

KENTURN NANO. TEC. CO., LTD.**Financial Statements****With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2024 and 2023**

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The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of Kenturn Nano. Tec. Co., Ltd.:

Introduction

We have reviewed the accompanying balance sheets of Kenturn Nano. Tec. Co., Ltd. as of September 30, 2024 and 2023, and the related statements of comprehensive income for the three months and nine months ended September 30, 2024 and 2023, as well as the changes in equity and cash flows for the nine months ended September 30, 2024 and 2023, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of Kenturn Nano. Tec. Co., Ltd. as of September 30, 2024 and 2023, and of its financial performance for the three months and nine months ended September 30, 2024 and 2023, as well as its cash flows for the nine months ended September 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chen, Cheng-Hsueh and Chen, Yen-Hui.

KPMG

Taipei, Taiwan (Republic of China)
November 11, 2024

Notes to Readers

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

The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)
KENTURN NANO. TEC. CO., LTD.

Balance Sheets

September 30, 2024, December 31, 2023, and September 30, 2023

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2024		December 31, 2023		September 30, 2023		Liabilities and Equity		September 30, 2024		December 31, 2023		September 30, 2023	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents(note 6(a))	\$ 676,991	28	545,980	23	498,261	21	2100	Short-term borrowings(note 6(i))	\$ 50,000	2	50,000	2	50,000	2
1136	Current financial assets at amortized cost(note 6(b))	18,990	1	79,833	4	85,064	3	2130	Current contract liabilities(note 6(r))	14,045	1	36,619	2	46,514	2
1150	Notes receivable(note 6(c))	1,971	-	6,474	-	7,287	-	2150	Notes payable	212,032	9	215,761	9	250,196	10
1170	Accounts receivable(note 6(c))	116,634	5	204,138	9	214,802	9	2170	Accounts payable	57,704	2	52,417	2	88,006	4
1310	Inventories(note 6(d))	295,961	12	252,077	10	283,677	12	2200	Other payables(note 6(j))	76,902	3	79,604	3	68,123	3
1470	Other current assets(note 6(h))	18,981	1	5,070	-	8,948	-	2230	Current income tax liabilities	24,317	1	49,221	2	32,563	1
		1,129,528	47	1,093,572	46	1,098,039	45	2280	Current lease liabilities(note 6(m))	957	-	396	-	-	-
Non-current assets:								2300	Other current liabilities(note 6(k))	14,488	1	18,146	1	2,425	-
1600	Property, plant and equipment(notes 6(e) and 8)	1,251,671	52	1,282,864	53	1,296,811	54	2322	Long-term borrowings, current portion(notes 6(l) and 8)	59,910	2	67,244	3	69,644	3
1755	Right-of-use assets(note 6(f))	2,343	-	1,100	-	-	-			510,355	21	569,408	24	607,471	25
1780	Intangible assets(note 6(g))	4,725	-	6,076	-	5,353	-	Non-Current liabilities:							
1840	Deferred income tax assets	27,773	1	27,773	1	22,469	1	2540	Long-term borrowings(notes 6(l) and 8)	514,080	21	558,973	23	573,955	24
1900	Other non-current assets(note 6(h))	6,093	-	10	-	-	-	2570	Deferred income tax liabilities	2,859	-	2,859	-	4,290	-
		1,292,605	53	1,317,823	54	1,324,633	55	2580	Non-current lease liabilities(note 6(m))	1,047	-	641	-	-	-
								2640	Net defined benefit liability, non-current	18,748	1	18,903	1	18,255	1
										536,734	22	581,376	24	596,500	25
										1,047,089	43	1,150,784	48	1,203,971	50
								Total liabilities							
								Equity(note 6(p)):							
								3100	Ordinary shares	585,216	24	585,216	24	585,216	24
								3200	Capital surplus	210,536	9	210,536	9	210,536	9
								3300	Retained earnings	579,292	24	464,859	19	422,949	17
										1,375,044	57	1,260,611	52	1,218,701	50
								Total equity							
								Total liabilities and equity							
										\$ 2,422,133	100	2,411,395	100	2,422,672	100
Total assets		\$ 2,422,133	100	2,411,395	100	2,422,672	100								

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
KENTURN NANO. TEC. CO., LTD.

