Stock Code:4561

KENTURN NANO. TEC. CO., LTD.

Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023

Address: No.16, East 7 Rd. Chang-Bin Industrial Park,Changhua,Taiwan (R.O.C.)
Telephone: 886-4-791-0271

The independent auditors' 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' report and financial statements, the Chinese version shall prevail.

Table of contents

安侯建業聯合會計師事務所
KPMG
台中市407544西屯區文心路二段201號7樓
7F, No.201, Sec.2, Wenxin Road,
Taichung City 407059, Taiwan (R.O.C.)
電 話 Tel +886 4 2415 9168
傳 真 Fax +886 4 2259 0196
網 址 Web kpmg.com/tw

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Kenturn Nano. Tec. Co., Ltd.("the Company"), which comprise the balance sheets as of December 31, 2024 and 2023, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards (" IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

   Please refer to Note 4(l) and Note 6(r) of the financial statements for accounting policies on revenue recognition and related disclosures for revenue recognition, respectively.

   Description of key audit matter:

   The Company, being a TPEx-listed company, is required to maintain revenue and profits in line with investors' expectations. Therefore, revenue recognition has been identified as one of the key audit matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures for the above key audit matters included: testing the Company's controls surrounding revenue recognition; comparing and analyzing the reasonableness of income changes and transaction conditions; reviewing the contracts, sales orders, shipping bill, bill of landing and collection situation; assessing whether the revenue recognition policy is handled in accordance with the relevant standards; random sampling of sales transactions for the period before and after the financial reporting date and reviewing their relevant documents, as well as evaluating the accuracy of the timing of revenue recognition.

2. Valuation of Inventories

Please refer to Note 4(g), Note 5, and Note 6(d) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for inventory valuation, respectively.

Description of key audit matter:

The inventory of the Company is measured by the lower of cost and net realizable value. Due to the rapid advancement in production technology, the original products will eventually become outdated or obsolete and no longer meet the market demand, resulting in the sales prices of related products to fluctuate, leading to a risk in the cost of the inventory to exceed its net realizable value. Therefore, the ivaluation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above,our main audit procedures include assessing of the management used to inventory depreciation provisions based on the nature of the inventory and implementation of the sampling procedures to check the inventory aging report accuracy; The appropriateness of estimates and assumptions used by management in evaluating inventory valuation allowances and obsolescence rates, and the net realized value to compare with the past period situation and analyze whether the loss of the value of the deposit in the current period is disclosure appropriately.

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

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 6, 2025

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 audit 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

December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2024 Amount	%	December 31, 2023 Amount	%
	Current assets:				
1100	Cash and cash equivalents(note 6(a))	$ 679,163	29	545,980	23
1136	Current financial assets at amortized cost(note 6(b))	-	-	79,833	4
1150	Notes receivable(note 6(c))	7,349	-	6,474	-
1170	Accounts receivable(note 6(c))	72,442	3	204,138	9
1310	Inventories(note 6(d))	267,178	12	252,077	10
1470	Other current assets(note 6(h))	13,041	1	5,070	-
		1,039,173	45	1,093,572	46
	Non-current assets:				
1600	Property, plant and equipment(notes 6(e) and 8)	1,252,115	54	1,282,864	53
1755	Right-of-use assets(note 6(f))	2,200	-	1,100	-
1780	Intangible assets(note 6(g))	11,546	-	6,076	-
1840	Deferred income tax assets(note 6(o))	26,722	1	27,773	1
1900	Other non-current assets(note 6(h))	7,983	-	10	-
		1,300,566	55	1,317,823	54
	Total assets	**$ 2,339,739**	**100**	**2,411,395**	**100**

