

GORDON AUTO BODY PARTS CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
WITH INDEPENDENT AUDITORS' REPORT

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 Gordon Auto Body Parts 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 Standards No. 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, Gordon Auto Body Parts Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: GORDON AUTO BODY PARTS CO., LTD.

Chairman: Mao Yuan Li

Date: March 8, 2024

INDEPENDENT AUDITORS' REPORT

NO.14681120ECA

To GORDON AUTO BODY PARTS CO., LTD.

Opinion

We have audited the accompanying consolidated financial statements of Gordon Auto Body Parts Co., Ltd. (the "Company") and subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

Basis for Opinion

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

Key Audit Matters

Key audit matters were those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the Group consolidated financial statements for the year ended December 31, 2023 are stated as follows:

1. Measurement of impairment losses on inventory

Refer to Note 4(6) to the consolidated financial statements for the accounting policies for inventories; refer to Note 5(1) to the consolidated financial statements for the accounting estimates and uncertainties in assumptions regarding the valuation of inventories; refer to Note 6(6) to the consolidated financial statements for a description of inventories.

Description of key audit matters

The Group's main business is manufacturing and selling auto parts, doors, fenders and molds for collision repair. The products are mainly sold to the repair market for vehicles in the existing market. In the collision repair market, product market life and sales cycle are based on the vehicle models sold. Therefore, the Group adjusts the production quantity of each product in each year based on the market circulation status of each vehicle model.

The Group's production process involves cutting, pressing, sheet metal and baking paint (baking rust-proof paint). Under normal circumstances, such components are less susceptible to deterioration and damage. In the financial statements, inventories are measured at a lower cost or net realizable value. Although the sales prices are adjusted based on the cost of raw materials, the quoted price in U.S. dollars is susceptible to exchange rate fluctuations and competition, which may result in the risk that the carrying value of inventories may exceed the net realizable value, since the amount of inventories is significant and there are many items. Therefore, the Group's measurement of impairment losses on inventory is one of the most significant matters to be audited.

Audit procedures in response

We perform the audit procedures regard to the above key audit matters included:

- Obtain an analysis of the year ending inventory's cost and the lower of net realizable value, and check the total number of each inventory item in the general ledger and the sub-ledger.
 - Compare the policies on the allowance to reduce inventory to market value in the current financial reporting period with those in the previous, and assess whether the policies are reasonable.
 - Sampling the estimated sale prices of finished goods and products are based on the last sale price before and after the reporting date of the financial statements, and evaluate the basis for calculating the selling expense ratio to confirm the reasonableness of the net realizable value.
 - Evaluate whether the analysis of the year ending inventory and net realizable value provided by management has been compared on an item-by-item basis and calculated.
 - Evaluate whether management has adequately disclosed the allowance to reduce inventory to market value.
2. The assessment of financial assets at fair value through other comprehensive income.

For the accounting policies of financial assets at fair value through other comprehensive income, refer to Note 4(9) of the consolidated financial statements; for a description of financial assets at fair value through other comprehensive income, refer to Note 6(3) of the consolidated financial statements.

Description of key audit matters

Financial assets at fair value through other comprehensive income are measured at fair value. The financial assets at fair value through other comprehensive income held by the Group are unlisted companies, whose fair value is not available in an active market, therefore, are valued with the market-based approach. The market-based approach requires a more subjective valuation technique, which significantly affects the fair value measurement results and affects the fair value recognition of financial assets at fair value through other comprehensive income. Therefore, the Group's fair value assessment of financial assets at fair value through other comprehensive income is one of the most significant key audit matters.

Audit procedures in response

Our audit procedures regarding to the above key audit matters included:

- Obtain the opinion from external experts and inquire about their professional qualifications, experience and reputation to ensure the credibility of their skills and capabilities.
- Check the objectivity of the external experts to confirm whether their opinions can be reasonably adopted.
- Evaluate whether the values of the amount and ratio of the comparable subject matter used in the external expert opinion are unreasonable in relation to the information about the comparable company obtained from the Market Observation Post System.
- Check the parameters of the evaluation model and the settings of the calculation formula for inconsistencies or errors.

3. Measurement of impairment of property, plant and equipment

Refer to Note 4(7) of the consolidated financial statements for the accounting policy for impairment of tangible and intangible assets (exclude goodwill); refer to Note 5(2) of the consolidated financial statements for the accounting estimates and uncertainties of the assumptions used in assessing the impairment of tangible assets; refer to Note 6(7) of the consolidated financial statements for the description of property, plant and equipment.

Description of key audit matters

The Group needs to continuously develop tooling in order to produce products for various vehicles in the market. Depreciation has been provided over the useful life of tooling in line with the average age of vehicles. However, due to competition and market conditions, the Group conducts an annual assessment of property, plant and equipment for impairment. The Company is a single cash-generating unit. Therefore, the Company discounts the estimated future cash flows using an appropriate discount rate to measure the cash-generating unit's recoverable amount as a basis for assessing whether the property, plant and equipment is impaired.

The Group uses estimated future cash flows as a measure of recoverable amounts of property, plant and equipment. The assumptions used in forecasting are prone to subjective judgments and are highly uncertain, resulting in a significant effect on the recoverable amount, which in turn affects whether the property, plant and equipment are impaired. Therefore, the measurement of the impairment of property, plant and equipment of the Group is one of the most significant audit matters.

Audit procedures in response

Our audit procedures regarding to the above key audit matters included:

- Obtain documents related to the Group's self-assessment of asset impairment and review whether there is any indication of impairment.
- Examine the expected future cash flows and estimate whether the average net cash inflows for the current year are materially different from the estimated annual net cash inflows adopted by the Group based on its actual net earnings before interest, taxes, depreciation, and amortization (EBITDA) for the last five years.
- Review the projected growth rates whether there are unreasonable when compared to historical results, economic and industry forecasts.
- Review the discount rate used whether there is unreasonable when compared to the cash-generating unit's cost of capital assumptions.
- Check the parameters of the evaluation model and the settings of the calculation formula whether there are existing inconsistencies or errors.

Other Matters

The Company has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have audited and issued an unmodified opinion, respectively.

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

Management has the responsibility for the preparation and represents fairly of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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, and 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 auditing standards generally accepted in the Republic of China, we performed professional judgment and maintain professional skepticism throughout the audit. We also:

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

5. Evaluate the overall representation, 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 expressed.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit, and provide an audit opinion.

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

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

From the matters communicated with those charged with governance, we determine the most significant audit matters 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 the law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chia-Yu, Lai and Li-Chen, Peng.

Baker Tilly Clock & Co

March 8, 2024

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flow 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 (or review) such consolidated financial statements are those generally 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.

GORDON AUTO BODY PARTS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Code	Assets	Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4.6(1)	\$ 699,199	13	\$ 699,763	13
1110	Financial assets at fair value through profit or loss	4.6(2)	4,320	—	4,871	—
1150	Notes receivables	4.6(5)	25,552	1	25,616	1
1170	Accounts receivables	4.6(5)	485,060	9	407,089	7
1200	Other receivables		10,862	—	10,856	—
130x	Inventories, net	4.5.6(6)	634,214	12	784,551	14
1410	Prepayments	6(9)	92,343	2	87,991	2
11xx	Total current assets		1,951,550	37	2,020,737	37
15xx	Non-current assets					
1517	Financial assets at fair value through other comprehensive income	4.6(3)	105,112	2	118,825	2
1535	Financial assets at amortized cost	4.6(4).8	2,300	—	2,300	—
1600	Property, plant and equipment	4.5.6 (7).8	3,026,076	57	3,149,208	58
1755	Right-of-use assets	4.5.6(8)	19,815	—	5,083	—
1840	Deferred tax assets	4.6(23)	10,514	—	7,396	—
1915	Prepayment for equipment	4.6(9)	216,189	4	127,828	3
1920	Guarantee deposits paid		546	—	526	—
15xx	Total non-current assets		3,380,552	63	3,411,166	63
	Total assets		\$ 5,332,102	100	\$ 5,431,903	100

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

(Continued)

GORDON AUTO BODY PARTS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Code	Liabilities And Equity	Note	December 31, 2023		December 31, 2022	
			Amount	%	Amount	%
21xx	Current Liabilities					
2100	Current borrowings	6(10)	\$ 210,000	4	\$ 497,000	9
2110	Short-term notes and bills payables	6(11)	—	—	39,982	1
2150	Notes payables	6(12)	36,965	1	1,578	—
2170	Accounts payables	6(12)	397,052	7	263,995	5
2200	Other payables		82,321	2	80,001	1
2213	Payables on equipment		95,589	2	79,655	1
2230	Current tax liabilities	4.6(23)	88,477	2	75,782	1
2280	Lease liabilities - current	4.6(8)	5,315	—	3,318	—
2300	Other current liabilities		21,463	—	26,232	1
2322	Current portion of long-term borrowings	6(13)	145,857	3	145,857	3
21xx	Total current liabilities		1,083,039	21	1,213,400	22
25xx	Non-Current liabilities					
2540	Long-term borrowings	6(13)	1,449,098	27	1,594,956	29
2571	Deferred tax liabilities - land value increment tax	4	74,336	1	74,336	1
2572	Deferred tax liabilities - income tax	4.6(23)	466	—	3,786	—
2580	Lease liabilities - non-current	4.6(8)	14,601	—	1,845	—
2640	Net defined benefit liabilities - non-current	4.6 (14)	12,598	—	17,539	1
25xx	Total non-current liabilities		1,551,099	28	1,692,462	31
2xxx	Total liabilities		2,634,138	49	2,905,862	53
31xx	Equity attributable to shareholders of the parent	6(15)				
3100	Capital					
3110	Common stock		1,653,104	31	1,653,104	31
3200	Capital surplus		935	—	850	—
3300	Retained earnings					
3310	Legal reserve		113,766	2	80,137	1
3320	Special reserve		98,923	2	98,923	2
3350	Unappropriated earnings		792,116	15	640,194	12
3400	Other equity	6(15)	39,120	1	52,833	1
31xx	Total equity attributable to shareholders of the parent		2,697,964	51	2,526,041	47
36xx	Non-controlling interests		—	—	—	—
3xxx	Total equity		2,697,964	51	2,526,041	47
	Total liabilities and equity		\$ 5,332,102	100	\$ 5,431,903	100