Statements of Comprehensive Income

For the nine months ended September 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the three months ended September 30				For the nine months ended September 30			
		2024		2023		2024		2023	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue(note 6(r))	\$ 278,538	100	360,124	100	947,814	100	897,287	100
5000	Operating costs(notes 6(d), (n) and (s))	199,113	71	244,487	68	645,063	68	656,192	73
	Gross profit from operations	79,425	29	115,637	32	302,751	32	241,095	27
	Operating expenses(note 6(m), (n) and (s))								
6100	Selling expenses	5,537	2	7,891	2	19,921	2	21,845	3
6200	Administrative expenses	24,273	9	20,760	6	68,523	7	57,381	6
6300	Research and development expenses	11,070	3	5,854	1	22,769	2	14,458	2
6450	Expected credit (gains) losses(note 6(c))	(810)	-	-	-	(2,686)	-	3,415	-
		40,070	14	34,505	9	108,527	11	97,099	11
	Net operating income	39,355	15	81,132	23	194,224	21	143,996	16
	Non-operating income and expenses(note 6(t))								
7100	Interest income	702	(1)	776	-	3,837	-	3,100	-
7010	Other income	4,545	2	434	-	5,453	-	1,433	-
7020	Other gains and losses	7,347	3	15,868	4	26,585	3	11,915	2
7050	Finance costs(note 6(m))	(3,104)	(1)	(3,304)	(1)	(9,239)	(1)	(10,096)	(1)
		9,490	3	13,774	3	26,636	2	6,352	1
7900	Profit before income tax	48,845	18	94,906	26	220,860	23	150,348	17
7950	Less: Income tax expenses(note 6(o))	9,769	4	18,982	5	47,905	5	32,871	4
8200	Profit	39,076	14	75,924	21	172,955	18	117,477	13
8300	Other comprehensive income	-	-	-	-	-	-	-	-
8500	Total comprehensive income	\$ 39,076	14	75,924	21	172,955	18	117,477	13
	Earnings per share (NT dollars) (note 6(q))								
9750	Basic earnings per share	\$ 0.67		1.30		2.96		2.01	
9850	Diluted earnings per share	\$ 0.67		1.29		2.94		1.99	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

KENTURN NANO. TEC. CO., LTD.**Statements of Changes in Equity****For the nine months ended September 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	Ordinary shares	Capital surplus	Retained earnings			Total equity
			Legal reserve	Unappropriated retained earnings	Total	
Balance at January 1, 2023	\$ 585,216	210,536	80,819	265,618	346,437	1,142,189
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	10,776	(10,776)	-	-
Cash dividends of ordinary shares	-	-	-	(40,965)	(40,965)	(40,965)
			10,776	(51,741)	(40,965)	(40,965)
Profit for the period	-	-	-	117,477	117,477	117,477
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	117,477	117,477	117,477
Balance at September 30, 2023	<u>\$ 585,216</u>	<u>210,536</u>	<u>91,595</u>	<u>331,354</u>	<u>422,949</u>	<u>1,218,701</u>
Balance at January 1, 2024	\$ 585,216	210,536	91,595	373,264	464,859	1,260,611
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	15,939	(15,939)	-	-
Cash dividends of ordinary share	-	-	-	(58,522)	(58,522)	(58,522)
			15,939	(74,461)	(58,522)	(58,522)
Profit for the period	-	-	-	172,955	172,955	172,955
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	172,955	172,955	172,955
Balance at September 30, 2024	<u>\$ 585,216</u>	<u>210,536</u>	<u>107,534</u>	<u>471,758</u>	<u>579,292</u>	<u>1,375,044</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
KENTURN NANO. TEC. CO., LTD.

Statements of Cash Flows

For the nine months ended September 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2024	2023
Cash flows from (used in) operating activities:		
Profit before tax	\$ 220,860	150,348
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	54,379	51,523
Amortization expense	1,715	915
Expected credit (gains) losses	(2,686)	3,415
Interest expense	9,239	10,096
Interest income	(3,837)	(3,100)
Gains on disposal of property, plant and equipment	(353)	-
Loss on valuation of inventories	911	26,048
Total adjustments to reconcile profit	59,368	88,897
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in notes receivable	4,503	6,585
Decrease (increase) in accounts receivable	90,190	(89,916)
(Increase) decrease in other receivable	(4,633)	7,269
Increase in inventories	(44,795)	(11,348)
(Increase) decrease in other current assets	(9,278)	535
Total changes in operating assets	35,987	(86,875)
Changes in operating liabilities:		
Decrease in contract liabilities	(22,574)	(28,835)
(Decrease) increase in notes payable	(3,729)	111,516
Increase in accounts payable	5,287	56,629
(Decrease) increase in other payables	(7,441)	8,397
(Decrease) increase in other current liabilities	(3,658)	761
Decrease in net defined benefit liability	(155)	(148)
Total changes in operating liabilities	(32,270)	148,320
Total changes in operating assets and liabilities	3,717	61,445
Cash generated from operations	283,945	300,690
Interest received	3,837	3,100
Interest paid	(9,256)	(10,165)
Income taxes paid	(72,809)	(33,102)
Net cash flows from (used in) operating activities	205,717	260,523
Cash flows from (used in) investing activities:		
Decrease (increase) acquisition of financial assets at amortized cost	60,843	(34,822)
Acquisition of property, plant and equipment	(18,164)	(28,057)
Proceeds from disposal of property, plant and equipment	353	-
Acquisition of intangible assets	(364)	(6,252)
Decrease in other financial assets	-	30,710
Increase in prepayments for business facilities	(6,083)	-
Net cash flows from (used in) investing activities	36,585	(38,421)
Cash flows used in financing activities:		
Increase in short-term borrowings	-	50,000
Decrease in short-term borrowings	-	(175,600)
Repayments of long-term borrowings	(52,227)	(64,427)
Cash dividends paid	(58,522)	(40,965)
Disposal of ownership interests in subsidiaries (without losing control)	(542)	-
Net cash flows used in financing activities	(111,291)	(230,992)
Net increase (decrease) in cash and cash equivalents	131,011	(8,890)
Cash and cash equivalents at beginning of period	545,980	507,151
Cash and cash equivalents at end of period	\$ 676,991	498,261

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

KENTURN NANO. TEC. CO., LTD.