	Liabilities and Equity	December 31, 2024 Amount	%	December 31, 2023 Amount	%
	Current liabilities:				
2100	Short-term borrowings(note 6(i))	$ 50,000	2	50,000	2
2130	Current contract liabilities(note 6(r))	9,216	-	36,619	2
2150	Notes payable	127,459	6	215,761	9
2170	Accounts payable	49,882	2	52,417	2
2200	Other payables(notes 6(j)and (n))	93,066	4	79,604	3
2230	Current income tax liabilities	28,386	1	49,221	2
2280	Current lease liabilities(note 6(m))	961	-	396	-
2300	Other current liabilities(note 6(k))	6,607	-	18,146	1
2322	Long-term borrowings, current portion(notes 6(l)and 8)	60,016	3	67,244	3
		425,593	18	569,408	24
	Non-Current liabilities:				
2540	Long-term borrowings(notes 6(l) and 8)	499,029	21	558,973	23
2570	Deferred income tax liabilities(note 6(o))	1,315	-	2,859	-
2580	Non-current lease liabilities(note 6(m))	805	-	641	-
2640	Net defined benefit liability, non-current(note 6(n))	17,718	1	18,903	1
		518,867	22	581,376	24
	Total liabilities	944,460	40	1,150,784	48
	Equity(note 6(p))**:**				
3100	Ordinary shares	585,216	25	585,216	24
3200	Capital surplus	210,536	9	210,536	9
3300	Retained earnings	599,527	26	464,859	19
	Total equity	1,395,279	60	1,260,611	52
	Total liabilities and equity	**$ 2,339,739**	**100**	**2,411,395**	**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 years ended December 31, 2024 and 2023

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

		2024		2023	
		Amount	%	Amount	%
4000	**Operating revenue(note 6(r))**	$ 1,196,238	100	1,198,998	100
5000	**Operating costs(notes 6(d), (n) and (s))**	829,100	69	859,618	72
	Gross profit from operations	367,138	31	339,380	28
	Operating expenses(note 6(m), (n) and (s))				
6100	Selling expenses	26,224	2	27,720	2
6200	Administrative expenses	101,219	8	81,144	7
6300	Research and development expenses	33,333	3	21,549	2
6450	Expected credit (gains) losses(note 6(c))	(3,421)	-	2,815	-
		157,355	13	133,228	11
	Net operating income	209,783	18	206,152	17
	Non-operating income and expenses(note 6(t))				
7100	Interest income	5,963	-	4,936	-
7010	Other income	13,395	1	6,193	1
7020	Other gains and losses	27,036	2	(1,017)	-
7050	Finance costs(note 6(m))	(12,282)	(1)	(13,211)	(1)
		34,112	2	(3,099)	-
7900	**Profit before income tax**	243,895	20	203,053	17
7950	Less: Income tax expenses(note 6(o))	51,684	4	42,969	4
8200	**Profit**	192,211	16	160,084	13
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Pemeasurements of defined benefit plans(note 6(n))	979	-	(697)	-
8300	**Other comprehensive income**	979	-	(697)	-
8500	**Total comprehensive income**	**$ 193,190**	**16**	**159,387**	**13**
	Earnings per share (NT dollars) (note 6(q))				
9750	**Basic earnings per share**	**$ 3.28**		**2.74**	
9850	**Diluted earnings per share**	**$ 3.26**		**2.71**	

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 years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total	Total equity
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	-	-	-	160,084	160,084	160,084
Other comprehensive income for the period	-	-	-	(697)	(697)	(697)
Total comprehensive income for the period	-	-	-	159,387	159,387	159,387
Balance at December 31, 2023	**$ 585,216**	**210,536**	**91,595**	**373,264**	**464,859**	**1,260,611**
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	-	-	-	192,211	192,211	192,211
Other comprehensive income for the period	-	-	-	979	979	979
Total comprehensive income for the period	-	-	-	193,190	193,190	193,190
Balance at December 31, 2024	**$ 585,216**	**210,536**	**107,534**	**491,993**	**599,527**	**1,395,279**

