei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 13, 2024

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**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	%
<b>Current assets</b>						
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	<b>Current Assets</b>		<u>3,236,022</u>	<u>61</u>	<u>3,225,065</u>	<u>61</u>
<b>Non-current assets</b>						
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	<b>Non-current assets</b>		<u>2,056,232</u>	<u>39</u>	<u>2,019,885</u>	<u>39</u>
1XXX	<b>Total assets</b>		<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	%
	<b>Current liabilities</b>					
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	<b>Current Liabilities</b>		<u>859,161</u>	<u>16</u>	<u>1,299,939</u>	<u>25</u>
	<b>Non-current liabilities</b>					
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	<b>Non-current liabilities</b>		<u>468,343</u>	<u>9</u>	<u>461,314</u>	<u>9</u>
2XXX	<b>Total Liabilities</b>		<u>1,327,504</u>	<u>25</u>	<u>1,761,253</u>	<u>34</u>
	<b>Equity attributable to owners of parent</b>					
	Share capital	6(13)				
3110	Share capital - common stock		831,613	16	831,613	16
	Capital surplus	6(14)				
3200	Capital surplus		214,743	4	214,743	4
	Retained earnings	6(15)				
3310	Legal reserve		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	6(16)				
3400	Other equity interest		( 197,664 )	( 4 )	( 166,780 )	( 3 )
31XX	<b>Equity attributable to owners of the parent</b>		<u>3,960,729</u>	<u>75</u>	<u>3,467,135</u>	<u>66</u>
36XX	Non-controlling interest		4,021	-	16,562	-
3XXX	<b>Total equity</b>		<u>3,964,750</u>	<u>75</u>	<u>3,483,697</u>	<u>66</u>
	Significant Contingent Liabilities and Unrecognised Contract Commitments	9				
3X2X	<b>Total liabilities and equity</b>		<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 )

Items	Notes	Year ended December 31			
		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		1,971,202	41	1,452,770	35
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		1,306,083	27	830,909	20
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		22,819	1	77,094	2
7900 Profit before income tax		1,328,902	28	908,003	22
7950 Income tax expense	6(23)	( 348,391)	( 8)	( 256,229)	( 6)
8200 Profit for the year		\$ 980,511	20	\$ 651,774	16
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		10,975	-	( 7,857)	-
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		( \$ 19,901)	-	\$ 17,548	-
8500 Total comprehensive income for the year		\$ 960,610	20	\$ 669,322	16
Profit attributable to:					
8610 Owners of the parent		\$ 979,206	20	\$ 650,200	16
8620 Non-controlling interest		1,305	-	1,574	-
		\$ 980,511	20	\$ 651,774	16
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 959,297	20	\$ 667,536	16
8720 Non-controlling interest		1,313	-	1,786	-
		\$ 960,610	20	\$ 669,322	16
Basic earnings per share	6(24)				
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 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)

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

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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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 accounted for using equity method	6(5)	( 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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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.

## Appendix 1

### Articles of Incorporation of NAK Sealing Technologies Corporation

#### Chapter 1 General Principles

Article 1: The Company is incorporated in accordance with the Company Act, and is named NAK Sealing Technologies Corporation.

Article 2: The Company is engaged in the following business activities:

1. Processing, manufacturing and import and export of oil seals for automobiles, motorcycles, machinery and transportation equipment.
2. CQ01010 Mold and Die manufacturing.
3. CB01010 Mechanical Equipment Manufacturing.
4. F401030 Manufacture export.
5. C804020 Industrial rubber products manufacturing.
6. F401010 International trade.
7. All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The head office of the Company is located in Nantou County, Taiwan Province. If necessary, branch offices at home and abroad may be established after the resolution of the Board of Directors and the approval by the central authority.

Article 4: The Company may provide external endorsement due to the needs of the business.

Article 5: The total amount of the Company's re-investment is not subject to limitations specified in Article 13 of the Company Act.

#### Chapter 2 Shares

Article 6: The total authorized capital of the Company is NT\$1 billion, divided into 100 million common stock shares. Each share has a face value of ten New Taiwan Dollars. The board of directors is authorized to issue unissued stocks on installment basis.