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

GORDON AUTO BODY PARTS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

(In Thousands of New Taiwan Dollars, except for earnings per share)

Code	Item	Note	2023		2022	
			Amount	%	Amount	%
4000	Operating revenues	4.6(17)	\$ 2,697,553	100	\$ 2,439,452	100
5000	Operating costs		(1,968,591)	(73)	(1,883,014)	(77)
5900	Gross profit		728,962	27	556,438	23
6000	Operating expenses					
6100	Selling and marketing expenses		(186,130)	(7)	(174,262)	(7)
6200	General and administrative expenses		(100,515)	(4)	(93,941)	(4)
6300	Research and development expenses		(4,833)	—	(4,539)	—
6450	Expected credit losses	6(5), 6(22)	(1,834)	—	(621)	—
6000	Total operating expenses		(293,312)	(11)	(273,363)	(11)
6900	Net operating income		435,650	16	283,075	12
7000	Non-operating income and expenses					
7100	Interest income	6(18)	18,589	1	12,810	—
7010	Other income	4.6 (19)	16,224	—	14,672	1
7020	Other gains and losses	6(20)	(4,851)	—	138,624	6
7050	Finance costs	6(21)	(29,878)	(1)	(31,254)	(2)
7000	Total non-operating income and expenses		84	—	134,852	5
7900	Profit from continuing operations before income tax		435,734	16	417,927	17
7950	Income tax expenses	4.6(23)	(84,174)	(3)	(81,482)	(3)
8200	Net income		351,560	13	336,445	14
8300	Other comprehensive (loss) income					
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurements of defined benefit plans	6(14)	(874)	—	(194)	—
8316	Unrealized (loss)gain on investments in equity instruments at fair value through other comprehensive income	6(15)	(13,713)	—	(8,069)	—
8349	Income tax relating to items that will not be reclassified subsequently	6(23)	175	—	39	—
8300	Other comprehensive (loss) income		(14,412)	—	(8,224)	—
8500	Total comprehensive income		\$ 337,148	13	\$ 328,221	14
8600	Net profit attributable to:					
8610	Shareholders of the parent		\$ 351,560		\$ 336,445	
8620	Non-controlling interests		—		—	
			\$ 351,560		\$ 336,445	
8700	Total comprehensive income attributable to:					
8710	Shareholders of the parent		\$ 337,148		\$ 328,221	
8720	Non-controlling interests		—		—	
			\$ 337,148		\$ 328,221	
	Earnings per share	6(16)				
9750	Basic		\$ 2.13		\$ 2.04	
9850	Diluted		\$ 2.12		\$ 2.03	

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

GORDON AUTO BODY PARTS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Item	Equity attributable to shareholders of the parent company							Total	Total equity
	Share capital		Capital surplus	Retained earnings			Other equity		
	Common stock	Legal reserve		Special reserve	Unappropriated earnings	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income			
A1	Balance at January 1, 2022	\$ 1,653,104	\$ 850	\$ 73,760	\$ 98,923	\$ 359,875	\$ 60,902	\$ 2,247,414	\$ 2,247,414
B1	Legal reserve	—	—	6,377	—	(6,377)	—	—	—
B5	Cash dividends distributed by the Company	—	—	—	—	(49,594)	—	(49,594)	(49,594)
D1	Net income in 2022	—	—	—	—	336,445	—	336,445	336,445
D3	Other comprehensive income in 2022	—	—	—	—	(155)	(8,069)	(8,224)	(8,224)
D5	Comprehensive income in 2022	—	—	—	—	336,290	(8,069)	328,221	328,221
Z1	Balance at December 31, 2022	1,653,104	850	80,137	98,923	640,194	52,833	2,526,041	2,526,041
B1	Legal reserve	—	—	33,629	—	(33,629)	—	—	—
B5	Cash dividends distributed by the Company	—	—	—	—	(165,310)	—	(165,310)	(165,310)
C17	Other changes in capital surplus	—	85	—	—	—	—	85	85
D1	Net income in 2023	—	—	—	—	351,560	—	351,560	351,560
D3	Other comprehensive income in 2023	—	—	—	—	(699)	(13,713)	(14,412)	(14,412)
D5	Comprehensive income in 2023	—	—	—	—	350,861	(13,713)	337,148	337,148
Z1	Balance at December 31, 2023	\$ 1,653,104	\$ 935	\$ 113,766	\$ 98,923	\$ 792,116	\$ 39,120	\$ 2,697,964	\$ 2,697,964

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

GORDON AUTO BODY PARTS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Code	Item	2023	2022
AAAA	Cash flows from (used in) operating activities:		
A10000	Profit from continuing operations before income tax	\$ 435,734	\$ 417,927
A20010	Adjustments:		
A20100	Depreciation expense	340,276	362,562
A20300	Expected credit losses (gains)	1,834	621
A20400	Net loss(profit) on financial assets at fair value through profit or loss	(477)	511
A20900	Interest expense	29,878	31,254
A21200	Interest income	(18,589)	(12,810)
A21300	Dividend income	(12,570)	(9,311)
A22500	Gain on disposal of property, plant and equipment	(5,713)	(17,303)
A23100	Loss (gain) on disposal of investment	(8)	1
A30000	Changes in operating assets and liabilities		
A31115	Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	1,036	(987)
A31130	Notes receivables	64	7,487
A31150	Accounts receivables	(79,805)	(48,078)
A31180	Other receivables	(1,242)	3,220
A31200	Inventories	150,337	(41,034)
A31230	Prepayments	(4,352)	9,701
A32130	Notes payables	35,387	(4,653)
A32150	Accounts payables	133,057	(17,940)
A32180	Other payables	2,432	26,991
A32230	Other current liabilities	(4,769)	16,670
A32240	Net defined benefit liabilities	(5,815)	(2,517)
A33000	Cash inflow generated from operations	996,695	722,312
A33100	Interest received	19,825	10,540
A33300	Interest paid	(29,806)	(30,740)
A33500	Income taxes paid	(77,742)	(20,050)
AAAA	Net cash flows from operating activities	908,972	682,062
BBBB	Cash flows from (used in) investing activities:		
B02700	Acquisition of property, plant and equipment	(213,931)	(233,987)
B02800	Proceeds from disposal of property, plant and equipment	7,499	24,001
B03700	Increase in refundable deposits	(20)	—
B07100	Increase in prepayment of equipments	(72,427)	—
B07200	Decrease in prepayment of equipments	—	20,118
B07600	Dividends received	12,570	9,311
BBBB	Net cash flows used in investing activities	(266,309)	(180,557)
CCCC	Cash flows from (used in) financing activities:		
C00100	Increase in short-term borrowings	—	134,892
C00200	Decrease in short-term borrowings	(287,000)	—
C00600	Decrease in short-term bills payables	(39,982)	(129,935)
C01700	Decrease in long-term borrowings	(145,858)	(353,249)
C04020	Payment of lease liabilities	(5,162)	(4,159)
C04500	Cash dividends	(165,310)	(49,594)
C09900	The statute barred dividends for the shareholders	85	—
CCCC	Net cash flows used in financing activities	(643,227)	(402,045)
EEEE	Net increase (decrease) in cash and cash equivalents	(564)	99,460
E00100	Cash and cash equivalents at beginning of year	699,763	600,303
E00200	Cash and cash equivalents at end of year	\$ 699,199	\$ 699,763

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

GORDON AUTO BODY PARTS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. HISTORY AND ORGANIZATION

GORDON AUTO BODY PARTS CO., LTD. (“the Company”) was incorporated on March 13, 1986. The Company is principally engaged in the sales of car parts, car doors, fenders, and mold building.

The Company’s common shares were listed on the Taiwan Stock Exchange (TWSE) on January, 1997.

The consolidated financial statements are presented by using New Taiwan Dollars as the functional currency.

2. AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 8, 2024.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) The initial adoption of new issuances of or amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) were endorsed and issued into effect by the Financial Supervisory Commission (FSC). These adoptions did not cause a significant impact on the Company’s accounting policies.

(2) The IFRSs were endorsed by the FSC with effective date starting 2024

New Standards, Interpretations and Amendments	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless otherwise stated, the above new issued IFRSs are effective for the reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions which entered into after the date of initial application of IFRS 16.

Note 3: The first time this amendment is applied and some disclosure requirements are exempted.

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

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New Standards, Interpretations and Amendments	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17—Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

Note 1: Unless otherwise stated, the above new published IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2025. When the amendment is applied for the first time, the effect is recognized in retained earnings at the date of initial application. When the entity uses a presentation currency other than its functional currency, the impact is adjusted to the foreign exchange difference under equity as of the date of initial application.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial condition and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretation as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value and net defined benefit liabilities, which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety.

The levels of inputs are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as price) or indirectly (i.e. derived from price); and
- 3) Level 3 inputs are unobservable inputs for the assets or liability.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting date; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting date, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date. Terms of a liability that could, at the opinion of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are belonging to non-current.