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 years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	2024	2023
Cash flows from (used in) operating activities:		
Profit before tax	$ 243,895	203,053
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	72,451	69,209
Amortization expense	2,584	1,471
Expected credit (gains) losses	(3,421)	2,815
Interest expense	12,282	13,211
Interest income	(5,963)	(4,936)
Gains on disposal of property, plant and equipment	(353)	-
Loss on valuation of inventories	911	21,200
Total adjustments to reconcile profit	78,491	102,970
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in notes receivable	(875)	7,398
Decrease (increase) in accounts receivable	135,117	(78,652)
(Increase) decrease in inventories	(16,012)	25,100
(Increase) decrease in other current assets	(7,971)	11,682
Total changes in operating assets	110,259	(34,472)
Changes in operating liabilities:		
Decrease in contract liabilities	(27,403)	(38,730)
(Decrease) increase in notes payable	(88,302)	77,081
(Decrease) increase in accounts payable	(2,535)	21,040
Increase in other payables	5,404	19,784
(Decrease) increase in other current liabilities	(11,539)	16,482
Decrease in net defined benefit liability	(206)	(197)
Total changes in operating liabilities	(124,581)	95,460
Total adjustments	64,169	163,958
Cash generated from operations	308,064	367,011
Interest received	5,963	4,936
Interest paid	(12,299)	(13,270)
Income taxes paid	(73,012)	(33,277)
Net cash flows from operating activities	228,716	325,400
Cash flows from (used in) investing activities:		
Decrease (increase) acquisition of financial assets at amortized cost	79,833	(29,591)
Acquisition of property, plant and equipment	(33,221)	(31,775)
Proceeds from disposal of property, plant and equipment	353	-
Increase in prepayments for business facilities	(7,973)	-
Increase in refundable deposits	-	(10)
Acquisition of intangible assets	(8,054)	(7,531)
Decrease in other financial assets	-	30,710
Net cash flows from (used in) investing activities	30,938	(38,197)
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	(67,172)	(81,809)
Payment of lease liabilities	(777)	-
Cash dividends paid	(58,522)	(40,965)
Net cash flows used in financing activities	(126,471)	(248,374)
Net increase in cash and cash equivalents	133,183	38,829
Cash and cash equivalents at beginning of period	545,980	507,151
Cash and cash equivalents at end of period	**$ 679,163**	**545,980**

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

For the years ended December 31, 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

These financial statements were authorized for issue by the Board of Directors on March 6, 2025.

(3) New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards (" IFRS Accounting Standards") 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 Accounting Standards endorsed 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 Accounting Standards 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:

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”	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. ● 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.

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
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(4) Summary of material accounting policies

The material accounting policies presented in thefinancial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.(altogether referred to “IFRS Accounting Standards” endorsed by the “FSC”).

(b) Basis of preparation

(i) Basis of measurement

Except the defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, the financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entities operates. The financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) **Foreign currencies**

Transactions in foreign currencies are translated into the respective functional currencies of the Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(d) **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 non-current.

(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.

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) The company 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.

(e) **Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, should be recognized as cash equivalents.

(f) **Financial instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost;Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

● it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

● its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and trade receivables, other receivable, leases receivable and guarantee deposit paid).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

● bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

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

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company’ s historical experience and informed credit assessment as well as forwardlooking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

The Company considers a financial asset to be in default when the financial asset is more than a year past due or the debtor is unlikely to pay its credit obligations to the Company in full.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘ credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

● significant financial difficulty of the borrower or issuer;

● a breach of contract such as a default or being more than a year past due;

● the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

● it is probable that the borrower will enter bankruptcy or other financial reorganization; or

● the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) **Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method and includes the expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) **Property, plant and equipment**

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less, its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an items of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings and structures 10~50 years

2) Machinery and equipment 5~15 years

3) Transportation Equipment 3~5 years

4) Other Equipment 3~10 years

5) The major components of plants, buildings, machinery and equipment, and their useful lives are as follows:

Components items	Useful lives	Components items	Useful lives
Buildings:		Major components:	
		Electromechanical equipment	
Main building	10~50 years	Grinding machine	10~15 years
Plant	30 years	Processing machines	8~15 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) **Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a leasee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise a extension or termination option; or

— there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

(Continued)

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

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets, photocopying equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(j) **Intangible assets**

(i) Recognition and measurement

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value.

The Company' s intangible assets are the cost of acquired computer software, which is amortized on a straight-line basis based on the estimated three-year useful life from the date of availability of use, and the amortization amount is recognized in profit or loss.

Amortization methods, useful lives and residual values are reviewed at each annual reporting dateand adjusted if appropriate.

(k) **Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories,deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset' s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

(l) **Revenue**

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company manufactures and sells precision mechanical components and aconsumables and related components. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(m) **Government grants**

The Company recognizes an unconditional government grant related to salary and working capital in profit or loss as other income when the grant becomes receivable.

(n) **Employee benefits**

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during which services are rendered by employees.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses,the return on plan assets (excluding interest) and the effect of the asset ceiling (if any,excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) **Income taxes**

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) **Earnings per share**

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding, after adjustment, for the effects of all dilutive potentially ordinary shares, such as employee compensation.