Notes to the Financial Statements

September 30, 2024 and 2023

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

(1) Company history

KENTURN NANO. TEC. CO., LTD. (the “Company”) was established upon the approval of the Ministry of Economic Affairs on December 14, 1983, whose registered address is at No. 16, Zhangbin E. 7th Rd., Xianxi Township, Changhua County 507, Taiwan. The Company mainly engages in mechanical equipment and other machinery manufacturing, as well as international trade and related services.

The Company’s shares were listed on Taipei Exchange in the TPEx since June 11, 2018.

(2) Approval date and procedures of the financial statements

The financial statements were authorized for issuance by the board of directors on November 11, 2024.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRS”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11

(4) Summary of material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS Accounting Standards endorsed by the FSC) for a complete set of the annual financial statements.

Except the following accounting policies mentioned below, the material accounting policies adopted in the financial statements are the same as those in the financial statement for the year ended December 31, 2023. For the related information, please refer to note 4 of the financial statements for the year ended December 31, 2023.

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

The Company classifies the asset as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

The Company classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are measured by multiplying together the pre-tax income for the interim reporting period and the management's best estimate of effective annual tax rate. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year adjusted for significant.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the financial statements in conformity with the Regulations and IFRS Accounting Standards (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the financial statements for the year ended December 31, 2023. For related information, please refer to note 5 of the financial statements for the year ended December 31, 2023.

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim financial statements for the current period and the 2023 financial statements. Please refer to note 6 to the 2023 annual financial statements.

(a) Cash and cash equivalents

	September 30, 2024	December 31, 2023	September 30, 2023
Pretty cash and cash on hand	\$ 42	14	60
Check deposits	7,016	1,704	3,849
Time deposits	38,726	6,796	6,782
Demand deposits	<u>631,207</u>	<u>537,466</u>	<u>487,570</u>
Cash and cash equivalents in the statement of cash flows	<u>\$ 676,991</u>	<u>545,980</u>	<u>498,261</u>

(b) Financial assets measured at amortized cost

	September 30, 2024	December 31, 2023	September 30, 2023
Time deposits	<u>\$ 18,990</u>	<u>79,833</u>	<u>85,064</u>

The Company has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

For credit risk information, please refer to note 6 (u).

The financial assets at amortized cost had not been pledged as collateral.

(c) Notes and accounts receivable

	September 30, 2024	December 31, 2023	September 30, 2023
Notes receivable from operating activities	\$ 1,971	6,474	7,287
Account receivable-measured as amortized cost	118,963	209,341	220,605
Less: Loss allowance	<u>(2,329)</u>	<u>(5,203)</u>	<u>(5,803)</u>
	<u>\$ 118,605</u>	<u>210,612</u>	<u>222,089</u>

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, the loss allowance provisions were determined as follows:

	September 30, 2024		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 118,605	-%	-
Past due less than 120 days	-	-%	-
121 to 240 days past due	-	-%	-
241 to 365 days past due	-	-%	-
More than 1 year past due	2,329	100%	2,329
	\$ 120,934		2,329

	December 31, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 210,612	-%	-
Past due less than 120 days	-	-%	-
121 to 240 days past due	-	-%	-
241 to 365 days past due	-	-%	-
More than 1 year past due	5,203	100%	5,203
	\$ 215,815		5,203

	September 30, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 222,089	-%	-
Past due less than 120 days	-	-%	-
121 to 240 days past due	-	-%	-
241 to 365 days past due	-	-%	-
More than 1 year past due	5,803	100%	5,803
	\$ 227,892		5,803

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KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

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

	For the nine months ended September 30	
	2024	2023
Balance at January 1	\$ 5,203	2,388
Impairment losses recognized	-	3,415
Impairment losses reversed	(2,686)	-
Amounts written off	(188)	-
Balance at September 30	<u><u>\$ 2,329</u></u>	<u><u>5,803</u></u>

As of September 30, 2024, December 31 and September 30, 2023, the notes and accounts receivables of the Company had not been pledged as collateral.

(d) **Inventories**

	September 30, 2024	December 31, 2023	September 30, 2023
Raw materials	\$ 35,399	24,122	39,580
Work in progress	119,670	86,718	119,860
Semi-finished goods	64,543	59,010	58,370
Finished goods	76,349	82,227	65,867
	<u><u>\$ 295,961</u></u>	<u><u>252,077</u></u>	<u><u>283,677</u></u>

Inventory related losses and profits were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Loss on valuation of inventories	\$ 100	7,432	911	26,048
Revenue from sale of scraps	(405)	(498)	(1,465)	(1,153)
Operating costs	<u><u>\$ (305)</u></u>	<u><u>6,934</u></u>	<u><u>(554)</u></u>	<u><u>24,895</u></u>

As of September 30, 2024, December 31 and September 30, 2023, the inventories of the Company had not been pledged as collateral.

