

**G-SHANK ENTERPRISE CO., LTD.  
AND SUBSIDIARIES  
Consolidated Financial Statements for the  
Years Ended December 31, 2023 and 2022 and  
Independent Auditors' Report**

*Notice to Readers*

*The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.*

## **REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of G-Shank Enterprise Co., Ltd. as of and for the year ended December 31, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, G-Shank Enterprise Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

G-SHANK ENTERPRISE CO., LTD.

By

---

Yuhuang Lin

Chairman

March 8, 2024

# INDEPENDENT AUDITOR'S REPORT

To: G-SHANK ENTERPRISE CO., LTD.

## **Opinion**

We have audited the accompanying consolidated balance sheets of G-SHANK ENTERPRISE CO., LTD. (hereinafter referred to as "G-SHANK GROUP") and its subsidiaries as of December 31, 2023, and 2022, and the related consolidated statements of comprehensive income, retained earnings, and cash flows for the years then ended.

In our opinion, based on our audit and the audit reports of other independent auditors (please refer to the relevant paragraphs for details), the consolidated financial statements referred to above present fairly, in all material respects, the financial position of G-SHANK GROUP as of December 31, 2023, and 2022, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Financial Reporting Standards (IFRSs) that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRSs), Interpretation (IFRIC) and Interpretative Announcement (SIC).

## **Basis for opinion**

We conducted our audit in accordance with the "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountings" and generally accepted auditing standards. The responsibilities of the independent auditors under these standards will be further explained in the audit performed on the consolidated financial statements. The personnel of the CPA Firm subject to the independence requirement has acted independently from the business operations of G-SHANK GROUP in accordance with the Code of Ethics and have performed other responsibilities of the Code of Ethics. We believe that our audit and other CPA's audit reports provide a reasonable basis for our opinion.

## **Key audit matters**

The key audit matters refer to the most important matters in auditing the 2023 consolidated financial statements of G-SHANK GROUP in accordance with the professional judgment of the independent auditors. These matters have been handled during the process of reviewing the consolidated financial statements as a whole with audit opinions formed. The independent auditor does not express an independent opinion on these matters. The independent auditor determines that the key audit matters to be communicated in the audit report are as follows:

1. Income recognition

Please refer to Note 4(17) to the consolidated financial statements for the accounting policy on income recognition. Also, please refer to Note 6(24) for the operating income in detail.

The operating income of G-SHANK GROUP is mainly generated from the production and sales of molds and stamping parts. The timing of income recognition is based on the transaction conditions agreed with each individual customer. An inappropriate timing for income recognition and unreasonable estimation of the refund liabilities for sales returns and sales discounts are key matters for income recognition, which will have an impact on the financial performance of G-SHANK GROUP. The independent auditor has the income recognition classified as a key audit matter in auditing the consolidated financial statements of G-SHANK GROUP.

The auditing procedures implemented by the independent auditors for the aforementioned key audit matters include: Understanding the sales process of G-SHANK GROUP, testing the internal control related to income recognition, reviewing the terms of the sales with the major customers, performing income cut-off tests, and checking the book-entry of sales returns and discounts, the measurement of the estimated refund liabilities for sales returns and sales discounts, and the implementation of analytical procedures.

2. Inventory evaluation

Please refer to Note 4(11) of the consolidated financial statements for the accounting policy of inventory evaluation. please refer to Note 5(2)(D). of the consolidated financial statements for the major sources of uncertainty of significant estimates and assumptions. Please refer to Note 6(5). of the consolidated financial statements for inventory details.

G-SHANK GROUP is mainly engaged in the production and sale of molds and stamping parts with the production and sales policies formed that are indirectly affected by the needs of end-user. The cost of inventory could be un-recoverable due to the occurrence of inventory damaged, outdated, or price dropped entirely or partially; also, when the estimated cost to be invested to completion and the estimated sale expenses increased. The use and value of inventories rely on the management's inventory policy and sale forecast. However, a forecast comes with uncertainties. Therefore, the independent director has the inventory evaluation classified as one of the key audit matters in auditing the consolidated financial statements of G-SHANK GROUP.

A decisive factor in the value of inventories is the estimated net realizable value, which is based on the most reliable evidence of the expected realizable amount of inventories available at the time of estimation. Therefore, the relevant audit procedures of the independent auditor include reviewing and assessing whether the policy of G-SHANK GROUP in determining the net realizable value of inventories can reasonably reflect the forecast of future inventory sales, historical experience and other specific circumstances, inventory aging analysis and testing so to identify whether an allowance for inventory loss in valuation is appropriated reasonably according to historical experience for a specific obsolete inventory, the correlation between the assessment of past events and the yearend situation, and the impact of the price or cost fluctuation related to the said past events on the net realizable value of inventory.

## **Other matters**

Regarding the subsidiaries included in the consolidated financial report of G-SHANK GROUP and the relevant information of the subsidiaries disclosed in Note 13 of the consolidated financial report, the financial statements as of December 31, 2023, and 2022 of G-SHANK, INC. are prepared in conformity with the generally accepted principles of the USA, the financial statements as of December 31, 2023, and 2022 of GREAT-SHANK CO., LTD. are prepared in conformity with the generally accepted principles of Thailand, and the financial statements as of December 31, 2023, and 2022 of G-SHANK ENTERPRISE (M) SDN. BHD. are prepared in conformity with the generally accepted principles of Malaysia, which were audited by other certified public accountants instead of the independent auditor. The financial statements of G-SHANK, INC., GREAT-SHANK CO., LTD., and G-SHANK ENTERPRISE (M) SDN. BHD. are translated in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), Interpretation (IFRIC) and Interpretative Announcement (SIC). The independent auditor has completed all necessary auditing procedures. Therefore, the opinions of the independent auditor on the unadjusted amounts in the aforementioned financial statements of the subsidiaries are based on the audit reports of other certified public accountants and the results of additional audit procedures performed by them in compliance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and generally auditing principles of the ROC. The total assets of the aforementioned subsidiaries were NT\$1,056,787 thousand and NT\$1,077,162 thousand on December 31, 2023, and 2022, accounting for 10.76% and 11.14% of the total consolidated assets, respectively. The net operating income from January 1 to December 31, 2023, and 2022 were NT\$787,250 thousand and NT\$794,679 thousand, accounting for 13.70% and 11.72% of the consolidated net operating income, respectively.

Please refer to the independent auditor’s report issued with additional sections added by the independent auditor for the 2023 and 2022 parent alone financial reports prepared by G-SHANK GROUP.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

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

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 Corporation and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation and its subsidiaries 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 controls 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 for the year ended December 31, 2023 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 communications.

Chiung-hui Tseng  
Diwan & Company

Pin-chueh Li

March 8, 2024

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

## G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

(December 31, 2023 &amp; 2022 have been audited)

(In Thousands of New Taiwan Dollars)

ASSETS		Notes	December 31, 2023		December 31, 2022	
Code	Accounts		Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4 & 6.(1)	\$ 3,707,859	38	\$ 4,006,405	41
1110	Financial assets at fair value through profit or loss - current	4 & 6.(2)	1,446,978	15	866,063	9
1150	Notes receivable, net	4,5,6.(3) & 6.(4)	41,327	-	42,518	-
1170	Accounts receivable, net	4,5 & 6.(4)	1,336,211	14	1,584,250	16
1180	Accounts receivable- related parties	4,5 & 7	3	-	15	-
1200	Other receivables	4,5 & 6.(4)	59,001	1	50,086	1
1220	Current tax assets	4 & 6.(29)	7,176	-	-	-
130x	Inventory	4,5 & 6.(5)	798,495	8	1,022,566	11
1470	Prepayments and Other current assets		48,080	-	40,416	-
1476	Other financial assets-current	4,6.(6) & 8	30,163	-	31,741	1
	Total current assets		<u>7,475,293</u>	<u>76</u>	<u>7,644,060</u>	<u>79</u>
15xx	Noncurrent Asset					
1517	Financial assets at fair value through other comprehensive income	4,5,6.(7) & 6.(22)	320,903	3	262,023	3
1550	Investments accounted for using equity method	4 & 6.(8)	168,248	2	161,170	2
1600	Property, Plant and Equipment	4,5,6.(9) & 9	1,239,275	13	1,253,826	13
1755	Right-of-use asset	4,6.(10) & 6.(14)	257,954	3	255,416	3
1780	Intangible assets	4 & 6.(11)	661	-	1,037	-
1840	Deferred tax assets	4 & 6.(29)	15,205	-	29,112	-
1915	Prepayments for business facilities	4	328,695	3	46,394	-
1920	Refundable deposits		3,787	-	4,553	-
1990	Other noncurrent assets, others	8	11,426	-	11,722	-
	Total noncurrent Asset		<u>2,346,154</u>	<u>24</u>	<u>2,025,253</u>	<u>21</u>
1xxx	Total Assets		<u>\$ 9,821,447</u>	<u>100</u>	<u>\$ 9,669,313</u>	<u>100</u>

(CONTINUING)

(The accompanying notes are an integral part of the consolidated financial statements.)



## G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

(December 31, 2023 &amp; 2022 have been audited)

(In Thousands of New Taiwan Dollars)

Liabilities and Equity		Notes	December 31, 2023		December 31, 2022	
Code	Accounts		Amount	%	Amount	%
21xx	Current liabilities					
2100	Short-term loans	4,6.(12) & 6.(31)	\$ 1,210,000	12	\$ 1,070,000	11
2130	Contract liabilities - current	4 & 6.(24)	19,431	-	39,036	-
2170	Accounts payable	4	435,314	4	545,261	6
2180	Accounts payable-related parties	4 & 7	1,277	-	11,289	-
2200	Other payables	4,6.(9),6.(15) & 6.(25)	488,841	5	544,084	6
2220	Other payables-related parties	4 & 7	2,574	-	5,155	-
2230	Current tax liabilities	4 & 6.(29)	60,532	1	97,513	1
2280	Lease liabilities-current	4,6.(14) & 6.(31)	58,922	1	58,142	1
2322	Current portion of long-term loans payable	4,6.(13) & 6.(31)	-	-	38,735	-
2300	Other current liabilities		20,367	-	27,409	-
	Total current liabilities		2,297,258	23	2,436,624	25
25xx	Non-current liabilities					
2540	Long-term loans	4,6.(13) & 6.(31)	-	-	40,297	1
2570	Deferred tax liabilities	4 & 6.(29)	674,593	7	616,485	6
2580	Lease liabilities - noncurrent	4,6.(14) & 6.(31)	57,461	1	53,530	1
2640	Net defined benefit liabilities- noncurrent	4,5 & 6.(15)	29,956	-	31,929	-
2645	Guarantee deposits		10,669	-	4,704	-
	Total non-current liabilities		772,679	8	746,945	8
2xxx	Total liabilities		3,069,937	31	3,183,569	33
31xx	Equity attributable to owners of parent					
3100	Share capital	4,6.(16),6.(24) & 11				
3110	Ordinary shares		1,906,543	19	1,897,843	20
3140	Advance Receipts for Capital Stock		1,900	-	8,700	-
3200	Capital surplus	4,6.(17),6.(20),6.(23) & 11	489,905	5	472,021	5
3300	Retained earnings					
3310	Legal reserve	6.(18) & 6.(20)	981,760	10	892,927	9
3320	Special reserve	6.(19)	284,690	3	284,690	3
3350	Unappropriated earnings	4,6.(20) & 11	2,512,565	26	2,365,496	24
3400	Other equity					
3410	Exchange differences on translation of foreign financial statements	4, 6.(21), 6.(22) & 6.(28)	(409,638)	(4)	(338,584)	(3)
3420	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	4, 6.(7), 6.(8), 6.(21) & 6.(28)	300,180	3	237,702	2
	Total equity attributable to owners of parent		6,067,905	62	5,820,795	60
36xx	Non-controlling interests	4 & 6.(22)	683,605	7	664,949	7
3xxx	Total Equity		6,751,510	69	6,485,744	67
	Total liabilities and equity		\$ 9,821,447	100	\$ 9,669,313	100

(The accompanying notes are an integral part of the consolidated financial statements.)

G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2023		2022	
			Amount	%	Amount	%
4000	Sales revenue	4,6.(24) & 7	\$ 5,746,318	100	\$ 6,781,030	100
5000	Operating costs	4,6.(5),6.(15),6.(25) & 7	(4,081,875)	(71)	(4,821,562)	(71)
5900	Gross profit from operations		<u>1,664,443</u>	<u>29</u>	<u>1,959,468</u>	<u>29</u>
6000	Operating expense	4,6.(14),6.(15) & 6.(25)				
6100	Selling and marketing expenses		(255,336)	(5)	(270,700)	(4)
6200	General and administrative expenses		(482,032)	(8)	(457,437)	(7)
6300	Research and development expenses		(171,853)	(3)	(194,023)	(3)
6450	Loss (reversal) of expected credit loss	4,5 & 6.(4)	<u>2,360</u>	<u>-</u>	<u>2,373</u>	<u>-</u>
	Total operating expense		<u>(906,861)</u>	<u>(16)</u>	<u>(919,787)</u>	<u>(14)</u>
6500	Net other income (expenses)	4,6.(9),6.(25) & 6.(26)	<u>383</u>	<u>-</u>	<u>383</u>	<u>-</u>
6900	Net operating income		<u>757,965</u>	<u>13</u>	<u>1,040,064</u>	<u>15</u>
7000	Non-operating income and expenses					
7100	Interest income	6.(27)	166,687	3	106,766	1
7010	Other income	6.(7) & 6.(27)	41,095	-	53,172	1
7020	Other gains and losses	6.(2),6.(9) & 6.(27)	54,854	1	(20,249)	-
7050	Finance costs	4,6(14) & 6.(27)	(21,249)	-	(17,318)	-
7060	Share of the profit (loss) of associates	4,6(8) & 6.(27)	9,987	-	11,233	-
7630	Foreign exchange gains (loss)	4 & 6.(27)	<u>44,253</u>	<u>1</u>	<u>141,073</u>	<u>2</u>
	Total non-operating income and expenses		<u>295,627</u>	<u>5</u>	<u>274,677</u>	<u>4</u>
7900	Profit (loss) from continuing operations before tax		1,053,592	18	1,314,741	19
7950	Income Tax Expense	4 & 6.(29)	<u>(291,595)</u>	<u>(5)</u>	<u>(330,826)</u>	<u>(4)</u>
8200	Profit (loss) for the period		<u>761,997</u>	<u>13</u>	<u>983,915</u>	<u>15</u>
8300	Other comprehensive income	4,6(7),6.(8),6.(15),6.(21) & 6.(28)				
8310	Components of other comprehensive income that will not be reclassified to profit or loss :					
8311	Remeasurements of the defined benefit plan		(596)	-	20,496	-
8316	Unrealised gain (loss) on financial assets measured at fair through other comprehensive income		58,880	1	(37,315)	(1)
8320	Share of the other comprehensive (loss) income of associates		3,561	-	(4,046)	-
8349	Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss		-	-	-	-
	Other comprehensive income (loss) that will not be reclassified to profit or loss		<u>61,845</u>	<u>1</u>	<u>(20,865)</u>	<u>(1)</u>
8360	Items that may be reclassified subsequently to profit or loss :					
8361	Exchange differences on translating foreign operations		(82,836)	(1)	114,643	2
8399	Income tax expense relating to items that may be reclassified subsequently to profit or loss		-	-	-	-
	Total items that may be reclassified subsequently to profit or loss		<u>(82,836)</u>	<u>(1)</u>	<u>114,643</u>	<u>2</u>
	Total other comprehensive income (loss) for the period		<u>(20,991)</u>	<u>-</u>	<u>93,778</u>	<u>1</u>
8500	Total comprehensive income for the period		<u>\$ 741,006</u>	<u>13</u>	<u>\$ 1,077,693</u>	<u>16</u>
8600	Net profit (loss) attributable to :					
8610	Owners of the Corporation		\$ 675,040	12	\$ 867,603	13
8620	Non-controlling interests		<u>86,957</u>	<u>1</u>	<u>116,312</u>	<u>2</u>
	Net income		<u>\$ 761,997</u>	<u>13</u>	<u>\$ 983,915</u>	<u>15</u>
8700	Total comprehensive income attributable to :					
8710	Owners of the Corporation		\$ 665,831	12	\$ 950,006	14
8720	Non-controlling interests		<u>75,175</u>	<u>1</u>	<u>127,687</u>	<u>2</u>
	Total comprehensive income		<u>\$ 741,006</u>	<u>13</u>	<u>\$ 1,077,693</u>	<u>16</u>
	Earnings per share (dollar)	4 & 6.(30)				
9750	Basic		<u>\$ 3.54</u>		<u>\$ 4.58</u>	
9850	Diluted		<u>\$ 3.49</u>		<u>\$ 4.49</u>	

(The accompanying notes are an integral part of the consolidated financial statements.)

G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

Accounts	Equity Attributable to Owners of the Corporation								Total	Non-controlling Interests	Total Equity
	Share Capital			Retained Earnings			Other Equity				
	Ordinary Shares	Advance Receipts for Capital Stock	Advance Receipts for Capital Stock	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income			
BALANCE AT JANUARY 1, 2022	\$ 1,878,323	\$ -	\$ 452,744	\$ 827,106	\$ 284,690	\$ 1,937,433	\$ (441,852)	\$ 279,295	\$ 5,217,739	\$ 601,439	\$ 5,819,178
Appropriation of 2021 earnings (Note 6.(20))											
Legal reserve	-	-	-	65,821	-	(65,821)	-	-	-	-	-
Cash dividends to ordinary shareholders	-	-	-	-	-	(394,447)	-	-	(394,447)	-	(394,447)
Share of the other comprehensive income of associates disposal equity instruments designated as at fair value through other comprehensive income	-	-	15	-	-	-	-	-	15	-	15
Received donation from shareholders	-	-	27	-	-	-	-	-	27	-	27
Net profit for 2022	-	-	-	-	-	867,603	-	-	867,603	116,312	983,915
Other comprehensive income for 2022	-	-	-	-	-	20,728	103,268	(41,593)	82,403	11,375	93,778
Total comprehensive income for 2022	-	-	-	-	-	888,331	103,268	(41,593)	950,006	127,687	1,077,693
Share-based payment expenses	19,520	8,700	19,235	-	-	-	-	-	47,455	-	47,455
Cash dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(64,177)	(64,177)
BALANCE AT DECEMBER 31, 2022	\$ 1,897,843	\$ 8,700	\$ 472,021	\$ 892,927	\$ 284,690	\$ 2,365,496	\$ (338,584)	\$ 237,702	\$ 5,820,795	\$ 664,949	\$ 6,485,744
Appropriation of 2022 earnings (Note 6.(20))											
Legal reserve	-	-	-	88,833	-	(88,833)	-	-	-	-	-
Cash dividends to ordinary shareholders	-	-	-	-	-	(438,505)	-	-	(438,505)	-	(438,505)
Share of the other comprehensive income of associates disposal equity instruments designated as at fair value through other comprehensive income	-	-	296	-	-	-	-	-	296	-	296
Received donation from shareholders	-	-	55	-	-	-	-	-	55	-	55
Net profit for 2023	-	-	-	-	-	675,040	-	-	675,040	86,957	761,997
Other comprehensive income for 2023	-	-	-	-	-	(633)	(71,054)	62,478	(9,209)	(11,782)	(20,991)
Total comprehensive income for 2023	-	-	-	-	-	674,407	(71,054)	62,478	665,831	75,175	741,006
Share-based payment transaction	8,700	(6,800)	17,533	-	-	-	-	-	19,433	-	19,433
Cash dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(56,519)	(56,519)
BALANCE AT DECEMBER 31, 2023	\$ 1,906,543	\$ 1,900	\$ 489,905	\$ 981,760	\$ 284,690	\$ 2,512,565	\$ (409,638)	\$ 300,180	\$ 6,067,905	\$ 683,605	\$ 6,751,510

(The accompanying notes are an integral part of the consolidated financial statements.)

G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

Description	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax from continuing operations	\$ 1,053,592	\$ 1,314,741
Adjustments for		
The profit or loss items which did not affect cash flows:		
Depreciation	177,932	178,256
Amortization	15,352	27,341
Expected credit (gains) loss	(2,360)	(2,373)
Net (gains) losses on financial assets and liabilities at fair value through profit or loss	(63,064)	18,383
Interest expenses	21,249	17,318
Interest income	(166,687)	(106,766)
Dividends income	(9,500)	(13,571)
Share-based payment expenses	15,766	5,595
Share of profit of associates ventures accounted for using the equity method	(9,987)	(11,233)
Loss on disposal of property, plant and equipment	8,115	1,824
Unrealized foreign exchange gains	(23,533)	(10,306)
Other item	(1,585)	-
Changes in operating assets and liabilities :		
Financial assets at fair value through profit or loss	(517,225)	261,804
Notes receivables	1,191	13,330
Accounts receivable	243,753	(102,216)
Accounts receivable-related parties	12	97
Other receivables	4,769	(11,024)
Inventories	219,521	64,625
Prepayments and Other current assets	(7,664)	12,278
Current contract	(19,605)	24,288
Accounts payable	(109,747)	(3,688)
Accounts payable-related parties	(10,012)	7,376
Other payables	(51,607)	(6,258)
Other payables-related parties	(2,581)	1,548
Other current liabilities	(7,042)	(16,667)
Net defined benefit liabilities	(2,569)	(9,589)
Cash generated from operating activities:	756,484	1,655,113
Interest received	152,986	99,646
Dividends received	9,500	13,571
Interest paid	(20,934)	(17,041)
Income tax paid	(263,737)	(273,264)
Net cash flows from operating activities	<u>634,299</u>	<u>1,478,025</u>

(Continuing)

G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

Description	2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received from investments accounted for using equity method	\$ 6,766	\$ 3,782
Acquisition of property, plant and equipment	(129,552)	(155,561)
Proceeds from disposal of property, plant and equipment	4,107	1,986
Decrease in refundable deposits	766	304
Acquisition of intangible assets	(456)	(600)
Acquisition of right-of-use assets	(2,539)	-
Decrease in other current financial assets	1,697	13,862
Increase in other noncurrent assets	(14,394)	(19,945)
Increase in prepayments for business facilities	(322,466)	(29,023)
Net cash (used in) provided by investing activities	<u>(456,071)</u>	<u>(185,195)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (Decrease) in Short-term loans	140,000	(190,000)
Issuance of Long-term loans	-	2,708
Repayment of long-term loans	(79,032)	-
Decrease in guarantee deposits received	7,550	-
Cash payment for the principal portion of the lease liabilities	(15,345)	(19,088)
Payment of cash dividends	(438,505)	(394,447)
Employee exercise of stock warrant	3,667	41,860
Cash dividends paid by subsidiaries to non-controlling interests	(56,519)	(64,177)
Other financing activities	55	27
Net cash used in financing activities	<u>(438,129)</u>	<u>(623,117)</u>
Effect of changes in exchange rate on cash and cash equivalents	<u>(38,645)</u>	<u>104,439</u>
Net (decrease) increase in cash and cash equivalents	(298,546)	774,152
Cash and cash equivalents at the beginning of the period	4,006,405	3,232,253
Cash and cash equivalents at the end of the period	<u>\$ 3,707,859</u>	<u>\$ 4,006,405</u>

(The accompanying notes are an integral part of the consolidated financial statements.)

**G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

**1. COMPANY HISTORY**

G-SHANK ENTERPRISE CO., LTD. (hereinafter referred to as “the company”) was approved for incorporation on November 14, 1973. The company was registered and operated at No. 1, Jiuzhou Road, Jiudou Li, Hsinwu District, Taoyuan City for the production and sales of molds, stamping parts, fixtures and tools, automatic machines and electrical appliances, and mechanical components.

The company’s stock had been listed for trade on the “Taipei Exchange, TPEx” since February 1998, then have been listed for trade on the “Taiwan Stock Exchange Corporation, TWSE” since September 2001.

The company’s board of directors had resolved on October 22, 2007 for the merger of the company and the subsidiary “HON YEY INVESTMENT CO., LTD.” (Referred to as “HON YEY” hereinafter) with “HON YEY” discontinued and the company continues to operate. The name of the merged company is “G-SHANK ENTERPRISE CO., LTD.” still with the merger base date scheduled on December 1, 2007.

“HON YEY,” the discontinued company, was approved for incorporation on February 24, 1998 for the operation of a general investment business.

**2. FINANCIAL REPORT APPROVAL DATE AND PROCEDURE**

The consolidated financial reports of the company and the subsidiaries (hereinafter referred to as “the Group”) for the years ended December 31, 2023 and 2022 were submitted to the company’s board of directors on March 8, 2024 and then published lawfully.

### 3. APPLICATION OF THE NEWLY ANNOUNCED AND AMENDED REGULATIONS AND INTERPRETATIONS

- (1) The new/amended/revised regulations and interpretations that have been adopted and approved by the Financial Supervisory Commission (FSC) and published to take effect.

Since January 1, 2023, the Group has been applying the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations, and interpretations announcements disclosed on the website of the Securities and Futures Bureau of the Financial Supervisory Commission (FSC). There has been no significant impact on the Group's consolidated financial statements.

- (2) The International Accounting Standards Board (IASB) has issued and the Financial Supervisory Commission (FSC) has approved the new/amended/revised standards and interpretations that will be applicable in the year 2024.

<u>New/Revision/Amendment Standards and Explanations</u>	<u>Content</u>	<u>Effective in the annual period commencing from the following date of IASB</u>
IAS 1 (amendments)	Classification of liabilities as current or non-current	January 1, 2024
IAS 1 (amendments)	Non-current liabilities with contractual terms	January 1, 2024
IAS 7 and IFRS 7 (amendments)	Supplier Financing Arrangement	January 1, 2024
IFRS 16 (amendments)	Lease Liability in a Sale and Leaseback	January 1, 2024

The management of the group believes that the amendments to the aforementioned standards will not have a significant impact on the group's consolidated financial statements.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(3) The new/amended/revised standards and interpretations announced without effect by IASB and not yet recognized by the FSC

<u>New/Revision/Amendment Standards and Explanations</u>	<u>Content</u>	<u>Effective in the annual period commencing from the following date of IASB</u>
IFRS 10 and IAS 28 (amendments)	Sale or investment of assets between investors and their affiliated enterprises or joint ventures	To be determined by IASB
IFRS 17	Insurance contracts	January 1, 2023
IFRS 17 (amendments)	Amendments to IFRS17	January 1, 2023
IFRS 17 (amendments)	First-time application of IFRS 17 and IFRS 9 - comparative information	January 1, 2023
IAS 21 (amendments)	Lack of Exchangeability	January 1, 2025

The GROUP's management is currently assessing the potential impact of the aforementioned new/amended standards; therefore, it is temporarily unable to reasonably estimate its impact on the GROUP's consolidated financial statements.