(q) **Operating segments**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(Continued)

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

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

In preparing these financial statements, management has made judgments and, estimates about the future, including climate-related risks and opportunities, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised prospectively in the period of the change and future periods.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follow:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(d) for further description of the valuation of inventories.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Pretty cash and cash on hand	$ 57	14
Check deposits	2,804	1,704
Time deposits	59,284	6,796
Demand deposits	617,018	537,466
Cash and cash equivalents in the statement of cash flows	**$ 679,163**	**545,980**

Please refer to note 6(u) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets measured at amortized cost

	December 31, 2024	December 31, 2023
Time deposits	**$ -**	**79,833**

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).

(Continued)

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

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

(c) **Notes and accounts receivable**

	December 31, 2024	December 31, 2023
Notes receivable from operating activities	$ 7,349	6,474
Account receivable–measured as amortized cost	74,036	209,341
Less: Loss allowance	(1,594)	(5,203)
	$ 79,791	210,612

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:

	December 31, 2024		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 79,791	-%	-
Past due less than 120 days	-	-%	-
121 to 240 days past due	-	-%	-
241 to 365 days past due	-	-%	-
More than 1 year past due	1,594	100%	1,594
	$ 81,385		1,594

	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

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

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

	2024	2023
Balance at January 1	$ 5,203	2,388
Impairment losses recognized	-	2,815
Impairment losses reversed	(3,421)	-
Amounts written off	(188)	-
Balance at December 31	**$ 1,594**	**5,203**

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

(d) **Inventories**

	December 31, 2024	December 31, 2023
Raw materials	$ 21,408	24,122
Work in progress	104,871	86,718
Semi-finished goods	63,326	59,010
Finished goods	77,573	82,227
	$ 267,178	**252,077**

Inventory related losses and profits were as follows:

	2024	2023
Loss on valuation of inventories	$ 911	21,200
Unallocated fixed manufacturing expenses	12,489	3,202
Revenue from sale of scraps	(1,673)	(1,488)
Operating costs	**$ 11,727**	**22,914**

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

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 for the years ended December 31, 2024 and 2023 were as follows:

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Other equipment	Total
Cost or deemed cost:						
Balance at January 1, 2024	$ 458,387	721,932	604,120	14,136	17,143	1,815,718
Additions	-	5,793	23,827	9,218	2,290	41,128
Disposal	-	-	-	(3,760)	-	(3,760)
Balance at December 31, 2024	**$ 458,387**	**727,725**	**627,947**	**19,594**	**19,433**	**1,853,086**
Balance at January 1, 2023	$ 458,387	707,465	731,409	14,633	19,225	1,931,119
Additions	-	14,548	2,798	666	5,505	23,517
Disposal	-	(81)	(130,087)	(2,661)	(7,587)	(140,416)
Reclassification	-	-	-	1,498	-	1,498
Balance at December 31, 2023	**$ 458,387**	**721,932**	**604,120**	**14,136**	**17,143**	**1,815,718**
Depreciation :						
Balance at January 1, 2024	$ -	169,463	344,973	9,634	8,784	532,854
Depreciation	-	27,217	39,531	1,931	3,198	71,877
Disposal	-	-	-	(3,760)	-	(3,760)
Balance at December 31, 2024	**$ -**	**196,680**	**384,504**	**7,805**	**11,982**	**600,971**
Balance at January 1, 2023	$ -	143,715	435,979	10,552	13,915	604,161
Depreciation	-	25,829	39,081	1,743	2,456	69,109
Dispoasal	-	(81)	(130,087)	(2,661)	(7,587)	(140,416)
Balance at December 31, 2023	**$ -**	**169,463**	**344,973**	**9,634**	**8,784**	**532,854**
Carrying amounts:						
Balance at December 31, 2024	**$ 458,387**	**531,045**	**243,443**	**11,789**	**7,451**	**1,252,115**
Balance at January 1, 2023	**$ 458,387**	**563,750**	**295,430**	**4,081**	**5,310**	**1,326,958**
Balance at December 31, 2023	**$ 458,387**	**552,469**	**259,147**	**4,502**	**8,359**	**1,282,864**

As of December 31, 2024 and 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:

	Other equipment
Cost:	
Balance at January 1, 2024	$ 1,200
Additions	1,674
Balance at December 31, 2024	**$ 2,874**
Balance at January 1, 2023	-
Additions	1,200
Balance at December 31, 2023	**$ 1,200**

(Continued)