(4) The basis for the consolidated financial statements

- 1) Basis of consolidation

The consolidated financial statements incorporate the financial statements of

the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

2) Subsidiaries included in the consolidated financial statements

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

Investor	Investee	Main business	Percentage of Ownership		Note
			December 31, 2023	December 31, 2022	
GORDON AUTO BODY PARTS CO., LTD.	KINGTRIM AUTO PARTS CO.,LTD.	Motor Vehicles and Parts Manufacturing	-	100%	(Note 1) (Note 2)

Note 1: The investee's equity was accounted based on the audited financial reports for the year ended 31 December 2022.

Note 2: The Company's board of directors resolved to set February 28, 2023 as the date of dissolution on February 24, 2023. And the relevant liquidation procedures were completed on July 12, 2023.

(5) Foreign currencies

Monetary items denominated in foreign currencies are translated at the closing

rate at each balance sheet date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the prevailing rates at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in foreign currency and measured at historical cost are stated at the reporting currency as originally translated from the foreign currency.

(6) Inventories

Inventories consist of raw materials, supplies and parts, finished goods and work in process are measured at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and the necessary costs to sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

(7) Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and

borrowing costs eligible for capitalization. Samples produced when testing whether an item of property, plant and equipment is functioning properly before that asset reaches its intended use are measured at the lower of cost or net realizable value, and any proceeds from selling those and the cost of those are recognized in profit or loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

Assets held under financial leases are accounted for on the same basis as owned property, plant and equipment and are depreciated on a straight-line basis over their expected useful lives. If the lease term is shorter than the useful life, depreciation is provided over the lease term.

On derecognition of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(8) Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there

is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating the impairment of that cash-generating unit. When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(9) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial

liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in profit or loss. Fair value is determined in the manner described in Note 6(26).

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest

on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivables, guaranteed time deposits and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently

measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables) as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by

a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

(10) Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods

The Group shall recognize revenue when control of the products has transferred to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(11) Lease

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Group as a lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments,

in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

2) The Group as a lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the

commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expense in the periods in which they are incurred.

(12) Provisions

Provisions (including provisions for warranties, decommissioning liabilities, restructuring, onerous contracts and contingent liabilities arising from mergers and acquisitions) are recognized where there is a present legal or constructive obligation as a result of past events. It is probable that an outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are measured at best estimated present value of the expenditures required to settle the obligation at the balance sheet date. The discount rate is the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liabilities. Amortization of the discount is recognized as interest expense. Future operating losses should not be recognized as provisions.

(13) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost including current service cost and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Rereasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

(14) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the

current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax

consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Group's accounting policies on Note 4, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group has taken into consideration the change of climate and related governmental regulations in critical accounting estimates of cash flows projections, such as growth rates, discount rates, and profitability. Management will continue to review the estimates and underlying assumptions. If a revision to an accounting estimate affects only the current period, it is recognized in the period in which the estimate is revised. If a revision of an accounting estimate affects both the current and future periods, it is recognized in the period in which the estimate is revised and in the future periods.

For the assumptions and estimation uncertainties, there were significant risk resulting in a material adjustment within the next financial year is as below:

(1) Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Group uses estimate to determine the net realizable value of inventory at the end of each reporting period.

With the rapid changes in Motor Vehicles and Parts Manufacturing industry, The Group estimates the net realizable value of inventory for normal waste,

obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on assumptions of future demand within a specific time horizon.

The book value of Inventories is described in Note 6(6).

(2) Impairment of Tangible Assets

In the process of evaluating the potential impairment of tangible assets, the Group determines the independent cash flows, useful lives, expected future revenues and expenses related to the specific asset groups with the consideration of the nature of Motor Vehicles and Parts Manufacturing industry by its' subjective judgment. Any change in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

The Group didn't recognize impairment loss of assets for the years ended December 31, 2023 and 2022.

6. EXPLANATION OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 494	\$ 678
Cash in banks	169,766	200,937
Cash equivalents		
Time deposits	—	61,420
Repurchase agreements collateralized by bonds	528,939	436,728
Total	<u>\$ 699,199</u>	<u>\$ 699,763</u>

The market rate intervals of cash equivalents for the years ended December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Time deposits	4.30% ~ 5.45%	0.33% ~ 4.30%
Repurchase agreements collateralized by bonds	1.20% ~ 5.65%	0.12% ~ 4.50%

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets at fair value through profit or loss (FVTPL) - current		
Non-derivative financial assets		
Mutual funds beneficiary certificates	\$ 4,320	\$ 4,871

(3) Financial assets at fair value through other comprehensive income

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Investments in equity instruments at FVTOCI		
Unlisted shares		
ENSURE-TECH ENTERPRISE CO., LTD.	\$ 105,112	\$ 118,825

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

For the years ended December 31, 2023 and 2022, the Group recognized movement of Unrealized loss for the Company's fair value through other comprehensive income were \$13,713 thousand and \$8,069 thousand, respectively.

(4) Financial assets at amortized cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Time deposits for guaranteed	\$ 2,300	\$ 2,300

1. The interest rates for time deposits for guaranteed were 1.440%~1.565% and 0.815%~1.440% for the years ended December 31, 2023 and 2022, respectively.

2. Please refer to Note 8 for the pledge information on financial assets measured at amortized cost.

(5) Notes receivables and Accounts receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Notes receivables</u>		
Notes receivables - from operating	\$ 25,552	\$ 25,616
Less: Loss allowance	—	—
	<u>\$ 25,552</u>	<u>\$ 25,616</u>
<u>Accounts receivables</u>		
At amortized cost		
Accounts receivables	\$ 487,863	\$ 408,058
Less: Loss allowance	(2,803)	(969)
	<u>\$ 485,060</u>	<u>\$ 407,089</u>

The Group's average credit period for product sales ranges from 60 to 120 days, and receivables are non-interest-bearing. The Group's policy is to transact only with counterparties rated at or above the investment grade, and to obtain adequate guarantees where necessary to mitigate the risk of financial loss arising from default. Credit rating information is provided by independent rating agencies. If such information is not available, the Group uses other publicly available financial information and historical transaction records to rate its major customers. The Group consistently monitors credit exposures and counterparty credit ratings and spreads the total transaction amount among different customers with qualified credit ratings. The Group also manages credit exposure by reviewing and approving counterparty credit limits annually.

To mitigate credit risks, the Group's management has assigned a dedicated team responsible for credit limit determination, credit approval and other monitoring procedures to ensure that appropriate actions have been taken to collect overdue receivables. In addition, the Group reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been recognized for uncollectible receivables. Accordingly, the Group's management believes that the Group's credit risk has been significantly reduced.

The Group uses the simplified IFRS 9 method to recognize an allowance for losses on receivables based on lifetime expected credit losses. Lifetime expected credit losses are calculated using a provision matrix, which considers the customer's past default history and current financial condition, as well as the industry's economic conditions. Since the Group's credit loss history shows no significant difference in the loss patterns of different customer groups, the provision matrix does not further differentiate between customer groups and sets the expected credit loss rate based on the number of days past due on receivables.

If there is evidence that the counterparty is in serious financial difficulty and the Group cannot reasonably estimate the recoverable amount, the Group will directly write off the related accounts receivable but continues the recovery activities and recognizes the amount recovered as income.

The loss allowance of trade receivables based on the Group's allowance matrix was as follow:

December 31, 2023

	Non-pass due	1 to 90 Days Past Due	91 to 180 Days Past Due	181 to 365 Days Past Due	Over 365 Days Past Due	Total
Expected credit loss rate	—	0.1%	0.2%	1%~5%	30%~100%	
Gross carrying amount	\$ 498,000	\$ 12,624	\$ 1	\$ —	\$ 2,790	\$ 513,415
Loss allowance	—	(13)	—	—	(2,790)	(2,803)
Amortized cost	<u>\$ 498,000</u>	<u>\$ 12,611</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 510,612</u>

December 31, 2022

	Non-pass due	1 to 90 Days Past Due	91 to 180 Days Past Due	181 to 365 Days Past Due	Over 365 Days Past Due	Total
Expected credit loss rate	—	0.1%	0.2%	1%~5%	30%~100%	
Gross carrying amount	\$ 410,425	\$ 19,860	\$ 227	\$ —	\$ 3,162	\$ 433,674
Loss allowance	—	(20)	—	—	(949)	(969)
Amortized cost	<u>\$ 410,425</u>	<u>\$ 19,840</u>	<u>\$ 227</u>	<u>\$ —</u>	<u>\$ 2,213</u>	<u>\$ 432,705</u>

The movements in the allowance for accounts receivables were as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Balance at January 1	\$ 969	\$ 348
Add: Allowance for impairment loss	1,834	621
Balance at December 31	<u>\$ 2,803</u>	<u>\$ 969</u>

(6) Inventories

	December 31, 2023	December 31, 2022
Merchandise	\$ 8,617	\$ 4,762
Finished goods	455,546	508,549
Work in process	56,899	31,390
Raw materials	112,649	239,850
Inventory in transit	503	—
Total	<u>\$ 634,214</u>	<u>\$ 784,551</u>
Allowance for inventory valuation losses	<u>\$ 26,166</u>	<u>\$ 30,535</u>

The details of the cost of goods sold were as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Cost of inventories sold	\$ 1,973,118	\$ 1,880,864
Write-down of inventories (reversal of write-down)	(4,369)	(15,422)
Loss on asset retirement	1,784	19,439
Others	(1,942)	(1,867)
Total	<u>\$ 1,968,591</u>	<u>\$ 1,883,014</u>

The inventory recovery gains for the years ended December 31, 2023 and 2022 were caused by the increasing of the selling price and the disposing of the inventory.