#### 4. SUMMARY OF MAJOR ACCOUNTING POLICIES

The significant accounting policies adopted for the preparation of the consolidated financial statements are summarized as follows, and unless otherwise indicated, these accounting policies are consistently applied to all reporting periods. :

(1) Financial report preparation and measurement basis

(A) Statement of Compliance

This consolidated financial report is prepared in accordance with the Financial Reporting Standards for Issuers of Securities (hereinafter referred to as the "Reporting Standards") and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Announcements (hereinafter referred to as the "IFRSs") approved and published by the Financial Supervisory Commission.



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(B) Measurement basis

Except for the financial instruments measured at fair value, this consolidated financial report is prepared on the basis of historical cost. For assets, the historical cost refers to the cash, cash equivalents, or the fair value of other considerations paid to obtain assets. For liabilities, the historical cost refers to the amount received when assuming obligations or the amount expected to be paid for liquidating liabilities.

(C) Functional and reporting currency

The functional currency of each business entity of the Group is the currency used in the main economic environment where it operates. This consolidated financial report is prepared in New Taiwan Dollar that is the functional currency of the company. All financial information prepared in New Taiwan Dollar is in the unit of "NT\$ Thousand," unless otherwise specified.

(2) The preparation scope of consolidated financial report

The company controls the invested company when the company receives variable remuneration from the invested company or is entitled to receiving such variable remuneration; also, the company can influence such remuneration through its power over the invested company. The company controls the invested company only when meeting the following three control elements:

- (A) The power over the invested company, that is, with the vested power to lead the relevant activities of the invested company;
- (B) The risk exposure or rights to the variable remuneration resulted from the investment in the invested company; and
- (C) Exercise the power over the invested company to affect the company's remuneration.

If there are facts and circumstances indicating that one or more of the aforementioned three control factors has changed, the company will reevaluate whether the control over the invested company is intact.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

The subsidiaries included in the consolidated financial report and their changes are as follows:

Investing company	Subsidiary	Location	Business nature	Shareholding ratio (%)	
				December 31, 2023	December 31, 2022
The company	CHIN DE INVESTMENT CO., LTD.	Taiwan	General investment	100.00	100.00
The company	GRAND STAR ENTERPRISES L.L.C.	Anguilla	General investment	100.00	100.00
The company	G-SHANK, INC.	USA	Sales of stamping parts molds, and fixtures, and holding company	100.00	100.00
The company	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	China Shanghai (Note)	Precision progressive die and hardware products	85.00	85.00
The company	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	China Suzhou (Note)	Planer, milling machine or die machine, precision progressives die, and hardware products	5.86	5.86
The company	G-SHANK ENTERPRISE (M) SDN. BHD.	Malaysia	Stamping parts molds and tools	92.33	92.33
The company	G-SHANK JAPAN CO., LTD.	Japan Tokyo	International trade	58.89	58.89
The company	GREAT-SHANK CO., LTD.	Thailand	Precision progressive die and hardware products	85.00	85.00
GRAND STAR ENTERPRISES L.L.C. (Note 4)	GLOBAL STAR INTERNATIONAL Co., LTD.	Cayman Islands	General investment	100.00	100.00
GLOBAL STAR INTERNATIONAL Co., LTD.	HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	China Shanghai (Note )	Precision progressive die and hardware products	80.19	80.19
GLOBAL STAR INTERNATIONAL Co., LTD.	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	China Dongguan (Note )	Precision progressive die and hardware products	51.00	51.00
GLOBAL STAR INTERNATIONAL Co., LTD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	China Xiamen (Note )	Precision progressive die and hardware products	79.60	79.60

(Continuing to next page)

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Investing company	Subsidiary	Location	Business nature	Shareholding ratio (%)	
				December 31, 2023	December 31, 2022
GLOBAL STAR INTERNATIONAL Co., LTD.	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	China Suzhou (Note)	Planer, milling machine or die machine, precision progressive die, and hardware products	94.14	94.14
GLOBAL STAR INTERNATIONAL Co., LTD.	QINGDAO G-SHANK PRECISION SDN.BHD.	China Qingdao (Note)	Precision progressive die and hardware products	92.83	92.83
GLOBAL STAR INTERNATIONAL Co., LTD.	SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD	China Shanghai (Note)	Precision progressive die and hardware products	85.00	85.00
GLOBAL STAR INTERNATIONAL Co., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	China Tianjin (Note)	Precision progressive die and hardware products	88.20	88.20
GLOBAL STAR INTERNATIONAL Co., LTD.	SHENZHEN G-SHANK PRECISION SDN.BHD.	China Shenzhen (Note)	Precision progressive die and hardware products	93.85	93.85
GLOBAL STAR INTERNATIONAL Co., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	China Shenzhen (Note)	Precision progressive die and hardware products	91.43	91.43
G-SHANK, INC.	G-SHANK DE MEXICO,S.A. DE C.V.	Mexico	Stamping parts molds and fixtures	100.00	100.00
G-SHANK ENTERPRISE (M) SDN. BHD.	PT INDONESIA G-SHANK PRECISION	Indonesia	Stamping parts molds and fixtures	94.00	94.00
SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	HUBEI HANSTAR ELECTRONICS TECHNOLOGY CO., LTD.	China Hubei (Note)	Precision progressive die and hardware products, and electroplating processing	100.00	100.00
G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	DONGGUAN QIAOJU TRADING CO., LTD.	China Dongguan (Note)	Plastic hardware wholesale and import/export business	100.00	100.00
SHENZHEN G-BAO PRECISION SDN.BHD.	HUI ZHOU G-BAO PRECISION SDN.BHD.	China Huizhou (Note)	Precision progressive die and hardware products	100.00	100.00

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Note: The aforementioned companies are established in China where the foreign exchange control is enforced; therefore, the transfer of funds is restricted by local law and regulations. As of December 31, 2023 and 2022, the cash, bank deposits, and financial assets-current measured at amortized cost and other financial assets-current of the companies that are subject to foreign exchange control regulation were NT\$2,546,465 thousand, and NT\$2,158,306 thousand, respectively.

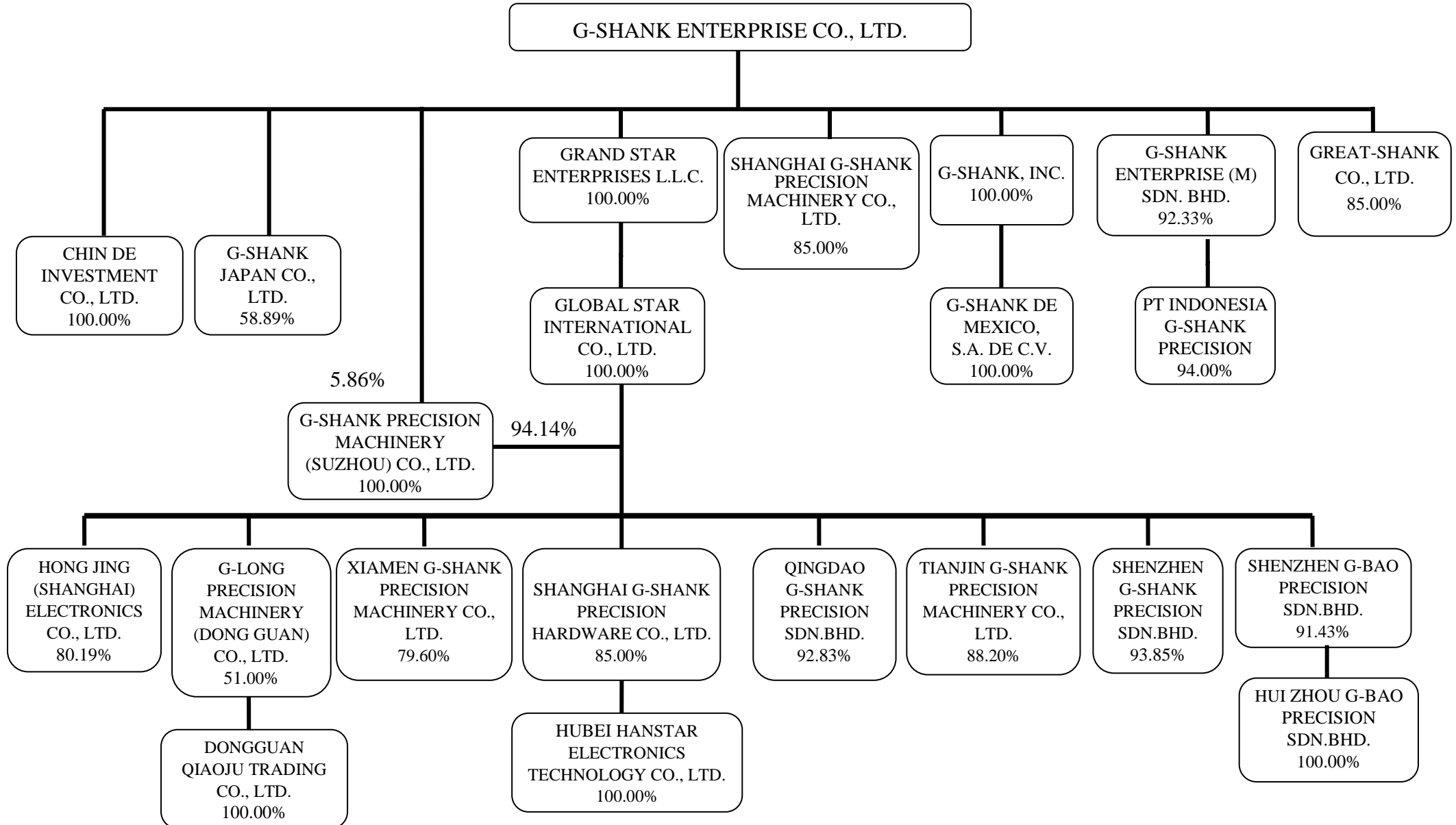
The subsidiaries of the Company are included in the consolidated financial statements in accordance with the regulations. The financial statements of G-SHANK, INC. , GREAT-SHANK CO., LTD., and G-SHANK ENTERPRISE (M) SDN. BHD. are audited by other certified public accountants. The total assets of the three subsidiaries were NT\$1,056,787 thousand and NT\$1,077,162 thousand on December 31, 2023 and 2022, respectively. The net revenue were NTD\$787,250 thousand and NTD\$794,679 thousand of 2023 and 2022.

As of December 31, 2023, the investment and shareholding ratios of the company and its subsidiaries are as follows:

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)



(3) Principles for the preparation of consolidated financial report

(A) The consolidated financial report is prepared in accordance with International Financial Reporting Standards No. 10 “Consolidated Financial Statements.” The assets and liabilities, equity, income, expenses and losses, and cash flows related to the transactions between business entities of the Group were written-off at the time of preparing the consolidated financial report; also, similar transactions and events under similar circumstances were handled in accordance with the uniform accounting policies. The consolidated financial report included income and expenses of the subsidiary incurred from the date the control was obtained to the date the control terminated. The comprehensive profit and loss are attributable to the shareholders’ equity and non-controlling interests of the company, even if it causes losses to the non-controlling interests eventually.

(B) Transactions between shareholders of the company and non-controlling interests

(a) Without resulting in “loss of control”

It is handled as an equity transaction. The difference between the fair value of any consideration paid for the purchase of non-controlling interests and the net book value of the relevant assets acquired from the subsidiary is recognized as equity and is attributable to the shareholders of the company. The profit or loss from the disposal of non-controlling interests is also recognized in equity.

(b) Resulting in “loss of control”

If a change in the ownership of the subsidiary’s equity results in the loss of control, the assets, liabilities, non-controlling interests, and all other equity constituents related to the former subsidiary are delisted on the date of loss of control; also, the difference among the said delisted amount and the fair value of the considerations collected, the share distribution for the equity transaction conducted with the former subsidiary, and the fair value of any retained investment are recognized in profit and loss. In addition, any remaining investment in the former subsidiary is measured at the fair value on the date of “loss of control,” and it is regarded as the fair value of the originally recognized financial asset, or as the cost of the original investment in an affiliated enterprise or a joint venture.

(4) Criteria for the classification of current and noncurrent assets and liabilities

(A) Current assets include cash and cash equivalents (except for those that cannot be exchanged or used for liquidating liabilities within 12 months after the reporting period), assets held primarily for trading purposes, and assets expected to be realized within 12 months after the reporting period or assets expected to be realized, sold, or consumed within the regular business cycle. Assets other than current assets are classified as noncurrent assets.

(B) Current liabilities include liabilities held primarily for trading purposes, liabilities that are expected to be settled within 12 months after the reporting period or liabilities expected to be settled within the regular business cycle, and liabilities that cannot be unconditionally deferred for 12 months after the reporting period. Liabilities other than current liabilities are classified as noncurrent liabilities.

(5) Foreign currency transactions and conversion of foreign operating entities

(A) New Taiwan Dollar (NTD) is the Company's functional currency that is also applied for the presentation of the consolidated financial statements. The financial statements of each consolidated entity are prepared and presented in the functional currency of the entity. The financial performance and financial position of each consolidated entity are translated into NTD at the time of preparing the consolidated financial statements. The original recognition of foreign currency transactions by each consolidated entity is booked by having the foreign currency converted into the functional currency at the spot exchange rate between the functional currency and the foreign currency on the trade date. Monetary items in foreign currency are translated at the closing exchange rate on the reporting date; non-monetary items in foreign currency that are measured at historical cost are not retranslated on the reporting date; non-monetary items in foreign currency that are measured at fair value are translated according to the exchange rate on the date the fair value is determined. The exchange difference of monetary items is recognized as profit and loss upon occurrence. When the profit or loss of non-monetary items is recognized as other comprehensive profit and loss, the exchange component of the profit or loss is also recognized as other comprehensive profit and loss. When the profit or loss of non-monetary items is recognized as profit and loss, the exchange component of the profit or loss is also recognized as profit and loss.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (B) The assets and liabilities of foreign operating entities, including goodwill arising from acquisitions and fair value adjustments to the book value of the assets and liabilities acquired, are presented in their functional currency. When the functional currency is different from the presentation currency in a non-highly inflationary economy, the financial performance and financial position are converted into the presentation currency according to the following procedures:
- (a) The assets and liabilities on each balance sheet are translated at the closing exchange rate on the reporting date.
  - (b) The income and expenses on each consolidated income statement are translated at the average exchange rate of the current period; however, if the exchange rate fluctuates significantly, the exchange rate on the trade date shall prevail.
  - (c) All exchange differences arising from translation are recognized in “other comprehensive profit and loss.”

When the control over a subsidiary or the influence on the affiliated enterprise is lost due to the disposal of a foreign operating entity, the accumulated exchange differences related to the foreign operating entity that has been previously recognized in “other comprehensive profit and loss” and accumulated to the equity shall be reclassified from equity to profit and loss at the time of recognizing disposal profit and loss. If the control is not lost while disposing of subsidiaries partially that include a foreign operating entity, the accumulated exchange differences recognized in other comprehensive profit and loss will be re-classified to the non-controlling interests of the foreign operating entity proportionally. If the significant influence is not lost while disposing subsidiaries partially that includes an affiliated enterprise of the foreign operating entity, the accumulated exchange differences recognized in other comprehensive profit and loss will be re-classified to the profit and loss proportionally.

If there is not a payment plan in place for the monetary receivables or payables with the foreign operating entity, and it is unlikely to have them paid off in the near future, it will be treated as part of the net investment in the said foreign operating entity; also, the exchange difference resulted thereafter will be recognized in the “other comprehensive profit and loss.”



(6) Cash and cash equivalents

It refers to the cash on hand, demand deposits, and short-term and highly liquid time deposits or investments that can be converted into a fixed amount of cash at any time with little risk of value change, and it is held to meet short-term cash commitments other than for investment or other purposes.

(7) Financial instruments

(A) When the parties to the financial instrument contract have financial assets or financial liability recognized in the balance sheet, and when a financial asset is purchased or sold in an arms-length transaction, an equity instrument should be processed according to the trade day accounting; however, a debt instrument, beneficiary certificate, and derivatives should be processed according to the settlement date accounting.

(B) The financial asset or financial liability is measured at fair value when it is initially recognized; however, for those that are not measured at fair value through profit and loss, the transaction cost for the acquisition or issuance should be included.

(C) The components of the financial instruments issued by the GROUP are classified as financial liabilities, financial assets, or equity instruments at the initial recognition in accordance with the substance of the contractual agreement and the definitions of financial liabilities, financial assets, and equity instruments.

(D) Financial assets and financial liabilities are offset against each other and presented in a net amount on the balance sheet only when the GROUP has a legally enforceable right, intends to have it settled at a net amount, or to realize the asset and settle the liability simultaneously.

(E) The GROUP's financial instruments are as follows:

(a) Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit and loss include financial assets that are mandated to be measured at fair value through profit and loss and that are designated to be measured at fair value through profit and loss. Financial assets that are mandated to be measured at fair value through profit and loss include the Company's investments in equity instruments not

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

designated to be measured at fair value through other comprehensive profit and loss and investment in debt instruments that are not classified to be measured at amortized cost or measured at fair value through other comprehensive profit and loss. The profit or loss arising from the financial assets measured at fair value through profit and loss is recognized in profit and loss.

(b) Financial assets measured at amortized cost

Financial assets that meet both of the following conditions and are not designated to be measured at fair value through profit or loss are to be measured at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, financial assets measured at amortized cost, other financial assets, and other receivable on the balance sheet:

- (i) The financial asset is held solely for the purpose of collecting contractual cash flows.
- (ii) The contractual terms of the financial asset are to generate cash flows on specific dates for the sole purpose of paying back outstanding principal and interest.

For financial assets measured at amortized cost, after initial recognition, it is measured at the cost derived from the total book amount determined with an effective interest method net of the amortized impairment loss. The profit or loss derived from delisting, through amortization procedure, or recognizing impairment profit or loss should be recognized in the profit and loss.

(c) Financial assets measured at fair value through other comprehensive profit and loss

It refers to the investment in debt instruments that meet both of the following conditions and are not designated to be measured at fair value through profit or loss; or, the investment in equity instrument that is not held for trading purpose and is with the change in fair value booked in the “other comprehensive profit or loss,” which is an irrevocable decision made at the initial recognition:

- (i) The financial asset is held for the purposes of collecting contractual cash flows and for sale.
- (ii) The contractual terms of the financial asset are to generate cash flows on specific dates for the sole purpose of paying back outstanding principal and interest.

It is measured at fair value subsequently; also, the changes in its value, except for the impairment loss of investment in debt instrument, exchange profit and loss of monetary financial assets, interest calculated with the effective interest method, and dividends from the investment in equity instrument that is not conspicuously representing the investment cost recovery, should be recognized in other comprehensive profit and loss before delisting or reclassification. For the accumulated profit or loss previously recognized in other comprehensive profit and loss at the time of delisting, the investment in debt instrument is reclassified from equity to profit and loss; and the investment in equity instrument is reclassified to retained earnings. In addition, the dividends from the investment in equity instrument are recognized when the right to receive dividends is acquired.

(d) Financial liabilities measured at amortized cost

Financial liabilities that are not measured at fair value through profit or loss are financial liabilities measured at amortized cost, including short-term loans, accounts payable, other payables, long-term loans, and lease liabilities, which are measured at the amortized cost derived with the use of the effective interest method; however, short-term payables without interest paid, if it is without the significant impact of discounting, are measured at the original transaction amount.

(e) The non-hedging derivatives and embedded derivatives

The non-hedging derivatives are initially recognized at fair value at the time of signing a contract, and are subsequently measured at fair value on the balance sheet date. The profit or loss resulting from subsequent measurement is directly recognized as profit and loss; however, the timing for recognizing the profit or loss of the derivatives that are designated as effective hedging instruments depends on the nature of the hedging relationship. When the fair value of derivatives is positive, it is classified as a financial asset. When the fair value is negative, it is classified as a financial liability. If the derivatives embedded in the master contract are classified as a financial asset subject to IFRS 9 “Financial Instruments” (hereinafter referred to as IFRS 9), the classification of financial assets is determined according to the terms of the overall hybrid contract. If the derivatives embedded in the master contract are not classified as a financial asset subject to IFRS 9 “Financial Instruments,” it is necessary to assess whether the embedded derivative instrument is closely related to the master contract. If not, the embedded derivatives should be separated from the master contract and processed as derivatives unless the overall hybrid contract is measured at fair value through profit and loss.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(8) Measurement at fair value

- (A) The fair value is the price that the assets could be sold or liabilities could be transferred in an orderly arm's-length transaction that is fair for both the buyer and the seller on the measurement date. The structure of fair value measurement is with the characteristics of a particular asset or liability taken into consideration, including the condition and location of the asset, and the restrictions on the sale or use of the asset, and assuming that the sale of the asset or the transfer of the liability occurs in the primary market where it belongs, or, if there is no primary market available, occurs in the most favorable market for the asset or liability; the aforementioned primary market or the most favorable market must be accessible to the GROUP for trading; also, assumes that the market participants have the price determined based on their best economic interests.

For the non-financial asset measured at fair value, the consideration is whether a market participant has exhausted the good use of the asset or sold the asset to another market participant who will exhaust the good use of the asset in order to generate economic benefits.

- (B) The fair value measured with a valuation technique means it is measured with an appropriate valuation technique with sufficient information available under the circumstances, including maximized relevant observable inputs and minimized unobservable inputs.

(9) Delisting of financial assets and liabilities

(A) Financial assets

Financial assets are delisted and the rights and obligations resulted or retained from such transfer will be recognized as assets or liabilities only when the contractual rights to the cash flows derived from the financial asset are terminated, or, the financial asset has been transferred along with almost all risks and rewards related to the ownership of the asset, or, almost all risks and rewards related to the ownership of the financial asset have not been transferred nor retained and without control over the financial asset. The difference between the book value of the delisted portion of financial assets measured at amortized cost and the consideration received is recognized in profit and loss on the delisting day. The difference between the book value of the investment in equity instrument measured at fair value through other comprehensive profit and loss and the sum of the consideration received and the cumulative profit or loss recognized in other comprehensive profit and loss is recognized in retained earnings; however, the investment in debt instrument is recognized in profit and loss. For the financial assets not delisted entirely, the

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

respective book value is amortized based on the relative fair value of the continuously recognized portion of the assets. If a financial asset does not qualify for the de-listing transfer, the entire transferred asset is recognized continuously, and the consideration received is recognized as a financial liability.

(B) Financial liabilities

Financial liabilities are delisted entirely or partially only when the contractual obligations are performed, canceled, or expired with the financial liabilities eliminated. If the debtor and creditor have the debt instrument containing significantly different terms exchanged or have the incumbent financial liabilities terms modified entirely or partially, the incumbent financial liability is delisted and a new financial liability is recognized simultaneously. The difference between the book value of a financial liability that is eliminated or transferred to another party entirely or partially and the consideration paid is recognized in profit and loss.

(10) Asset impairment

(A) Impairment of financial assets

- (a) The GROUP has allowances recognized for expected credit loss derived from the financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, other financial assets, notes receivable, accounts receivable, other receivables, etc.).
- (b) The GROUP has the expected credit loss of financial assets measured by reflecting the amount determined with an unbiased and probability-weighted method after evaluating all possible results, the time value of money, and reasonable and verifiable information related to past events, current conditions, and forecasts of future economic conditions (available on the reporting day without excessive cost or investment). Except for notes receivable, accounts receivable, and other receivables handled with a simplified approach by having the allowance for loss measured at the expected credit loss amount during the duration on the reporting date, for cash and cash equivalents and financial assets measured at amortized cost, if the credit risk on the reporting date is low or the credit risk has not increased significantly since the original recognition, the allowance for loss is measured at the 12-month expected credit loss. If the aforementioned credit risk of financial assets has increased significantly on the reporting date since the original recognition, it is measured at the expected credit loss during the duration.

- (c) The book value of the aforementioned financial assets is adjusted down with the allowance for losses. The appropriation and reversal of the allowance for loss are recognized in profit and loss.

(B) Impairment of non-financial assets

For the assets subject to IAS 36 “Impairment of Assets,” except for goodwill, intangible assets with an undetermined useful life, and intangible assets not yet available for use are with an impairment test performed annually and when there are indications that they may be impaired, the GROUP assesses assets to determine whether there is any indication of impairment on each reporting date. If there is an indication of impairment, the recoverable amount of the asset is estimated. The recoverable amount refers to the fair value of the assets or the cash-generating unit net of the cost of sales and the values in use whichever is higher. If the recoverable amount of the asset is lower than the book value, the said book value must be reduced to be equal to the recoverable amount and the amount of reduction is the impairment loss that is to be recognized in profit and loss. If there is any indication of the recovery or decrease of the previously recognized impairment loss of assets, except for goodwill, on the reporting date subsequently, the recoverable amount of the asset should be re-estimated. If the estimated recoverable amount of the assets is increased as a result of a change in the estimation, the impairment loss should be reversed. However, the increased book value of the asset arising from the reversal of the impairment loss shall not exceed the book value of the asset net of the amortization or depreciation, but before recognizing the impairment.

For a cash-generating unit with goodwill amortized, an impairment test is performed by comparing its book value containing the goodwill to its recoverable amount. If the book value of the said unit exceeds the recoverable amount, an impairment loss is recognized. The impairment loss recognized is to be deducted from the cash-generating unit’s book value with goodwill amortized, and the insufficient amount for deduction is allocated to the book value of the respective asset of the unit proportionally. The recognized impairment loss of goodwill shall not be reversed in the subsequent periods.

(11) Inventory

Inventory cost includes all purchase costs, processing costs, and other costs incurred for bringing the inventory to its current location and condition. It is calculated in accordance with the weighted average cost method to allocate inventory cost. The yearend inventory

is measured at the lower cost or net realizable value. The comparison of cost and net realizable value is itemized, except for inventories of the same category. The net realizable value refers to the amount resulted from the estimated selling price in the course of business net of the estimated additional cost to completion and the estimated sales expenses after the completion.