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

		Other equipment
Accumulated depreciation:		
Balance at January 1, 2024	$	100
Depreciation for the year		574
Balance at December 31, 2024	**$**	**674**
Balance at January 1, 2023	$	-
Depreciation for the year		100
Balance at December 31, 2023	**$**	**100**
Carrying amounts:		
Balance at December 31, 2024	**$**	**2,200**
Balance at January 1, 2023	**$**	**-**
Balance at December 31, 2023	**$**	**1,100**

(g) **Intangible Assets**

The costs of intangible assets and amortization of the Company for the years ended December 31, 2024 and 2023 were as follows:

		Computer software
Cost:		
Balance at January 1, 2024	$	7,531
Additions		8,054
Balance at December 31, 2024	**$**	**15,585**
Balance at January 1, 2023	$	837
Additions		7,531
Disposal		(837)
Balance at December 31, 2023	**$**	**7,531**
Amortization :		
Balance at January 1, 2024	$	1,455
Amortization for the year		2,584
Balance at December 31, 2024	**$**	**4,039**
Balance at January 1, 2023	$	821
Amortization for the year		1,471
Disposal		(837)
Balance at December 31, 2023	**$**	**1,455**
Carrying amounts:		
Balance at December 31, 2024	**$**	**11,546**
Balance at January 1, 2023	**$**	**16**
Balance at December 31, 2023	**$**	**6,076**

As of December 31, 2024 and 2023, none of the intangible assets of the Company had been pledged as collateral.

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

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

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

	December 31, 2024	December 31, 2023
Other current assets:		
Other receivables	$ 4,052	3,229
Prepaid expense	8,989	1,841
	$ 13,041	**5,070**
Other non-current assets:		
Prepayments for equipment	$ 7,973	-
Refundable deposits	10	10
	$ 7,983	**10**

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

(i) **Short-term borrowings**

	December 31, 2024	December 31, 2023
Unsecured bank loans	**$ 50,000**	**50,000**
Unused short-term credit lines	**$ 100,000**	**150,000**
Range of internet rates	**1.725%**	**1.60%**

(j) **Other payables**

The other payables were summarized as follows:

	December 31, 2024	December 31, 2023
Payable on construction and equipment	$ 12,010	4,103
Accrued expenses and other	81,056	75,501
	$ 93,066	**79,604**

(k) **Other current liabilities**

The other current liabilities were summarized as follows:

	December 31, 2024	December 31, 2023
Receipts under custody	$ 4,190	16,008
Temporary receipts	2,307	2,057
Deferred revenue	110	81
	$ 6,607	**18,146**

(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:

	December 31, 2024	December 31, 2023
Unsecured bank loans	$ -	7,500
Secured bank loans	559,045	618,717
Less: current portion	(60,016)	(67,244)
	$ 499,029	558,973
Unused long-term credit line	$ -	-
Range of internet rates	1.915%~1.95%	1.79%~2.1285%

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:

	December 31, 2024	December 31, 2023
Current	$ 961	396
Non-current	$ 805	641

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

The amounts recognized in profit or loss were as follows:

	2024	2023
Interest on lease liabilities	$ 36	8
Expenses relating to short-term leases	$ 3,090	3,125

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

	2024	2023
Total cash outflow for leases	$ 3,903	3,133

(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

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2024	December 31, 2023
Present value of the defined benefit obligations	$ 24,838	25,052
Fair value of plan assets	(7,120)	(6,149)
Net defined benefit liabilities	**$ 17,718**	**18,903**

The Company's employee benefit liabilities were as follows:

	December 31, 2024	December 31, 2023
Short-term compensated absence	**$ 1,700**	**1,700**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $7,120 thousand as of December 31, 2024. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

	2024	2023
Defined benefit obligations at January 1	$ 25,052	24,071
Current service costs and interest costs	257	265
Remeasurements (gain) loss :		
Actuarial (gain) loss arising from financial assumptions	(296)	107
Experience adjustments	(175)	609
Defined benefit obligations at December 31	**$ 24,838**	**25,052**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2024	2023
Fair value of plan assets at January 1	$ 6,149	5,668
Interest income	103	102
Remeasurements loss		
-Return on plan assets excluding interest income	508	19
Contributions paid by the employer	360	360
Fair value of plan assets at December 31	**$ 7,120**	**6,149**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Net interest of net liabilities for defined benefit obligations	**$ 154**	**163**

	2024	2023
Administration expenses	**$ 154**	**163**

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

5) Remeasurement of net defined benefit liability recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability recognized in other comprehensive income For the years ended December 31, 2024 and 2023, were as follows:

		2024	2023
Accumulated amount at January 1	$	7,690	6,993
Recognized during the period		(979)	697
Accumulated amount at December 31	**$**	**6,711**	**7,690**

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2024	**December 31, 2023**
Discount rate	2.0 %	1.625 %
Future salary increase rate	2.0 %	2.0 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date for 2024 is $360 thousand.