(7) Property, plant and equipment

	Year ended December 31, 2023				
	Balance at January 1, 2023	Additions	Disposals	Reclassificatio n	Balance at December 31, 2023
<u>Cost and Revaluation increments</u>					
<u>Cost</u>					
Land	\$ 482,714	\$ —	\$ —	\$ —	\$ 482,714
Buildings	1,372,084	2,224	—	13,233	1,387,541
Machinery and equipment	837,350	4,796	(72,054)	14,361	784,453
Molding equipment	6,785,668	110	(44,298)	165,085	6,906,565
Transportation equipment	28,065	519	—	—	28,584
Office equipment	45,861	—	(1,035)	487	45,313
Other equipment	227,972	1,440	(345)	2,551	231,618
Property under Construction	5,411	—	—	9,125	14,536
Subtotal	9,785,125	9,089	(117,732)	204,842	9,881,324
Revaluation increments					
Land	201,991	—	—	—	201,991
Total	9,987,116	9,089	(117,732)	204,842	10,083,315
<u>Accumulated depreciation</u>					
Buildings	613,220	43,946	—	—	657,166
Machinery and equipment	735,976	16,629	(71,372)	—	681,233
Molding equipment	5,228,611	265,318	(43,209)	—	5,450,720
Transportation equipment	15,570	2,534	—	—	18,104
Office equipment	39,877	1,676	(1,021)	—	40,532
Other equipment	204,654	5,174	(344)	—	209,484
Total	6,837,908	335,277	(115,946)	—	7,057,239
Net value	\$ 3,149,208	\$ (326,188)	\$ (1,786)	\$ 204,842	\$ 3,026,076

Year ended December 31, 2022

	Balance at January 1, 2022	Additions	Disposals	Reclassificatio n	Balance at December 31, 2022
<u>Cost and Revaluation increments</u>					
<u>Cost</u>					
Land	\$ 482,714	\$ —	\$ —	\$ —	\$ 482,714
Buildings	1,360,397	1,223	—	10,464	1,372,084
Machinery and equipment	832,922	3,325	(15,165)	16,268	837,350
Molding equipment	7,171,633	—	(567,224)	181,259	6,785,668
Transportation equipment	26,526	89	(9,372)	10,822	28,065
Office equipment	43,656	—	(743)	2,948	45,861
Other equipment	224,515	1,303	(19)	2,173	227,972
Property under Construction	1,298	—	—	4,113	5,411
Subtotal	10,143,661	5,940	(592,523)	228,047	9,785,125
Revaluation increments					
Land	201,991	—	—	—	201,991
Total	10,345,652	5,940	(592,523)	228,047	9,987,116
<u>Accumulated depreciation</u>					
Buildings	569,322	43,898	—	—	613,220
Machinery and equipment	733,959	17,138	(15,121)	—	735,976
Molding equipment	5,500,712	289,267	(561,368)	—	5,228,611
Transportation equipment	22,778	1,380	(8,588)	—	15,570
Office equipment	39,091	1,515	(729)	—	39,877
Other equipment	199,360	5,313	(19)	—	204,654
Total	7,065,222	358,511	(585,825)	—	6,837,908
Net value	\$ 3,280,430	\$ (352,571)	\$ (6,698)	\$ 228,047	\$ 3,149,208

1. The amount of capitalized interests and interest rates are as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Amount of capitalized interests	\$ 3,131	\$ 1,626
The interest rate interval of borrowing cost capitalization	1.57%~1.76%	1.01%~1.53%

2. The significant part of the Group's buildings includes main plants and its devices, and the related depreciation is calculated using the estimated useful lives of 5~60 years and 5~10 years, respectively.

3. As of December 31, 2023 and 2022, the property, plant and equipment were pledged as collateral, please refer to Note 8.

(8) Lease arrangements

1. Right-of-use assets

	Land	Other equipment	Total
<u>Cost</u>			
Jan.1, 2023	\$ 10,351	\$ 7,009	\$ 17,360
Addition	12,143	7,588	19,731
Decrease	(10,351)	(610)	(10,961)
Dec.31, 2023	12,143	13,987	26,130
<u>Accumulated depreciation</u>			
Jan.1, 2023	8,872	3,405	12,277
Depreciation expense	2,288	2,711	4,999
Decrease	(10,351)	(610)	(10,961)
Dec.31, 2023	809	5,506	6,315
Dec.31, 2023 Net value	\$ 11,334	\$ 8,481	\$ 19,815
	Land	Other equipment	Total
<u>Cost</u>			
Jan.1, 2022	\$ 10,351	\$ 6,632	\$ 16,983
Addition	—	1,280	1,280
Decrease	—	(903)	(903)
Dec.31, 2022	10,351	7,009	17,360
<u>Accumulated depreciation</u>			
Jan.1, 2022	6,654	2,475	9,129
Depreciation expense	2,218	1,833	4,051
Decrease	—	(903)	(903)
Dec.31, 2022	8,872	3,405	12,277
Dec.31, 2022 Net value	\$ 1,479	\$ 3,604	\$ 5,083

2. Lease liabilities

	Lease term	Discount Rate	December 31, 2023	December 31, 2022
Land	2018.Sep. to 2028.Aug.	1.40%~1.76%	\$ 11,367	\$ 1,520
Other equipment	2020.Jun. to 2028.May.	1.089%~1.761%	8,549	3,643
Total			19,916	5,163
Less: Current			(5,315)	(3,318)
Non-current			\$ 14,601	\$ 1,845

3. Material leasing activities and terms

The Group leases land for a warehouse for the periods from September 2023 to August 2028 and from September 2018 to August 2023, respectively. The Group has no preferential right to acquire the leased land upon termination of the lease, and covenants that it shall not lend, sublease, assign or otherwise use all or part of the subject of the lease to other parties.

4. Other lease information

	Year ended December 31, 2023	Year ended December 31, 2022
Short-term lease expense	\$ 7	\$ 42
Leases of low-value assets expense	\$ 25	\$ —
Total cash outflow for leases	\$ 5,194	\$ 4,201

The Group has elected to apply the exemption from recognition to buildings leases that qualify as short-term leases and other equipment leases which qualify as leases of low-value assets, and does not recognize the related right-of-use assets and lease liabilities for such leases.

(9) Prepayments

	December 31, 2023	December 31, 2022
<u>Current</u>		
Prepayments	\$ 11,059	\$ 8,540
Office supplies	81,284	79,451
	\$ 92,343	\$ 87,991
<u>Non-current</u>		
Prepayments for equipment	\$ 216,189	\$ 127,828

(10) Current borrowings

	December 31, 2023	December 31, 2022
Secured borrowings		
Bank borrowings	\$ —	\$ 157,000
Unsecured borrowings		
Line of credit borrowings	210,000	340,000
Purchase borrowings	—	—
Subtotal	210,000	340,000
Total	\$ 210,000	\$ 497,000
Range of interest rates	1.33%~2.16%	0.59%~1.88%

For the collateral of the short-term borrowings, please refer to Note 8.

(11) Short-term bills payables

	December 31, 2023	December 31, 2022
Commercial paper	\$ —	\$ 40,000
Less: Unamortized discounts on commercial paper	—	(18)
Net value	\$ —	\$ 39,982
Range of interest rates	1.32%~1.61%	0.44%~1.36%

(12) Notes Payables and Account Payables

	December 31, 2023	December 31, 2022
Notes Payables	\$ 36,965	\$ 1,578
Account payables	397,052	263,995
Total	\$ 434,017	\$ 265,573
Current	\$ 434,017	\$ 265,573

1. The terms of the Group's transactions with suppliers are 90 to 120 days. The Group has a financial risk management policy to ensure that all payables are paid within the agreed credit terms.
2. Refer to Note 6 (26) for disclosures related to the Group's payables and other payables that are exposed to exchange rate and liquidity risks.

(13) Long-term borrowings

Creditors	Period	Redemption	December 31, 2023	December 31, 2022
TBB	2018.04.10 ~ 2038.04.10	The principal is to be repaid in equal monthly installments starting from May 10, 2020.	\$ 15,925	\$ 17,037
HNCB	2018.11.05 ~ 2025.11.05	The principal was to be repaid in 14 installments in six-month intervals starting November 5, 2018. NT\$15 million was to be repaid in each of the 1st to 13th installments, and NT\$205 million was repaid in the 14th installment. Since repayment of NT\$130 million was made in advance in October 2022, no repayment was required for the 9th to 13th installments, and NT\$150 million was repaid in the 14th installment.	150,000	150,000
TBB	2020.03.24 ~ 2025.03.24	Starting from March 24, 2020, the principal is to be repaid in 10 installments of 6 months. The 1st to 9th installments are NT\$22.5 million each and the 10th installment is NT\$247.5 million.	292,500	337,500
TBB	2020.04.17 ~ 2025.03.24	Starting from April 17, 2020, the principal is to be repaid in 10 installments of 6 months. The 1st to 9th installments are NT\$7.5 million each and the 10th installment is NT\$82.5 million.	97,500	112,500
TBB	2021.07.23 ~ 2038.04.10	The principal is to be repaid in equal monthly installments starting from August 23, 2021.	154,030	164,776
HNCB	2021.09.01 ~ 2026.09.01	Starting September 1, 2021, the principal is to be repaid in 10 installments of 6 months. The 1st to 9th installments are NT\$2 million each and the 10th installment is NT\$15 million.	25,000	29,000
HNCB	2021.12.03 ~ 2028.12.03	Starting from December 3, 2021, the principal is to be repaid in 14 installments of 6-month intervals, with the first 13 installments are NT\$35 million and the final installment is NT\$545 million.	350,000	420,000
HNCB	2021.12.09 ~ 2028.12.03		510,000	510,000
Total			<u>\$ 1,594,955</u>	<u>\$ 1,740,813</u>
Current			<u>\$ 145,857</u>	<u>\$ 145,857</u>
Non-current			<u>\$ 1,449,098</u>	<u>\$ 1,594,956</u>

1. The Group's long-term credit facilities as of December 31, 2023 and 2022 were based on actual borrowings.

2. The concrete borrowing rates for the years ended December 31, 2023 and 2022 were 1.53%~1.85% and 1.00%~1.73%, respectively.
3. For the collateral of the long-term borrowings, please refer to Note 8.