Article 7: The share certificates of the Company shall be name-bearing and signed or stamp-

sealed by the directors representing the Company and are issued upon the authentication by the government authority. The name-bearing shares issued by the Company may be exempted from actual printing, and the same applies to the issue of other securities, but they shall all be registered with the Taiwan Depository and Clearing Corporation and comply with the regulations of the organization.

Article 8: Changes in the shareholder register cannot be made within 60 days prior to shareholders' regular meetings, 30 days prior to extraordinary general meetings or 5 days before the Company's decision on dividend or bonus distribution or other ex-dates.

### **Chapter 3 Shareholders' Meeting**

Article 9: There are two types of shareholder meetings : annual general meetings and extraordinary general meetings. General meetings are held once a year and shall be held within six months after the end of each fiscal year. Extraordinary general meetings, when necessary, are held in accordance with the provisions of relevant regulations.

The shareholder meetings may be held by teleconferencing or other means announced by the Ministry of Economic Affairs.

Article 10: Shareholders who cannot attend the meetings in person may offer to show the power of attorney issued by the Company which specifies the scope of authorization, and entrust their proxy with attending the meetings, or attend the meeting through electronic transmission. Shareholders who entrust their proxy with the meeting attendance shall comply with the "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public Companies" promulgated by the securities authority, unless otherwise specified by Article 177 of the Company Act.

Article 11: Shareholders' meetings shall be convened by the Board and chaired by the Chairman. If the Chairman is absent for any reason, the Vice Chairman will be the acting chairperson of the meetings on behalf of the Chairman. If the Vice Chairman is also absent, one of the directors shall be appointed by the Chairman to chair the meeting. If no person of acting duty is appointed, one shall be appointed among the

directors. Shareholders' meetings that are convened by other authorized persons shall be chaired by the convener. If there are two or more conveners, one shall be appointed among them to act as a Chair.

Article 12: The standard of one share, one vote shall apply to every shareholder of the Company, but those in the circumstances limited by the relevant laws and regulations shall have no voting rights.

Article 13: Except otherwise regulated by relevant laws, a shareholders' meeting resolution is passed when more than 50% of all outstanding shares are represented in the meeting in person or by proxies, and voted in favor by more than 50% of all voting rights represented at the meeting.

Article 14: The voted issues should be made into a resolution record signed or stamped by the Chair of the meeting and then distributed to each shareholder within 20 days after the meeting. The distribution of the record may be made electronically or by other means announced.

#### **Chapter 4 Directors and Audit Committee**

Article 15: The Company has nine directors, who are elected by the candidate nomination approach. Shareholders shall elect directors from the list of candidates. The term of service is three years and they can be re-elected. The total shareholding of all directors is subject to the regulations of the securities regulatory agency. According to the provisions of Article 14-2 of the Securities and Exchange Act, there shall be no less than three independent directors, and they shall represent no less than 1/5 of the abovementioned directors of the Company. The election of independent directors adopts a candidate nomination approach, and they are elected from the list of candidates for independent directors at the shareholders' meeting. The professional qualifications, shareholding, part-time restrictions, nominations and other rules to be followed regarding the election of independent directors shall be handled in accordance with laws and regulations of the securities authority. The Company establishes an audit committee, and the committee shall be composed of all independent directors. The audit committee or its members are responsible for performing the functions of supervisors specified in the Company

Act, Securities and Exchange Act and other regulations.

- Article 16: If the Board loses more than one-third of its directors, the Board of Directors shall convene an extraordinary general meeting within 60 days to elect new members for the shortfall. In which case, the newly elected members shall serve the remaining term of the existing Board. If video conferencing is adopted in a board meeting, directors who participate in the meeting via video conferencing are considered in attendance in person.
- Article 17: The executive duties of directors shall be extended until the re-election if their term expires before the re-election. However, the competent authority may, ex officio, order the company to elect new directors within a given time limit; and if no re-election is effected after expiry of the given time limit, the out-going directors shall be discharged ipso facto from such expiration date.
- Article 18: A Chairman and a Vice Chairman representing the Company are elected in the Board meeting where more than two-thirds of directors are in attendance and more than half of the attending directors agree to the vote, and the Chairman and the Vice Chairman are to conduct all matters of the Company in accordance with the laws, regulations and the resolutions of the shareholders' meetings and the Board.
- Article 19: Strategies and key issues concerning the Company's operations shall be resolved by the Board of Directors. The first meeting of a new Board is to be convened according to Article 203 of the Company Act, whereas all subsequent Board meetings shall be convened and chaired by the Chairman. If the Chairman is unable to perform duties for any reason, he/she may appoint the Vice Chairman to act on his/her behalf. If the Vice Chairman is unable to perform duties, he/she may appoint one of the directors to act on his/her behalf. If no delegate is appointed, the remaining directors will appoint one among them to perform the Chair's duties on his/her behalf.
- Article 19-1: Reasons shall be specified and every director shall be notified at least 7 days before the convening of Board meetings. Meetings can be called at any time in case of emergency. The notice of the convening of board meeting can be made in writing, e-mail or fax.