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

(e) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost or deemed cost:						
Balance at January 1, 2024	\$ 458,387	721,932	604,120	14,136	17,143	1,815,718
Additions	-	3,837	13,324	3,577	2,017	22,755
Disposal	-	-	-	(3,760)	-	(3,760)
Balance at September 30, 2024	<u>\$ 458,387</u>	<u>725,769</u>	<u>617,444</u>	<u>13,953</u>	<u>19,160</u>	<u>1,834,713</u>
Balance at January 1, 2023	\$ 458,387	707,465	731,409	14,633	19,225	1,931,119
Additions	-	14,207	2,370	47	3,254	19,878
Disposal	-	-	-	1,498	-	1,498
Balance at September 30, 2023	<u>\$ 458,387</u>	<u>721,672</u>	<u>733,779</u>	<u>16,178</u>	<u>22,479</u>	<u>1,952,495</u>
Depreciation :						
Balance at January 1, 2024	\$ -	169,463	344,973	9,634	8,784	532,854
Depreciation	-	21,024	29,407	1,207	2,310	53,948
Disposal	-	-	-	(3,760)	-	(3,760)
Balance at September 30, 2024	<u>\$ -</u>	<u>190,487</u>	<u>374,380</u>	<u>7,081</u>	<u>11,094</u>	<u>583,042</u>
Balance at January 1, 2023	\$ -	143,715	435,979	10,552	13,915	604,161
Depreciation	-	19,196	29,266	1,308	1,753	51,523
Balance at September 30, 2023	<u>\$ -</u>	<u>162,911</u>	<u>465,245</u>	<u>11,860</u>	<u>15,668</u>	<u>655,684</u>
Carrying amounts:						
Balance at January 1, 2024	\$ 458,387	552,469	259,147	4,502	8,359	1,282,864
Balance at September 30, 2024	<u>\$ 458,387</u>	<u>535,282</u>	<u>243,064</u>	<u>6,872</u>	<u>8,066</u>	<u>1,251,671</u>
Balance at January 1, 2023	\$ 458,387	563,750	295,430	4,081	5,310	1,326,958
Balance at September 30, 2023	<u>\$ 458,387</u>	<u>558,761</u>	<u>268,534</u>	<u>4,318</u>	<u>6,811</u>	<u>1,296,811</u>

As of September 30, 2024, December 31 and September 30, 2023, property, plant and equipment pledged as collateral for long-term borrowings; please refer to note 8.

(f) Right-of-use assets

The Company leases other equipment classified as right-of-use assets, the cost and depreciation of right-of-use assets of the Company were as follows:

	<u>Other equipment</u>
Cost:	
Balance at January 1, 2024	\$ 1,200
Additions	1,674
Balance at September 30, 2024	<u>\$ 2,874</u>
Accumulated depreciation:	
Balance at January 1, 2024	\$ 100
Depreciation for the year	431
Balance at September 30, 2024	<u>\$ 531</u>

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

	<u>Other equipment</u>
Carrying amounts:	
Balance at January 1, 2024	\$ <u>1,100</u>
Balance at September 30, 2024	\$ <u>2,343</u>
Balance at September 30, 2023	\$ <u>-</u>

(g) Intangible Assets

The costs of intangible assets and amortization of the Company were as follows:

	<u>Computer software</u>
Carrying amounts:	
Balance at January 1, 2024	\$ <u>6,076</u>
Balance at September 30, 2024	\$ <u>4,725</u>
Balance at January 1, 2023	\$ <u>16</u>
Balance at September 30, 2023	\$ <u>5,353</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the nine months ended September 30, 2024, and 2023. Information on amortization for the period is discussed in note 12(a). Please refer to note 6(g) to the 2023 annual financial statements for other related information.

(h) Other current assets and other non-current assets

The other current assets and other non-current assets of the Company were as follows:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Other current assets:			
Other receivables	\$ 7,862	3,229	6,085
Prepayments to suppliers	8,938	719	1,079
Prepaid expenses	<u>2,181</u>	<u>1,122</u>	<u>1,784</u>
	<u>\$ 18,981</u>	<u>5,070</u>	<u>8,948</u>
Other non-current assets:			
Prepayments for equipment	\$ 6,083	-	-
Refundable deposits	<u>10</u>	<u>10</u>	<u>-</u>
	<u>\$ 6,093</u>	<u>10</u>	<u>-</u>

For credit risk information, please refer to note 6(u).

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KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

(i) Short-term borrowings

	September 30, 2024	December 31, 2023	September 30, 2023
Unsecured bank loans	\$ <u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Unused short-term credit lines	\$ <u>100,000</u>	<u>150,000</u>	<u>150,000</u>
Range of internet rates	<u>1.725%</u>	<u>1.60%</u>	<u>1.60%</u>

The additional and repayments of borrowings

There were no significant issues, repurchases and repayments of short-term borrowings for the nine months ended September 30, 2024. For the nine months ended September 30, 2023, the Company had the additional short-term borrowings amounting to \$50,000 thousand, with an interest rate of 1.6%, maturing in February, 2024; and the repayments amounted to \$175,600 thousand. For interest expense, please refer to note 6(t).