(14) Retirement benefit plans

1. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (the LPA), which is a stated-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employee's individual pension accounts at 6% of monthly salaries and wages. The Group recognized retirement costs were \$8,432 thousand and \$8,096 thousand for the years ended December 31, 2023 and 2022, respectively.

2. Defined benefit plans

The defined benefit plans adopted by the Company are in accordance with the Labor Standards Act. Pension benefits are calculated on the basis of length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of totally monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor, the Company has no right to influence the investment policy and strategy.

- (1) The expenses recognized in profit or loss for the Group in 2023 and 2022 were as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Service cost	\$ —	\$ —
Net interest expense	256	141
Recognized in profit or loss	<u>256</u>	<u>141</u>
Remeasurement:		
Return on plan assets	(4)	(218)
Actuarial loss - Experience adjustments	580	456
Actuarial loss - Changes in demographic and financial assumptions	298	(44)
Recognized in other comprehensive income	<u>874</u>	<u>194</u>
Total	<u>\$ 1,130</u>	<u>\$ 335</u>

- (2) The amounts included in the balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31, 2023	December 31, 2022
Present value of funded defined benefit obligation	\$ (18,684)	\$ (20,574)
Fair value of plan assets	6,086	3,035
Net defined benefit liabilities	<u>\$ (12,598)</u>	<u>\$ (17,539)</u>

- (3) Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Year ended December 31, 2023			
Balance at January 1	\$ (20,574)	\$ 3,035	\$ (17,539)
Service cost	—	—	—
Net interest (expense) income	(309)	53	(256)
	<u>(20,883)</u>	<u>3,088</u>	<u>(17,795)</u>
Remeasurement:			
Return on plan assets	—	4	4
Changes in financial assumptions	(298)	—	(298)
Experience adjustments	(580)	—	(580)
	<u>(878)</u>	<u>4</u>	<u>(874)</u>
Contributions from the employer	—	6,071	6,071
Benefits paid	3,077	(3,077)	—
	<u>3,077</u>	<u>2,994</u>	<u>6,071</u>
Balance at December 31	<u>\$ (18,684)</u>	<u>\$ 6,086</u>	<u>\$ (12,598)</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Year ended December 31, 2022			
Balance at January 1	\$ (23,793)	\$ 3,931	\$ (19,862)
Service cost	—	—	—
Net interest (expense) income	(179)	38	(141)
	<u>(23,972)</u>	<u>3,969</u>	<u>(20,003)</u>
Remeasurement:			
Return on plan assets	—	218	218
Changes in financial assumptions	44	—	44
Experience adjustments	(456)	—	(456)
	<u>(412)</u>	<u>218</u>	<u>(194)</u>
Contributions from the employer	—	2,658	2,658
Benefits paid	3,810	(3,810)	—
	<u>3,810</u>	<u>(1,152)</u>	<u>2,658</u>
Balance at December 31	<u>\$ (20,574)</u>	<u>\$ 3,035</u>	<u>\$ (17,539)</u>

- (4) The Company's defined benefit pension plan fund is deposited in an account under the Trust Department of the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. The Labor Pension Fund Supervisory Committee, Council of Labor Affairs of the Executive Yuan regularly monitors and reviews the investment portfolio, prudently constructs the investment portfolio, diversifies the form of outsourcing, strengthens risk control, and adjusts the investment strategy in accordance with market changes in order to enhance the stable income of the fund. In conjunction with the Finance Department, the competent authority shall engage financial institutions to conduct the receipt, custody and use of plan assets. The minimum return shall not be less than the interest rate of a two-year time deposit in a local bank. Any loss shall be covered by the national treasury. The competent authority shall stipulate the rules for the receipt, custody and use of plan assets, and the Company has no right to participate in the operation and management of

the fund. The fair value of the total assets of the fund as of December 31, 2023 and 2022 was shown in the annual reports on the use of the labor pension fund as announced by the government.

- (5) The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	2023	2022
Discount rate	1.375%	1.500%
Expected rate of salary increase	2.000%	2.000%

- (6) The impact of the changes in the major assumptions on the present value of the defined benefit obligation was as follows:

	Discount rate		Future salary change	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2023</u>				
The impact on the present value of the defined benefit obligation	\$ (591)	\$ 615	\$ 600	\$ (579)
<u>December 31, 2022</u>				
The impact on the present value of the defined benefit obligation	\$ (675)	\$ 705	\$ 688	\$ (663)

Each sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are related. The method used to carry out the sensitivity analysis is the same as the calculation of the net defined benefit liabilities recognized in the balance sheets.

The method used to carry out the sensitivity analysis is the same as in the prior year.

(7) The Company expects to make a contribution of \$4,194 thousand and \$882 thousand to the defined benefit plans for the years ended December 31, 2024 and 2023, respectively.

(8) As of December 31, 2023 and 2022, the weighted-average duration of the defined benefit plan range were 13.5 years and 13.4 years, respectively.

The maturity analysis of pension benefits was as follow:

	December 31, 2023	December 31, 2022
Not later than 1 year	\$ 1,006	\$ 446
1~2 years	751	1,049
3~5 years	1,911	2,260
Later than 5 years	2,274	2,609
	<u>\$ 5,942</u>	<u>\$ 6,364</u>

(15) Equity

1. Common stock

	December 31, 2023	December 31, 2022
Stocks authorized	\$ 2,500,000	\$ 2,500,000
Stocks issued	<u>\$ 1,653,104</u>	<u>\$ 1,653,104</u>

The movement of the issued capital:

	Number of shares (Thousand shares)	Share capital
Balance on January 1, 2023	165,310	\$ 1,653,104
Balance on December 31, 2023	<u>165,310</u>	<u>\$ 1,653,104</u>
Balance on January 1, 2022	165,310	\$ 1,653,104
Balance on December 31, 2022	<u>165,310</u>	<u>\$ 1,653,104</u>

2. Capital surplus

The capital surplus balance of the Company was as follow:

	December 31, 2023	December 31, 2022
The statute barred dividends for the shareholders	<u>\$ 935</u>	<u>\$ 850</u>

In accordance with the laws, capital surplus from the issuance of stock in excess of par value (including the issuance of common stock in excess of par value, capital premiums from the issuance of stock in connection with mergers, and premiums from the conversion of corporate bonds, etc.) and donated surplus may be used to offset losses or, when the Company is not in deficit, to pay cash dividends or for capitalization. However, the capitalization shall be limited to a certain percentage of the paid-in capital each year. In addition, changes in ownership interests in subsidiaries and changes in net equity in affiliates recognized using the equity method may offset losses, except for those arising from the issuance of restricted stock awards, which cannot be of any use.

3. Retained earnings and dividends policy

	Legal reserve	Special reserve	Unappropriated earnings	Total
Balance on January 1, 2023	\$ 80,137	\$ 98,923	\$ 640,194	\$ 819,254
Appropriation of legal reserve	33,629	—	(33,629)	—
Cash dividends	—	—	(165,310)	(165,310)
Net income in 2023	—	—	351,560	351,560
Other comprehensive income in 2023 (Net income after tax)	—	—	(699)	(699)
Balance on December 31, 2023	\$ 113,766	\$ 98,923	\$ 792,116	\$ 1,004,805
Balance on January 1, 2022	\$ 73,760	\$ 98,923	\$ 359,875	\$ 532,558
Appropriation of legal reserve	6,377	—	(6,377)	—
Cash dividends	—	—	(49,594)	(49,594)
Net income in 2022	—	—	336,445	336,445
Other comprehensive income in 2022 (Net income after tax)	—	—	(155)	(155)
Balance on December 31, 2022	\$ 80,137	\$ 98,923	\$ 640,194	\$ 819,254

(1) The Company's Articles of Incorporation stipulate that if there is any surplus in the Company's annual final accounts, it shall first pay taxes and make up for accumulated deficits, then set aside 10% as legal reserve, and then set aside or reverse special reserve in accordance with the Securities and Exchange Act and regulations by competent authorities. The remaining balance, if any, shall be added to the accumulated undistributed earnings of the previous years before distributing dividends to shareholders. The amount of dividends to shareholders shall be appropriated from the accumulated undistributed earnings and shall not be less than 10% of the distributable earnings of the year. The Board of Directors shall prepare a proposal for the distribution of the aforementioned earnings. If the distribution is to be made by issuing new shares, a proposal shall be made to the shareholders' meeting for a resolution to distribute. To distribute dividends and bonuses, in whole or in part, in the form of cash payments, the Company shall authorize the Board of Directors to do so with the presence of at least two-thirds of the directors and the approval of a majority of the directors present, and report to the shareholders' meeting. If there is a reversal of reduction in the aforementioned shareholders' equity, earnings distribution may be made based on the reversed portion. The Company is in a period of business growth. In order to cope with the continuous expansion of business, cash dividends shall not be less than 10% of the total dividends to shareholders.