(12) Investments under the equity method

- (A) An affiliated enterprise is an entity that is significantly influenced but not controlled by the GROUP, that is, the GROUP holds more than 20% but less than 50% of the voting rights of the invested company directly or indirectly, or holds less than 20% of the voting rights but can clearly prove that the GROUP has a significant influence on the affiliated enterprise. The investment in the affiliated enterprise is valued under the equity method starting from the date when it becomes an affiliated enterprise of the GROUP.
- (B) The investment under the equity method is recognized at cost initially and adjusted subsequently according to the changes in the ownership of the affiliated enterprise's net assets proportionally. When the GROUP's loss from the ownership of the affiliated enterprise net assets exceeds the equity owned in the affiliated enterprise, no loss should be recognized further, and the GROUP will only recognize additional losses and liabilities within the scope of legal obligation, presumed obligation, or payment made on behalf of the affiliated enterprise. If the investment cost exceeds the GROUP's share of the net fair value of the identifiable assets and liabilities of the affiliated enterprise on the acquisition date, the difference is the goodwill related to the affiliated enterprise that is included in the book value of the investment and shall not be amortized; otherwise, it is to be recognized in profit immediately after the reassessment.
- (C) When there is a change in equity that is non-profit and loss and other comprehensive profit and loss occurred to the affiliated enterprise; also, it does not affect the shareholding ratio of the GROUP in the affiliated enterprise, the GROUP will have the change in the equity of the affiliated enterprise recognized in the "additional paid-in capital" proportionally to the shareholdings.
- (D) When the affiliated enterprise issues new shares, if the GROUP does not subscribe it proportionally to the shareholdings, resulting in a change in the shareholding ratio and thus causing an increase or decrease in the net equity value of the investment, the increase or decrease amount shall be adjusted to the "investment under the

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

equity method” and “additional paid-in capital” when the significant influence is intact. If the aforementioned adjustment is debited to the “additional paid-in capital,” and there is an insufficient balance of additional paid-in capital from the investment under the equity method, the difference should be debited to the “retained earnings.” However, if it is not subscribed proportionally to the shareholdings and results in a decrease in the ownership interest, in addition to the aforementioned adjustment, the profit or loss related to the decrease in the ownership interest that has been previously recognized in other comprehensive profit and loss, which has also been reclassified to profit and loss when the relevant assets or liabilities are disposed, shall be reclassified to profit and loss proportionally to the decreased amount.

- (E) When the GROUP loses significant influence on the affiliated enterprise, the GROUP recognizes the remaining investment in the former affiliated enterprise at the fair value on the date of losing significant influence. The difference between the fair value of the remaining investment and any disposal price and the book value of the investment on the date of losing significant influence is recognized in profit and loss. For the amounts recognized in other comprehensive profit and loss related to the affiliated enterprise, the accounting base is the same as if the related assets or liabilities are disposed directly by the GROUP.
- (F) The unrealized profit and loss of the transactions conducted between the GROUP and affiliated enterprise is written off within the scope of its equity related to the GROUP.
- (G) The GROUP will confirm whether there is objective evidence indicating that the affiliated enterprise has suffered impairment on the reporting date in accordance with IAS 39. If the occurrence of the said impairment is confirmed, the overall book value of the investment will be deemed as a single asset. According to IAS 36, compare the recoverable amount (value in use or fair value deducts cost of sale, whichever is higher) and the book value for an impairment test. The recognized impairment loss is not allocated to goodwill and any assets, but credited to the book value of the investment in the affiliated enterprise. The reversal amount of the impairment loss, if any, is recognized to the extent of a subsequent increase in the recoverable amount of the investment.



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(13) Property, plant and equipment

(A) Property, plant and equipment are used for production or labor services, leased to others, or held for management purposes. It is recognized and subsequently measured at cost, which is an amount net of the accumulated depreciation and accumulated impairment losses. The cost of assets refers to the cash, cash equivalents, or the fair value of the consideration paid to acquire or construct the assets, including the cost related to dismantling, removing, and recovering the location. When the useful lives of the significant components of property, plant and equipment are different, it should be processed as an item separated from the property, plant and equipment.

(B) Property, plant and equipment, except for land, is depreciated in accordance with the straight-line method, over the useful life indicated below. The residual value of assets, useful life, and the depreciation method should be examined at the end of each year. If the expected value is different from the estimation, or the expected consumption pattern of the future economic benefits of the asset has changed significantly, and it becomes necessary to have the depreciation method changed to reflect the changed pattern, such change should be treated as a change in accounting estimate. For the property, plant and equipment with asset impairment losses recognized, the depreciation expense of the asset in the future period shall be adjusted by deducting its residual value from the amended book value of the asset and amortized in accordance with the straight-line method over the remaining useful life:

House, building, and auxiliary equipment	3-50	years
Machinery equipment	2-12	years
Transportation equipment	4-10	years
Office equipment	3-10	years
Other equipment	3-15	years

(C) Replacement and significant inspection costs are recognized in the book value of the property, plant and equipment. Routine maintenance expenses incurred are recognized in profit and loss. The cost of loans that are used to acquire, construct, or produce qualified assets is capitalized and incorporated into the cost of the assets.

- (D) The property, plant and equipment are delisted at the book value when it is disposed of or when it cannot generate future economic effect through use or disposition. The profit or loss resulted from the delisting is recognized in profit and loss; also, the profit may not be classified as income.

(14) Lease

(A) The GROUP is the lessor

When a lease is for the purpose of having the asset ownership and the related substantial risks and rewards transferred to the lessee, it is classified as a financial lease. A lease other than a financial lease is classified as an operating lease.

- (a) The net investment amount in a financial lease is measured at the sum of the present value of the amount payable by the lessee and the unguaranteed residual value plus the original direct cost, which is booked as financial lease receivables. The financial lease income is recognized at a fixed rate of return that reflects the GROUP's unexpired net lease investment on each lease period.
- (b) The operating lease income is recognized in accordance with the straight-line method over the lease period. If the lease contract offers incentives to the lessee so to have the lease contract signed, the total cost of such incentives should be credited to the total lease income in accordance with the straight-line method over the lease period. The original direct costs incurred in negotiating and arranging an operating lease are added to the book value of the underlying asset and recognized as an expense in accordance with the straight-line method over the lease period.

The variable rent, if any, in the lease agreement that is not dependent on an index or rate is recognized as income upon occurrence.

(B) The GROUP is the lessee

Except for the short-term leases and lease payments for low-value assets are recognized as expenses in accordance with the straight-line method over the lease period, other leases are recognized as right-of-use assets and lease liabilities on the lease commencement date.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (a) The right-of-use asset is originally recognized at cost and subsequently measured at cost too. Also, it is booked at the cost net of the accumulated depreciation, accumulated impairment losses, and adjusted lease liability remeasurement. The right-of-use asset is depreciated in accordance with the straight-line method over the period from the lease commencement date to the expiry date of the useful life of the right-of-use asset or the lease expiry date, whichever is earlier.
  
- (b) The lease liability is originally recognized at the present value of the lease payables on the lease commencement date. If the implied interest rate of the lease is easy to determine, the lease payment is discounted at the implied interest rate, but if the implied interest rate is hard to determine, it is to be discounted at the lessee's incremental loan rate. It is subsequently measured at amortized cost in accordance with the effective interest method. The lease liability remeasurement is adjusted to the right-of-use asset; however, if the book value of the right-of-use asset is zero, the remaining remeasurement is recognized in profit and loss.

The variable rent, if any, in the lease agreement that is not dependent on an index or rate is recognized as expense upon occurrence.

(15) Intangible assets

- (A) Computer software, etc., acquired independently that are intangible assets with limited service-life, is measured at cost in accordance with the straight-line method over the average useful life of 3 years. Examine the amortization period and amortization method of the intangible assets with limited service-life on each reporting date. If the estimated useful life is different from the estimation, the amortization period will be changed accordingly. If the expected consumption pattern of the future economic benefits of the asset has changed, the amortization method will be adjusted to reflect the said change, which will be processed as a change in accounting estimate. Once the tangible assets with limited useful life is with impairment loss recognized, the amortization expense of the asset in the future period is adjusted based on the amended book value of the assets in accordance with the straight-line method over the remaining useful life.

(B) The intangible asset is delisted when it is disposed of or when it cannot generate future economic effect through use or disposition. The profit or loss resulted from the delisting is recognized in profit and loss; also, the profit may not be classified as income.

(C) The expenses incurred in the research phase are expensed. The expenses incurred in the development stage are recognized as intangible assets when the specified conditions are met, but expenses that do not meet the requirements will be expensed upon incurred in the research phase.

(16) Equity instrument

Equity instrument refers to the contract that represents the GROUP's remaining interest in assets net of all liabilities. The GROUP's equity instruments are recognized at the price received, net of direct issuance costs.

(17) Income recognition

Income is measured at the consideration that is expected to receive after having goods or labor service transferred. The GROUP recognizes income when the control of the goods or labor services is transferred to the customer to fulfill the GROUP's performance obligations. The GROUP's main income items are as follows:

Sale of goods

The GROUP mainly manufactures and sells molds and stamping parts with income recognized at the time of having the control of the products transferred to the customers and in return with the right to collect considerations. Therefore, the GROUP usually recognizes income when the goods have been delivered and the legal title has been passed on to the customers. If the sales discount or sales return in the future can be reliably estimated, and liability for refunds can be recognized based on past experience and other relevant factors, it is to be credited to the sales income when the sales are recognized.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

The GROUP has accounts receivable recognized when the control of the goods is transferred and in return with the right to collect the considerations unconditionally. If the goods have been transferred to the customer without the right to collect the considerations unconditionally, it is recognized as a contract asset. If the right to collect the consideration from the customer is obtained or is to be obtained before the transfer of the goods to the customer, also, the GROUP has no obligation to have the goods transferred to the customer under the circumstance, it is recognized as a contract liability.

If the timing of contractual payment for the transfer of goods provides the customer or the GROUP with significant financial benefits, either explicitly or implicitly, the GROUP shall adjust the promised consideration amount to reflect the time value of money. If a sale contract is signed to have goods transferred to the customer and the period from the date the goods transferred to the date the payment made by the customer is for less than 1 year, the GROUP does not adjust the promised consideration amount.

(18) Loan cost

It refers to the interest and other cost related to the loans. The loan cost that is directly attributable to the acquisition, construction, or production of qualified assets (referring to the assets that take a long time to reach the intended use or sale status) is capitalized as an integral part of the cost of the asset, while other loan cost is recognized as an expense upon occurrence. When a specific loan is invested temporarily before the expenditure incurred for the qualified assets, the investment income arising from such loan investment should be deducted from the actual loan cost incurred. The capitalization of loan cost is stopped when almost all the necessary activities to reach the intended state of use or sale have been completed for the qualified assets. If the active development of the qualified assets is suspended for a long period of time, the capitalization of loan cost will be suspended for the said period.

(19) Employee welfare

(A) Short-term employee welfare

It refers to the employee benefits (except for employment termination benefits) that are expected to be fully paid within 12 months after the annual reporting period for the services provided by employees, which is measured at the undiscounted amount expected to be paid in exchange for employee services, and it is recognized as an

expense and liability. The expected cost of profit sharing and dividend payment is recognized as an expense and liability in accordance with the provision stated in the preceding paragraph due to a current legal or presumed payment obligation arising from past events with an amount that can be estimated reliably.

(B) Employee benefits - retirement benefits

- (a) All full-time employees of the company are entitled to the retirement plan. The entire employee pension fund is deposited in the pension fund account and managed by the Labor Retirement Reserve Committee. The aforementioned pension fund is deposited in the name of the Labor Retirement Reserve Committee that is completely separated from the company; therefore, it is not included in the aforementioned consolidated financial report. The retirement plan for employees of foreign subsidiaries is handled in accordance with local law and regulations.
- (b) For a defined contribution plan, the company's monthly employee pension contribution rate shall not be less than 6% of the employee's monthly salary, and the contributed amount is recognized as the current expense. Foreign subsidiaries are to appropriate a certain percentage of the salary as pension according to the local law; also, it is recognized as a current expense.
- (c) For a defined benefit plan, the actuarial pension amount should be appropriated on the annual reporting date according to the Projected Unit Credit Method. The re-measured amount is included in other comprehensive profits and losses when it occurs; also, it is immediately recognized in the retained earnings.

(20) Share-based payment

- (A) For share-based payment transactions with equity delivered to the employees, the fair value of the labor service received from the employees is based on the fair value of the equity instrument on the delivery day. If the delivered equity instrument is immediately vested without providing labor service in a specific period, the labor services received are recognized in full on the delivery date with the equity increased relatively. If it is not immediately vested until the labor services are completed in a specific period, it is presumed that the labor service

provided by the counterparty as the consideration for the equity instrument will be received in the future vested period, and it is recognized as a remuneration expense in the vested period with the equity increased relatively. The recognition of remuneration expense is based on the best estimate of the equity instruments expected to be vested during the vested period. If the expected vested equity instruments are subsequently found to be different from the estimation, the said estimation will be amended, if necessary, so to match up with the final vested equity instrument on the vested day.

- (B) The fair value of equity instruments is measured according to the market price available on the measurement date and the terms and conditions related to the decision-making in vesting equity instruments. If the market price is not available, apply appropriated estimation techniques to estimate the price of the delivered equity instruments on the measurement date in an arms-length transaction between the two parties who are fully understanding and willing to trade in order to estimate the fair value of the equity instruments. Also, the aforementioned evaluation techniques are consistent with generally accepted evaluation techniques for financial instrument pricing, and all the elements and assumptions related to the pricing are considered by the traders who are fully understanding and willing to trade are included.

(21) Income tax

- (A) Income tax expenses include current and deferred income taxes. Except for those related to business mergers, directly recognized in equity, or other comprehensive profit and loss, current income tax and deferred income tax expenses are recognized in profit and loss.
- (B) Current income tax expenses refer to the estimated income tax payable or tax refund receivable calculated on the taxable income or loss of the current year at the tax rate that has been legislated or substantively legislated on the reporting date, including any adjustment made to the income tax payable or refundable of the previous year.
- (C) Deferred income tax expenses are calculated and recognized on the temporary difference between the tax base of assets and liabilities and the book amounts reported.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (D) Deferred income tax assets and liabilities are measured at the tax rate applicable when the temporary difference is expected to reverse that has been legislated or substantively legislated on the reporting date. Deferred income tax assets and liabilities can only be applied to offset current income tax assets and liabilities lawfully; also, it is limited to the same taxpayer and the same levying tax authority; or it can be offset by different taxpayers when the intention is to have the net current income tax liabilities and assets offset, or the income tax liabilities and assets will be realized at the same time.
- (E) The outstanding taxable losses, income tax credit, and deductible temporary differences are recognized as deferred income tax assets to the extent of the potential taxable income that occurred in the future. Also, the deferred income tax assets are evaluated on each reporting day and adjusted down to the extent of the relevant tax benefit unlikely to be realized.
- (F) For the domestic subsidiaries of the Group, for the additionally levied business income tax on the unappropriated earnings of the year, the income tax expense of the unappropriated earnings is recognized according to the actual earnings distribution that is resolved in the shareholders meeting of the following year.

(22) Earnings per share

The GROUP presents the current basic and diluted earnings per share attributable to the common stock shareholders of the Company. Basic earnings per share is calculated by having the profit and loss attributable to the common stock shareholders of the Company divided by the current weighted average outstanding common stock shares. Diluted earnings per share is calculated by having all the dilutive potential common stock shares and the adjusted profit and loss attributable to the common stock shareholders of the Company divided by all the dilutive potential common stock shares and the adjusted current outstanding weighted average stock shares.

(23) Operating department reports

The operating department is an integral part of the GROUP and is engaged in operating activities that may generate income and incur expenses (including income and expenses from the transactions conducted with other components of the GROUP). The main



business decision-maker of the GROUP will review the operating results periodically for deciding the distribution of resources and assessing departmental performance; also, the said department is with separate financial information available.

(24) Government grants

- (A) The GROUP will have government grants recognized with certainty that all requirements for eligibility will be met and the GROUP is probably to receive it.
- (B) The asset-related government grants are recognized in profit and loss systematically in the period when the cost of the funded asset is recognized as an expense by the GROUP. The government grants that are used to compensate the occurred expenses or losses will be recognized in profit and loss during the period when it is collectible.
- (C) Government grants are presented in the consolidated financial statements as follows: Unrealized government grants (that is, the benefits of deferred government grants) are classified as liabilities in the consolidated balance sheet; realized government grants are debited to the relevant expenses or other income in the consolidated income statement.

5. **MAIN CAUSES OF UNCERTAINTY TO MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The management must make judgments, estimations, and assumptions when preparing the Group's consolidated financial report, which will affect the reported amount of income, expenses, assets, and liabilities. The uncertainties of these material assumptions and estimations may cause significant adjustments to the book amount of assets and liabilities in the future, that is, actual results may differ from estimates.

- (1) The management's judgments regarding the significant impact on the amounts recognized in the consolidated financial statements during the process of adopting accounting policies: Please refer to Note 6.(9)(G) to the consolidated financial statements for the classification of investment property.

- (2) The other main sources of information related to the uncertainties of assumptions and estimation that may have resulted in significant adjustments to the book value of assets and liabilities in the next financial year on the reporting date are described as follows:

(A) Employee benefits - measurement of the defined benefit obligation

As stated in Note 6.(15) to the consolidated financial statements, the defined benefit obligations and expenses are measured with actuarial assumptions made, including demographic and financial assumptions related to the employees eligible for benefits in the future. Any change in the actuarial assumptions may result in actuarial profit and loss and thus affect the net defined benefit liability.

The Company's net defined benefit liability for an amount of NT\$29,956 thousand was booked on December 31, 2023. If the discount rate adopted for the Company's actuarial assumptions and the expected salary increase rate were increased / decreased by 0.5%, the book value of the net defined benefit liability would be decreased by NT\$2,958 thousand or increased by NT\$9,554 thousand, and increased by NT\$9,470 thousand or decreased by NT\$2,962 thousand, respectively.

The impact of changes in one single assumption is analyzed in the preceding paragraph with all other assumptions remained intact; however, the impact of changes in actual actuarial assumptions is interactive in reality. The approaches adopted for sensitivity analysis are consistent with the approaches adopted for the measurement of the net defined benefit liability, and the approaches and assumptions used are the same as that of in the prior period.

(B) Fair value of financial instruments

As stated in Note 4.(8) of the consolidated financial statements, financial assets-noncurrent measured at fair value through other comprehensive profit and loss are financial instruments without an active market; therefore, their fair value is determined with appropriate evaluation techniques adopted. The said valuation techniques include the recent arm's-length transactions conducted in the market, reference to the current fair value of another financial instrument that is substantially equivalent, and other valuation models. The measurement of the fair value could be affected by any change in assumptions and estimates. Please refer to Note 12.(2)(D) to the consolidated financial statements for details.

The book value of the GROUP's unlisted (non-TPEX) stock shares that were measured at fair value through other comprehensive profit and loss was NT\$320,903 thousand on December 31, 2023.

(C) Impairment of accounts receivable

As stated in Note 4.(10), 6.(3), and 6.(4) to the consolidated financial statements, allowance for loss of the accounts receivable is measured simply at the expected credit loss during the duration on the reporting date. Receivables are classified according to the nature of the common risks that indicate the customer's ability to pay all payables in accordance with the contractual terms, taking into account the consideration of the reasonable and verifiable information (obtainable on the reporting date without excessive costs or inputs) related to past events, current conditions, and forecasts of future economic conditions; also, the expected credit loss is estimated on the basis of the probability of default and the expected credit loss rate. If the classification of receivables and the estimation of the probability of default and the expected credit loss rate is changed by the management of the GROUP or is changed due to the economic conditions, the estimated allowance for losses of the receivables will be affected inevitably.

The GROUP's net receivables amounted to NT\$1,436,542 thousand [including net notes receivable, net accounts receivable (including related parties), and other receivables] on December 31, 2023, net of the estimated allowance for loss of NT\$25,871 thousand.

(D) Inventory evaluation

As stated in Note 4.(11) of the consolidated financial statements, the yearend inventory is measured at the lower of cost or net realizable value. The comparison of cost and net realizable value is itemized, except for inventories of the same category. The net realizable value refers to the amount resulted from the estimated selling price in the course of business net of the estimated additional cost needed for project completion and the estimated sales expenses after the project completion. The said estimation is based on the current market conditions and historical sales experience in similar products, which could be significantly affected by the changes in market conditions.

The book value of the GROUP's inventories was NT\$798,495 thousand on December 31, 2023, net of the allowance for inventory loss in valuation amounted to NT\$79,607 thousand.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

**6. DESCRIPTION OF IMPORTANT ACCOUNTING ITEMS****(1) Cash and cash equivalents**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash and petty cash	\$5,921	\$6,389
Checking deposit and savings deposit	1,119,848	1,610,626
Time deposits	2,582,090	2,389,390
Total	<u>\$3,707,859</u>	<u>\$4,006,405</u>

(A) The aforementioned time deposits can be converted into a fixed amount of cash at any time and with limited risk of value changes.

(B) The aforementioned bank deposits had not been provided as collateral or mortgaged.

**(2) Financial assets-current measured at fair value through profit and loss**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets measured at fair value through profit and loss mandatorily</u>		
Acquisition cost:		
Funds	\$83,904	\$60,882
Bonds	1,372,946	893,375
SWAP contracts	-	-
Subtotal	<u>1,456,850</u>	<u>954,257</u>
Evaluation adjustment:		
Funds	\$974	\$174
Bonds	(11,194)	(94,622)
SWAP contracts	348	6,254
Subtotal	<u>(9,872)</u>	<u>(88,194)</u>
Total	<u>\$1,446,978</u>	<u>\$866,063</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (A) The SWAP contracts signed between our company and a financial institution is primarily aimed at avoiding the financial risks caused by fluctuations in foreign currency debt and liabilities. However, it was not designated as a hedging instrument, and details of the derivative instruments related to financial assets and financial liabilities held for trading that were not accounted for as hedging instruments are as follows:

Financial instrument	Nominal principal (NT\$ Thousand)	Currency	Due date
<u>December 31, 2023</u>			
SWAP contract	USD 3,700	USD:NTD	01.05.2024
SWAP contract	USD 5,000	USD:NTD	01.31.2024
SWAP contract	USD 1,000	USD:NTD	02.16.2024
Total	USD 9,700		
<u>December 31, 2022</u>			
SWAP contract	USD 900	USD:NTD	01.05.2023
SWAP contract	USD 4,200	USD:NTD	01.17.2023
SWAP contract	USD 5,000	USD:NTD	01.31.2023
SWAP contract	USD 1,080	USD:NTD	02.10.2023
SWAP contract	USD 3,300	USD:NTD	02.13.2023
SWAP contract	USD 2,000	USD:NTD	03.27.2023
Total	USD 16,480		

The net profit (loss) arising from foreign exchange transactions were NT\$41,938 thousand and NT\$49,901 thousand, for the years ended December 31, 2023 and 2022, respectively.

- (B) The Group's valuation losses of financial assets and liabilities at fair value through income were NT\$63,064 thousand and NT\$(18,383) thousand for the years ended December 31, 2023 and 2022, respectively, which were booked in the "Non-operating income and expenses - other profit and loss" account.
- (C) The aforementioned financial assets measured at fair value through profit and loss had not been provided as collateral or mortgaged.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(D) Please refer to Note 12.(2)(C)(a) and (b) of the consolidated financial report for the disclosure of the market risk and credit risk of the Group's financial assets measured at fair value through profit and loss.

(3) Notes receivable - net

	December 31, 2023	December 31, 2022
Notes receivable	\$41,327	\$42,518
Less: Allowance for loss	-	-
Net amount	<u>\$41,327</u>	<u>\$42,518</u>

(4) Accounts receivable - net

	December 31, 2023	December 31, 2022
Accounts receivable	\$1,362,082	\$1,612,966
Less: Allowance for loss	(25,871)	(28,716)
Net amount	<u>\$1,336,211</u>	<u>\$1,584,250</u>

(A) The allowance for loss of the Group's notes receivable, accounts receivable, and other receivable is simply measured by the expected credit losses amount throughout the duration. The notes receivable and accounts receivable are classified according to the common risk characteristics of the customers' ability to pay all due amounts in accordance with the contract terms, taking into account the reasonable and provable information related to past events, current conditions, and future economic conditions (obtainable without excessive cost or investment on the reporting date), and estimating the expected credit loss according to the estimated default rate and expected credit loss rate.

(B) The increase or decrease of allowance for loss of the Group's notes receivable, accounts receivable, and other receivable is as follows:

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	For the years ended December 31,	
	2023	2022
Balance - beginning	\$28,716	\$30,641
Allowance account for the impairment of notes receivable, accounts receivable, and other receivables	-	-
Allowance reversal account for the impairment of notes receivable, accounts receivable, and other receivables	(2,360)	(2,373)
Exchange difference	(485)	448
Balance - ending	\$25,871	\$28,716

(C) Please refer to Note 12.(2)(C)(b) of the consolidated financial report for the disclosure of the credit risk of the Group's notes receivable, accounts receivable, and other receivables.

(5) Inventory

	December 31, 2023		
	Cost	Allowance for loss of inventory in valuation	Book amount
Raw materials	\$294,125	\$21,780	\$272,345
Substances	19,968	261	19,707
Work-in-process goods	193,444	31,389	162,055
Finished goods	368,675	25,756	342,919
Merchandise trade	1,890	421	1,469
Total	\$878,102	\$79,607	\$798,495

	December 31, 2022		
	Cost	Allowance for loss of inventory in valuation	Book amount
Raw materials	\$402,160	\$21,206	\$380,954
Substances	25,497	64	25,433
Work-in-process goods	231,977	32,008	199,969
Finished goods	438,084	28,006	410,078
Merchandise trade	6,684	552	6,132
Total	\$1,104,402	\$81,836	\$1,022,566

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(A) Cost of goods sold related to inventory is as follows:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Inventory booked in “cost of goods sold”	\$4,088,230	\$4,828,157
Recovery of the net cash value of inventory	(1,491)	(9,237)
Inventory loss	(4,864)	2,642
Total operating cost	<u>\$4,081,875</u>	<u>\$4,821,562</u>

(B) For the years 2023 and 2022, a portion of the provision for inventory impairment was reversed due to the recovery of raw material prices, their utilization, or the completion and sale of work-in-progress or finished goods, resulting in the elimination of factors causing the net realizable value of inventory to be lower than its cost. This led to the recognition of inventory net realizable value recovery, resulting in a decrease in cost of goods sold of NT\$1,491 thousand and NT\$9,237 thousand, respectively.