(j) Other payables

The other payables were summarized as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Payable on construction and equipment	\$ 8,694	4,103	4,182
Accrued expenses and other	<u>68,208</u>	<u>75,501</u>	<u>63,941</u>
	<u>\$ 76,902</u>	<u>79,604</u>	<u>68,123</u>

(k) Other current liabilities

The other current liabilities were summarized as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Receipts under custody	\$ 2,819	2,057	2,347
Temporary receipts	100	81	78
Deferred revenue	<u>11,569</u>	<u>16,008</u>	<u>-</u>
	<u>\$ 14,488</u>	<u>18,146</u>	<u>2,425</u>

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

(l) Long-term borrowings

The details of long-term borrowings of the Company were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Unsecured bank loans	\$ -	7,500	10,000
Secured bank loans	573,990	618,717	633,599
Less: current portion	(59,910)	(67,244)	(69,644)
	<u><u>\$ 514,080</u></u>	<u><u>558,973</u></u>	<u><u>573,955</u></u>
Unused long-term credit line	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Range of internet rates	<u><u>1.915%~2.175%</u></u>	<u><u>1.79%~2.1285%</u></u>	<u><u>1.79%~2.1285%</u></u>

(i) The additional and repayments of borrowings

For the nine months ended September 30, 2024 and 2023, the Company had no additional long-term borrowings; and the repayments amounted to \$52,227 thousand and \$64,427 thousand, respectively. For interest expense, please refer to note 6(t).

(ii) Collateral for short-term borrowing

For the collateral for short-term borrowings, please refer to note 8.

(m) Lease liabilities

The carrying amount of the Company's lease liabilities were as follows:

	September 30, 2024	December 31, 2023
Current	\$ <u><u>957</u></u>	<u><u>396</u></u>
Non-current	\$ <u><u>1,047</u></u>	<u><u>641</u></u>

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30	For the nine months ended September 30
	2024	2024
Interest on lease liabilities	\$ <u><u>8</u></u>	<u><u>28</u></u>
Expenses relating to short-term leases	\$ <u><u>774</u></u>	<u><u>2,430</u></u>

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

The amounts recognized in the statement of cash flows by the Company were as follows:

	For the nine months ended September 30 2024
Total cash outflow for leases	\$ 3,000

(i) Other equipment leases

The Company leases other equipment, with lease terms of three years. The Company has options to purchase the assets at the end of the contract term;

(ii) Other leases

The Company also leases other equipment with contract terms of one year. These leases are short-term and/or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) **Employee benefits**

(i) Defined benefit plans

There was no material volatility of the market, no material reimbursement and settlement or other material onetime events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2023 and 2022.

The detail for the Company's expense were as follows:

	For the three months ended September 30 2024	2023	For the nine months ended September 30 2024	2023
Administration expenses	\$ 39	41	116	122

(ii) Defined contribution plans

The Company's expenses for the pension plan contributions to the Bureau of Labor Insurance were as follows:

	For the three months ended September 30 2024	2023	For the nine months ended September 30 2024	2023
Operating cost	\$ 1,023	944	2,974	2,635
Selling expenses	101	119	352	361
Administration expenses	268	251	721	631
Research and development expenses	108	99	301	286
	\$ 1,500	1,413	4,348	3,913

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

(o) Income Taxes

(i) Income taxes

The components of income tax were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Current tax expense				
Current period	\$ 9,769	18,982	44,172	30,070
Undistributed earnings additional tax	-	-	4,246	2,801
Adjustment for prior periods	-	-	(513)	-
	<u>\$ 9,769</u>	<u>18,982</u>	<u>47,905</u>	<u>32,871</u>

The Company's tax returns for the years through 2022 were assessed and approved by the tax authorized.

(p) Capital and Other Equity

- (i) Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to September 30, 2024 and 2023. For the related information, please refer to note 6(p) to the financial statements for the year ended December 31, 2023.

(ii) Retained Earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's dividend policy is based on the Company's sustainable operation, cost stability, safeguarding the shareholders' rights and interests, and improving the financial structure, wherein the Board of Directors formulates a surplus distribution plan according to the Company's capital needs. If the Company decided to distribute its earnings by cash, the distribution ratio shall not be less than 10% of the total dividends of the shareholders, and has to be decided during the shareholders' meeting. Any adjustment made to the above ratio according to the actual profit and capital situation of the current year shall be proposed by the board during the shareholders' meeting for approval.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

2) Earnings distribution

Earnings distribution for 2023 and 2022 were decided via the general meeting of the shareholders held on June 25, 2024 and June 27, 2023, respectively. The relevant dividend distributions to shareholders were as follows:

	2023		2022	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ <u><u>1.00</u></u>	<u><u>58,522</u></u>	<u><u>0.70</u></u>	<u><u>40,965</u></u>