The Company shall distribute all or part of the legal reserve and capital surplus to shareholders in proportion to their original shares in new shares or cash. In the case of cash distribution, the board of directors is authorized to approve the distribution with the presence of at least two-thirds of the directors and a majority of the directors present, and report to the shareholders' meeting.

- (2) In accordance with the Company Act amended in January 2012, legal reserve appropriation shall continue until its total amount reaches the total paid-in capital. Legal reserve may be used to offset losses. If the Company has no deficit, the portion of legal reserve in excess of 25% of the paid-in capital may be distributed in the form of new shares or cash in proportion to the shareholders' original shares.
- (3) In accordance with FSC letter Cheng-Fa No. 1090150022, upon the first-time adoption of IFRSs, the Group shall provide a special reserve of the same amount for unrealized revaluation increment and cumulative translation adjustment (gain) under stockholders' equity, which is transferred to retained earnings as a result of the election to apply IFRS 1 exemptions. Subsequently, when the Company uses, disposes of, or reclassifies related assets, it may reverse earnings distribution based on the proportion of the original special reserve.

For the years ended December 31, 2023 and 2022, the amount of special reserve recognized for the first time using IFRSs was \$98,923 thousand respectively. The Company did not reverse special reserve to unappropriated earnings due to using, disposing of, or reclassifying related assets for the years ended December 31, 2023 and 2022.

- (4) The appropriation of earnings for the years 2022 and 2021, items to be acknowledged by the shareholders' meeting were approved at the shareholders' meetings held on June 14, 2023 and June 14, 2022, except for the amount of cash dividends, which as handled in accordance with Paragraph 5, Article 240 of the Company Act. The appropriation of earnings for the years ended December 31, 2022 and 2021 were as follows:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Appropriation of net income	Cash dividends per share (NT\$)	Appropriation of net income	Cash dividends per share (NT\$)
Legal reserve	\$ 33,629	\$ —	\$ 6,377	\$ —
Cash dividends	165,310	1.00	49,594	0.30
Total	<u>\$ 198,939</u>		<u>\$ 55,971</u>	

(5) The above information regarding the Company's employee and director compensation is available to be seen on the Market Observation Post System, please refer to Note 6(24).

4. Other equity

Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income

	Year ended December 31, 2023	Year ended December 31, 2022
At January 1	\$ 52,833	\$ 60,902
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(13,713)	(8,069)
At December 31	<u>\$ 39,120</u>	<u>\$ 52,833</u>

(16) Earnings per share

	Year ended December 31, 2023	Year ended December 31, 2022
Basic earnings per share	<u>\$ 2.13</u>	<u>\$ 2.04</u>
Diluted earnings per share	<u>\$ 2.12</u>	<u>\$ 2.03</u>

1. Basic earnings per share

The calculation of basic earnings per share and the weighted average number of common stocks were as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Profit of the parent for the year (in thousands)	<u>\$ 351,560</u>	<u>\$ 336,445</u>
Weighted-average number of common stocks (thousand shares)	<u>165,310</u>	<u>165,310</u>
Basic earnings per share (dollars)	<u>\$ 2.13</u>	<u>\$ 2.04</u>

2. Diluted earnings per share

The calculation of diluted earnings per share and the weighted average

number of common stocks (in thousands of shares) were as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Profit of the parent for the year (in thousands)	\$ 351,560	\$ 336,445
The weighted average number of common stocks (thousand shares)	165,310	165,310
Effect of all dilutive potential common stocks (thousand shares)		
Employee share options (thousand shares)	411	531
The weighted average number of common stocks in computation of diluted earnings per share (thousand shares)	165,721	165,841
Diluted earnings per share (dollars)	\$ 2.12	\$ 2.03

(17) Operating revenue

Details of revenue:

	Year ended December 31, 2023	Year ended December 31, 2022
Auto parts	\$ 2,659,523	\$ 2,410,336
Processing revenue	43,024	34,728
Operating revenue	2,702,547	2,445,064
Sales returns and allowances	(4,994)	(5,612)
Total	\$ 2,697,553	\$ 2,439,452

(18) Interest income

	Year ended December 31, 2023	Year ended December 31, 2022
Bank Deposits	\$ 5,127	\$ 5,800
Other	13,462	7,010
Total	\$ 18,589	\$ 12,810

(19) Other income

	Year ended December 31, 2023	Year ended December 31, 2022
Dividends	\$ 12,570	\$ 9,311
Other	3,654	5,361
Total	<u>\$ 16,224</u>	<u>\$ 14,672</u>

(20) Other gains and losses

	Year ended December 31, 2023	Year ended December 31, 2022
Gain on disposal of property, plant and equipment	\$ 5,713	\$ 17,303
Gain (loss) on disposal of investments	8	(1)
Foreign exchange gain (loss)	(9,210)	123,951
Gain (loss) on financial assets measured at fair value through profit or loss	477	(511)
Service expense	(1,576)	(2,116)
Other	(263)	(2)
Total	<u>\$ (4,851)</u>	<u>\$ 138,624</u>

(21) Finance costs

	Year ended December 31, 2023	Year ended December 31, 2022
Interest		
Interest on bank borrowing	\$ 29,694	\$ 31,176
Interest on lease liabilities	184	78
Total	<u>\$ 29,878</u>	<u>\$ 31,254</u>

(22) Expected credit losses

	Year ended December 31, 2023	Year ended December 31, 2022
Accounts receivable	<u>\$ 1,834</u>	<u>\$ 621</u>

(23) Income taxes

1. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Current tax		
In respect of the current year	\$ 90,437	\$ 73,013
Adjustments for prior year	—	2
	<u>90,437</u>	<u>73,015</u>
Deferred tax		
In respect of the current year	(6,263)	8,467
Income tax expenses recognized in profit or loss	<u>\$ 84,174</u>	<u>\$ 81,482</u>

A reconciliation of accounting profit and income tax expense is as follow:

	Year ended December 31, 2023	Year ended December 31, 2022
Income tax expenses calculated at the statutory rate (20%)	\$ 87,147	\$ 83,566
Nondeductible expenses in determining taxable income	(2,499)	(1,683)
Unrecognized deductible temporary differences	5,789	(8,889)
Loss carryforwards	—	19
Income tax expenses recognized in profit or loss	<u>\$ 90,437</u>	<u>\$ 73,013</u>

2. Income tax recognized in other comprehensive income

	Year ended December 31, 2023	Year ended December 31, 2022
Remeasurements of defined benefit plan	\$ (175)	\$ (39)

3. Income tax assets and liabilities

	December 31, 2023	December 31, 2022
Income tax liabilities	<u>\$ 88,477</u>	<u>\$ 75,782</u>
Current	<u>\$ 88,477</u>	<u>\$ 75,782</u>

4. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

Year ended December 31, 2023					
	Balance at January 1, 2023	Recognized in profit or loss	Recognized in other comprehensiv e income	Exchange Differences	Balance at December 31, 2023
Deferred tax assets					
Temporary differences					
Unrealized exchange losses	\$ —	\$ 4,086	\$ —	\$ —	\$ 4,086
Inventory loss from the falling price	6,107	(874)	—	—	5,233
Actuarial losses on defined benefit plans	325	(325)	—	—	—
Short-term employee benefits	925	95	—	—	1,020
Remeasurement of defined benefit plans	39	(39)	175	—	175
Deferred tax assets	<u>\$ 7,396</u>	<u>\$ 2,943</u>	<u>\$ 175</u>	<u>\$ —</u>	<u>\$ 10,514</u>
Deferred tax liabilities					
Temporary differences					
Unrealized exchange benefits	\$ 3,113	\$ (3,113)	\$ —	\$ —	\$ —
Loss on uncollectible accounts	673	(207)	—	—	466
Deferred tax liabilities	<u>\$ 3,786</u>	<u>\$ (3,320)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 466</u>
Year ended December 31, 2022					
	Balance at January 1, 2022	Recognized in profit or loss	Recognized in other comprehensiv e income	Exchange Differences	Balance at December 31, 2022
Deferred tax assets					
Unrealized exchange losses	\$ 2,575	\$ (2,575)	\$ —	\$ —	\$ —
Inventory loss from the falling price	9,191	(3,084)	—	—	6,107
Actuarial losses on defined benefit plans	502	(177)	—	—	325
Short-term employee benefits	909	16	—	—	925
Remeasurement of defined benefit plans	—	—	39	—	39
Deferred tax assets	<u>\$ 13,177</u>	<u>\$ (5,820)</u>	<u>\$ 39</u>	<u>\$ —</u>	<u>\$ 7,396</u>
Deferred tax liabilities					
Temporary differences					
Unrealized exchange benefits	\$ —	\$ 3,113	\$ —	\$ —	\$ 3,113
Loss on uncollectible accounts	717	(44)	—	—	673
Remeasurement of defined benefit plans	422	(422)	—	—	—
Deferred tax liabilities	<u>\$ 1,139</u>	<u>\$ 2,647</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,786</u>

5. Unrecognized deferred tax assets:

	December 31, 2023	December 31, 2022
Loss carryforwards	\$ —	\$ 132

6. Assessment of tax

The Company tax returns for the years through 2021 were assessed by Taipei National Tax Administration.