- Article 20: Unless otherwise regulated by the Company Act, Board meetings shall have the attendance of more than half of the Board members, and the resolutions shall be represented by more than half of the attending directors. Directors who cannot attend the meetings may present a power of attorney which specifies the scope of authorization and entrust other directors with attending the meetings. One director can only represent one other director.
- Article 21: The discussed issues should be recorded in the meetings signed or stamped and sealed by the Chair and then distributed to each director within 20 days after the meeting. The meeting minutes shall record the essentials and results of the meetings. The proceedings shall be kept in the Company together with the signature of the attending directors and the power of attorney for the proxies.
- Article 22: The composition, powers, rules of procedures and other rules to be followed regarding the audit committee shall be handled in accordance with the laws and regulations of the securities authority.
- Article 23: The remuneration of directors shall be determined by the Board according to the standards among the industry peers.
- Article 24: The Company may purchase liability insurance for all directors to protect the rights and interests of all shareholders and reduce the Company's operational risks.

#### **Chapter 5 Managers and Employees**

- Article 25: The Company shall establish positions of managers, and the appointment, dismissal and remuneration shall comply with the Company Act.
- Article 26: The Company may hire consultants or high-level staff through a resolution of the Board based on Article 20 of the Articles of Incorporation.

#### **Chapter 6 Settlement of Accounts**

- Article 27: The Company shall, at the end of each fiscal year, have the Board prepare the list of documents shown below, submit them to shareholders general meeting, and request for the ratification of the reports at the meeting:
1. Business report.
  2. Financial statements.

3. Motions for profit distribution or making-up for losses.

Article 28: If the Company is profitable in the fiscal year, no less than 3% of the profit shall be offered as bonuses for employees, and no more than 3% of the profit shall be allocated as remuneration for directors. 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.

The distribution in the abovementioned paragraphs shall be executed after the resolution approval at the board meeting with more than two-thirds of directors attending and more than half of the attending directors agreed and passed the resolution, and then reported to the shareholders' meeting.

Article 28-1: 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.

## **Chapter 7 Supplementary Provisions**

- Article 29: The Company's organizational policies and procedures are determined separately by the Board.
- Article 30: Any outstanding issues not addressed in the Articles of Incorporation shall be governed by the Company Act and relevant regulations.
- Article 31: The Articles of Incorporation were established on July 23, 1976; the 1st amendment was made on June 16, 1978; the 2nd amendment was made on April 20, 1979; the 3rd amendment was made on July 29, 1980; the 4th amendment was made on February 1, 1982; the 5th amendment was made on August 20, 1982; the 6th amendment was made on September 10, 1983; the 7th amendment was made on December 13, 1986; the 8th amendment was made on August 15, 1990; the 9th amendment was made on March 1, 1994; the 10th amendment was made on September 1, 1994; the 11th amendment was made on October 1, 1994; the 12th amendment was made on June 1, 1995; the 13th amendment was made on August 2, 1997; the 14th amendment was made on April 28, 1998; the 15th amendment was made on April 8, 1999; the 16th amendment was made on June 5, 1999; the 17th amendment was made on May 26, 2000; the 18th amendment was made on May 24, 2001; the 19th amendment was made on April 8, 2002; the 20th amendment was made on June 17, 2003; the 21st amendment was made on May 18, 2004; the 22nd amendment was made on May 18, 2004; the 23rd amendment was made on June 10, 2005; the 24th amendment was made on June 21, 2006; the 25th amendment was made on June 15, 2010; the 26th amendment was made on June 6, 2012; the 27th amendment was made on June 12, 2015; the 28th amendment was on June 29, 2016; the 29th amendment was made on June 22, 2017; the 30th amendment was made on July 29, 2021; and the 31st amendment was made on June 9, 2022.