(q) **Earnings per Share**

The calculation of basic earnings per share and diluted earnings per share were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Basic earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u><u>39,076</u></u>	<u><u>75,924</u></u>	<u><u>172,955</u></u>	<u><u>117,477</u></u>
Weighted average number of outstanding ordinary shares (in thousands)	<u><u>58,522</u></u>	<u><u>58,522</u></u>	<u><u>58,522</u></u>	<u><u>58,522</u></u>
	\$ <u><u>0.67</u></u>	<u><u>1.30</u></u>	<u><u>2.96</u></u>	<u><u>2.01</u></u>
Diluted earnings per share				
Profit attributable to ordinary shareholders of the Company	\$ <u><u>39,076</u></u>	<u><u>75,924</u></u>	<u><u>172,955</u></u>	<u><u>117,477</u></u>
Weighted average number of ordinary shares (in thousands)	58,522	58,522	58,522	58,522
Effect of dilutive potential ordinary shares				
Effect of employee shares bonus	<u>79</u>	<u>200</u>	<u>314</u>	<u>529</u>
Weightier-average number of ordinary shares (in thousands) (diluted)	<u><u>58,601</u></u>	<u><u>58,722</u></u>	<u><u>58,836</u></u>	<u><u>59,051</u></u>
	\$ <u><u>0.67</u></u>	<u><u>1.29</u></u>	<u><u>2.94</u></u>	<u><u>1.99</u></u>

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

(r) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
<u>Primary geographical markets</u>				
China	\$ 204,950	222,868	658,437	588,549
Taiwan	49,913	118,681	219,050	261,049
India	22,962	14,867	66,270	38,446
Other	713	3,708	4,057	9,243
	<u>\$ 278,538</u>	<u>360,124</u>	<u>947,814</u>	<u>897,287</u>
<u>Major products/services lines</u>				
Precision spindles and consumables	<u>\$ 278,538</u>	<u>360,124</u>	<u>947,814</u>	<u>897,287</u>

(ii) Contract balances

	September 30, 2024	December 31, 2023	September 30, 2023
Contract liabilities	<u>\$ 14,045</u>	<u>36,619</u>	<u>46,514</u>

- 1) Contract liabilities are mainly pre-receipts.
- 2) For details on accounts receivable , notes receivable and allowance for impairment, please refer to note 6 (c).

The amount of revenue recognized for the nine months ended September 30, 2024 and 2023 , that was included in the contract liability balance at the beginning of the period were \$27,557 thousand and \$29,861 thousand.

(s) Employee compensation and directors' remuneration

In accordance with the articles of incorporation, the Company should contribute not less than 1% and not more than 15% of the profit as employee remuneration. The recipients of shares and cash may include the employees of the Company's subsidiaries who meet certain conditions. The directors shall be entitled to a maximum of 5% of the above amount of profits as their remuneration, with the approval of the board. Both remuneration to employees and directors should be reported during the shareholders' meeting. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. In addition, the remuneration of employees and directors shall be allocated in accordance with the proportion set forth in the preceding paragraph.

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KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

For the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2024 and 2023, the Company estimated its employee remuneration amounting to \$5,725 thousand, \$5,600 thousand, \$13,775 thousand and \$11,200 thousand, respectively, and directors' remuneration amounting to \$925 thousand, \$1,000 thousand, \$2,275 thousand and \$2,000 thousand, respectively. These amounts were calculated using the Company's pre-tax income for each period before deducting the remunerations of employees and directors, multiplied by the proposed percentages of remunerations of employees and directors, as stated in the Company's Articles of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustments will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as remuneration were calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

For the years ended December 31, 2023 and 2022, the Company estimated its employee remuneration amounting to \$16,100 thousand and \$11,200 thousand, respectively, and directors' remuneration amounting to \$2,700 thousand and \$2,000 thousand, respectively. There were no differences to the actual remuneration paid. Related information would be available at the Market Observation Post System website.

(t) Non-operating Income and Expenses

(i) Interest income

The details of the interest income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Interest income from bank deposits	\$ <u>702</u>	<u>776</u>	<u>3,837</u>	<u>3,100</u>

(ii) Other income

The details of other income were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Government subsidy	\$ 4,529	432	5,413	1,429
Others	<u>16</u>	<u>2</u>	<u>40</u>	<u>4</u>
	\$ <u>4,545</u>	<u>434</u>	<u>5,453</u>	<u>1,433</u>

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KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Gains on disposal of property, plant and equipment	\$ 353	-	353	-
Foreign exchange gains	6,994	15,868	26,592	12,275
Other losses	-	-	(360)	(360)
	<u>\$ 7,347</u>	<u>15,868</u>	<u>26,585</u>	<u>11,915</u>

(iv) Finance costs

The details of finance costs were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Interest expense - bank loans	\$ 3,096	3,304	9,211	10,096
Interest expense - lease liabilities	8	-	28	-
	<u>\$ 3,104</u>	<u>3,304</u>	<u>9,239</u>	<u>10,096</u>

(u) **Financial Instruments**

Except for the contention mentioned below, there was no significant change in the fair value of the Company's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(u) to the financial statements for the year ended December 31, 2023.