(24) Additional information of expense by nature

The Group of employee benefit expenses, depreciation and amortization for the years ended December 31, 2023 and 2022 were as follows:

	2023			2022		
	Recognized in cost of revenue	Recognized in operating expenses	Total	Recognized in cost of revenue	Recognized in operating expenses	Total
Employee benefit expenses	\$ 221,248	\$ 139,132	\$ 360,380	\$ 214,400	\$ 129,514	\$ 343,914
Salary and bonus	183,599	107,515	291,114	177,252	100,383	277,635
Labor and Health Insurance	17,536	8,950	26,486	16,646	8,292	24,938
Pension	5,113	3,575	8,688	4,827	3,410	8,237
Board compensation	—	12,713	12,713	—	10,705	10,705
Other employees benefit expenses	15,000	6,379	21,379	15,675	6,724	22,399
Depreciation expense	314,992	25,284	340,276	339,230	23,332	362,562

1. As of December 31, 2023 and 2022, the Group had 457 and 447 employees, respectively.
2. The Company's Articles of Incorporation provide that not less than one percent of the Company's annual profit shall be appropriated as employee compensation, and not more than three percent of the Company's annual profit shall be appropriated as compensation to directors. However, if the Company still has accumulated losses, it shall first retain the indemnification amount. Subjects of the Company's employee compensation include employees of controlling or subordinate companies who meet certain criteria. The criteria shall be established by the Board of Directors.

3. The Company's compensation to employees is estimated on a pro-rata basis based on the net income before tax deducting compensation to employees and directors for the year. Employee compensation is estimated to be \$13,760 thousand and \$13,198 thousand for the years ended December 31, 2023 and 2022, respectively; the compensation to directors is estimated to be \$9,173 thousand and \$8,798 thousand for 2023 and 2022, respectively. After the end of each year, if there is a significant change in the amount of disbursements resolved by the board of directors before the date of adoption of the annual financial statements, the change shall be adjusted to the annual expense. If there is still a change in the amount after the date of adoption of the annual financial statements, the change is treated as a change in accounting estimate and recorded in the following year.
4. On March 10, 2023, the Board of Directors resolved to approve employee compensation of \$13,198 thousand and director and supervisor compensation of \$8,798 thousand for the fiscal year 2022, which are consistent with the amounts presented in the Company's 2022 financial statements.
5. The above information regarding the Company's employee and director compensation is available on the Market Observation Post System.

(25) Capital management

Based on the characteristics of the industry and the future development of the Group, and taking into account factors such as changes in the external environment, the Group plans its operating capital requirements for the future in order to ensure sustainable operations, to reward its shareholders while taking into account the interests of other stakeholders, and to maintain an optimal capital structure to enhance shareholder value. The Group generally adopts prudent risk management strategies.

(26) Financial instruments

1. The fair value of financial instruments that are not measured at fair value
The Group's management believes that the carrying amounts of financial assets and liabilities that are not measured at fair value approximate their fair values or that their fair values cannot be reliably measured.

2. The fair value of financial instruments that are measured at fair value

(1) Fair value hierarchy

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
<u>Non-derivative financial assets</u>				
Trust beneficiary certificates	\$ 4,320	\$ —	\$ —	\$ 4,320
<u>Financial assets at FVTOCI</u>				
<u>Equity instrument</u>				
Unlisted shares	—	—	105,112	105,112
Total	\$ 4,320	\$ —	\$ 105,112	\$ 109,432

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
<u>Non-derivative financial assets</u>				
Trust beneficiary certificates	\$ 4,871	\$ —	\$ —	\$ 4,871
<u>Financial assets at FVTOCI</u>				
<u>Equity instrument</u>				
Unlisted shares	—	—	118,825	118,825
Total	\$ 4,871	\$ —	\$ 118,825	\$ 123,696

There were no transfers between Level 1 and 2 for the years ended December 31, 2023 and 2022, respectively.

(2) Reconciliation of Level 3 fair value measurements of financial instruments.

Financial assets at fair value through other comprehensive income

	Year ended December 31, 2023	Year ended December 31, 2022
Balance at January 1	\$ 118,825	\$ 126,894
Unrealized valuation loss on financial assets at FVTOCI	(13,713)	(8,069)
Balance at December 31	\$ 105,112	\$ 118,825

The net loss related to the assets held at level 3 fair value were \$13,713 thousand and \$8,069 thousand for the years ended December 31, 2023 and 2022, respectively, and is included in "Other comprehensive income" in the individual consolidated statements of comprehensive income.

(3) Valuation techniques and inputs applied for Level 2 fair value measurement: none.

(4) Valuation techniques and inputs applied for Level 3 fair value measurement:

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follow:

(A) Significant unobservable inputs to valuation of recurring fair value measurements:

As of December 31, 2023:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: Measured at fair value through other comprehensive income-Stock	Market approach	The ratio of enterprise value to EBIT, the ratio of enterprise value to EBITDA, and the ratio of total enterprise market capitalization to net profit after tax for similar companies.	Ratio of enterprise value to EBIT: (20.93)-18.16 Ratio of enterprise value to EBITDA: 7.28-406.39 Ratio of total corporate market capitalization to net income after tax: (25.76)-17.94	The higher the enterprise value to EBIT ratio, the higher the enterprise value to EBITDA ratio and the higher the total enterprise market capitalization to post-tax net income ratio of similar companies, the higher the fair value estimate.	10% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Group's profit or loss by \$11,764 thousand

As of December 31, 2022:

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: Measured at fair value through other comprehensive income-Stock	Market approach	The ratio of enterprise value to EBITDA and the ratio of total enterprise market capitalization to net profit after tax for similar companies.	Ratio of enterprise value to EBITDA: (32.76)-10.02 Ratio of total corporate market capitalization to net income after tax: (6.8)-13.44	The higher the enterprise value to EBITDA ratio and the higher the total enterprise market capitalization to post-tax net income ratio of similar companies, the higher the fair value estimate.	10% increase (decrease) in the P/E ratio of similar entities would result in increase (decrease) in the Group's profit or loss by \$14,799 thousand

(B) Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy:

The Group's Finance Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices.

The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

3. Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial Assets</u>		
Cash and cash equivalents	\$ 699,199	\$ 699,763
Note receivable	25,552	25,616
Accounts receivable	485,060	407,089
Other receivables	10,862	10,856
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	4,320	4,871
Financial assets at FVTOCI		
Equity instrument	105,112	118,825
Financial assets at amortized cost		
Guarantee deposits paid	546	526
Total	<u>\$ 1,332,951</u>	<u>\$ 1,269,846</u>
<u>Financial liabilities</u>		
Short-term borrowings	\$ 210,000	\$ 497,000
Short-term notes and bills payable	—	39,982
Notes payables	36,965	1,578
Accounts payables	397,052	263,995
Other payables	82,321	80,001
Payables on equipment	95,589	79,655
Long-term debt payable (including current portion of long-term borrowings payables)	1,594,955	1,740,813
Total	<u>\$ 2,416,882</u>	<u>\$ 2,703,024</u>

4. Financial risk management objectives

The Group's financial risk management objective is to manage foreign exchange rate risk, interest rate risk, credit risk and liquidity risk associated with operating activities. To reduce financial risks, the Group is committed to identifying, evaluating and hedging market uncertainties in order to reduce the potential adverse effects of market changes on the Group's financial performance.

The significant financial activities of the Group are reviewed by the Board of Directors in accordance with relevant regulations and the internal control system. While executing its financial plans, the Group must comply with relevant financial operating procedures regarding overall financial risk management and segregation of duties and responsibilities.

5. Market risk

The Group is primarily exposed to market risks such as changes in foreign currency exchange rates and changes in interest rates. It uses certain derivative financial instruments to manage related risks.

(1) Foreign exchange rate risks

The Group's operating activities are primarily conducted in foreign currencies and therefore, foreign currency exchange rate risk arises. To avoid the decrease in the value of foreign-currency assets and fluctuations in future cash flows due to changes in exchange rates, the Group uses time deposits, purchases of bonds with repurchase rights and short-term borrowings to hedge the exchange rate risk. Although this may help the Group to reduce the impact of changes in foreign currency exchange rates, it cannot be completely excluded.

Information on the Group's foreign currency assets and liabilities that are subject to significant exchange rate fluctuations are as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
USD	\$ 34,136	30.705	\$1,048,159	\$ 32,044	30.71	\$ 984,057
JPY	12,946	0.2172	2,812	1,186	0.2324	276
<u>Financial liabilities</u>						
USD	626	30.705	19,232	916	30.71	28,133

The sensitivity analysis of foreign currency exchange rate risk is calculated for monetary items denominated in foreign currencies at the end of the financial reporting period. If the New Taiwan dollar strengthens/weakens 10% against the U.S. dollar and the Japanese yen, the Group's profit or loss and equity would increase/decrease by \$103,174 thousand and \$95,620 thousand as of December 31, 2023 and 2022, respectively.

(2) Interest rate risk

Interest rate risk represents the risk of fluctuations in future cash flows due to changes in market interest rates. The Group's interest rate risk arises mainly from floating-rate bank deposits, fixed-rate bond investments and floating-rate bank loans.

The sensitivity analysis of interest rate risk was calculated based on the change in floating interest rates on floating rate borrowings as of the end of the financial reporting period and was assumed to be held for one quarter. If interest rates increase/decrease by 1%, the Group's profit or loss will increase/decrease by approximately \$2,766 thousand and \$3,949 thousand as of December 31, 2023 and 2022, respectively.

6. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's concentration of credit risk, arises principally from its accounts receivables of operating activities. Operational credit risk and financial credit risk are separately managed.

(1) Operational credit risk

The Group requires collateral or other guarantee rights for significant counterparties, thus effectively reducing the Group's credit risk. The Group's management has assigned a dedicated team to be responsible for credit line determination, credit approval and other monitoring procedures to ensure that appropriate actions are taken to collect overdue receivables. In addition, the Group reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses are recorded for uncollectible

receivables. Accordingly, the Group's management believes that the Group's credit risk has been significantly reduced.