NAK Sealing Technologies Corporation

Responsible Person: Cheng-Fu Shih

## Appendix 2

### **NAK Sealing Technologies Corporation Rules of Procedure for Shareholders' Meetings**

- Article 1: Unless otherwise specified by laws, shareholder meetings of the Company shall proceed according to the terms of these Rules.
- Any changes to the convening of a shareholders' meeting shall be resolved in a Board meeting, which should be completed at the latest before the notice of the shareholders' meeting is sent.
- Article 2: The Company shall provide an attendance register for the attending shareholders to sign in, or have the attending shareholders turn in their attendance cards as to sign in, and the attending shareholders should wear their attendance certificate to attend the shareholder meeting. The number of shares in attendance is counted based on the attendance register or the submitted attendance cards.
- Admission of meeting participants shall begin at least 30 minutes before the meeting commences. The reception area must be clearly marked and stationed with competent personnel. Check in to the teleconferencing platform of the shareholders' meeting should be completed at least 30 minutes before the meeting starts. Those who complete the check-in are considered to have attended the meeting in person. Shareholders who would like to attend the teleconferencing shareholder meeting should register with the Company at least two days before the shareholder meeting. For shareholder meetings that are held by teleconferencing, the Company shall upload the meeting handbook, annual report and other relevant information to the teleconferencing platform of the shareholder meeting, and keep them disclosed until the end of the meeting.
- Article 3: Attendance and voting at a shareholders meeting shall be calculated based on the number of shares. The number of shares in attendance is counted based on the submitted attendance cards and the shareholding reported on the teleconferencing platform, together with the shares with the written or electronic voting rights. The shares of the shareholders without voting rights are not counted in the total issued shares for the resolution of the meeting.

- Article 4: The shareholders' meetings should be held at the location of the Company or the place convenient for the shareholders and suitable for the meeting occasion. The meeting should not be earlier than 9am or later than 3pm.
- If the shareholder meeting is held by teleconferencing, it is not subject to the restriction on the revenue as specified in the preceding paragraph.
- Article 5: Shareholders' meetings that are convened by the Board of Directors shall be chaired by the Chairman. If the Chairman is on leave or is unable to exercise duties for any reason, the Vice Chairman will act on his/her behalf. If there is no Vice Chairman or if the Vice Chairman is also on leave or is unable to exercise duties for any reason, the Chairman may appoint one managing director to assume the acting duty. If there is no managing director, one of the directors shall be appointed to perform the acting duty. If the Chairman does not appoint a delegate, one shall be appointed among managing directors or directors.
- For a shareholders' meeting that is convened by those with the convening authority outside of the board, the meeting should be chaired by the ones with convening authority.
- Article 6: The Company may summon its lawyers, certified public accountants, and any relevant personnel to be present at shareholders' meetings.
- Staff handling administrative affairs of the shareholders' meeting shall wear identification cards or armbands.
- Article 7: The Company shall make an uninterrupted audio and video recording of the entire shareholders' meeting. These recordings must be retained for at least one year.
- However, if a shareholder raises a litigious claim against the Company according to Article 189 of The Company Act, the abovementioned documents must be retained until the end of the litigation.
- For the shareholder meetings held by teleconferencing, the Company shall retain records of the shareholders' registration, login, check-in, questioning, voting and vote counting results, etc., and make continuous and uninterrupted audio and video recording of the entire meeting.
- The above-mentioned materials and audio and video recordings shall be properly

retained by the Company during the period of existence, and they shall be provided to those who are entrusted with handling teleconferencing tasks.

If the shareholder meeting is to be held by teleconferencing, the Company should audio- and video-record the backend operation interface of the teleconferencing platform.

Article 8: The chairperson shall call the meeting to order immediately at the designated meeting time if the attending shareholders represent a majority of the total number of issued shares. However, if the attending shareholders do not represent a majority of the total number of issued shares, the chairperson may announce a postponement, provided that no more than two such postponements (20 minutes for the first and 10 minutes for the second) may be made. If the number of shares present is still insufficient after two postponements, and there are more than 1/3 of the total issued shares present, a tentative resolution may be passed by a majority of those present in accordance with Article 175 of the Company Act. Shareholders who wish to attend the shareholders' meeting, which is to be held by teleconferencing, shall register with the Company in accordance with Article 2.