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

As of September 30, 2024, December 31 and September 30, 2023, 69%, 86% and 79%, respectively, of trade receivables were five major customers. Thus, credit risk is significantly centralized.

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KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

3) Receivables of credit risk

For credit risk exposure of note and trade receivables, please refer to note 6(c).

Other financial assets at amortized cost includes other receivables, time deposits and other financial assets. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. The Company has no loss allowance provision for the nine months ended September 30, 2024 and 2023.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>With 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
September 30, 2024						
Non-derivative financial liabilities						
Short-term borrowings	\$ 50,000	50,362	50,362	-	-	-
Notes and accounts payable and other payables	346,638	346,638	346,638	-	-	-
Long-term borrowings (Including due within one year)	573,990	639,805	70,536	69,746	193,059	306,464
Lease liabilities	2,004	2,037	981	913	143	-
	<u>\$ 972,632</u>	<u>1,038,842</u>	<u>468,517</u>	<u>70,659</u>	<u>193,202</u>	<u>306,464</u>
December 31, 2023						
Non-derivative financial liabilities						
Short-term borrowings	\$ 50,000	50,132	50,132	-	-	-
Notes and accounts payable and other payables	349,182	349,182	349,182	-	-	-
Long-term borrowings (Including due within one year)	626,217	695,683	78,023	69,705	201,807	346,148
Lease liabilities	1,037	1,059	410	410	239	-
	<u>\$ 1,026,436</u>	<u>1,096,056</u>	<u>477,747</u>	<u>70,115</u>	<u>202,046</u>	<u>346,148</u>
September 30, 2023						
Non-derivative financial liabilities						
Short-term borrowings	\$ 50,000	50,329	50,329	-	-	-
Notes and accounts payable and other payables	406,325	406,325	406,325	-	-	-
Long-term borrowings (Including due within one year)	643,599	716,618	80,915	70,022	205,508	360,173
	<u>\$ 1,099,924</u>	<u>1,173,272</u>	<u>537,569</u>	<u>70,022</u>	<u>205,508</u>	<u>360,173</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

(iii) Market risk

1) Currency risk

The Company's significant exposure to foreign currency risk was as follows:

	September 30, 2024				December 31, 2023			September 30, 2023		
	Foreign currency	Exchange rate		TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets										
Monetary items										
USD	USD	4,083	31.65	129,227	4,184	30.705	128,470	3,356	32.27	108,298
RMB	RMB	54,296	4.523	245,581	88,737	4.327	383,965	77,264	4.415	341,121

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables that are denominated in foreign currency. A strengthening (weakening) of 1% of the TWD against the foreign currency as of September 30, 2024, December 31 and September 30, 2023 would have increased (decreased) the net profit after tax by \$2,998 thousand and \$3,595 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for prior year.

Since the Company's functional currency is NTD, the exchange gains and losses of its monetary items are accounted for as exchanges in profit or loss (including realized and unrealized), please refer to note 6(t).

2) Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial liabilities.

If the interest rate had increased / decreased by 1 basis points, the Company's net income would have increased / decreased by \$4,992 thousand and \$5,549 thousand for the nine months ended September 30, 2024 and 2023, respectively. This is mainly due to the Company's borrowing in variable rates.

(iv) Fair value of financial instruments

1) Categories and fair value of financial instruments

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

(Continued)

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Notes to the Financial Statements

		September 30, 2024				
		Book value	Fair Value			Total
			Level 1	Level 2	Level 3	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	676,991	-	-	-	-
Financial assets measured at amortized cost		18,990	-	-	-	-
Notes receivable, accounts receivable and other receivables		126,467	-	-	-	-
Guarantee deposits		10	-	-	-	-
	\$	<u>822,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost						
Short-term borrowings	\$	50,000	-	-	-	-
Notes payable, accounts payable and other payables		346,638	-	-	-	-
Long-term borrowings (Including due within one year)		573,990	-	-	-	-
Lease liabilities		2,004	-	-	-	-
	\$	<u>972,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2023				
		Book value	Fair Value			Total
			Level 1	Level 2	Level 3	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	545,980	-	-	-	-
Financial assets measured at amortized cost		79,833	-	-	-	-
Notes receivable, accounts receivable and other receivables		213,841	-	-	-	-
Guarantee deposits		10	-	-	-	-
	\$	<u>839,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost						
Short-term borrowings	\$	50,000	-	-	-	-
Notes payable, accounts payable and other payables		347,782	-	-	-	-
Long-term borrowings (Including due within one year)		626,217	-	-	-	-
Lease liabilities		1,037	-	-	-	-
	\$	<u>1,025,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

KENTURN NANO. TEC. CO., LTD.
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		September 30, 2023				
		Book value	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	498,261	-	-	-	-
Financial assets measured at amortized cost		85,064	-	-	-	-
Notes receivable, accounts receivable and other receivables		228,174	-	-	-	-
	\$	<u>811,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortized cost						
Short-term borrowings	\$	50,000	-	-	-	-
Notes payable, accounts payable and other payables		406,325	-	-	-	-
Long-term borrowings (Including due within one year)		643,599	-	-	-	-
	\$	<u>1,099,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

For financial liabilities measured at amortized cost, if there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

(Continued)

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4) Transfers between Level 1 and Level 2

There were no transfers from Level 1 to another in 2024 and 2023 .