(2) Financial credit risk

The credit risk of bank deposits, fixed-income investments and other financial instruments is measured and monitored by the Group's finance department. The Group's counterparties and performance counterparties are creditworthy banks and financial institutions with investment grade or above, companies and government agencies, with no significant doubt about their performance. Therefore, there is no significant credit risk.

7. Liquidity risk

The Group's objectives in managing liquidity risk are to maintain cash and cash equivalents for operations and to have sufficient banking facilities to ensure that the Group has sufficient financial flexibility.

The following table summarizes the analysis of the Group's financial liabilities by maturity date and undiscounted maturity amount over the contractual repayment period:

	December 31, 2023				Total
	Within 1 year	Over 2 years to 3 years	Over 4 years to 5 years	More than 5 years	
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 210,000	\$ —	\$ —	\$ —	\$ 210,000
Notes payables	36,965	—	—	—	36,965
Accounts payables	397,052	—	—	—	397,052
Other payables	82,321	—	—	—	82,321
Payables on equipment	95,589	—	—	—	95,589
Long-term borrowings	145,857	664,714	163,715	620,669	1,594,955
	<u>\$ 967,784</u>	<u>\$ 664,714</u>	<u>\$ 163,715</u>	<u>\$ 620,669</u>	<u>\$ 2,416,882</u>

The due date analysis of lease liabilities is as follow:

	Within 1 year	Over 1 year to 5 years
Lease liabilities	<u>\$ 5,315</u>	<u>\$ 14,601</u>

	December 31, 2022				
	Within 1 year	Over 2 years to 3 years	Over 4 years to 5 years	More than 5 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 497,000	\$ —	\$ —	\$ —	\$ 497,000
Short-term notes and bills payables	39,982	—	—	—	39,982
Notes payables	1,578	—	—	—	1,578
Accounts payables	263,995	—	—	—	263,995
Other payables	80,001	—	—	—	80,001
Payables on equipment	79,655	—	—	—	79,655
Long-term borrowings	145,857	711,715	180,715	702,526	1,740,813
	<u>\$ 1,108,068</u>	<u>\$ 711,715</u>	<u>\$ 180,715</u>	<u>\$ 702,526</u>	<u>\$ 2,703,024</u>

The due date analysis of lease liabilities is as follow:

	Within 1 year	Over 1 year to 5 years
Lease liabilities	<u>\$ 3,318</u>	<u>\$ 1,845</u>

7. TRANSACTIONS WITH RELATED PARTIES

Compensation of board and key management personnel:

	Year ended December 31, 2023	Year ended December 31, 2022
Short-term benefits	\$ 30,508	\$ 30,891
Post-employment benefits	462	443
Total	<u>\$ 30,970</u>	<u>\$ 31,334</u>

8. PLEDGED ASSETS

The carrying values of pledge assets were as follows:

Pledge assets	Object	Book value	
		December 31, 2023	December 31, 2022
Property, plant and equipment	Short-term and long-term borrowings	\$ 1,280,680	\$ 1,304,978
Financial assets measured at amortized costs	Guarantee	2,300	2,300
Total		<u>\$ 1,282,980</u>	<u>\$ 1,307,278</u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) As of 31 December 2023 and 2022, the Group's unused letters of credit is as follow:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
JPY (in thousands)	\$ 93,026	\$ 64,477
NTD (in thousands)	<u>\$ 35,410</u>	<u>\$ 43,068</u>

(2) The amount of capital expenditures not yet incurred for the significant property, plant and equipment purchase and construction contracts entered into by the Group as of December 31, 2023 and 2022 are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Future performance payment amount	\$ 3,543	\$ 4,200

10. SIGNIFICANT DISASTER LOSS: None;

11. SIGNIFICANT SUBSEQUENT EVENTS: None;

12. OTHERS: None;

13. ADDITIONAL DISCLOSURES

(1) Following are the additional disclosures required by the Securities and Futures Bureau for Gordon:

(2) Information on investees

- 1) Financings provided to other parties: None;
- 2) Endorsement and guarantee provided to other parties: None;
- 3) Marketable securities held at the reporting date: Please refer to table 1 attached;
- 4) Marketable securities for which accumulated purchase or sale amount exceed NT\$300 million or 20% of the paid-in capital: None;
- 5) Acquisition of individual real estate exceeds \$300 million or 20% of the paid-in capital: None;
- 6) Disposal of individual real estate exceeds \$300 million or 20% of the paid-in capital: None;

- 7) Total purchases from or sales to related parties which exceed \$100 million or 20% of the paid-in capital: None;
- 8) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: None;
- 9) Transactions about derivative instruments: Please refer to note 6 (26);
- 10) Others: The business relationships and significant inter-company transactions: None;
- 11) Information of investee companies: Please refer to table 2 attached;
- (3) Information on investments in mainland China: None;
- (4) Information of main shareholders: Please refer to table 3 attached;

14. THE GROUP'S OPERATING SEGMENT INFORMATION

(1) Operating segments

The Group's operating segment profit or loss is mainly measured by operating profit or loss and is used as the basis for evaluating performance. Besides, the accounting policies used by the operating segments are not materially inconsistent with the summary of significant accounting policies described in Note 4.

(2) Segment revenue and operating results

The Group's segment revenue and operating results are as follows:

Productive Department	Year ended December 31, 2023	Year ended December 31, 2022
Operating revenues	\$ 2,697,553	\$ 2,439,452
Interest income	18,589	12,810
Depreciation expense	(340,276)	(362,562)
Interest expense	(29,878)	(31,254)
Income tax expenses	(84,174)	(81,482)
Net operating income	\$ 435,650	\$ 283,075
Assets:		
Increase in non-current assets	\$ 302,292	\$ 240,188
The segments' assets	\$ 5,332,102	\$ 5,431,903
The segments' liabilities	\$ 2,634,138	\$ 2,905,862

(3) Major products' revenue

The revenues of the Group's main products analysis are as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Auto parts	\$ 2,659,523	\$ 2,410,336
Processing revenue	43,024	34,728
Total	2,702,547	2,445,064
Less: sales returns and allowances	(4,994)	(5,612)
Net revenue	\$ 2,697,553	\$ 2,439,452

(4) Geographic information

Information on the Group's revenue from external customers by location of operations and non-current assets by location of assets is presented below. When revenue is attributed to a region, it is calculated based on the region in which the enterprise receives cash. Non-current assets include investments accounted for using the equity method, property, plant and equipment, intangible assets and other assets, excluding financial instruments and deferred income tax assets.

	Year ended December 31, 2023	Year ended December 31, 2022
The revenues of external customers		
Taiwan	\$ 1,011,865	\$ 907,003
United States	948,593	876,527
Europe	338,302	278,730
Others	398,793	377,192
Total	\$ 2,697,553	\$ 2,439,452
Non-current assets		
Taiwan	\$ 3,262,080	\$ 3,282,119

(5) Major customers' information

Major customer representing at least 10% of net revenue is as follow:

	Year ended December 31, 2023	Year ended December 31, 2022
Client A	\$ 665,237	\$ 607,375

GORDON AUTO BODY PARTS CO., LTD.

HOLDING OF MARKETABLE SECURITIES

DECEMBER 31, 2023

Table 1

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	December 31, 2023				Note
				Number of shares (In Thousands)	Book value	Ownership (%)	Fair value	
GORDON AUTO BODY PARTS CO., LTD.	Stock – ENSURE-TECH ENTERPRISE CO., LTD	—	Financial assets at fair value through other comprehensive income – non-current	4,655	\$ 105,112	23%	22.58	
//	Fund – TBB-Yuanta New ASEAN Balanced Fund TWD	—	Financial assets at fair value through profit or loss – current	200	1,594	—	7.97	
//	Fund – FSITC-Global Utilities and Infrastructure Fund TWD Acc	—	Financial assets at fair value through profit or loss – current	50	718	—	14.37	
//	Fund – TBB- Neuberger Berman Global High Yield Bond Fund T Acc TWD	—	Financial assets at fair value through profit or loss – current	50	525	—	10.49	
//	Fund – FSITC- Glbl Artificl Intlignc Fd TWD	—	Financial assets at fair value through profit or loss – current	50	908	—	18.16	
//	Fund – FSITC - PineBridge ESG Quantitative Global Equity Fund A (TWD)	—	Financial assets at fair value through profit or loss – current	50	575	—	11.50	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instruments'.

Note 2: The column is left blank if the issuer of marketable securities is a non-related party.

GORDON AUTO BODY PARTS CO., LTD.
INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 2

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2023			Net loss of the investee for the year ended December 31, 2023	Investment loss recognized by the Company for the year ended December 31, 2023	Note
				Balance as of December 31, 2023	Balance as of December 31, 2022	Number of shares (In Thousands)	Ownership (%)	Book value			
GORDON AUTO BODY PARTS CO., LTD.	KINGTRIM AUTO PARTS CO., LTD.	Taoyuan	Motor Vehicles and Parts Manufacturing	\$ —	\$ 800	—	—	\$ —	\$ (60)	\$ (60)	(Note)

Note: On February 24, 2023, the company's board of directors resolved to set February 28, 2023 as the date of dissolution, and the relevant liquidation procedures were completed on July 12, 2023.

GORDON AUTO BODY PARTS CO., LTD.
INFORMATION OF MAJOR SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 3

Name of Major Shareholder	Shares	
	Number of Shares (In Thousands)	Ownership Percentage (%)
Jian Chun Fang	12,536	7.58%
Mao Yuan Li	12,236	7.40%

Note 1: The major shareholders information was from the data of the Company issued common shares (including treasury shares) and preference shares in dematerialized form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialized form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was settlor's separate account for the fund set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets.

For the information of reported share equity of insider, please refer to Market Observation Post System.