(C) The aforementioned inventory had not been provided as collateral or mortgaged.

(6) Other financial assets-current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposit	\$22,223	\$23,179
Restricted assets – bank deposit	303	1,179
Special account for transferring overseas funds back to Taiwan		
Time deposit	<u>7,637</u>	<u>7,383</u>
Total	<u>\$30,163</u>	<u>\$31,741</u>

Please refer to Note 8 of the consolidated financial report for the other financial assets-current provided as collateral or mortgaged.



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(7) Financial assets-noncurrent measured at fair value through other comprehensive profit and loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Equity instrument</u>		
Unlisted stocks	\$27,006	\$27,006
Equity instrument investment evaluation adjustment	<u>293,897</u>	<u>235,017</u>
Total	<u><u>\$320,903</u></u>	<u><u>\$262,023</u></u>

- (A) Equity instrument investment measured at fair value through other comprehensive profit and loss was not an available-for-trade investment; therefore, the Group chose to have it designated as measured at fair value through other comprehensive profit and loss.
- (B) The Group had recognized dividend income from the investment in equity instrument measured at fair value through other comprehensive profit and loss were NT\$9,500 thousand, and NT\$13,571 thousand for the years ended December 31, 2023 and 2022, respectively.
- (C) The Group did not have cumulative profit or loss transferred within equity for the years ended December 31, 2023 and 2022.
- (D) The aforementioned financial assets measured at fair value through other comprehensive profit and loss had not been provided as collateral or mortgaged.
- (E) Please refer to Note 12.(2)(C)(a) and (b) of the consolidated financial report for the disclosure of the market risk and credit risk of the Group's financial asset measured at fair value through other comprehensive profit and loss.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(8) Investment under the equity method

(A) The Group's invested companies under the equity method are individually insignificant affiliated companies with the book amount and equity holding ratio as follows:

Affiliated enterprises	December 31, 2023	Equity holding ratio (%)	December 31, 2022	Equity holding ratio (%)
SUNFLEX TECHNOLOGY CO., LTD. (Note)	<u>\$168,248</u>	14.49	<u>\$161,170</u>	14.49

Note : The Group is the largest single shareholder of SUNFLEX TECHNOLOGY CO., LTD. with 14.49% voting shares. The shareholding of other top-ten shareholders (not related parties) exceeds the Group, and the shareholders have not agreed to discuss or make decisions collectively; apparently, the Group has no actual ability to lead relevant decision-making. Therefore, it is concluded that the Group has no control over SUNFLEX TECHNOLOGY CO., LTD., but only significant influence.

(B) The Group's shareholding in each individual insignificant affiliated company is summarized as follows:

	For the years ended December 31,	
	2023	2022
Net profit of the continuing business unit – current	\$9,987	\$11,233
Other comprehensive profit and loss (after tax) - current	<u>3,561</u>	<u>(4,046)</u>
Total comprehensive profit and loss - current	<u>\$13,548</u>	<u>\$7,187</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (C) The increase or decrease of the Group's investments under the equity method is as follows:

	For the years ended December 31,	
	2023	2022
Balance - beginning	\$161,170	\$157,750
Dividends pay from associates	(6,766)	(3,782)
Profit (loss) amount - current	9,987	11,233
Changes in the affiliated enterprises under the equity method	296	15
The share enjoyed by the reassessment number of the welfare plan	(37)	232
The share of unrealized gains (losses) from changes in fair value of financial assets measured at fair value through other comprehensive income.	3,598	(4,278)
Balance - ending	<u>\$168,248</u>	<u>\$161,170</u>

- (D) The aforementioned investments under the equity method had not been provided as collateral or mortgaged.

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(9) Property, plant and equipment

(A) The change in the Group's property, plant and equipment is as follows:

For the years ended December 31, 2023

Cost	Land	House & building	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment yet to be tested	Total
Balance at January 1, 2023	\$134,237	\$1,059,748	\$2,407,211	\$103,678	\$102,304	\$225,462	\$6,573	\$4,039,213
Addition	-	24,567	31,054	3,664	4,817	14,849	46,762	125,713
Disposition	-	(22,374)	(47,867)	(5,467)	(2,495)	(10,305)	-	(88,508)
Reclassification	-	3,440	43,284	-	(53)	2,933	(4,889)	44,715
Exchange difference	267	(11,938)	(29,790)	(812)	(1,682)	(1,904)	(606)	(46,465)
Balance at December 31, 2023	<u>134,504</u>	<u>1,053,443</u>	<u>2,403,892</u>	<u>101,063</u>	<u>102,891</u>	<u>231,035</u>	<u>47,840</u>	<u>4,074,668</u>
<u>Accumulated depreciation:</u>								
Balance at January 1, 2023	-	674,080	1,799,358	73,372	69,294	169,283	-	2,785,387
Depreciation	-	43,070	88,721	8,549	7,951	11,885	-	160,176
Disposition	-	(19,796)	(39,467)	(5,379)	(2,381)	(9,263)	-	(76,286)
Reclassification	-	-	16	-	(16)	-	-	-
Exchange difference	-	(6,619)	(24,002)	(706)	(1,095)	(1,462)	-	(33,884)
Balance at December 31, 2023	<u>-</u>	<u>690,375</u>	<u>1,824,626</u>	<u>75,836</u>	<u>73,753</u>	<u>170,443</u>	<u>-</u>	<u>2,853,393</u>
Carrying amount at December 31, 2023	<u>\$134,504</u>	<u>\$362,708</u>	<u>\$579,266</u>	<u>\$25,227</u>	<u>\$29,138</u>	<u>\$60,592</u>	<u>\$47,840</u>	<u>\$1,239,275</u>

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

For the years ended December 31, 2022

Cost	Land	House & building	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment yet to be tested	Total
Balance at January 1, 2022	\$132,077	\$1,032,330	\$2,285,753	\$100,235	\$98,375	\$215,510	\$90	\$3,864,370
Addition	-	10,282	107,410	5,661	7,079	9,441	13,345	153,218
Disposition	-	(358)	(36,235)	(3,951)	(5,429)	(2,508)	-	(48,481)
Reclassification	-	-	11,899	-	92	39	(6,874)	5,156
Exchange difference	2,160	17,494	38,384	1,733	2,187	2,980	12	64,950
Balance at December 31, 2022	134,237	1,059,748	2,407,211	103,678	102,304	225,462	6,573	4,039,213
<u>Accumulated depreciation:</u>								
Balance at January 1, 2022	-	620,112	1,715,568	66,903	65,103	157,908	-	2,625,594
Depreciation	-	43,999	85,469	9,046	7,616	11,205	-	157,335
Disposition	-	(189)	(33,282)	(3,880)	(4,954)	(2,366)	-	(44,671)
Reclassification	-	-	-	-	-	-	-	-
Exchange difference	-	10,158	31,603	1,303	1,529	2,536	-	47,129
Balance at December 31, 2022	-	674,080	1,799,358	73,372	69,294	169,283	-	2,785,387
Carrying amount at December 31, 2022	\$134,237	\$385,668	\$607,853	\$30,306	\$33,010	\$56,179	\$6,573	\$1,253,826

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (B) The Group's major building constituents mainly include the main plant buildings, workshops, and plant decoration, which are depreciated according to their service life of 3-50 years.
- (C) The Group did not acquire property, plant and equipment that caused the capitalization of the loan cost for the years ended December 31, 2023 and 2022.
- (D) The Group did not have any impairment occurred to the property, plant and equipment for the years ended December 31, 2023 and 2022.
- (E) The aforementioned property, plant and equipment had not been provided as collateral or mortgaged.
- (F) The acquired property, plant and equipment listed in the consolidated cash flow statement :

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
The current addition of property, plant and equipment listed in Note 6(9)(A) of the consolidated financial report	\$125,713	\$153,218
Add: Equipment payable - beginning	14,194	16,537
Less: Equipment payable - ending	<u>(10,355)</u>	<u>(14,194)</u>
Cash outflow for the acquisition of property, plant and equipment	<u>\$129,552</u>	<u>\$155,561</u>

- (G) The Group's leased assets are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
House and building	\$1,340	\$1,340
Less: Accumulated depreciation	<u>(1,043)</u>	<u>(1,006)</u>
Leased assets - net	<u>\$297</u>	<u>\$334</u>

- (a) The company had part of the plant building leased to BAIYUE PRECISION CO., LTD. (hereinafter referred to as "BAIYUE") for a period from October 1, 2021 to September 30, 2022. The lease contract was renewed on September 30, 2022 for a lease period from October 1, 2022 to September 30, 2023. The lease contract was renewed on September 30, 2023 for a lease period from October 1, 2023 to September 30, 2024.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (b) The Group had part of the plant building leased to BAIYUE and CHANG HONG SHEN HARDWARE. The said plant building could not be sold independently; also, the said plant building owned by the Group was mainly for the purpose of product production, service providing, and management; therefore, the proprietary plant was not classified as an investment property.

(10) Right-of-use assets

(A) The increase and decrease of the Group's right-of-use assets are as follows:

Cost	For the years ended December 31, 2023		
	Land	House & building	Total
Balance at January 1, 2023	\$203,775	\$124,742	\$328,517
Addition	2,539	22,713	25,252
Due/transfer amount	-	(21,366)	(21,366)
Reclassification	-	-	-
Exchange difference	(3,854)	(2,629)	(6,483)
Balance at December 31, 2023	202,460	123,460	325,920
<u>Accumulated depreciation</u>			
Balance at January 1, 2023	7,723	65,378	73,101
Depreciation	1,911	15,845	17,756
Due/transfer amount	-	(21,366)	(21,366)
Exchange difference	(210)	(1,315)	(1,525)
Balance at December 31, 2023	9,424	58,542	67,966
Carrying amount at December 31, 2023	<u>\$193,036</u>	<u>\$64,918</u>	<u>\$257,954</u>

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Cost	For the years ended December 31,2022		
	Land	House & building	Total
Balance at January 1, 2022	\$64,410	\$117,687	\$182,097
Addition	47,288	5,483	52,771
Due/transfer amount	-	-	-
Reclassification	91,088	-	91,088
Exchange difference	989	1,572	2,561
Balance at December 31, 2022	<u>203,775</u>	<u>124,742</u>	<u>328,517</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	5,827	45,876	51,703
Depreciation	1,920	19,001	20,921
Due/transfer amount	-	-	-
Exchange difference	(24)	501	477
Balance at December 31, 2022	<u>7,723</u>	<u>65,378</u>	<u>73,101</u>
Carrying amount at December 31, 2022	<u>\$196,052</u>	<u>\$59,364</u>	<u>\$255,416</u>

- (B) The Group did not have the right-of-use assets sublet for the years ended December 31, 2023 and 2022.
- (C) The Group did not have any impairment occurred to the right-of-use assets for the years ended December 31, 2023 and 2022.
- (D) The aforementioned right-of-use assets had not been provided as collateral or mortgaged.



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(11) Intangible assets

(A) The increase or decrease of the Group's intangible assets-computer software is as follows:

Cost	Years ended December 31,	
	2023	2022
Balance - beginning	\$3,310	\$5,612
Addition - current	456	600
Decrease in the current period – delisted on the due date	(1,797)	(2,934)
Exchange difference	(1)	32
Balance - ending	1,968	3,310
<u>Accumulated depreciation</u>		
Balance - beginning	2,273	4,037
Amortization - current	829	1,141
Decrease in the current period – delisted on the due date	(1,797)	(2,934)
Exchange difference	2	29
Balance - ending	1,306	2,273
Book amount - ending	\$661	\$1,037

(B) The Group did not have any impairment occurred to the intangible assets for the years ended December 31, 2023 and 2022.

(12) Short-term loans

	December 31, 2023	December 31, 2022
Credit loans	\$1,210,000	\$1,070,000

(A) The company's short-term loan interest rate is as follows:

Nature of loan	December 31, 2023	December 31, 2022
Credit loan	1.640%-2.380%	1.350%-1.990%

(B) The company has not provided any guarantee for the above-mentioned short-term loan.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(13) Long-term loans

<u>Creditor</u>	<u>Nature of loan</u>	<u>Contract period</u>	<u>Amount</u>	<u>Repayment method</u>
<u>December 31, 2023:None</u>				
<u>December 31, 2022</u>				
Fubon Bank	Credit loan	01/03/2020~01/03/2025	\$60,295	(Note 1)
Fubon Bank	Credit loan	02/07/2020~02/07/2025	<u>18,737</u>	(Note 2)
Total			79,032	
Less: Long-term loans due within one year			<u>(38,735)</u>	
Long-term loans due after one year			<u>\$40,297</u>	

Note 1 : The first repayment date to Fubon Bank is on January 15, 2023, followed by a monthly installment for a total of 24 payments with the principal paid equally and the interest paid monthly. The company used it in stages from January 3, 2020 to January 5, 2022. The loan has been fully repaid in advance on September 5, 2023.

Note 2 : The first repayment date to Fubon Bank is on February 15, 2023, followed by a monthly installment for a total of 24 payments with the principal paid equally and the interest paid monthly. The company used it in stages from February 7, 2020 to August 7, 2020. The loan has been fully repaid in advance on September 5, 2023.

(A) The long-term loans of Taipei Fubon Bank mentioned above are loans for financing investment projects by Taiwanese businesses returning to Taiwan. with interest rates of 1.096% as of December 31, 2022.

(B) The Company did not provide collateral for the aforementioned long-term loans.

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(14) Lease liabilities

	Discount rate	December 31, 2023	December 31, 2022
Lease liabilities			
Land	-	\$46,043	\$47,288
House and building	2.475%-4.750%	70,340	64,384
Total		116,383	111,672
Less: Lease liabilities due within one year		(58,922)	(58,142)
Lease liabilities due after one year		\$57,461	\$53,530

(A) The Group's subsidiaries, G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD., SHENZHEN G-SHANK PRECISION SDN.BHD., G-SHANK JAPAN CO., LTD., and SHENZHEN G-BAO PRECISION SDN.BHD. had leased factory and dormitory from the Group in September 2007, June 2016, April 2017, and August 2017 for a lease period of 40 years, 5 years, 2 years, and 3 years, respectively, which have been booked as right-of-use assets since January 1, 2019, with a monthly rent paid. The subsidiary of the Group, SHENZHEN G-SHANK PRECISION SDN.BHD., wrote off the self-use right asset under its ownership in April 2023 due to the expiration of the lease agreement.

(B) Other rental information is listed as follows:

	Years Ended December 31	
	2023	2022
Short-term lease expense	\$6,755	\$5,527
Low-value asset lease expenses	\$-	\$-
Changes in lease expense excluded from the measurement of a lease liability	\$-	\$-
Total cash outflow of all leases	\$25,045	\$27,923
Lease liabilities interest	\$2,945	\$3,308

The Group elects to recognize an exemption for short-term leases of dormitories, offices, and similar assets, and does not recognize related right-of-use assets and lease liabilities for such leases.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(15) Retirement benefits(A) Defined benefit plan

- (a) The Company has based on the employee's seniority and the expected salary before retirement to have the employee retirement plan formulated, and has pension reserve appropriated for an amount equivalent to certain percentage of the monthly salary in accordance with the "Labor Standards Act" and then deposited in a special account and used by the Labor Pension Committee. The pension reserve is operated separately from the business operation of the Company; therefore, it is not included in the consolidated financial statements.
- (b) The remeasurement of the net defined benefit liability is accumulated and recognized in other comprehensive profit and loss as follows:

	Years Ended December 31	
	2023	2022
Balance - beginning	\$(70,998)	\$(91,494)
Net defined benefit plan remeasurement	(596)	20,496
Balance - ending	\$(71,594)	\$(70,998)

- (c) The reconciliation of the present value of the defined benefit obligation and the fair value of the plan asset is as follows:

	Years Ended December 31	
	2023	2022
Present value of defined benefit obligation	\$194,480	\$206,349
Fair value of plan assets	(164,158)	(174,034)
Plan shortfalls	30,322	32,315
Booked in other payables	(366)	(386)
Net defined benefit obligation	\$29,956	\$31,929

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(d) The changes in the present value of the defined benefit obligation are as follows:

	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Book value - beginning	\$206,349	\$217,887
Current service cost	1,491	1,752
Interest expense	2,538	1,525
Net defined benefit obligation remeasurement		
Actuarial (benefits) losses due to changes in demographic assumptions	-	1,306
Actuarial (benefits) losses due to changes in financial assumptions	509	(9,200)
Actuarial (benefits) losses resulted from experience adjustments	882	(653)
Benefits paid	<u>(17,289)</u>	<u>(6,268)</u>
Book value - ending	<u><u>\$194,480</u></u>	<u><u>\$206,349</u></u>

(e) The changes in the fair value of plan assets are as follows:

	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance – beginning	\$174,034	\$155,492
Interest income	2,141	1,088
Net defined benefit assets remeasurement		
Actuarial benefits of plan assets resulted from experience adjustments	795	11,949
Employer’s contributions	4,477	11,773
Benefits paid	<u>(17,289)</u>	<u>(6,268)</u>
Balance - ending	<u><u>\$164,158</u></u>	<u><u>\$174,034</u></u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (i) According to the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund,” the income and expense, safeguard, and utilization of the Company’s plan assets are entrusted to Bank of Taiwan for process by the competent authorities and the Ministry of Finance, of which, the safeguard and utilization of the fund can be entrusted to other financial institutions. The scope of application for the funds includes deposited in domestic and foreign financial institutions, investment in domestic and foreign listed/OTC or private equity securities, investment in domestic and foreign debt securities, investment in domestic public offering or private placement of securities investment trust funds, beneficiary certificates of futures trust funds , mutual trust fund beneficiary securities or collective trust instruments, investment in the beneficiary certificates issued or managed by foreign fund management institutions, fund shares or investment units, investment in domestic and foreign property and its securitized instruments, investment in domestic and foreign spot instruments, engagement in domestic and foreign financial derivatives transactions, marketable securities lending transactions, etc. Moreover, the minimum income distributed from the annual final account may not be less than the interest income calculated according to the local bank’s 2-year time deposit interest rate. The information on the utilization of the labor pension fund assets includes the fund appropriation and profit ratio provided by the Bank of Taiwan, the fund assets allocation announced on the website of the Bureau of Labor Funds, Ministry of Labor, the Executive Yuan, etc. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor, the Executive Yuan for more information.
- (ii) The Company’s pension reserves in the special account with the Bank of Taiwan were NT\$164,158 thousand and NT\$174,034 thousand on December 31, 2023 and 2022, respectively.
- (iii) As of December 31, 2023, the Company’s expected appropriation of defined benefit plan in 2024 was NT\$4,399 thousand.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (f) The pension expense recognized in profit and loss and booked amount are as follows:

	Years Ended December 31	
	2023	2022
Service cost	\$1,491	\$1,752
Interest expense	2,538	1,525
Interest income	(2,141)	(1,088)
Total	<u>\$1,888</u>	<u>\$2,189</u>
Operating cost	\$922	\$1,102
Selling and marketing expenses	237	265
General and administrative expenses	546	627
Research and development expenses	183	195
Total	<u>\$1,888</u>	<u>\$2,189</u>

- (g) The main actuarial assumptions used in determining the present value of the defined benefit obligation are as follows:

	Years Ended December 31	
	2023	2022
Discount rate	1.17%	1.23%
Expected salary increase rate	1.50%	1.50%

Please refer to Note 5.(2)(A) to the consolidated financial statements for the sensitivity analysis regarding the impact on the net defined benefit liabilities due to the reasonable and possible changes in the Company's actuarial assumptions.

- (h) Information on the maturity overview of the defined benefit obligation is as follows:

	December 31, 2023	December 31, 2022
Weighted average duration	<u>6 years</u>	<u>7 years</u>

(Unit amount in NT\$ Thousand, unless otherwise specified)

Maturity analysis of future benefit payments

	December 31, 2023	December 31, 2022
Within 1 year	\$169,481	\$174,007
2~5 years	20,428	23,966
Over 6 years	6,099	11,119
Total undiscounted amount	<u>\$196,008</u>	<u>\$209,092</u>
Present value of benefit payments	<u>\$194,682</u>	<u>\$207,229</u>

(B) Defined contribution plan

- (a) The Company has adopted a defined contribution plan since the implementation of the “Labor Pension Act” in July 2005. The employees may choose to be subject to the pension provisions of the “Labor Standards Act” or the “Labor Pension Act” with the reservation of the seniority prior to the “Labor Pension Act” took forth. For the employees subject to the “Labor Pension Act,” the Company shall assume the pension contribution for an amount not less than 6% of the monthly salary that is to be appropriated on a monthly basis and deposited in the personal account of each employee with the Bureau of Labor Insurance. The Company is without any legal or presumed obligation to make any additional contribution other than the monthly pension contribution.
- (b) The GROUP’s subsidiaries in mainland China, Malaysia, Indonesia, the United States, Mexico, Thailand, and Japan shall have pension insurance appropriated for an amount equivalent to a certain percentage of the salary in accordance with the local governing law and regulations, which is to be paid to the relevant government departments and then deposited into the personal account of each employee.
- (c) The pension expense recognized by the GROUP according to the definite contribution plan is as follows:

	Years Ended December 31	
	2023	2022
Operating cost	\$46,204	\$46,600
Selling and marketing expenses	8,251	10,611
General and administrative expenses	10,515	10,308
Research and development expenses	8,111	7,956
Total	<u>\$73,081</u>	<u>\$75,475</u>



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(16) Capital stock

	Authorized capital stock (1,000 shares)	Common stock shares issued at NT\$10 par (including Advance Receipts for Capital Stock)	
		Shares (1,000 shares)	Capital stock
Balance amount on January 1, 2023	350,000	190,654	\$1,906,543
Employee exercise of stock warrant		190	1,900
Balance amount on December 31, 2023	<u>350,000</u>	<u>190,844</u>	<u>\$1,908,443</u>
Balance amount on January 1, 2022	<u>350,000</u>	187,832	\$1,878,323
Employee exercise of stock warrant		2,822	28,220
Balance amount on December 31, 2022	<u>350,000</u>	<u>190,654</u>	<u>\$1,906,543</u>

- (A) As of December 31, 2023 and 2022, the company's authorized capital stock included 20,000 thousand shares reserved for the issuance of an employee stock warrant.
- (B) The related rights, priority, and restrictions of the common stock shares issued by the company are as follows:
- (a) Each shareholder is entitled to one vote per share.
  - (b) The distribution of dividends and bonuses are based on the shareholding ratio of each shareholder.
  - (c) The property net of the debt is distributed proportionally to the shareholding ratio of each shareholder.
- (C) The number of shares subscribed through the exercise of employee stock options by our company in 2023 and 2022 were 190 thousand shares and 2,822 thousand shares, respectively. As of December 31, 2023 and 2022, the cumulative number of shares subscribed through the issuance of employee stock options was 10,792 thousand shares and 10,602 thousand shares, respectively. As of December 31, 2023, there were 190 thousand and 870 thousand shares that had not completed the registration process for the change in ownership, and were therefore temporarily recorded under the category of prepaid capital. For more information on the issuance of employee stock options, please refer to Note 6.(23) in the consolidated financial statements.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(D) The company decided at the board meeting on October 27, 2023 to carry out a cash capital increase by issuing 150,000 thousand new shares, divided into 15,000 thousand shares with a par value of NT\$10 and an issuance premium of NT\$58 per share. The application was approved by the Financial Supervisory Commission on December 28, 2023 and the full subscription of the shares was completed by February 2024, authorizing the Chairman to set February 27, 2024 as the date for the capital increase.

(17) Capital Surpluses

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Common stock premium	\$317,414	\$314,662
Treasury stock transaction	63,306	63,306
The difference between the actual acquisition price of the subsidiary's equity and the book amount	3,563	3,563
Changes in the net equity value of subsidiaries under the equity method and affiliated enterprises	32,158	31,862
Employee stock options	35,311	20,619
Invalid employee stock options	36,414	36,325
Received donation from shareholders	1,739	1,684
Total	<u>\$489,905</u>	<u>\$472,021</u>

According to the Company Act, the company shall apply the additional paid-in capital to make up for losses only. However, if the company has no loss, the stock premium and all or part of the donation received may be used to distribute new shares or cash proportionally to the shareholders' original shareholding ratio. In addition, the company may apply the additional paid-in capital to supplement the capital loss only when there is an insufficient reserve.

(18) Legal reserve

According to the Company Act, the company after having all taxes paid and ready for earnings distribution shall first appropriate 10% legal reserve and continue to appropriate until the total legal reserve amount equals total capital. The legal reserve can be applied to make up for the company's losses; also, if the company has no loss, the amount of the legal reserve exceeding 25% of the paid-in capital can be used to distribute new shares or cash proportionally to the shareholders' original shareholding ratio.

(19) Special reserve

The Company has special reserve appropriated and reversed in accordance with Jin-Guan-Zheng-Far-Tzi No. 1010012865 Order, Jin-Guan-Zheng-Far-Tzi No. 1010047490 Order, and “Questions and Answers on the Appropriation of Special Reserves after the Adoption of International Financial Reporting Standards (IFRSs).” When the amount debited to other equity is reversed subsequently, the reversed amount could be distributed. In addition, the Financial Supervisory Commission had issued the Jin-Guan-Zheng-Far-Tzi No. 1090150022 Order on March 31, 2021, then the Jin-Guan-Zheng-Far-Tzi No. 1010012865 Order and Jin-Guan-Zheng-Far-Tzi No. 1010047490 Order were revoked on December 31, 2021 and March 31, 2021, respectively. The Company will comply with the relevant letter and orders continuously.

(20) Earnings distribution and dividend policy

(A) According to the company’s Articles of Incorporation, the annual earnings, if any, should be applied to pay income tax and make up for the losses of the previous years; also, appropriate 10% legal reserve from the remaining balance, if any. In addition, appropriate or reverse a certain amount of special reserve according to the regulations of the competent authority. Then, for the balance amount, if any, and the unappropriated earnings of the previous year, except for the retained amount, the board of directors shall draft an earnings distribution plan for the resolutions of the shareholders meeting.