During the time when the tentative resolutions mentioned in the preceding paragraph are being made, if the number of shares represented by the shareholders present has reached the quorum, the chairperson may immediately announce the formal start of the meeting and submit the tentative resolutions that have been made to the general meeting for ratification.

Article 9: The Board should set the agenda for the meetings that it convenes. Relevant motions (including extraordinary motions and amendments to the original motions) shall be decided on a case-by-case basis. The meeting should be carried out based on the agenda, and should not be changed without the resolution of the shareholders.

The rules of the preceding paragraph may be applied to a meeting of shareholders convened by a party that is not the board of directors.

The chair may not declare the meeting ended prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. After the said

meeting ends, shareholders shall not elect another chairperson to hold another meeting at the same or any other place.

Article 10: Before speaking, the attending shareholders should first fill out a statement slip specifying the attendance card number, account number and purpose, and allow the Chair to determine the order to give the statements.

The attending shareholders are considered to offer no statement if they only provide the statement slips without speaking. In the event where the content of the statement is inconsistent with the speech note, the content of the statement should prevail.

When a present shareholder is making a statement, other shareholders shall not speak unless permitted by the chairperson and the speaking shareholder. Violators shall be halted by the chairperson.

Article 11: Each shareholder shall not make more than two statements for the same motion without the Chair's agreement, and each statement shall not exceed five minutes. If a shareholder's statement violates the rules or exceeds the scope of the issue, the chairperson has the right to halt the statement.

Article 12: Corporate entities that have been appointed as proxy attendants can only appoint one representative to attend shareholders' meeting. The corporate shareholders who assign more than two legal representatives to attend the meeting can only have one person giving a speech for a motion.

Article 13: Motions should be discussed in the order in which they are arranged on the agenda. If there are any violations of the procedures, the Chair should immediately stop the violators.

The chair is to stop discussion and announce for a vote for the motion that is close to the level to be decided by votes.

Article 14: After an attending shareholder speaks, the chairman shall personally answer or designate relevant personnel to answer.

For the shareholders' meetings held by teleconferencing, the shareholders who attend the meetings by teleconferencing may raise their questions in writing on the teleconferencing platform after the Chair announces the start of the meeting and before the Chair announces the ending of the meeting. No more than two questions

for the same motion should be allowed, and each question can have a maximum of 200 words. These do not apply to the requirements in Article 10 to Article 12.

The abovementioned questions which do not violate the rules or do not exceed the scope of the motion should be disclosed on the teleconferencing platform as public knowledge.

Article 15: Vote counting for shareholders' meeting motions or elections shall be conducted in public at the place of the shareholders' meeting. The examining and counting personnel for the voting should be assigned by the Chair, and the examining personnel should have a shareholder status. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site and made into record.

For the shareholder meetings held by teleconferencing, the votes shall be counted once after the Chair announces the close of voting, and the results of the voting and election will be announced.

Article 16: The Chair may put the meeting in recess at appropriate times. In the occurrence of a force majeure event, the Chair may suspend the meeting temporarily and resume it at another time.

Article 17: Unless otherwise provided in the Company Act, the approval of a resolution shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. During the voting process, the chair or the designated personnel announces the total number of the eligible voting rights of the attending shareholders and then carries out the voting case by case. On the same day of the meeting, the number of agree, disagree and abstain are entered into the Market Observation Post System.

The standard of one share, one vote shall apply to every shareholder, but those in the circumstances limited by the relevant laws and regulations shall have no voting power. Shareholders unable to attend the meeting may offer to show the power of attorney issued by the Company that specifies the scope of authorization and entrust their proxy with attending the meeting in accordance with the rules specified in the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings

of Public Companies. Other than the trust businesses approved by the authorities, a person representing more than two shareholders as a proxy cannot have the shares exceeding three percent of the total voting shares. The exceeded voting rights will not be counted.

Each shareholder may issue one proxy form and delegate one proxy only. All proxy forms must be received by the Company at least 5 days before the shareholder meeting. In cases where multiple proxy forms are issued, the one that arrives first shall prevail. However, this excludes situations where the shareholder has issued a proper declaration to withdraw from the previous proxy arrangement.