(v) **Financial risk management**

There were no significant changes in the Company's financial risk management and policies as disclosed in note 6(v) to the financial statements for the year ended December 31, 2023.

(w) **Capital management**

Management believes that the objectives, policies and processes of capital management of the Company has been applied consistently with those described in the financial statements for the year ended December 31, 2023. Also, management believes that there were no significant changes in the Company's capital management information as disclosed for the year ended December 31, 2023. Please refer to note 6(w) to the financial statements for the year ended December 31, 2023 for further details.

(x) **Investing and financing activities not affecting current cash flow**

For the Company's investing and financing activities, which did not affect the current cash flow in the nine months ended September 30, 2024 and 2023 on its right-of-use assets through lease, please refer to note 6(f).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2024	Cash flows	Non-cash changes		September 30, 2024
			Additions/ Reclassification	Fair value movement	
Short-term borrowings	\$ 50,000	-	-	-	50,000
Long-term borrowings (including due within one year)	626,217	(52,227)	-	-	573,990
Lease liabilities	1,037	(542)	1,509	-	2,004
Total liabilities from financing activities	<u>\$ 677,254</u>	<u>(52,769)</u>	<u>1,509</u>	<u>-</u>	<u>625,994</u>
	January 1, 2023	Cash flows	Non-cash changes		September 30, 2023
			Additions/ Reclassification	Fair value movement	
Short-term borrowings	\$ 175,600	(125,600)	-	-	50,000
Long-term borrowings (including due within one year)	708,026	(64,427)	-	-	643,599
Total liabilities from financing activities	<u>\$ 883,626</u>	<u>(190,027)</u>	<u>-</u>	<u>-</u>	<u>693,599</u>

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(7) Related-party transactions

Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 2,292	2,292	7,392	7,410
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	<u>\$ 2,292</u>	<u>2,292</u>	<u>7,392</u>	<u>7,410</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	September 30, 2024	December 31, 2023	September 30, 2023
Land	Guarantee for bank loans	\$ 458,387	458,387	458,387
buildings and structures	Guarantee for bank loans	535,282	552,469	558,761
Machinery and equipment	Guarantee for bank loans	171,361	190,331	196,535
		<u>\$ 1,165,030</u>	<u>1,201,187</u>	<u>1,213,683</u>

(9) Commitments and contingencies

Unrecognized contractual commitments

	September 30, 2024	December 31, 2023	September 30, 2023
Acquisition of property, plant and equipment	\$ <u>65,963</u>	<u>34,689</u>	<u>7,421</u>

(10) Losses due to major disasters:None

(11) Subsequent Events:None

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(12) Other

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the three months ended September 30					
		2024			2023		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		24,451	20,017	44,468	26,816	18,158	44,974
Labor and health insurance		2,633	1,761	4,394	2,404	1,331	3,735
Pension		1,023	516	1,539	944	510	1,454
Others		897	916	1,813	1,004	1,061	2,065
Depreciation		15,476	3,512	18,988	14,960	2,423	17,383
Amortization		8	576	584	-	457	457

By item	By function	For the nine months ended September 30					
		2024			2023		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		76,709	56,322	133,031	66,151	49,608	115,759
Labor and health insurance		7,658	4,173	11,831	6,722	3,438	10,160
Pension		2,974	1,490	4,464	2,635	1,400	4,035
Others		2,717	2,967	5,684	2,305	2,587	4,892
Depreciation		44,780	9,599	54,379	44,477	7,046	51,523
Amortization		25	1,690	1,715	-	915	915

- (b) Seasonality of operations

The Company's operations were not affected by seasonality or cyclical factors.

(13) Other disclosures

- (a) Information on significant transactions:None

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the nine months ended September 30, 2024:

- (i) Loans to other parties:None
- (ii) Guarantees and endorsements for other parties:None
- (iii) Securities held as of September 30, 2024 (excluding investment in subsidiaries, associates and joint ventures):None

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KENTURN NANO. TEC. CO., LTD.
Notes to the Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (ix) Trading in derivative instruments:None
- (b) Information on investees:None
- (c) Information on investment in Mainland China:None
- (d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
YEH TSAI, HSIU-HUA		10,448,979	17.85 %
SHIDAMA Investment Co., Ltd.		7,058,000	12.06 %
HENG-TSAN, YEN		3,588,804	6.13 %
BEIZI Investment Co., Ltd.		3,551,979	6.06 %
RONGWEN Investment Co., Ltd.		2,979,828	5.09 %

(14) Segment information

The reportable information of segment's profit and assets is in accordance with the financial statements. Please refer to Statements of Financial Position and Statements of Comprehensive Income.