(B) The company’s dividend policy: the company’s current industrial development is growing and will be expanded to support the business development. The earnings distribution shall be handled in accordance with the company’s Articles of Incorporation. However, the shareholders’ dividends distributed in the current year shall include not more than 50% of the stock dividend and must be more than 50% of the cash.

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (C) Regarding the profit distribution resolution of our company as decided by the board of directors (Awaiting the resolution to be passed at the shareholder's meeting of our company scheduled to be held on June 14, 2024.) or approved by the shareholders' meeting, the situation is as follows:

	Years Ended December 31		
	2023	2022	2021
Legal reserve	\$67,441	\$88,833	\$65,821
Special reserve	\$-	\$-	\$-
Shareholder's dividends			
Cash	\$308,766	\$438,505	\$394,447
Cash dividend per share	NT\$1.50	NT\$2.30	NT\$2.08
Stock (NT\$10 par)	-share	-share	-share
Stock dividend per share	-NT\$	-NT\$	-NT\$
Distribute capital surplus to shareholders.			
Cash	\$205,844	\$-	\$-
Cash dividend per share	NT\$1.00	-NT\$	-NT\$

(21) Other equity (net amount after tax)

- (A) The exchange difference from the conversion of the financial statements of foreign operating institutions:

	Years Ended December 31	
	2023	2022
Balance, beginning of the year	\$(338,584)	\$(441,852)
Current period occurrence	(71,054)	103,268
Reclassified to (profit) and loss in the current period	-	-
Balance, end of the year	<u>\$(409,638)</u>	<u>\$(338,584)</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(B) Unrealized valuation benefits of financial assets measured at fair value through other comprehensive profit and loss:

	Years Ended December 31	
	2023	2022
Balance, beginning of the year	\$237,702	\$279,295
Current period occurrence	58,880	(37,315)
Recognized under the equity method in the current period - affiliated enterprise	3,598	(4,278)
Reclassified to retained earnings in the current period	-	-
Balance, end of the year	<u>\$300,180</u>	<u>\$237,702</u>

(22) Non-controlling interests

	Years Ended December 31	
	2023	2022
Balance -beginning	\$664,949	\$601,439
The amount attributable to non-controlling interests:		
Net income	86,957	116,312
Exchange difference from the conversion of the financial statements of foreign operating institutions	(11,782)	11,375
Cash dividends paid by subsidiaries to non-controlling interests	(56,519)	(64,177)
Balance -ending	<u>\$683,605</u>	<u>\$664,949</u>

The Group had no subsidiaries with significant non-controlling interests for years ended December 31, 2023 and 2022.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(23) Share-based payment - employee rewards

The company was authorized by the Securities and Futures Bureau of the Financial Supervisory Commission to issue employee stock warrants on January 13, 2015, August 22, 2018, and June 21, 2022, for 500,000 units, 500,000 units, and 300,000 units respectively. One stock warrant is entitled to subscribe to 10 common stock shares of the company. New shares will be issued for the stock option exercised by employees and the subscription price is the company's common stock closing price on the issuance day. The stock warrant holders can exercise a certain percentage of the stock warrant after 2-year from the issuance date (according to the regulations, the exercisable subscription amount is 40% of the amount available for subscription in each stock warrant issued after 2-year from the issuance date, 60% after 3-year from the issuance date, 80% after 4-year from the issuance date, and 100% after 5 years from the issuance date). The duration of the stock warrant is for seven years. The unexercised stock options after 7 years shall be deemed as being waived, and the subscribers cannot claim their rights to subscribe.

As of December 31, 2023, the issuance of compensatory employee stock warrants is disclosed as follows:

Warrant issuance date	Total warrants issued originally	Total warrants outstanding at yearend	Total warrants available for subscription at yearend	Subscription price (NTD) (Note)
September 12, 2018	290,000	185,600	1,856,000	19.30
August 12, 2019	210,000	179,000	1,390,000	19.40
August 5, 2022	100,000	100,000	-	49.00
November 4, 2022	100,000	100,000	-	42.90
June 5, 2023	100,000	100,000	-	48.60

Note: The company has the subscription price adjusted when there is a change in common stock share or cash dividend is distributed for common stock shares in accordance with the "Regulations Governing the Issuance of Employee Stock Warrant and Stock Subscription." The stock subscription price per share after adjustment is disclosed as of December 31, 2023.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(A) The company adopts the Black-Scholes stock options model to assess the fair value of the employee stock warrant issued each year. The remuneration cost accrued were NT\$15,766 thousand and NT\$5,595 thousand, for the years ended December 31, 2023 and 2022, respectively. The input values of the stock option pricing model are as follows:

	2022 Stock option plan	2022 Stock option plan	2022 Stock option plan	2018 Stock option plan
Expected dividend ratio	-%	-%	-%	-%
Expected price fluctuation ratio	32.86%~36.80%	32.35%~36.13%	31.76%~35.33%	18.99%~20.95%
Risk-free interest rate	1.0873%~1.0996%	1.5365%~1.5954%	1.0109%~1.0687%	0.554%~0.582%
Expected duration	4.5~6 years	4.5~6 years	4.5~6 years	4.5~6 years
	2018 Stock option plan	2014 Stock option plan	2014 Stock option plan	
Expected dividend ratio	-%	-%	-%	
Expected price fluctuation ratio	21.38%~22.07%	22.64%~25.43%	22.80%~27.68%	
Risk-free interest rate	0.700%~0.758%	0.663%~0.831%	0.976%~1.203%	
Expected duration	4.5~6 years	4.5~6 years	4.5~6 years	

The assumption of the expected price fluctuation ratio is measured according to the impact of the annual dividend distribution in the past on stock price, and the expected stock price fluctuations in the future period. The stock option duration is the employee exercising stock option period that is deducted from the historical data and current expectation, which may not necessarily match the actual result or actual implementation.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(B) The quantity and weighted average price of the compensatory employee stock option plan issued by the company is disclosed as follows:

	2023		2022	
	QTY (unit)	Weighted average price per share (NTD)	QTY (unit)	Weighted average price per share (NTD)
Employee stock operations				
Outstanding shares -				
beginning	585,700	\$29.89	670,600	\$18.64
Granted in current period	100,000	51.00	200,000	49.50
Exercised in current period	(19,000)	19.30	(282,200)	14.83
Lost in current period (expired)	(2,100)	19.30	(2,700)	20.30
Outstanding shares - ending	<u>664,600</u>	31.76	<u>585,700</u>	29.89
Exercisable employee stock options - ending	<u>324,600</u>	19.34	<u>251,000</u>	20.34
Average fair value per share of stock options granted to employees in the current period (NTD)	<u>\$16.67</u>		<u>\$15.93</u>	

The weighted average share price is NTD \$72.15 and NTD \$55.25 of the company's employees did execute stock options for the nine-month periods ended December 31, 2023 and 2022.

As of December 31, 2023 and 2022, the company's outstanding compensatory employee stock option plan is as follows:

	Price range per share (NTD)	Outstanding stock options			Exercisable employee stock options	
		Outstanding QTY (Unit)	Weighted average expected remaining duration	Weighted average price per share (NTD)	Exercisable QTY (Unit)	Weighted average price per share (NTD)
<u>December 31, 2023</u>						
2018 Stock option plan	19.30	185,600	0.26	19.30	185,600	19.30
2018 Stock option plan	19.40	179,000	0.78	19.40	139,000	19.40
2022 Stock option plan	49.00	100,000	3.69	49.00	-	49.00
2022 Stock option plan	42.90	100,000	3.94	42.90	-	42.90
2022 Stock option plan	48.60	100,000	4.52	48.60	-	48.60



## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	Price range per share (NTD)	Outstanding stock options			Exercisable employee stock options	
		Outstanding QTY (Unit)	Weighted average expected remaining duration	Weighted average price per share (NTD)	Exercisable QTY (Unit)	Weighted average price per share (NTD)
<u>December 31, 2022</u>						
2018 Stock option plan	20.30	206,700	0.99	20.30	152,000	20.30
2018 Stock option plan	20.40	179,000	1.78	20.40	99,000	20.40
2022 Stock option plan	51.50	100,000	4.69	51.50	-	51.50
2022 Stock option plan	45.10	100,000	4.94	45.10	-	45.10

(24) Net operating income

	Years Ended December 31	
	2023	2022
Sales income		
Parts income	\$5,394,674	\$6,352,790
Mold income	205,609	253,178
Fixture income	63,727	82,093
Merchandise income	105,276	115,693
Total	5,769,286	6,803,754
Less: Sales return	(14,029)	(12,185)
Sales discount	(8,939)	(10,539)
Net operating income	\$5,746,318	\$6,781,030

## (A) Income classification:

(a) Main merchandise / service

	Years Ended December 31	
	2023	2022
Parts income	\$5,372,505	\$6,331,276
Mold income	205,190	252,747
Fixture income	63,727	82,089
Merchandise income	104,896	114,918
Total	\$5,746,318	\$6,781,030

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(b) Main regional markets

Customer location	Years Ended December 31	
	2023	2022
Taiwan	\$1,338,264	\$1,621,437
Asia (other than Taiwan)	3,776,604	4,539,480
America	377,447	322,785
Others	254,003	297,328
Total	<u>\$5,746,318</u>	<u>\$6,781,030</u>

(c) Income recognition time

	Years Ended December 31	
	2023	2022
Goods transferred at a certain time	<u>\$5,746,318</u>	<u>\$6,781,030</u>

(B) Contract liabilities:

	December 31, 2023	December 31, 2022
Contract liabilities	<u>\$19,431</u>	<u>\$39,036</u>

The significant changes in the contract liability balance are as follows:

	Years Ended December 31	
	2023	2022
Contract liabilities balance -beginning		
transferred to income in the current period	\$(30,838)	\$(9,843)
Increase in cash received in advance in the current period	11,233	34,131

(Unit amount in NT\$ Thousand, unless otherwise specified)

(25) Operating costs and expenses

The Group's employee welfare expenses, depreciation, and amortization expenses are summarized as follows:

Function Nature	For the years ended December 31, 2023			For the years ended December 31, 2022		
	Attributable to operating cost	Attributable to operating expense	Total	Attributable to operating cost	Attributable to operating expense	Total
Employee welfare expenses						
Employee expense (Note 1)	\$740,639	\$467,319	\$1,207,958	\$803,579	\$439,864	\$1,243,443
Labor and health insurance expenses	60,890	39,379	100,269	59,950	37,809	97,759
Pension expenses	47,126	27,843	74,969	47,702	29,962	77,664
Director remuneration	-	5,556	5,556	-	5,263	5,263
Other welfare expenses	21,789	8,885	30,674	26,814	12,396	39,210
Depreciation expenses (Note 2)	129,828	48,067	177,895	129,797	48,422	178,219
Amortization expense	11,455	3,897	15,352	23,429	3,912	27,341

Note 1 : (A) According to the company's Articles of Incorporation, the company shall appropriate an amount equivalent to 1-10% of the company's net income before tax before deducting remuneration to employees, directors, and supervisors as remuneration to employees and not more than 3% as remuneration to directors and supervisors. However, it is necessary to reserve a sufficient amount to make up for the losses, if any. The remuneration to employees in the preceding paragraph is paid in the form of stocks or cash, including the employees of the controlled companies who meet the conditions set by the board of directors. The remuneration to directors and supervisors must be paid in cash. The aforementioned matters shall be resolved by the board of directors for implementation and shall be reported to the shareholders meeting.

(B) The estimated amounts of accrued employee compensation payable for the fiscal years 2023 and 2022 of our company are NT\$23,000 thousand, respectively, and the remuneration to directors and supervisors was NT\$0, respectively. The estimated basis of employee compensation is determined by a certain proportion of the current year's pre-tax net profit (excluding the impact of employee compensation). The recognized employee compensation accrual is classified as current period operating costs or

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

operating expenses. However, if there is a change in the dividend payout amount approved by the Board of Directors in the future, it will be adjusted in the next year's income statement according to accounting estimates.

(C) The company's board of directors had resolved on March 8, 2024 to distribute the 2023 remuneration to employees for NT\$23,000 thousand in cash and remuneration to directors for NT\$0; also, it was not different from the estimated remuneration to employees and directors in the company's 2023 financial report. The company's board of directors had resolved on March 10, 2023 to distribute the 2022 remuneration to employees for NT\$23,000 thousand in cash and remuneration to directors and supervisors for NT\$0 that were reported in the regular shareholders meeting on June 9, 2023; also, it was not different from the estimated remuneration to employees, directors, and supervisors in the company's 2022 financial report.

(D) Please refer to the Market Observation Post System for the information regarding the remuneration to employees and directors resolved by the company's board of directors.

Note 2 : The depreciation expenses provided by the Group for the years 2023 and 2022 were NT\$177,932 thousand and NT\$178,256 thousand, respectively. Among them, the depreciation expenses for real estate, factories, and equipment - leased assets were all NT\$37 thousand, which were listed under the net amount of other income and expenses.

(26) Other income and expenses – net

	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Property, plant and equipment – lease assets		
Rent income	\$420	\$420
Depreciation expense	(37)	(37)
Other income and expenses - net	<u>\$383</u>	<u>\$383</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(27) Non-operating income and expense

	Years Ended December 31	
	2023	2022
(A) Interest income		
Bank deposit interest	\$94,188	\$52,021
Financial assets measured at amortized cost interest income	-	-
Other interest income	72,499	54,745
Total	<u>\$166,687</u>	<u>\$106,766</u>
(B) Other income		
Cash dividends	\$9,500	\$13,571
Other income-other	31,595	39,601
Total	<u>\$41,095</u>	<u>\$53,172</u>
(C) Other profit and loss		
Net loss of financial assets measured at fair value through profit and (loss)	\$63,064	\$(18,383)
Net profit from the disposal of property, plant, and equipment	(8,115)	(1,824)
Other expenses	(95)	(42)
Total	<u>\$54,854</u>	<u>\$(20,249)</u>
(D) Financial cost		
Bank loan interest	\$(18,304)	\$(14,010)
Lease liability interest	(2,945)	(3,308)
Total	<u>\$(21,249)</u>	<u>\$(17,318)</u>

(E) Profit (loss) amount from the affiliated enterprises under the equity method

Please refer to Note 6(8)C. of the consolidated financial report for details.

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(F) Exchange loss - net

	<u>Years Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Realized exchange profit (loss) - net	\$20,720	\$130,767
Unrealized exchange profit (loss)-net	23,533	10,306
Total	<u>\$44,253</u>	<u>\$141,073</u>

(28) Other comprehensive profit and loss

<u>Other comprehensive profit and loss constituents</u>	<u>Transactions of current period</u>	<u>Reclassification and adjustment of current period</u>	<u>Other comprehensive profit and loss</u>	<u>Income tax expense</u>	<u>Amount after tax</u>
<u>For the years ended December 31, 2023</u>					
Items not reclassified to profit and loss:					
Remeasurements of defined benefit plan	\$(596)	\$-	\$(596)	\$-	\$(596)
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive loss	58,880	-	58,880	-	58,880
Remeasurements of defined benefit plan of affiliated enterprises under the equity method	(37)	-	(37)	-	(37)
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive profit of affiliated enterprises under the equity method	3,598	-	3,598	-	3,598
Total amount of items not reclassified to profit and loss:	<u>61,845</u>	<u>-</u>	<u>61,845</u>	<u>-</u>	<u>61,845</u>
Items that may be reclassified to profit and loss subsequently:					
Exchange difference from the conversion of the financial statements of foreign operating institutions	(82,836)	-	(82,836)	-	(82,836)
Total	<u>\$(20,991)</u>	<u>\$-</u>	<u>\$(20,991)</u>	<u>\$-</u>	<u>\$(20,991)</u>

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Other comprehensive profit and loss constituents	Transactions of current period	Reclassification and adjustment of current period	Other comprehensive profit and loss	Income tax expense	Amount after tax
<u>For the years ended December 31, 2022</u>					
Items not reclassified to profit and loss:					
Remeasurements of defined benefit plan	\$20,496	\$-	\$20,496	\$-	\$20,496
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive loss	(37,315)	-	(37,315)	-	(37,315)
Remeasurements of defined benefit plan of affiliated enterprises under the equity method	232	-	232	-	232
Unrealized appraisal loss of equity instrument investment measured at fair value through other comprehensive profit of affiliated enterprises under the equity method	(4,278)	-	(4,278)	-	(4,278)
Total amount of items not reclassified to profit and loss:	<u>(20,865)</u>	<u>-</u>	<u>(20,865)</u>	<u>-</u>	<u>(20,865)</u>
Items that may be reclassified to profit and loss subsequently:					
Exchange difference from the conversion of the financial statements of foreign operating institutions	114,643	-	114,643	-	114,643
Total	<u>\$93,778</u>	<u>\$-</u>	<u>\$93,778</u>	<u>\$-</u>	<u>\$93,778</u>

(29) Income tax

(A) The Group's income tax return must be filed by each entity independently instead of filing collectively. The company's and the subsidiary, CHIN DE INVESTMENT CO., LTD., business income tax return filed before 2021 (inclusive) were reviewed and approved by the tax collection agency.

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(B) The income tax expense constituents:

(a) Income tax recognized in profit and loss

	Years Ended December 31	
	2023	2022
Current income tax expense		
In respect of the current year	\$228,297	\$281,962
Adjustment to previous income tax recognized in current period	(8,717)	(8,434)
Deferred income tax expense		
Origin of temporary difference and reversing relevant deferred income tax (benefits) expense	72,015	57,298
Income tax expense	<u>\$291,595</u>	<u>\$330,826</u>

(b) The Group had no income tax related to other comprehensive profit and loss constituents or direct debited or credited to equity for the years ended December 31, 2023 and 2022, respectively.

(C) The relationship between income tax expense and accounting profit

	Years Ended December 31	
	2023	2022
Accounting profit		
Net income before tax of the continuing business unit	<u>\$1,053,592</u>	<u>\$1,314,741</u>
Tax calculated according to the applicable tax rate in the respective country	\$362,935	\$425,528
Domestic undistributed profits subject to additional business income tax levy	15,463	5,643
Adjustments		
Income tax effect of non-deductible expense in tax return	(37,555)	(60,531)
Income tax (profit ) expense on repatriation of foreign funds under special law	(989)	(1,076)
Income tax effect of tax-free income	(39,542)	(30,304)
Income tax effect of temporary differenc	<u>(72,015)</u>	<u>(57,298)</u>
Current income tax expense	228,297	281,962
Adjustment to previous income tax recognized in current period	(8,717)	(8,434)
Current income tax expense	219,580	273,528
Deferred income tax (profit) expense	72,015	57,298
Income tax expense	<u>\$291,595</u>	<u>\$330,826</u>



(Unit amount in NT\$ Thousand, unless otherwise specified)

The Company and the domestic subsidiaries were subject to the income tax rate of 20% in R.O.C. in 2023 and 2022, respectively. The tax expenses of foreign subsidiaries were calculated according to the local tax rates applicable in the respective countries where they operated.

- (D) According to the Income Tax Act regulations, for those who entrust accountants to verify and sign the settlement and declaration of corporate income tax, they may deduct the accumulated losses from the previous ten years as determined by the tax authorities from the current period's net profit before further assessing the corporate income tax. The situation of the deduction of accumulated losses from the previous ten years for the subsidiary company, CHIN DE INVESTMENT CO., LTD., is as follows:

Fiscal year	Unutilized Deduction Amount		Final Offset Year
	December 31,2023	December 31,2022	
2023(estimate)	5,636	-	2033

- (E) The deferred income tax assets and liabilities are analyzed as follows:

	Balance -ending	Recognized in profit and loss	Recognized in other profit and loss	Balance -ending
<u>For the years ended December 31, 2023</u>				
Deferred income tax assets				
Unrealized inventory loss in valuation	\$6,185	\$468	\$-	\$6,653
Unrealized financial assets loss in valuation	17,673	(15,504)	-	2,169
Unrealized exchange losses	804	541	-	1,345
Financial and tax difference of property, plant and equipment	2,969	260	-	3,229
Loss carryforward	-	1,127	-	1,127
Offshore -deferred income tax assets -others	1,481	(799)	-	682
Total	<u>\$29,112</u>	<u>\$(13,907)</u>	<u>\$-</u>	<u>\$15,205</u>
Deferred income tax liabilities				
Unrealized long-term equity investment income	\$616,436	\$58,157	\$-	\$674,593
Unrealized exchange profit	49	(49)	-	-
Total	<u>\$616,485</u>	<u>\$58,108</u>	<u>\$-</u>	<u>\$674,593</u>

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	<u>Balance</u> <u>-ending</u>	<u>Recognized</u> <u>in profit and</u> <u>loss</u>	<u>Recognized in</u> <u>other profit</u> <u>and loss</u>	<u>Balance</u> <u>-ending</u>
<u>For the years ended December 31, 2022</u>				
Deferred income tax assets				
Unrealized inventory loss in valuation	\$7,461	\$(1,276)	\$-	\$6,185
Unrealized financial assets loss in valuation	17,361	312	-	17,673
Unrealized exchange loss	2,024	(1,220)	-	804
Financial and tax difference of property, plant and equipment	2,708	261	-	2,969
Offshore -deferred income tax assets -others	3,964	(2,483)	-	1,481
Total	<u>\$33,518</u>	<u>\$(4,406)</u>	<u>\$-</u>	<u>\$29,112</u>
Deferred income tax liabilities				
Unrealized long-term equity investment income	\$563,593	\$52,843	\$-	\$616,436
Unrealized exchange profit	-	49	-	49
Total	<u>\$563,593</u>	<u>\$52,892</u>	<u>\$-</u>	<u>\$616,485</u>

## (F) Unrecognized deferred income tax assets:

The GROUP's unrecognized deferred income tax assets were NT\$0 as of December 31, 2023 and 2022, respectively.

(30) Earnings per share(A) Basic earnings per share

The basic earnings per share are calculated by dividing the profit and loss attributable to the company's common stock shareholders by the outstanding weighted average common stock shares in the current period as follows:

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	Years Ended December 31	
	2023	2022
Net profit attributable to the company's common stock shareholders	\$675,040	\$867,603
Outstanding weighted average shares	190,654,298 shares	187,832,298 shares
Employee stock option – subscribing issue new shares (Note)	7,288	1,537,587
Outstanding weighted average shares	190,661,586 shares	189,369,885 shares
Basic earnings per share (after tax) (NTD)	\$3.54	\$4.58

Note : Calculated based on the period of circulation of each subscription.

(B) Diluted earnings per share

The diluted earnings per share are calculated by having the dilutive potential common stock share effect adjusted to the profit and loss attributable to the common stock shareholders of the company divided by the dilutive potential common stock share effect adjusted to the outstanding weighted average shares of the period as follows:

	Years Ended December 31	
	2023	2022
Net profit attributable to the company's common stock shareholders	\$675,040	\$867,603
Add: Potential common stock share effect	-	-
Adjusted net profit attributable to the company's common stock shareholders	\$675,040	\$867,603
Outstanding weighted average shares	190,661,586 shares	189,369,885 shares
Add: Potential common stock share effect		
Employee stock option hypothesis -subscribing new shares (Note)	2,445,783	3,234,583
Employee Remuneration hypothesis –issuing new shares	400,752	586,277
Adjusted weighted average shares	193,508,121 shares	193,190,745 shares
Diluted basic earnings per share (after tax) (NTD)	\$3.49	\$4.49

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Note : The Company issued employee stock options In June 2023 and August 2023. Due to their anti-dilutive nature, they were not included in the calculation of diluted earnings per share for the year 2023. Similarly, outstanding employee stock options issued in 2022 were not included in the calculation of diluted earnings per share for the year 2022 due to their anti-dilutive nature.

(31) Reconciliation of liabilities from financing activities

Accounting item	Balance -beginning	Cash flow	Changes in non-cash			Balance -ending
			Transaction of current period	Change in exchange rate	Other	
<u>For the years ended December 31,2023</u>						
Short-term loan	\$1,070,000	\$140,000	\$-	\$-	\$-	\$1,210,000
Long-term borrowings (including current portion)	79,032	(79,032)	-	-	-	-
Lease liabilities (including current and noncurrent)	111,672	(15,345)	22,713	(2,657)	-	116,383
Total	<u>\$1,260,704</u>	<u>\$45,623</u>	<u>\$22,713</u>	<u>\$(2,657)</u>	<u>\$-</u>	<u>\$1,326,383</u>
<u>For the years ended December 31,2022</u>						
Short-term loan	\$1,260,000	\$(190,000)	\$-	\$-	\$-	\$1,070,000
Long-term borrowings (including current portion)	76,324	2,708	-	-	-	79,032
Lease liabilities (including current and noncurrent)	76,845	(19,088)	52,771	1,144	-	111,672
Total	<u>\$1,413,169</u>	<u>\$(206,380)</u>	<u>\$52,771</u>	<u>\$1,144</u>	<u>\$-</u>	<u>\$1,260,704</u>

**7. RELATED PARTY TRANSACTIONS**

The account balance amount, transactions, income, and expenses related to the transactions between entities within the Group were written-off at the time of preparing the consolidated financial report. Please refer to Note 13.(1) J. of the consolidated financial report for the business relationships and important transactions between the company and the subsidiaries and among subsidiaries. The relationship and transactions between the Group and related parties are disclosed as follows:

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(1) Name of related party and relationship

Name of related party	Relationship with the Group
KUAI LUNG PRECISION INDUSTRY CO., LTD. (KUAI LUNG)	The chairman of KUAI LUNG is the general manager of G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD., the subsidiary of the company.
SUNFLEX TECHNOLOGY CO., LTD. (SUNFLEX)	SUNFLEX is invested by the company under equity method.

(2) Major transactions with related parties(A) Purchases

Related party category/name	Years Ended December 31	
	2023	2022
Other related parties		
KUAI LUNG	\$314	\$170
Affiliated enterprises		
SUNFLEX	9,465	16,268
Total	\$9,779	\$16,438

The aforementioned purchase is mostly for molds and parts with special specifications from one single supplier. Therefore, there is no other purchase price available for comparison. The payment term from such a single supplier is OA 90 days; while other suppliers are with a payment term of OA 0-120 days.

(B) Sales

Related party category/name	Years Ended December 31	
	2023	2022
Other related parties		
KUAI LUNG	\$-	\$52
Affiliated enterprises		
SUNFLEX	56	32
Total	\$56	\$84

The products sold in the preceding paragraph are mostly equipment, tools, and materials used for production with the price negotiated by both parties by adding a percentage to the cost or by the cost price at the time of trade depending on the type

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

of product traded; also, taking into account the expenses and exchange rate risk. The specifications of products that are sold to related parties are exclusive; therefore, there is no other customer available for comparison. The payment term of sales to a related party is OA 30-45 days; while the general customer is with a payment term of OA 30-150 days.