Should the shareholder decide to attend a shareholder meeting by teleconferencing after a proxy form has been received by the Company, a written notice must be sent to the Company no later than 2 days before the meeting commences to withdraw the proxy arrangement. If the shareholder fails to withdraw the proxy arrangement before the due date, the vote of the proxy attendant shall prevail.

Article 18: For the amendment or substitute of the same motion, the Chair is to combine it with the original motion to determine the vote order. If one of the motions has been passed, the other motions are viewed as denied and no more voting will be conducted.

Article 18-1: Shareholders' meetings that involve election of directors shall proceed according to the Company's election policy. Results of the elections, including the list of elected directors and the final tally, must be announced on-site.

All ballots used in the above election shall be sealed and signed by the ballot examiner, and held in proper custody for at least one year. However, if a shareholder raises a litigious claim against the Company according to Article 189 of the Company Act, the abovementioned documents must be retained until the end of the litigation.

Article 19: The Chair is to direct proctors (or security guards) to help maintain order of the meeting. The proctors (or security personnel) help maintaining order at the meeting place shall wear an armband bearing the word "Proctor."

Article 20: The voted issues should be made into a resolution record signed or stamped by the

chair and then distributed to each shareholder within twenty days after the meeting. The distribution of the aforementioned resolutions can be entered into Market Observation Post System to be publicly announced.

The resolution proceedings should correctly record the year, month, day, venue, name of the chair, voting method, the essentials of the proceedings and the voting results (including the statistical weights). If there is an election of directors and supervisors, the votes received by each nominee shall also be disclosed.

These records are to be kept permanently during the Company's existence. The attendance register or the attendance card of the attending shareholders and the power of attorney of attending proxies shall be retained for at least one year.

The minutes of the shareholders' meeting held by teleconferencing should record the items mentioned the preceding paragraph, the starting and ending time of the meeting, the convening method the meeting, the name of the Chair and the meeting minute taker, the measures taken for those who have difficulties participating in the meeting by teleconferencing or when the teleconferencing platform or the teleconference experiences force majeure.

The meeting minutes should also specify the alternative measures taken for shareholders who may have difficulties joining the meeting by teleconferencing.

Article 21: For shareholder meetings that are held by teleconferencing, the Company immediately discloses the voting results of motions and election results to the teleconferencing platform of the shareholders' meeting in accordance with the regulations, and keeps them disclosed for at least 15 minutes after the Chair announces the ending of the meeting.

Both the Chair and the meeting minute keeper shall be at the same domestic location when holding teleconferencing shareholders' meetings, and the Chair should announce the address of the place at the beginning of the meeting.

Article 22: Any outstanding issues not specified in the Rules are to be handled in accordance with the Company Act, the relevant laws and the Company's Articles of Incorporation.

Article 23: The above rules shall take effect once approved during a shareholders' meeting. The same applies to all subsequent revisions.

Appendix 3

**NAK Sealing Technologies Corporation**  
**Directors' Shareholding Position**

- I. In accordance with the provisions of Article 3 of the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”, the shareholdings of all the directors of the Company recorded in the shareholder register as of the date when the annual general meeting ends are detailed in the following table:
- II. The total issued share capital of the Company has 83,161,320 shares. According to the provisions of Article 2 of the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”, the minimum shareholding of all directors is 6,652,905 shares. The company has established an audit committee; therefore, the rule that all supervisors are legally required to hold a number of shares does not apply.

April 22, 2024

Job title	Name	Number of shares recorded in the list of shareholders' registrations by the stop-transfer date	Ownership
Chairman	Cheng-Fu Shih	4,500,000	5.41%
Vice Chairman	Chun-Tang Hsu	1,412,427	1.70%
Director	Hsi-Hu Nian	275,000	0.33%
Director	Ming-Yao Shih	1,637,402	1.97%
Director	Ren-An Chen	919,533	1.11%
Independent director	Kuo-Ko Chen	-	-
Independent director	Su-Ying Lee	-	-
Independent director	Chi-Hung Wu	-	-
Independent director	Chin-Lung Lin	3,000	-
<b>Overall Directors' Shareholding Position</b>		8,744,362	10.52%