(C) Processing expense

The company had contracted the affiliated enterprise, SUNFLEX TECHNOLOGY CO., LTD., for product proceeding with a processing expense of NT\$14,139 thousand and NT\$16,572 thousand incurred for the years ended December 31, 2023 and 2022, respectively.

(D) Others

The Company commissioned its affiliated enterprise, Sunsoft Electronics, to procure employee uniforms on its behalf in 2023 for an amount of NT\$143 thousand.

(E) Claims/obligations arising from the aforementioned transactions

<u>Related party category/name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>(a) Accounts receivable -related party</u>		
Affiliated enterprises		
SUNFLEX	\$3	\$15
<u>(b) Accounts payable -related party</u>		
Other related parties		
KUAI LUNG	\$195	\$-
Affiliated enterprises		
SUNFLEX	1,082	11,289
	<u>\$1,277</u>	<u>\$11,289</u>
<u>(c) Other payable -related party</u>		
Other related parties		
KUAI LUNG	\$-	\$1,905
Affiliated enterprises		
SUNFLEX	2,574	3,250
Total	<u>\$2,574</u>	<u>\$5,155</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

The claims/obligations between the Group and the related party are without collateral or guarantee received or provided, and a conclusion is made after thorough evaluations that it is no need to appropriate allowance for loss for the Group's claims against the related parties.

(F) Information on total remunerations of key management personnel

The total remunerations to the Group's directors, general manager, vice general manager, and other managerial officers are summarized as follows:

Item	Years Ended December 31	
	2023	2022
Short-term benefits	\$13,933	\$12,480
Retirement benefits	353	367
Share-based payment	72	179
Total	\$14,358	\$13,026

The remuneration to key management personnel is determined by the Group's Remuneration Committee with reference to the general standards of the industry and taking into account personal performance, the company operating performance, and related future risks.

8. MORTGAGED ASSETS

As of December 31, 2023 and 2022, the Group had assets provided as collateral to financial institutions for loans, applying for credit line, electricity deposits, materials, contracts, and issuing the letter of credit as follows:

Accounting item	December 31, 2023	December 31, 2022	Mortgage agency	Collateral for loans
Other financial assets			Bank of China	Material deposit, contract deposit, and others
– current				
Bank deposits	\$303	\$1,179		
Other noncurrent assets			Bangkok Bank	Electricity deposit
– other				
Bank deposits	226	224		
Other noncurrent assets			Mizuho Bank	Tariff deposits
– others				
Bank deposits	1,087	1,162		
Total	\$1,616	\$2,565		

**9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS**

The Group had the following significant contingent liabilities and unrecognized contractual commitments not yet included in the aforementioned consolidated financial report as of December 31, 2023:

- (1) The company had had a guaranteed loan from financial institutions for the tariff guarantee amount of NT\$500 thousand on December 31, 2023.
- (2) The company has signed contracts for the acquisition of real estate, factory buildings, and equipment with a total amount of NT\$1,550,000 thousand (including tax), of which the unpaid amount is NT\$1,240,000 thousand (including tax).
- (3) The Group's G-SHANK ENTERPRISE (M) SDN. BHD. had a guaranteed loan of MYR\$4,000 thousand from financial institutions for the introduction of foreign labor and other matters on December 31, 2023.
- (4) The Group had entered into contract for the purchase of property, plant and equipment for an amount of RMB 46,647 thousand, the outstanding amount yet to be paid is RMB 35,802 thousand.
- (5) The Group's PTINDONESIA G-SHANK PRECISION has signed a land lease quotation with an amount of IDR 19,850,000 thousand, of which IDR 14,720,833 thousand remains unpaid.

**10. SIGNIFICANT DISASTER LOSS**

None.



## 11. **MATERIAL POST EVENTS**

- (1) As stated in Note 6.(16)(C) of the consolidated financial report, in the fourth quarter of the year 2023, the employees of this company exercised their subscription rights for 190,000 shares (recorded as Advance Receipts for Capital Stock ). Subsequently, on March 8, 2024, the Board of Directors resolved to set the capital increase reference date on March 8, 2024.
- (2) The company decided to carry out a cash capital increase on October 27, 2023, as approved by the board of directors. Please refer to Note 6.(16)(F) in the consolidated financial statements.
- (3) The Company proposed the distribution of profits for the year 2023 and the issuance of cash to shareholders and of the capital surpluses to shareholders at a board meeting on March 8, 2024 (subject to approval at the shareholders' meeting scheduled for June 14, 2024). Please refer to Note 6.(20)(C) in the consolidated financial statements for more information.
- (4) The company decided to issue its second unsecured convertible corporate bonds domestically on October 27, 2023, and obtained approval from the Financial Supervisory Commission on December 28, 2023, which became effective. The aforementioned corporate bonds were issued on January 26, 2024, and listed for trading on the Taipei Exchange Exchange (referred to as the "TPEX"). The main terms of the issuance are as follows:
  - (A) Issuance amount :

The total face value of the issuance is NT\$1,000,000 thousand, with each bond having a face value of NT\$100 thousand . The bonds were issued at 113.80% of face value, resulting in a total actual raised amount of NT\$1,137,967 thousand.
  - (B) Issuance period :

The issuance period is three years, from January 26, 2024, to the maturity date of January 26, 2027.
  - (C) Type of bonds :

Unsecured Convertible Corporate Bonds.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(D) Coupon Rate and Repayment Method of Bonds :

The coupon rate is 0%. Except for conversion into the company's common stock as stipulated by the conversion method or repurchase and cancellation by the company through securities firms, within ten business days from the day following the maturity date of these convertible bonds, the company will redeem the bonds in cash at face value.

(E) Conversion Period:

Bondholders may convert the convertible bonds from the day after the issuance date of the convertible bonds (April 27, 2024), which is three months after the issuance date, until the maturity date (January 26, 2027), except during the following periods of the Company: (a) Fifteen business days prior to the ex-date of non-dilutive rights offerings, ex-date of cash dividends, or ex-date of rights offering for cash subscription; (b) From the record date for reduction of capital to one day prior to the commencement of trading of the shares issued due to reduction of capital; (c) From the commencement date of suspension of conversion for stock denomination change to one day prior to the commencement of trading of the new shares issued due to stock denomination change; (d) Except for periods when the transfer of ordinary shares is temporarily suspended by law, bondholders may at any time through their brokerage firm inform the Taiwan Depository & Clearing Corporation (hereinafter referred to as the "TDCC") to request conversion into common stock of the Company according to the conversion method through the Company's share registrar agent.

(F) Conversion Price and Adjustments:

The conversion price was set at NT\$72.2 per share at the time of issuance, with January 08, 2024 as the reference date for setting the conversion price. Following the issuance of these convertible bonds, except for various securities issued or privately placed by the Company that have the right to convert into ordinary shares or share subscription rights, or the issuance of new shares for employee compensation, in the event of an increase in the Company's issued or privately placed ordinary shares (including but not limited to cash capital increase, profit conversion increase, capital surplus conversion increase, issuance of new shares by individual or transfer of shares of other companies, stock splits, participation in overseas depository receipts issuance through cash capital increase, and increase in issued ordinary shares due to changes in stock face value), the conversion price shall be adjusted according to the formula specified in the issuance terms. Adjustments shall also be made in the event of the Company distributing cash dividends on ordinary shares, issuing various securities with the right to convert into ordinary shares or subscription rights at a conversion or subscription price lower than the prevailing market price per share, or granting others the right to subscribe for company shares at a price lower than the

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

prevailing market price per share, except for reductions in ordinary shares due to the cancellation of treasury shares by the Company.

(G) **Redemption Rights of the Company on the Convertible Bonds:**

From the day after three months have elapsed since the issuance of these convertible bonds (April 27, 2024) until forty days before the maturity date (December 17, 2026), if the closing price of the Company's common stock exceeds thirty percent of the conversion price for thirty consecutive business days, the Company may, within the subsequent thirty business days, send a registered letter containing a one-month notice of redemption to the bondholders and notify the Taipei Exchange of the exercise of its redemption rights. Within five business days after the redemption date, the Company shall redeem all the bonds in cash at face value. Furthermore, if the outstanding balance of the convertible bonds in circulation falls below ten percent of the original total issuance, the Company may, at any subsequent time, send a registered letter containing a one-month notice of redemption to the bondholders and notify the Taipei Exchange of the exercise of its redemption rights. Within five business days after the redemption date, the Company shall redeem all the bonds in cash at face value.

As of the date of the individual financial statements' approval for release, there have been no instances of bondholders applying to convert the aforementioned bonds into the Company's common stock.

## 12. **OTHERS**

(1) **Capital management**

- (A) The Group's capital management is aimed to ensure the Group's ongoing concern, to continue to provide remuneration to shareholders and benefits to stakeholders, and to maintain the best capital structure in order to reduce capital costs and to set the price of products or services according to the relative risk levels in order to provide shareholders with sufficient remuneration.
- (B) The Group bases on the risk ratio to set the capital stock; also, manage and adjust the capital structure appropriately in accordance with the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, refund shareholders by de-capitalization, and issue new shares or sell assets to settle liabilities.

(2) Financial risk management

(A) The Group's main financial instruments include cash and cash equivalents, financial assets measured at fair value through profit and loss, financial assets measured at fair value through other comprehensive profit and loss, financial assets measured at amortized cost, other financial assets (time deposits), short-term loans, long-term loans, lease liabilities, receivables and payables arising from operating activities, etc., also, adjust operating fund needs through such financial instruments. Therefore, the Group's operations are subject to various financial risks, including market risk (including exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risk. The purpose of the Group's overall financial risk management is to reduce the potential adverse effects of the Group's exposure to financial risks due to changes in the financial market.

(B) The Finance Department of the Group is responsible for identifying, evaluating, and hedging financial risks through close contact with the business units of the Group, planning and coordinating the access to domestic and international financial markets, and manages the Group's operation related financial risks by analyzing the degree of risk exposure; also, the Group's board of directors is responsible for supervision and management. In addition, the Group uses derivative financial instruments to hedge risk exposure at an appropriate time to reduce the impact of financial risks. The Group has the procedures for derivative financial instrument transactions stipulated that have been approved by the board of directors and the shareholders meeting. The said procedures include trade principles and policies, risk management measures, internal audit systems, regular evaluation methods, and handling of nonconformities, of which, the risk management includes credit, market prices, liquidity, cash flow, operations, law, etc.

(C) The main risks of the Group's financial instruments are as follows:

(a) Market risk

The main market risks of the Group are exchange rate risks arising from operating activities, such as sales or purchases denominated in non-functional currencies, and interest rate risks or price risks arising from financial instruments transactions.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(i) Exchange rate risk

(01) The Group evaluates and analyzes the overall exchange rate risk. When the listed assets and liabilities and future business transactions are exposed to significant exchange rate risk, within the permitted range of the policy, manage risk through forwarding exchange contract. In addition, the Group's net investment in foreign operating institutions is a strategic investment; therefore, no hedging is performed.

The Group's financial assets and liabilities denominated in non-functional currencies with significant risk exposure of exchange rate fluctuations on the reporting date, and sensitivity analysis information are as follows (the functional currency of the company and some subsidiaries is "NTD," and the functional currency of some subsidiaries is RMB, THB, USD, MYR, IDR, and JPY); sensitivity analysis is regarding the impact of the Group's financial assets and liabilities denominated in non-functional currencies appreciated by 5% against a respective foreign currency that is the functional currency of each overseas subsidiary on the net income before tax or equity on the reporting date; also, when it depreciated by 5%, it will affect the net income before tax and equity reversely:

<u>December 31, 2023</u>	<u>Foreign currency (Thousand)</u>	<u>Exchange rate</u>	<u>Book amount</u>	<u>Sensitive analysis</u>		
				<u>Change ratio</u>	<u>Increase/ decrease in net income before tax</u>	<u>Decrease in Equity</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$60,771	30.71	\$1,866,288	5%	\$93,314	\$-
JPY	47,286	0.2174	10,280	5%	514	-
RMB	3,216	4.329	13,924	5%	696	-
HKD	4,615	3.934	18,156	5%	908	-
EUR	3,222	34.01	109,570	5%	5,479	-
<u>Non-monetary items</u>						
USD	\$44,342	30.71	\$1,361,752	5%	\$68,088	\$-

(Continuing to next page)

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

<u>December 31, 2023</u>		Foreign currency (Thousand)	Exchange rate	Sensitive analysis		
				Book amount	Change ratio	Increase/ decrease in net income before tax
<u>Derivative financial instrument:</u>						
USD	\$11	30.71	\$348	5%	\$17	\$-
			(Note)			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$595	30.71	\$18,271	5%	\$914	\$-
JPY	12,706	0.2174	2,762	5%	138	-
<u>Non-monetary items: None.</u>						
<u>Derivative financial instrument: None.</u>						
<u>December 31, 2022</u>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$78,350	30.7	\$2,405,340	5%	\$120,267	\$-
JPY	42,019	0.2325	9,770	5%	489	-
RMB	1,917	4.409	8,453	5%	423	-
HKD	5,728	3.941	22,575	5%	1,129	-
EUR	1,473	32.74	48,237	5%	2,412	-
<u>Non-monetary items</u>						
USD	\$26,018	30.7	\$798,753	5%	\$39,938	\$-
<u>Derivative financial instrument:</u>						
USD	\$204	30.7	\$6,254	5%	\$313	\$-
			(Note)			

(Continuing to next page)

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

December 31, 2022	Foreign currency (Thousand)	Exchange rate	Book amount	Change ratio	Sensitive analysis	
					Increase/ decrease in net income before tax	Decrease in Equity
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$1,007	30.7	\$30,903	5%	\$1,545	\$-
JPY	47,162	0.2325	10,965	5%	548	-
RMB	1,065	4,409	4,695	5%	235	-

Non-monetary items: None.Derivative financial instrument: None.

Note: The aforementioned derivatives information refers to the book amount of the SWAP contracts that have not yet been settled on each reporting day. Please refer to Note 6.(2) of the consolidated financial report for the operation position, nominal principal, and due date.

The exchange profit and loss (including realized and unrealized) of the Group's monetary items converted to functional currencies, and the exchange rate for the conversion to the reporting currency of the consolidated financial report are as follows:

Functional currency	Years Ended December 31			
	2023		2022	
	Exchange profit (loss)	Average exchange rate	Exchange profit (loss)	Average exchange rate
NTD	\$11,463	-	\$60,748	-
USD	4,903	31.12	1,695	29.88
RMB	23,718	4.383	70,283	4.419
MYR	3,725	6.827	8,656	6.78
Others	444	-	(309)	-
Total	<u>\$444,253</u>		<u>\$141,073</u>	

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(02) In addition, the SWAP contracts held by the Group are a financial hedging operation intended to hedge exchange rate risk arising from the change (mainly including sales and purchases denominated in non-functional currencies, such as USD) in the exchange rate of foreign claims. Regarding the aforementioned SWAP contracts, the profit and loss arising from changes in the exchange rate will generally offset the profit and loss of the hedged project, so there is no significant market risk. As for the aforementioned hedged project, the net position of foreign currency claims that are not effectively hedged is linked to the market risk of changes in exchange rates, of which, the depreciation or appreciation of USD, RMB, MYR, or JPY will result in the risk of exchange profit or loss.

(ii) Interest rate risk

The Group's interest rate risks include the fair value interest rate risk of the financial instruments with fixed interest rate and the cash flow interest rate risk of financial instruments with floating interest rate. The financial instruments with fixed interest rate refer to the company's time deposits, some financial assets-current measured at fair value through profit and loss, financial assets measured at amortized cost, some other financial assets-current and some bank loans; the financial instruments with floating rate refer to savings deposits, some other financial assets-current, some other noncurrent assets-others, and some bank loans. The Group has interest rate risk evaluated and analyzed on a dynamic basis and controlled the interest rate risk exposure by maintaining an appropriate combination of fixed and floating interest rates. The Group expects no significant interest rate risk.

(01) The Group's financial assets and liabilities with fixed and floating interest rates

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fixed interest rate		
Financial assets	\$3,973,702	\$3,218,705
Financial liabilities	<u>(1,326,383)</u>	<u>(1,134,384)</u>
Net amount	<u>\$2,647,319</u>	<u>\$2,084,321</u>

(Continuing to next page)



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Floating interest rate		
Financial assets	\$1,110,485	\$1,431,554
Financial liabilities	-	(79,032)
Net amount	<u>\$1,110,485</u>	<u>\$1,352,522</u>

(02) Sensitivity Analysis

For the Group's financial assets and liabilities with a floating interest rate, if the interest rate of market deposits or loans increased by 0.5% on the reporting date, assuming that it is held for an accounting year and all other factors are given, it would cause the Group's net income before tax increased by NT\$5,552 thousand and NT\$6,763 thousand for the years of 2023 and 2022, respectively.

(iii) Other price risks

The Group's beneficiary certificates and equity securities, such as financial assets measured at fair value through profit and loss and financial assets measured at fair value through other comprehensive profit and loss, are with price risk resulted. The Group manages the price risk of beneficiary certificates and equity securities by holding investment portfolios with different risks.

Sensitivity Analysis

For the Group's financial assets measured at fair value through profit and loss and financial assets measured at fair value through other comprehensive profit and loss, the impact of the beneficiary certificates and equity securities with a 5% price increase on the net income before tax or equity on the reporting date is as follows; also, the beneficiary certificates and equity securities with a 5% price decrease will affect the net income before tax or equity reversely:

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	December 31, 2023	December 31, 2022
Increase in net income before tax		
Financial assets measured at fair value through profit and loss	<u>\$72,332</u>	<u>\$42,990</u>
Increase in equity		
Financial assets measured at fair value through other comprehensive profit and loss	<u>\$16,045</u>	<u>\$13,101</u>

(b) Credit risk

- (i) The Group's credit risk is mainly the potential impact of the counterparty or other parties' failure in performing financial assets contracts, which includes the concentration of credit risks, constituents, contract amounts, and other receivables of the financial assets transactions of the Group. In order to reduce credit risk, the Group has dealt with all well-known domestic and foreign financial or securities institutions for bank deposits, financial assets measured at fair value through profit and loss, financial assets measured at amortized cost, some other financial assets, which are with low credit risk. For receivables, the Group continues to evaluate the financial status of the counterparties, historical experience, and other factors to adjust the trade amount and trade method of individual customers appropriately in order to improve the Group's credit-granting quality.
- (ii) The Group evaluates and analyzes the overdue or impairment of financial assets on the balance sheet date. The Group's credit risk exposure amount is as follows:

	December 31, 2023	December 31, 2022
Credit risk exposure amount		
Allowance for losses-measured by the expected credit losses amount for 12-month	\$-	\$-
Allowance loss-measured by the expected credit loss amount throughout the duration - Accounts receivable	<u>25,871</u>	<u>28,716</u>
Total	<u>\$25,871</u>	<u>\$28,716</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

The aforementioned credit risk exposure amounts are all from the recovery of accounts receivable. The Group has continuously evaluated the losses that affect the estimated future cash flow of accounts receivable with appropriate allowance accounts appropriated. Therefore, the book amount of accounts receivable is with credit risk properly considered and reflected. In addition, the Group does not hold collateral for the impairment of financial assets that is with an allowance account appropriated.

- (iii) The expected credit loss of the Group's notes and accounts receivable as of December 31, 2023 and 2022 is analyzed as follows:

	Total book amount of notes and accounts receivable	Reserve matrix (loss rate)	Allowance for loss (expected credit loss throughout the duration)
<u>December 31, 2023</u>			
Not overdue	\$1,233,736	0%~2.99%	\$831
30days overdue	93,961	0%~27.20%	519
31-90 days overdue	45,610	0%~19.32%	1,171
91-180 days overdue	5,995	0%~16.45%	381
181-365 days overdue	1,161	0%~27.60%	23
Over 366 days overdue	22,946	100.00%	22,946
Total	<u>\$1,403,409</u>		<u>\$25,871</u>
<u>December 31, 2022</u>			
Not overdue	\$1,497,199	0%~2.38%	\$1,125
30days overdue	91,726	0%~3.45%	804
31-90 days overdue	35,364	0%~9.55%	1,409
91-180 days overdue	5,165	0%~17.49%	509
181-365 days overdue	1,635	0%~37.14%	474
Over 366 days overdue	24,395	100.00%	24,395
Total	<u>\$1,655,484</u>		<u>\$28,716</u>

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (iv) The concentration of credit risk of accounts receivable is analyzed as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The accounts receivable ratio of the top five customers	<u>35.06%</u>	<u>34.89%</u>

(c) Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support all contractual obligations for business operations and to minimize the impact of cash flow fluctuations. Bank loans are an important source of liquidity to the Group. The management ensures the repeating bank loans through capital structure management, monitoring the use of bank credit line, and complying with loan contract terms to reduce liquidity risk. The Group's stock investment under the financial assets measured at fair value through other comprehensive profit and loss is exposed to liquidity risk due to lack of an active market. In addition, the exchange rate of the Group's SWAP contract has been determined; therefore, there is no significant cash flow risk.

(i) Bank loan amount

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Short-term loan	\$3,059,500	\$1,520,468

(ii) Maturity analysis of undiscounted financial liabilities

	<u>Less than 1 year</u>	<u>More than 1-2 years</u>	<u>More than 2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>December 31, 2023</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loan	\$1,216,423	\$-	\$-	\$-	\$1,216,423
Accounts payable	435,314	-	-	-	435,314
Accounts payable – related party	1,277	-	-	-	1,277
Other payables	485,603	3,238	-	-	488,841
Other payables – related party	2,574	-	-	-	2,574
Lease liabilities	62,565	11,091	10,170	72,266	156,092
Total	<u>\$2,203,756</u>	<u>\$14,329</u>	<u>\$10,170</u>	<u>\$72,266</u>	<u>\$2,300,521</u>

Derivative financial liabilities: None.

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	Less than 1 year	More than 1-2 years	More than 2-5 years	Over 5 years	Total
<u>December 31, 2022</u>					
<u>Non-derivative financial liabilities</u>					
Short-term loan	\$1,075,100	\$-	\$-	\$-	\$1,075,100
Accounts payable	545,261	-	-	-	545,261
Accounts payable – related party	11,289	-	-	-	11,289
Other payables	540,840	3,244	-	-	544,084
Other payables – related party	5,155	-	-	-	5,155
Lease liabilities	60,802	4,223	11,203	76,192	152,420
Long-term loans	39,393	39,741	781	-	79,915
Total	<u>\$2,277,840</u>	<u>\$47,208</u>	<u>\$11,984</u>	<u>\$76,192</u>	<u>\$2,413,224</u>

Derivative financial liabilities: None.(D) Fair value of financial instruments

The book amount of the Group's financial instruments is an amount reasonably close to the fair value.

(a) The methods adopted for the fair value of financial instruments and the assumptions adopted for the use of evaluation techniques

- (i) The fair value of short-term financial instruments is estimated according to the book value on the balance sheet. Such financial instruments are with a short maturity date; also, the present value of future cash flows discounted at the market interest rate is close to the book amount; therefore, the book amount should be a reasonable basis for estimating the fair value. This method is applied to cash and cash equivalents, net notes receivable, net accounts receivable (including related parties), other receivables (including related parties), short-term loans, accounts payable (including related parties), and other payables (including related parties).
- (ii) Financial assets measured at fair value through profit and loss are those with active market quotations, and therefore, the fair value is determined based on the market price. For foreign bonds, the fair value is determined based on the quotations on the reporting date through Bloomberg, Reuters or other brokers and trading platforms.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (iii) Financial assets measured at fair value through other comprehensive income are equity instrument investments without active market quotations. The fair value is estimated using the Market Approach, which is based on the prices derived from the market transactions of the same or comparable equity instruments and other relevant information.
- (iv) The fair value of other financial assets and other noncurrent assets - restricted assets is estimated according to the book amount, since the present value of future cash collected and discounted at the market interest rate is close to the book amount; therefore, the book amount should be a reasonable basis for estimating the fair value.
- (v) The evaluation of derivative financial instruments is based on the evaluation models that are widely accepted in the market, such as, discount method and option pricing model.
- (vi) Lease liabilities are discounted at the Group's increment loan interest rate on the unpaid lease expense on the lease starting day and then measured at amortized cost of the effective interest method subsequently. The book amount of the lease liabilities is an amount reasonably close to the fair value.
- (vii) The Group's long-term loans are based on floating interest rates with the fair value estimated according to the book amount on the balance sheet, which has been adjusted with reference to market conditions. Therefore, the company's loan interest rate is close to the market interest rate.

(b) Classification of fair value measurement

All assets and liabilities measured or disclosed at the fair value are classified to the respective fair value level according to the lowest level input value critical to the overall fair value measurement. The input values for each level are as follows:

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Level 1: The market price (unadjusted) available for the same asset or liability on the measurement date;

Level 2: Direct or indirect observable input values of assets or liabilities, except for those quotations in Level 1;

Level 3: Unobservable input value of assets or liabilities;

The assets and liabilities that were originally measured at fair value on a repetitive basis and recognized on the balance sheet should be reassessed for classification at the end of each reporting period to determine whether there is a shift between the levels of the fair value hierarchy.

(i) The classification of financial instruments measured at fair value and recognized in the balance sheet

The Group does not have assets and liabilities measured at fair value on a non-repetitive basis. The fair value level of assets and liabilities measured at fair value on a repetitive basis is as follows:

<u>December 31, 2023</u>	<u>Lever 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets:</u>				
Financial assets				
measured at fair value through profit and loss				
Funds	\$84,878	\$-	\$-	\$84,878
Bonds	-	1,361,752	-	1,361,752
Swap contract	-	348	-	348
Financial assets				
measured at fair value through other comprehensive profit and loss				
Unlisted stocks	-	-	320,903	320,903
<u>Liabilities: None</u>				

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

<u>December 31, 2022</u>	<u>Lever 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets:</u>				
Financial assets				
measured at fair value				
through profit and loss				
Funds	\$61,056	\$-	\$-	\$61,056
Bonds	-	798,753	-	798,753
Swap contract	-	6,254	-	6,254
Financial assets				
measured at fair value				
through other				
comprehensive profit				
and loss				
Unlisted stocks	-	-	262,023	262,023
<u>Liabilities: None</u>				

(ii) During the fiscal year 2023, the Group did not experience any significant transfers between Level 1 and Level 2 within the fair value hierarchy. The overseas bonds held by the Group were assessed to have insufficient liquidity, thus classified as non-active market debt instrument investments. Therefore, an amount of NT\$688,332 thousand was transferred from Level 1 to Level 2 in the second quarter of 2022.

(iii) The adjustment of the fair value measurement in Level 3 is as follows:

Items	Financial assets measured at fair value through other comprehensive profit and loss	
	Equity instrument investment – Unlisted stocks	
	Years ended December 31	
	2023	2022
Balance -beginning	\$262,023	\$299,338
Total profit		
Recognized in other comprehensive profit and loss	58,880	(37,315)
Balance -ending	\$320,903	\$262,023



(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

The Group had recognized total current (loss) profit for an amount of NT\$58,880 thousand and NT\$(37,315) thousand in other comprehensive profit and loss due to change in Level 3 fair value for the years of 2023 and 2022, respectively, and they were booked in the “other comprehensive profit and loss -unrealized appraisal profit of equity instrument investment measured at fair value through other comprehensive profit and loss” .

(iv) The evaluation techniques and assumptions adopted to measure the fair value of financial assets.

- (01) The fair value of financial assets with standard terms and conditions that are traded in an active market is determined by referring to market price.
- (02) The foreign bonds are determined by quotations on the reporting date through Bloomberg, Reuters or other brokers and trading platforms.
- (03) The exchange transaction contracts are based on the discounted cash flow methods. Future cash flows are estimated at the forward exchange rate observable on the reporting date and the exchange rate set in the contract, and discounted at a discount rate that can reflect the credit risk of each counterparty.
- (04) The fair value of domestic unlisted equity instrument investment is evaluated with the Market Approach.

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(v) Quantitative information on the fair value measurement of significant unobservable input values (Level 3):

	<u>Evaluation technique</u>	<u>Significant unobservable input value</u>	<u>Quantitative information</u>	<u>Relationship between the input value and fair value</u>	<u>Sensitivity analysis of the relationship between the input value and fair value</u>
<u>December 31,2023</u>					
<u>Financial assets</u>					
Financial assets measured at fair value through other comprehensive profit and loss:					
Stock	Market Approach	Similar company's stock price-to-net value ratio	2.67	The higher the stock price-to-net value ratio of similar companies, the higher the estimated fair value	When the stock price-to-net value ratio of similar companies increases (decreases) by 5%, the equity of the Group will increase/decrease by NT\$16,045 thousand.

December 31,2022

Financial assets

Financial assets measured at fair value through other comprehensive profit and loss:

Stock	Market Approach	Similar company's stock price-to-net value ratio	2.45	The higher the stock price-to-net value ratio of similar companies, the higher the estimated fair value	When the stock price-to-net value ratio of similar companies increases (decreases) by 5%, the equity of the Group will increase/decrease by NT\$13,101 thousand.
-------	-----------------	--	------	---	--

(vi) The evaluation process for the fair value measurement of significant unobservable input values (Level 3):

The Accounting Department of the Group is responsible for fair value verification, using independent sources of information to bring the evaluation results closer to the market, confirming that the data source is independent, reliable, consistent with other data resources, and representing executable prices. Also, analyze the value change in the assets and liability that must be re-measured or re-evaluated on the reporting date according to the Group's accounting policies to ensure the reasonableness of the evaluation result.

(Unit amount in NT\$ Thousand, unless otherwise specified)

**13. SUPPLEMENTARY DISCLOSURE MATTERS**

The transactions between the company and the following subsidiaries and among the subsidiaries were written-off at the time of preparing the consolidated financial report. The information disclosed below is for reference only.

**(1) Information on major transactions**

Supplementary information of the company and the subsidiaries for the period ended December 31, 2022 is disclosed as follows:

**(A) Loans to others:**

Unit:NT\$ Thousand / USD

No	Lending company	Borrower	Accounting item	Related party	Maximum amount -current	Balance – ending – (12.31.2023) (Note 2)	Actual amount implemented (Note 3)	Interest rate range	Nature of loan	Transaction amount	Reason for short-term loan	Allowance for bad debt appropriated	Collateral		Loaning of fund limit to individual (Note 1)	Total loaning of fund limit (Note 1)
													Name	Value		
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD	Other accounts receivable -related party	Yes	77,922 (RMB18,000,000)	43,290 (RMB10,000,000)	43,290 (RMB10,000,000)	-	Short-term loan	-	Business operation of affiliated enterprise	-	-	-	\$225,058 (RMB 51,988,363)	\$900,230 (RMB 207,953,451)

Note 1: The total loaning of fund limit refers to an amount equivalent to 40% of the current net value of the lending company. The loaning of fund limit to individual refers to an amount equivalent to 10% of the current net value of the lending company. The current net value is based on the latest financial statements audited by an independent auditor.

Note 2: It is the loaning of fund amount resolved by the company's board of directors.

Note 3: It is the actual outstanding loan amount at yearend.

**(B) Provision of endorsements and guarantees to others: None**

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(C) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Unit: NT\$ Thousand / RMB / THB / USD

Holding company	Type of securities	Name of securities	Relationship with the securities issuer	Accounting title	December 31, 2023				Remarks
					Shares /unit /1,000 shares	Book amount	Shareholding ratio (%)	Fair value /net value	
G-SHANK ENTERPRISE CO., LTD.	Stocks	REEL MASK INDUSTRY CO., LTD.	None	Financial assets-noncurrent measured at fair value through other comprehensive profit and loss	3,392,713	\$320,903	9.98	\$320,903	
	Bonds	HSBC Holding bonds HSBC 6 RERP (I)	None	Financial assets-current measured at fair value through profit and loss	3,100,000	91,029 (USD 2,964,158)	-	91,029 (USD 2,964,158)	
	Bonds	Macquarie Group Limited bonds MQGAU 6 1/8 PERP	None	Financial assets-current measured at fair value through profit and loss	1,400,000	39,940 (USD 1,300,544)	-	39,940 (USD 1,300,544)	
	Bonds	Societe Generale bonds SOCGEN 6.75 PERP	None	Financial assets-current measured at fair value through profit and loss	2,000,000	54,671 (USD 1,780,220)		54,671 (USD 1,780,220)	
	Bonds	BCS-Barclays Plc bonds BACR 8 PERP	None	Financial assets-current measured at fair value through profit and loss	200,000	6,106 (USD 198,826)	-	6,106 (USD 198,826)	
	Bonds	BCS-Barclays Plc bonds BACR 9.625 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	940,000	30,096 (USD 979,997)	-	30,096 (USD 979,997)	
	Bonds	BCS-Barclays Plc bonds BACR 9.625 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	2,990,000	95,505 (USD 3,109,899)	-	95,505 (USD 3,109,899)	
	Bonds	Societe Generale bonds SOCGEN 10 PERP(I)	None	Financial assets-current measured at fair value through profit and loss	2,830,000	93,050 (USD 3,029,968)	-	93,050 (USD 3,029,968)	
	Bonds	HSBC Holding bonds HSBC 6.547 PERP	None	Financial assets-current measured at fair value through profit and loss	200,000	6,433 (USD 209,466)	-	6,433 (USD 209,466)	
	Bonds	HSBC Holding bonds HSBC 8 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	500,000	15,924 (USD 518,520)	-	15,924 (USD 518,520)	

(Continuing to next page)

## Notes to The Parent Company Only Financial Statements of G-SHANK ENTERPRISE CO., LTD.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit: NT\$ Thousand / RMB / THB / USD

Holding company	Type of securities	Name of securities	Relationship with the securities issuer	Accounting title	December 31, 2023				Remarks
					Shares /unit /1,000 shares	Book amount	Shareholding ratio (%)	Fair value /net value	
G-SHANK ENTERPRISE CO., LTD.	Bonds	HSBC Holding bonds HSBC 8 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	787,000	\$24,918 (USD 811,397)	-	\$24,918 (USD 811,397)	
	Bonds	Internationale Nederlanden Group N.V. bonds INTNED 7 1/2 PERP	None	Financial assets-current measured at fair value through profit and loss	500,000	15,371 (USD 500,535)	-	15,371 (USD 500,535)	
	Bonds	HSBC Holding bonds HSBC 6 3/8 PERP	None	Financial assets-current measured at fair value through profit and loss	1,000,000	30,451 (USD 991,550)	-	30,451 (USD 991,550)	
	Bonds	HSBC Holding bonds HSBC 6 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	500,000	14,648 (USD 476,985)	-	14,648 (USD 476,985)	
	Bonds	HSBC Holding bonds HSBC 6.5 PERP	None	Financial assets-current measured at fair value through profit and loss	500,000	14,836 (USD 483,100)	-	14,836 (USD 483,100)	
	Bonds	BNP Paribas bonds BNP 5.1/8 PERP	None	Financial assets-current measured at fair value through profit and loss	200,000	5,294 (USD 172,396)		5,294 (USD 172,396)	
	Bonds	Societe Generale bonds SOCGEN 10 PERP(II)	None	Financial assets-current measured at fair value through profit and loss	2,308,000	75,855 (USD 2,470,045)		75,855 (USD 2,470,045)	
	Bonds	BNP Paribas bonds BNP 8.5 PERP	None	Financial assets-current measured at fair value through profit and loss	800,000	25,791 (USD 839,840)	-	25,791 (USD 839,840)	
	Bonds	HSBC Holding bonds HSBC 6 PERP (III)	None	Financial assets-current measured at fair value through profit and loss	700,000	20,411 (USD 664,629)		20,411 (USD 664,629)	
	Bonds	DB-Deutsche Bank AG bonds DB 7.5 PRRP(I)	None	Financial assets-current measured at fair value through profit and loss	1,600,000	47,899 (USD 1,559,712)	-	47,899 (USD 1,559,712)	
	Bonds	DB-Deutsche Bank AG bonds DB 7.5 PRRP(II)	None	Financial assets-current measured at fair value through profit and loss	800,000	\$23,908 (USD 778,520)	-	\$23,908 (USD 778,520)	

(Continuing to next page)

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit: NT\$ Thousand / RMB / THB / USD

Holding company	Type of securities	Name of securities	Relationship with the securities issuer	Accounting title	December 31, 2023				Remarks
					Shares /unit /1,000 shares	Book amount	Shareholding ratio (%)	Fair value /net value	
G-SHANK ENTERPRISE CO., LTD.	Bonds	BCS-Barclays Plc bonds (2022) BACR 8 PRRP(I)	None	Financial assets-current measured at fair value through profit and loss	2,290,000	68,653 (USD 2,235,521)	-	68,653 (USD 2,235,521)	
	Bonds	BCS-Barclays Plc (2022) bonds BACR 8 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	800,000	23,952 (USD 779,952)	-	23,952 (USD 779,952)	
	Bonds	Societe Generale bonds SOCGEN 9.3/8 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	1,280,000	41,071 (USD 1,337,370)	-	41,071 (USD 1,337,370)	
	Bonds	Societe Generale bonds SOCGEN 9.3/8 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	1,300,000	41,678 (USD 1,357,135)	-	41,678 (USD 1,357,135)	
	Bonds	Societe Generale bonds SOCGEN 10 PERP(III)	None	Financial assets-current measured at fair value through profit and loss	1,500,000	49,004 (USD 1,595,700)	-	49,004 (USD 1,595,700)	
	Bonds	BNP Paribas bonds BNP 9.25 PERP(I)	None	Financial assets-current measured at fair value through profit and loss	3,000,000	98,552 (USD 3,209,130)	-	98,552 (USD 3,209,130)	
	Bonds	BNP Paribas bonds BNP 9.25 PERP(II)	None	Financial assets-current measured at fair value through profit and loss	1,200,000	39,440 (USD 1,284,288)	-	39,440 (USD 1,284,288)	
	Bonds	Mitsubishi UFJ Financial Group bonds MUFG 8.2 RERP(I)	None	Financial assets-current measured at fair value through profit and loss	200,000	6,693 (USD 217,934)	-	6,693 (USD 217,934)	
	Bonds	Mitsubishi UFJ Financial Group bonds MUFG 8.2 RERP(II)	None	Financial assets-current measured at fair value through profit and loss	300,000	10,014 (USD 326,070)	-	10,014 (USD 326,070)	
	Bonds	UBS Group Bonds UBS 9.25 PERP(5Y)(I)	None	Financial assets-current measured at fair value through profit and loss	1,800,000	\$59,621 (USD 1,941,408)	-	\$59,621 (USD 1,941,408)	
Bonds	UBS Group Bonds UBS 9.25 PERP(10Y)(I)	None	Financial assets-current measured at fair value through profit and loss	3,100,000	105,648 (USD 3,440,194)	-	105,648 (USD 3,440,194)		

(Continuing to next page)

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit: NT\$ Thousand / RMB / THB / USD

Holding company	Type of securities	Name of securities	Relationship with the securities issuer	Accounting title	December 31, 2022				Remarks
					Shares /unit /1,000 shares	Book amount	Shareholding ratio (%)	Fair value /net value	
G-SHANK ENTERPRISE CO., LTD.	Bonds	UBS Group Bonds UBS 9.25 PERP(5Y)(II)	None	Financial assets-current measured at fair value through profit and loss	1,000,000	33,099 (USD 1,077,800)		33,099 (USD 1,077,800)	
	Bonds	UBS Group Bonds UBS 9.25 PERP(10Y)(II)	None	Financial assets-current measured at fair value through profit and loss	300,000	10,222 (USD 332,583)		10,222 (USD 332,583)	
CHIN DE INVESTMENT CO., LTD.	Bonds	HSBC Holding bonds HSBC 6 PERP	None	Financial assets-current measured at fair value through profit and loss	470,000	13,704 (USD 446,251)	-	13,704 (USD 446,251)	
	Bonds	Societe Generale bonds SOCGEN 10 PERP	None	Financial assets-current measured at fair value through profit and loss	860,000	28,265 (USD 920,381)	-	28,265 (USD 920,381)	
GREAT-SHANK CO., LTD.	Funds	KFAFIX-A	None	Financial assets-current measured at fair value through profit and loss	3,099,082	32,070 (THB 35,672,909)	-	32,070 (THB 35,672,909)	
	Funds	BBL-AIBP6-23	None	Financial assets-current measured at fair value through profit and loss	1,320,000	11,938 (THB 13,278,804)	-	11,938 (THB 13,278,804)	
	Funds	SCBCP3M45	None	Financial assets-current measured at fair value through profit and loss	700,000	6,307 (THB 7,015,680)	-	6,307 (THB 7,015,680)	
	Funds	SCBFIXEDA	None	Financial assets-current measured at fair value through profit and loss	1,799,652	17,389 (THB 19,342,837)	-	17,389 (THB 19,342,837)	
	Funds	SCBINCA	None	Financial assets-current measured at fair value through profit and loss	960,642	9,019 (THB 10,031,797)	-	9,019 (THB 10,031,797)	
	Funds	SCBSF6MT7	None	Financial assets-current measured at fair value through profit and loss	900,000	8,155 (THB 9,071,100)	-	8,155 (THB 9,071,100)	

(D) Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital:

None

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(E) Acquired real estate for an amount of more than NT\$300 million or 20% of the paid-in capital:

Unit: NT\$ Thousand

Company Name	Property	Event Date	Transaction Amount	Payment Term	Counterparty	Relationship	Prior Transactions of Related Counter Party				Pricing Reference	Purpose of Acquisition	Other Term
							Owner	Relationships	Transfer Date	Aamount			
G-SHANK ENTERPRISE CO., LTD.	Land, buildings, and ancillary equipment	Octemeber 27,2023 (Note1)	\$1,550,000	\$310,000	FLEX TEK CO., LTD.	None	N/A	N/A	N/A	\$-	Note3	For company operational use	None

Note 1: As of the end of the reporting period, the seller has not fulfilled the key delivery conditions of the contract, therefore, the advance payment for equipment is temporarily recorded.

Note 2: Refers to the signing date of the transaction.

Note 3: The company obtained appraisal reports from Cushman & Wakefield Real Estate Appraisal Firm and Jiaju Real Estate Appraisal Firm.

(F) Disposed real estate for an amount more than NT\$300 million or 20% of the paid-in capital : None

(G) The purchase or sale of goods with the related party for an amount more than NT\$100 million or 20% of the paid-in capital : None

(H) Accounts receivable from related parties amounted to more than NT\$100 million or 20% of the paid-in capital : None

(I) Engage in derivative instruments transactions: Please refer to Notes 6.(2) and 12 of the consolidated financial statements.



## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

## (J) Business relationship and important transactions and transaction amount between the parent company and subsidiaries and among subsidiaries:

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			Ratio to total consolidated operating income or total assets (Note 3)
				Item	Amount	Transaction conditions	
0	G-SHANK ENTERPRISE CO., LTD.	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	1	Sales income	\$310	Note 4	0.01%
				Cost of goods sold	279	Note 5	-
				Other income	23,872	Note 7	0.42%
				Accounts receivable -related party	49		-
				Accounts payables -related party	133		-
				Other payables -related party	9		-
0	G-SHANK ENTERPRISE CO., LTD.	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	1	Other income	1,064	Note 7	0.02%
0	G-SHANK ENTERPRISE CO., LTD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	1	Other income	2,635	Note 7	0.05%
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD	1	Cost of goods sold	1,478	Note 5	0.03%
				Other income	6,851	Note 7	0.12%
				Accounts payables -related party	618		0.01%
0	G-SHANK ENTERPRISE CO., LTD.	QINGDAO G-SHANK PRECISION SDN.BHD.	1	Sales income	27	Note 4	-
				Other income	4,322	Note 7	0.08%
				Accounts receivable -related party	26		-
				Other payables -related party	4		-

(Continuing to next page)

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
0	G-SHANK ENTERPRISE CO., LTD.	SHENZHEN G-SHANK PRECISION SDN.BHD.	1	Cost of goods sold	\$694	Note 5	0.01%
				Other income	2,645	Note 7	0.05%
				Other payables -related party	19		-
0	G-SHANK ENTERPRISE CO., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	1	Cost of goods sold	66	Note 5	-
				Other income	4,479	Note 7	0.08%
				Accounts payables -related party	13		-
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK, INC.	1	Sales income	5,671	Note 4	0.10%
				Accounts receivable -related party	216		-
				Other receivables – related party	66		-
0	G-SHANK ENTERPRISE CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	1	Sales income	2,221	Note 4	0.04%
				Cost of goods sold	77	Note 5	-
				Other income	4,216	Note 7	0.07%
				Accounts receivable -related party	141		-
				Other payables -related party	30		-
0	G-SHANK ENTERPRISE CO., LTD.	GREAT-SHANK CO., LTD.	1	Sales income	4,595	Note 4	0.08%
				Cost of goods sold	167	Note 5	-
				Other income	4,101	Note 7	0.07%
				Accounts receivable -related party	799		0.01%
				Other receivables – related party	874		0.01%

(Continuing to next page)

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			Ratio to total consolidated operating income or total assets (Note 3)
				Item	Amount	Transaction conditions	
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK ENTERPRISE (M) SDN. BHD.	1	Sales income	\$5,819	Note 4	0.10%
				Other income	6,711	Note 7	0.12%
				Accounts receivable -related party	782		0.01%
0	G-SHANK ENTERPRISE CO., LTD.	PT INDONESIA G-SHANK PRECISION	1	Sales income	784	Note 4	0.01%
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK JAPAN CO., LTD	1	Sales income	2,899	Note 4	0.05%
				Cost of goods sold	470	Note 5	0.01%
				Operating expense	530	Note 7	0.01%
				Accounts receivable -related party	10		-
				Other receivables – related party	10		-
				Other payables -related party	70		-
1	SHANGHAI G-SHANK RECISSION	HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	3	Sales income	2,928	Note 6	0.05%
				Cost of goods sold	89,970	Note 6	1.57%
				Other profit and loss	15,779	Note 7	0.27%
				Accounts receivable -related party	862		0.01%
				Other receivables – related party	3,250		0.03%
				Other payables -related party	26,252		0.27%
1	SHANGHAI G-SHANK RECISSION	.TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	142	Note 6	-

(Continuing to next page)

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
1	SHANGHAI G-SHANK RECISION	SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	3	Sales income	\$2,466	Note 6	0.04%
				Cost of goods sold	43,261	Note 6	0.75%
				Other profit and loss	19,826	Note 7	0.35%
				Accounts receivable -related party	597		0.01%
				Other receivables – related party	46,917		0.48%
				Other payables -related party	8,643		0.09%
1	SHANGHAI G-SHANK RECISION	GREAT-SHANK CO., LTD..	3	Sales income	170	Note 6	-
				Other receivables – related party	100		-
1	SHANGHAI G-SHANK RECISION	G-SHANK JAPAN CO., LTD	3	Sales income	2,907	Note 6	0.05%
				Cost of goods sold	16,674	Note 6	0.29%
				Accounts receivable -related party	140		-
				Other payables -related party	4,166		0.04%
1	SHANGHAI G-SHANK RECISION	PT INDONESIA G-SHANK PRECISION	3	Sales income	7,941	Note 6	0.14%
				Accounts receivable -related party	5,246		0.05%
1	SHANGHAI G-SHANK RECISION	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	3	Sales income	289	Note 6	0.01%
				Cost of goods sold	3,533	Note 6	0.06%
				Accounts receivable -related party	258		-
1	SHANGHAI G-SHANK RECISION	G-SHANK ENTERPRISE (M) SDN. BHD.	3	Sales income	228	Note 6	-
				Cost of goods sold	616	Note 6	0.01%
				Accounts payables -related party	159		-

(Continuing to next page)

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
1	SHANGHAI G-SHANK ECISION	HUBEI HANSTAR ELECTRONICS TECHNOLOGY CO., LTD.	3	Sales income	\$1,878	Note 6	0.03%
				Cost of goods sold	7,631	Note 6	0.13%
				Accounts payables -related party	922		0.01%
1	SHANGHAI G-SHANK ECISION	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	3	Sales income	57	Note 6	-
				Accounts receivable -related party	37		-
1	SHANGHAI G-SHANK ECISION	QINGDAO G-SHANK PRECISION SDN.BHD.	3	Sales income	1	Note 6	-
				Cost of goods sold	6,726		0.12%
				Other payables -related party	1,396		0.01%
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	SHENZHEN G-BAO PRECISION SDN.BHD.	3	Sales income	782	Note 6	0.01%
				Cost of goods sold	57	Note 6	-
				Accounts receivable -related party	657		0.01%
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	3	Cost of goods sold	93	Note 6	-
				Other payables -related party	23		-
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	622	Note 6	0.01%
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	3	Sales income	73	Note 6	-

(Continuing to next page)

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			Ratio to total consolidated operating income or total assets (Note 3)
				Item	Amount	Transaction conditions	
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	GREAT-SHANK CO., LTD.	3	Sales income Accounts receivable -related party	\$462 252	Note 6	0.01% -
3	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	G-SHANK JAPAN CO., LTD.	3	Cost of goods sold	232	Note 6	-
3	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	3	Cost of goods sold	8	Note 6	- -
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	110	Note 6	-
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	3	Sales income Accounts receivable -related party	222 125	Note 6	- -
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	HUBEI HANSTAR ELECTRONICS TECHNOLOGY CO., LTD.	3	Sales income	367	Note 6	0.01%

(Continuing to next page)

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	DONGGUAN QIAOJUTRADING CO., LTD.	3	Sales income Other profit and loss Accounts receivable -related party Other receivables – related party	\$13,956 158 2,216 30	Note 6	0.24% - 0.02% -
5	G-SHANK ENTERPRISE (M) SDN. BHD.	G-SHANK JAPAN CO., LTD.	3	Sales income Cost of goods sold Accounts receivable -related party Accounts payables -related party	6,425 7,897 961 1,526	Note 6 Note 6	0.11% 0.14% 0.01% 0.02%
6	HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	3	Sales income	1	Note 6	-
7	G-SHANK JAPAN CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	3	Cost of goods sold Accounts payables -related party	1,825 15	Note 6	0.03% -
7	G-SHANK JAPAN CO., LTD.	PTINDONESIA G-SHANK PRECISION	3	Sales income	353	Note 6	0.01%
7	G-SHANK JAPAN CO., LTD.	GREAT-SHANK CO., LTD.	3	Other receivables – related party	50		-
7	G-SHANK JAPAN CO., LTD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	44	Note 6	-

(Continuing to next page)

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
7	G-SHANK JAPAN CO., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Cost of goods sold	\$699	Note 6	0.01%
				Accounts payables -related party	92		-
8	QINGDAO G-SHANK PRECISION SDN.BHD	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	633	Note 6	0.01%
				Accounts receivable -related party	122		-

Note 1: Business transactions conducted between the parent company and subsidiaries should be noted in the “No.” column as follows:

- (a) Fill in “0” for the parent company;
- (b) The subsidiaries are numbered sequentially starting from the Arabic number “1” by the company type.

Note 2: The “relationship with the trading companies” includes three types (The same transaction between parent company and subsidiary or between two subsidiaries needs not to be disclosed repeatedly, for example, if the parent company has already disclosed the transaction conducted with the subsidiary, the subsidiary does not need to have it disclosed again. If one of the two subsidiaries has already disclosed the transaction conducted, the other subsidiary does not need to have it disclosed again), which should be marked as follows:

- (a) The parent company to the consolidated subsidiary;
- (b) Consolidate subsidiary to parent company;
- (c) Consolidated subsidiary to consolidated subsidiary;



Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Note 3: For the ratio of the transaction amount to the consolidated total operating income or total assets, if it is an asset or liability item, it is calculated for the ratio of the ending balance amount to the consolidated total assets; if it is a profit and loss item, it is calculated for the ratio of the interim cumulative amount to total consolidated operating income.

Note 4: The products sold are mostly equipment, tools, and materials used for production with the price negotiated by both parties by adding a percentage to the cost or by the cost price of trade depending on the type of product traded; also, taking into account the expenses and exchange rate risk. However, the specifications of products that are sold to related parties are exclusive; therefore, there is no other customer available for comparison. The payment term of sales to a related party is OA 60-150 days.

Note 5: The purchase is mostly for molds and parts with special specifications from one single supplier. Therefore, there is no other purchase price available for comparison. The payment term for such single supplier is OA 60-120 days.

Note 6: The collection (payment) term is OA 90-150 days according to the contract signed.

Note 7: It is calculated and collected according to the contract signed.

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(2) Re-investment business-related information

Supplementary disclosure of information related to the company's direct or indirect significant influence, control, or joint venture equity on the investee company not in Mainland China for the nine-month period ended December 31, 2023.

Unit : NTD Thousand/USD/MYR

Investor Company	Investee Company	Location	Main business operation	Original investment amount (Note 12)		As of December 31, 2023			Current profit (loss) of the Investee Company	Investment profit (loss) recognized in current period (Note 11)	Footnote
				December 31, 2023	December 31, 2022	Number of shares	Ratio (%)	Book amount (Note 11)			
G-SHANK ENTERPRISE CO., LTD.	CHIN DE INVESTMENT CO., LTD.	Note 1	General investment	\$50,000	\$50,000	5,000,000	100.00	\$54,271	\$1,558	\$1,558	
	GRAND STAR ENTERPRISES L.L.C. (Note 2)	Note 2	General investment	590,864	590,864	-	100.00	1,615,801	115,862	115,968	
	G-SHANK, INC.	Note 3	Stamping parts molds, fixtures	36,686	36,686	1,000	100.00	375,076	24,107	24,210	
	G-SHANK ENTERPRISE (M) SDN. BHD.	Note 4	Stamping parts molds, fixtures	85,112	85,112	6,924,750	92.33	409,297	80,359	74,378	
	GREAT-SHANK CO., LTD.	Note 5	Precision progressive die and hardware products	69,509	69,509	7,968,750	85.00	132,100	19,881	16,897	
	G-SHANK JAPAN CO., LTD.	Note 6	International trade	19,749	19,749	1,060	58.89	14,678	4,924	2,900	
	SUNFLEX TECHNOLOGY CO., LTD.	Note 7	Manufacturing and trading of electronic components	40,448	40,448	9,940,956	14.48	168,076	68,875	9,977	
CHIN DE INVESTMENT CO., LTD.	SUNFLEX TECHNOLOGY CO., LTD.	Note 7	Manufacturing and trading of electronic components	217	217	10,000	0.01	172	68,875	10	

(Continuing to next page)

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit : NTD Thousand/USD/MYR

Investor Company	Investee Company	Location	Main business operation	Original investment amount (Note 12)		As of December 31, 2023			Current profit (loss) of the Investee Company	Investment profit (loss) recognized in current period (Note 11)	Footnote
				December 31, 2023	December 31, 2022	Number of shares	Ratio (%)	Book amount (Note 11)			
G-SHANK ENTERPRISE (M) SDN. BHD.	PT INDONESIA G-SHANK PRECISION	Note 8	Stamping parts molds, fixtures	\$47,868 (RM7,144,500)	\$47,868 (RM7,144,500)	18,800	94.00	\$219,834 (RM32,811,117)	\$37,862 (RM5,545,933)	-	
G-SHANK, INC.	G-SHANK DEMEXICO,S. A. DE C.V.	Note 9	Stamping parts molds, fixtures	4,884 (USD159,025)	4,884 (USD159,025)	-	100.00	32,957 (USD1,073,160)	9,336 (USD300,012)	-	
GRAND STAR ENTERPRISES L.L.C. (Note 2)	GLOBAL STAR INTERNATIONAL CO., LTD.	Note 10	General investment	590,185 (USD19,218,011)	590,185 (USD19,118,011)	19,218,011	100.00	1,603,243	115,281	-	

Note 1: 20F-2, No. 83, Section 1, Chung Hsiao E. Road, Zhongzheng District, Taipei City.

Note 2: 201 Rogers Office Building Edwin Wallace Rey Drive George Hill Anguilla.

Note 3: 1034 Old Port Isabel Rd., Suite 2 Brownsville, TX 78521, U.S.A.

Note 4: Plot 94, Bayan Lepas Industrial Estate 11900 Bayan Lepas, Penang, Malaysia.

Note 5: 116 Moo 1 Hitech Industrial Estate T.Banlane , A.Bang Pa-In , Ayutthaya Thailand 13160

Note 6: 1-17-14, Nishi-Shinbashi ,Excel Annex 8F, Nishi-Shinbashi, Minato-Ku,Tokyo, 105-0003 Japan.

Note 7: No. 522, Nanshang Road, Guishan District, Taoyuan City

Note 8: Jl. Industri Kawasan JABABEKA Tahap II Block RR 5C-5D Cikarang-Bekasi 17530, Indonesia.

Note 9: NO.15, Gral, Pedro Hinojosa, cd industrial H.Matamoros, Tamps, Mexico.

Note 10: Suite 102, Cannon Place, P.O. Box 712, North Sound Rd., George Town, Grand Cayman, KY1-9006 Cayman Islands.

Note 11: It is calculated according to the financial statements of the invested companies of the same period that have not been reviewed by the independent auditors.

Note 12: The original investment amount at the end of the current period and the end of last year is calculated according to the exchange rate on December 31, 2022.

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(3) Investment in China

(A) The name, main business operation, paid-in capital, investment methods, remittance in and out of funds, shareholding ratio, investment profit and loss, investment book amount at yearend, remittance in of investment profit and loss, and investment limits of the invested company in China:

Unit : NTD Thousand/USD/RMB/HKD

Invested company in China	Main business operation	Paid-in capital	Investment method	Cumulative investment amount remitted out of Taiwan in current period - beginning	Investment amount remitted in or out in current period		Cumulative investment amount remitted out of Taiwan in current period - ending	Current profit (loss) of the invested company	The company's direct or indirect investment shareholding ratio (%)	Investment profit (loss) recognized in current period (Note 4)	Book amount of investment - ending	Investment profit remitted into Taiwan as of current period
					Remitted out	Remitted in						
SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	Precision progressive die and hardware products	USD 10,000,000 (Note A)	Entrusted investment (Note B)	USD1,700,000	\$-	\$-	USD1,700,000	\$364,333	85.00	\$309,684	\$1,912,900	\$1,763,089 (USD57,410,906)
HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	Precision progressive die and hardware products	USD1,590,000	Investment through the company set up in the third region (Note C)	USD1,275,000	-	-	USD1,275,000	11,984	80.19	9,610	66,719	95,126 (USD3,097,555)
G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	Precision progressive die and hardware products	USD3,000,000	Investment through the company set up in the third region (Note D)	USD1,530,000	-	-	USD1,530,000	16,698	51.00	8,516	122,152	20,949 (USD682,168)
XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	Precision progressive die and hardware products	USD2,500,000	Investment through the company set up in the third region (Note E)	USD1,990,000	-	-	USD1,990,000	(1,242)	79.60	(989)	85,231	70,082 (USD2,282,062)

(Continuing to next page)

## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit : NTD Thousand/USD/MYR

Invested company in China	Main business operation	Paid-in capital	Investment method	Cumulative investment amount remitted out of Taiwan in current period - beginning	Investment amount remitted in or out in current period		Cumulative investment amount remitted out of Taiwan in current period - ending	Current profit (loss) of the invested company	The company's direct or indirect investment shareholding ratio (%)	Investment profit (loss) recognized in current period (Note 4)	Book amount of investment - ending	Investment profit remitted into Taiwan as of current period
					Remitted out	Remitted in						
G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	Planer, milling machine or die machine, precision continuous die and hardware products	USD1,400,000	Investment through the company set up in the third region (Note F)	USD1,671,825	\$-	\$-	USD1,671,825	\$46,622	100.00	\$46,622	\$287,149	\$120,151 (USD3,912,452)
QINGDAO G-SHANK PRECISION SDN.BHD.	Precision progressive die and hardware products	USD4,000,000	Investment through the company set up in the third region (Note G)	USD3,342,000	-	-	USD3,342,000	(1,410)	92.83	(1,309)	224,575	333,546 (USD10,861,158)
TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	Precision progressive die and hardware products	USD2,500,000	Investment through the company set up in the third region (Note H)	USD2,205,000	-	-	USD2,205,000	37,660	88.20	33,216	214,290	117,207 (USD3,816,588)
SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	Precision progressive die and hardware products	USD300,000	Investment through the company set up in the third region (Note I)	USD 255,000	-	-	USD255,000	20,725	85.00	17,616	91,720	590,082 (USD19,243,948)
SHENZHEN G-SHANK PRECISION SDN.BHD.	Precision progressive die and hardware products	USD2,600,000	Investment through the company set up in the third region (Note J)	USD2,440,000	-	-	USD2,440,000	(24,911)	93.85	(23,379)	97,289	8,007 (USD260,742)

(Continuing to next page)

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit : NTD Thousand/USD/MYR

Invested company in China	Main business operation	Paid-in capital	Investment method	Cumulative investment amount remitted out of Taiwan in current period - beginning	Investment amount remitted in or out in current period		Cumulative investment amount remitted out of Taiwan in current period - ending	Current profit (loss) of the invested company	The company's direct or indirect investment shareholding ratio (%)	Investment profit (loss) recognized in current period (Note 4)	Book amount of investment - ending	Investment profit remitted into Taiwan as of current period
					Remitted out	Remitted in						
SHENZHEN G-BAO PRECISION SDN.BHD.	Precision progressive die and hardware products	USD3,150,000	Investment through the company set up in the third region (Note K)	USD2,880,000	\$-	\$-	USD2,880,000	\$30,836	91.43	\$28,194	\$428,040	\$151,562 (USD4,936,848)
HUBEI HANSTAR ELECTRONICS TECHNOLOGY CO., LTD. (Note 5)	Precision progressive die and hardware products, electroplating processing	RMB19,000,000 (Note 6)	Transfer investment of SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	-	-	-	-	(1,606)	100.00	(1,606)	85,860	-
DONGGUAN QIAOJU TRADING CO., LTD. (Note 5)	Plastic hardware wholesale and import/export business	HKD3,000,000	Transfer investment of G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	-	-	-	-	2,473	100.00	2,473	36,659	-
HUI ZHOU G-BAO PRECISION SDN.BHD. (Note 5)	Precision progressive die and hardware products	RMB55,000,000	Transfer investment of SHENZHEN G-BAO PRECISION SDN.BHD.	-	-	-	-	2,142	100.00	2,142	241,576	-

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

Cumulative investment amount remitted out from Taiwan to China at yearend (Note 1)	Investment amount approved by the Investment Commission, MOEA (Notes 1 and 2)	The investment amount limit stipulated by the Investment Commission, MOEA (Note 3)
\$647,555 (USD21,086,140)	\$867,787 (USD28,257,472)	\$4,050,906

Note 1: It includes the net amount of USD1,797,315 derived from the approved investment of GSYUE DG TOOLING CO.,LTD. for USD2,730,000 and net of the liquidating investment fund remitted in for USD932,685.

Note 2: It includes the capital increase from earnings of SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. in May 2001 and October 2004, and the capital increase from earnings of QINGDAO G-SHANK PRECISION SDN.BHD. in January 2019.

Note 3: According to the “Principles for the Review of Investment or Technical Cooperation in Mainland China” stipulated by the Investment Commission, MOEA the company’s investment in China is limited to 60% of the net worth or consolidated net worth, whichever is higher. However, the enterprises that are with the certification document to evidence its meeting the operation scope of the headquarters issued by the Industrial Development Bureau, MOEA is not subject to this limit. The company had applied to the Industrial Development Bureau, MOEA for approval as the corporate operation headquarters on April 18, 2019 that would be valid from March 29, 2021 to March 28, 2024 for the investment in China, which had not violated the investment limit of the Investment Commission, MOEA.

Note 4: The Company's share of profit or loss from subsidiaries accounted for using the equity method for the year 2023 is calculated based on the audited financial statements of these investee companies for the same period.

Note 5: It is an investment made through the invested company in China; therefore, it is unnecessary to report to the Investment Commission MOEA and is not included in the “Cumulative investment amount remitted out from Taiwan to China.”

Note A : SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. had a paid-in capital of US\$2,000 thousand originally. It had arranged a capital increase from earnings for an amount of US\$2,500 thousand and US\$5,500 thousand in May 2001 and October 2004, respectively. As of December 31, 2023, SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. had a paid-in capital of US\$10,000 thousand.

Note B : The company has signed a power of attorney with G-SHANK ENTERPRISE (M) SDN. BHD. (hereinafter referred to as the “trustee”), a business entity of the company in the third region, to indirectly establish SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. in China with the related party, Yuhuang Lin. The main content of the power of attorney is as follows:

- (a) The company designated the trustee to invest US\$1,700,000 (including bank transfer of US\$1,250,000 and machinery and equipment for an amount of US\$450,000) in SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. in China.
- (b) The trustee is to apply to the competent authorities in China to invest and establish SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. in the name of the trustee.
- (c) The trustee upon receiving income or benefits from SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. should have it transferred to the company entirely.
- (d) If SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. is to return the investment funds due to capital reduction, business termination, or other reasons, the trustee upon receiving such refund shall have it transferred to the company entirely.
- (e) The trustee shall notify the company when transferring investment funds, benefits, or income due to the reasons stated in the last two preceding paragraphs according to the instruction of the company.
- (f) The trustee’s rights and obligations in SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. are transferred to the company due to this entrusted investment relationship; therefore, the trustee does not guarantee the income and profit and loss.
- (g) The trustee shall exercise due diligence to manage investment, foreign exchange settlement, and benefit collection.
- (h) The matters not addressed in the power of attorney shall be handled in accordance with the law and regulations of the Republic of China, domestic and foreign banking practices, and other regulations.



Note C : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Tou-Shen-II-Tzi No. 90010260 (Investment Commission, MOEA had the (90) Shen-II-Tzi No. 90010260 amended by issuing the (95) Shen-II-Tzi No. 095004988 on 03.03.2006), and the company was approved by the Investment Commission, MOEA by issuing the Shen-II-Tzi No. 093031757 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in HONG JING (SHANGHAI) ELECTRONICS CO., LTD. HONG JING (SHANGHAI) ELECTRONICS CO., LTD. had arranged a capital increase in cash on November 1, 2012; however, the company did not subscribe shares proportionally to the shareholding ratio; therefore, the company's shareholding ratio was 80.19% thereafter.

Note D : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Tou-Shen-II-Tzi No. 90010259 and Jin-Shen-II-Tzi No. 91015965, and the company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092042580 Letter and Jin-Shen-II-Tzi No. 093031432 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.

Note E : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Tou-Shen-II-Tzi No. 90022866, and the company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092042581 Letter and Jin-Shen-II-Tzi No. 093006075 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.

Note F : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Tou-Shen-II-Tzi No. 90001835, Jin-Shen-II-Tzi No. 091031112, and Jin-Shen-II-Tzi No. 92008940 to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD. Subsequently, 5.86% (investment amount of US\$82 thousand) and 2% (investment amount US\$28 thousand) of the shareholding was transferred to non-related parties, Mr. Bershin Lo and Mr. Guodong Hsu, in March 2003, respectively. The company's shareholding was reduced to 92.14 % thereafter that was approved by the Investment Commission, MOEA by issuing the

(Unit amount in NT\$ Thousand, unless otherwise specified)

Jin-Shen-II-Tzi No. 092010563 Letter. HON YEY INVESTMENT CO., LTD., a subsidiary of the company, had paid US\$23 thousand to acquire the 2% (investment amount US\$28 thousand) shareholding from Mr. Guodong Hsu on January 5, 2007 with the shareholding increased to 94.14% thereafter and it was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 09500329480 Letter. The company's board of directors had resolved on June 13, 2019 to acquire the 5.86% (investment amount US\$361 thousand) shareholding from the non-related party, Mr. Bershin Lo, and it was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 10800157300 Letter with the comprehensive shareholding increased to 100% thereafter.

Note G : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Shen-II-Tzi No. 90010261, Jin-Shen-II-Tzi No. 91039369, Jin-Shen-II-Tzi No. 092003008 Letter, and Jin-Shen-II-Tzi No. 094008181 to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in QINGDAO G-SHANK PRECISION SDN.BHD. Subsequently, 5% (investment amount of US\$130 thousand), 2.23% (investment amount US\$58 thousand), and 0.58% (investment amount US\$15 thousand) of the shareholding was transferred to non-related parties, Mr. Shenwei Guo, Mr. Hongjun Li, and Mr. Bangyong Liu, in March 2003, respectively. The company's shareholding was reduced to 92.19 % thereafter that was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092010560 Letter. QINGDAO G-SHANK PRECISION SDN.BHD. had arranged capital increase in cash on November 25, 2006; however, the company did not subscribe shares proportionally to the shareholding ratio; therefore, the company's shareholding ratio was 92.83% thereafter. QINGDAO G-SHANK PRECISION SDN.BHD. had a paid-in capital of US\$3,600 thousand and then arranged a capital increase from earnings for an amount of US\$400 thousand in January 2019 and the paid-in capital of QINGDAO G-SHANK PRECISION SDN.BHD. was US\$4,000 thousand thereafter.

Note H : The Company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092044159, Jin-Shen-II-Tzi No. 093005557, and Jin-Shen-II-Tzi No. 093006249 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.

Note I : The Company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 095026420 Letter to indirectly invest in SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD. through G-SHANK ENTERPRISE (M) SDN.

BHD. in the third region. Then it was approved for amendment by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 095032048 Letter to invest in SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD. through GLOBAL STAR INTERNATIONAL CO., LTD. that was invested by GRAND STAR ENTERPRISES L.L.C. in the third region. The investment fund was transferred through GRAND STAR ENTERPRISES L.L.C. to GLOBAL STAR INTERNATIONAL CO., LTD. for an amount of US\$255 thousand on November 18, 2006, and the said amount was then transferred to SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD. on January 20, 2006.

Note J : The Company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 09500121350, Jin-Shen-II-Tzi No. 09600108160, and Jin-Shen-II-Tzi No. 09600265810 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in SHENZHEN G-SHANK PRECISION SDN.BHD.

Note K : The Company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 09600405610 and Jin-Shen-II-Tzi No. 09700084160 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in SHENZHEN G-BAO PRECISION SDN.BHD. SHENZHEN G-BAO PRECISION SDN.BHD. had arranged capital increase in cash on September 13, 2012; however, the company did not subscribe shares proportionally to the shareholding ratio; therefore, the company's shareholding ratio was reduced to 91.43% thereafter.

- (B) Significant transactions conducted with the invested companies in China in the current period :
- (a) The purchase amount and percentage and the related payable amount and percentage at yearend: Please refer to Notes 13.(1)(J) of the consolidated financial report for details.
  - (b) The sales amount and percentage and the related receivable amount and percentage at yearend: Please refer to Note 13.(1)(J) of the consolidated financial report for details.
  - (c) The property transaction amount and the profit and loss resulted : None
  - (d) The ending balance and purpose of notes endorsements/guarantees or collateral provided: None
  - (e) Maximum balance amount, ending balance amount, interest rate range, and total interest of the current period of loans: Please refer to Note 13.(1)(A) of the consolidated financial report for details.

(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

- (f) Other transactions that have a significant impact on the profit and loss or financial status:  
Please refer to Notes 13.(1)(J) of the consolidated financial report for details.

(4) Major Shareholder information

The name, shareholding, and shareholding ratio for more than 5% of the company's shareholders :

Shares	Shareholding (shares)	Shareholding ratio (%)
Major shareholders		
JIHONG INVESTMENT CO., LTD.	16,089,465 shares	8.43
CHEN-LIN INVESTMENT COMPANY	9,883,790 shares	5.17

Note 1 : The information of the major shareholders in this table is based on the shareholders who have received more than 5% common stock shareholding completed with dematerialized registration (including treasury stock) on the last business day of each quarter that is counted by Taiwan Depository & Clearing Corporation. The capital stock recorded in the company's consolidated financial report and the company's actual number of shares delivered with dematerialized registration may be different due to different calculation bases adopted.

Note 2 : If the aforementioned information is regarding shareholders having their shares delivered to the trust, it is disclosed by the individual account of the principal who entrusts the trustee to open a trust account. As for the shareholder's reporting 10% or more of insider's shareholding in accordance with the Securities and Exchange Act, the shareholding includes the principal's shareholding and the shares delivered to the trust that remains under the control of the principal. Please refer to the Market Observation Post System for the insider's equity reporting information.

(Unit amount in NT\$ Thousand, unless otherwise specified)

#### 14. DEPARTMENT INFORMATION

(1) There are two reporting departments within the Group, including the stamping parts department and the general investment department. The stamping parts department is mainly for the manufacturing and production, processing, and trading of stamping components, while the general investment department is engaged in short-term investment and general investment activities. The reportable departmental profit and loss are measured by operating profit and loss before tax (excluding the total management and logistics costs to be amortized, non-operating income and benefits, non-operating expenses and losses, and income tax expenses) and it is the base for performance evaluation. This measurement amount is provided to the operating decision-maker to determine the allocation of resources to each department and to evaluate the performance of each department. The accounting policies of the operating department are the same as the summary of the significant accounting policies described in Note 4. of the consolidated financial report.

##### Department information

	<u>Stamping parts department</u>	<u>General investment department</u>	<u>Adjustment &amp; write-off</u>	<u>Consolidation</u>
<u>For the years ended December 31, 2023</u>				
<u>Income</u>				
Income from external customers	\$5,746,318	\$-	\$-	\$5,746,318
Inter-department income	-	-	-	-
Total income	<u>\$5,746,318</u>	<u>\$-</u>	<u>\$-</u>	<u>\$5,746,318</u>
Departmental profit and loss	<u>\$758,051</u>	<u>\$1,947</u>	<u>\$-</u>	<u>\$759,998</u>
Non-operating income and expense				<u>293,594</u>
Net income before tax of the continuing business unit				<u>\$1,053,592</u>
Depreciation and amortization	<u>\$193,284</u>	<u>\$-</u>	<u>\$-</u>	<u>\$193,284</u>
Income tax expense	<u>\$291,206</u>	<u>\$389</u>	<u>\$-</u>	<u>\$291,595</u>
Departmental noncurrent capital expenditure (Note)	<u>\$469,407</u>	<u>\$-</u>	<u>\$-</u>	<u>\$469,407</u>

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	Stamping parts department	General investment department	Adjustment &write-off	Consolidation
<u>For the years ended December 31, 2022</u>				
<u>Income</u>				
Income from external customers	\$6,781,030	\$-	\$-	\$6,781,030
Inter-department income	-	-	-	-
Total income	<u>\$6,781,030</u>	<u>\$-</u>	<u>\$-</u>	<u>\$6,781,030</u>
Departmental profit and loss	<u>\$1,040,342</u>	<u>\$(1,801)</u>	<u>\$-</u>	<u>\$1,038,541</u>
Non-operating income and expense				<u>276,200</u>
Net income before tax of the continuing business unit				<u>\$1,314,741</u>
Depreciation and amortization	<u>\$205,597</u>	<u>\$-</u>	<u>\$-</u>	<u>\$205,597</u>
Income tax expense	<u>\$331,181</u>	<u>\$(355)</u>	<u>\$-</u>	<u>\$330,826</u>
Departmental noncurrent capital expenditure (Note)	<u>\$205,154</u>	<u>\$-</u>	<u>\$-</u>	<u>\$205,154</u>

Note: Departmental noncurrent capital expenditures do not include deferred income tax assets and financial instruments.

	Stamping parts department	General investment department	Adjustment &write-off	Consolidation
<u>December 31, 2023</u>				
<u>Assets</u>				
Department assets	\$7,852,406	\$52,672	\$-	\$7,905,078
Current tax assets	6,882	294	-	7,176
Deferred tax assets	13,876	1,329	-	15,205
Investment –non-investment department	<u>1,893,988</u>	<u>-</u>	<u>-</u>	<u>1,893,988</u>
Total assets	<u>\$9,767,152</u>	<u>\$54,295</u>	<u>\$-</u>	<u>\$9,821,447</u>
<u>Liabilities</u>				
Department liabilities	\$2,304,831	\$25	\$-	\$2,304,856
Current tax liabilities	60,532	-	-	60,532
Deferred tax liabilities	674,593	-	-	674,593
Net defined benefit liabilities	<u>29,956</u>	<u>-</u>	<u>-</u>	<u>29,956</u>
Total liabilities	<u>\$3,069,912</u>	<u>\$25</u>	<u>\$-</u>	<u>\$3,069,937</u>

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
(Continuing)

(Unit amount in NT\$ Thousand, unless otherwise specified)

	Stamping parts department	General investment department	Adjustment & write-off	Consolidation
<u>December 31, 2022</u>				
Assets				
Department assets	\$8,342,182	\$51,349	\$-	\$8,393,531
Deferred tax assets	27,345	1,767	-	29,112
Investment –non-investment department	1,246,670	-	-	1,246,670
Total assets	\$9,616,197	\$53,116	\$-	\$9,669,313
Liabilities				
Department liabilities	\$2,437,617	\$25	\$-	\$2,437,642
Current tax liabilities	97,180	333	-	97,513
Deferred tax liabilities	616,436	49	-	616,485
Net defined benefit liabilities	31,929	-	-	31,929
Total liabilities	\$3,183,162	\$407	\$-	\$3,183,569

(2) Disclosure of corporate information

(A) Information by product and service

The GROUP's main products and labor service income are analyzed as follows:

	Years ended December 31	
	2023	2022
Parts income	\$5,372,505	\$6,331,276
Mold income	205,190	252,747
Fixture income	63,727	82,089
Product income	104,896	114,918
Total	\$5,746,318	\$6,781,030

(Unit amount in NT\$ Thousand, unless otherwise specified)

(B) Information by regions

(a) The GROUP's income from domestic and foreign external customers:

Location of customers	Years ended December 31	
	2023	2022
Taiwan	\$1,338,264	\$1,621,437
Asia (other than Taiwan)	3,776,604	4,539,480
The United States and Canada	377,447	322,785
Europe	254,003	297,328
Total	\$5,746,318	\$6,781,030

(b) The GROUP's noncurrent assets (excluding deferred income tax assets and financial instruments):

Location of noncurrent assets	December 31, 2023	December 31, 2022
Taiwan	\$794,880	\$504,630
Japan	3,061	4,486
Mainland China	863,722	900,279
Southeastern Asia	160,866	144,298
The United States and Canada	17,956	17,869
Total	\$1,840,485	\$1,571,562

(c) Important customer information

The individual customer whose income is accounted for 10% or more of the GROUP's consolidated net operating income is as follows:

Customer	Reporting department	Years ended December 31	
		2023	2022
A	Stamping Part Department	\$866,499	\$899,215