The weighted-average lifetime of the defined benefits plans is 13 years.

7) Sensitivity analysis

On December 31, 2024 and 2023 if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Influences of defined benefit obligations	
		Increased 0.25%	**Decreased 0.25%**
December 31, 2024			
Discount rate	$	(189)	196
Future salary increasing rate		192	(186)
December 31, 2023			
Discount rate	$	(212)	220
Future salary increasing rate		215	(208)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

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

There is no changes in the method and assumptions used in the preparation of sensitivity analysis for 2024 and 2023.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to 5,891 thousand and $5,297 thousand For the years ended December 31, 2024 and 2023, respectively.

(o) **Income Taxes**

(i) Income taxes

The components of income tax in the years 2024 and 2023 were as follows:

		2024	2023
Current tax expense			
Current period	$	49,417	47,465
Undistributed earnings additional tax		3,273	2,239
Adjustment for prior periods		(513)	-
Deferred tax expense			
Origination and reversal of temporary differences		(493)	(6,735)
Income tax expense	**$**	**51,684**	**42,969**

Reconciliation of income tax and profit before tax for 2024 and 2023 were as follows:

		2024	2023
Profit excluding income tax	**$**	**243,895**	**203,053**
Income tax using the Company's domestic tax rate	$	48,779	40,610
Overestimation of income tax in prior years		(513)	-
Undistributed earnings additional tax		3,273	2,239
The amount of tax adjusted according to the tax law		145	120
Income tax expense	**$**	**51,684**	**42,969**

(Continued)

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

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2024 and 2023 were as follows:

Deferred Tax Assets:

	Impairment of inventory	compensation for unused leave	Impairment loss of bad debts	Other	Total
Balance at January 1, 2024	$ 25,394	340	609	1,430	27,773
Recognized in profit or loss	182	-	(453)	(780)	(1,051)
Balance at December 31, 2024	**$ 25,576**	**340**	**156**	**650**	**26,722**
Balance at January 1, 2023	$ 21,154	220	188	907	22,469
Recognized in profit or loss	4,240	120	421	523	5,304
Balance at December 31, 2023	**$ 25,394**	**340**	**609**	**1,430**	**27,773**

Deferred Tax Liabilities:

	Unrealized exchange profit
Balance at January 1, 2024	$ 2,859
Recognized in profit or loss	(1,544)
Balance at December 31, 2024	**$ 1,315**
Balance at January 1, 2023	$ 4,290
Recognized in profit or loss	(1,431)
Balance at December 31, 2023	**$ 2,859**

(iii) Examination and Approval

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

(p) **Capital and Other Equity**

(i) Share capital

As of December 31, 2024 and 2023, the number of authorized ordinary shares were $800,000 thousand, with a par value of $10 per share, all amounted to 80,000 thousand shares. The issued ordinary shares were 58,522 thousand shares, with a par value of $10 per share. All issued shares were paid up upon issuance.

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

(ii) Capital surplus

The balances of capital surplus as of December 31, 2024 and 2023, were as follows:

	December 31, 2024	December 31, 2023
Capital premium	$ 210,396	210,396
Expired stock option	140	140
	$ 210,536	**210,536**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital increase, by transferring the capital surplus in excess of the par value, should not exceed 10% of the total common stock outstanding.

(iii) 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 share 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.

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 divident distributions to shareholders were as follows:

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

	2023		2022	
	Amount per share	**Total amount**	**Amount per share**	**Total amount**
Dividends distributed to common shareholders				
Cash	$ 1.0	58,522	0.7	40,965

On March 6, 2025, the Company's Board of Directors resolved to appropriate the 2024 earnings. These earnings were appropriated as follows:

	2024	
	Amount per share	**Total amount**
Dividends distributed to common shareholders		
Cash	$ 1.20	70,226

(q) **Earnings per Share**

The calculation of basic earnings per share and diluted earnings per share in 2024 and 2023 were as follows:

	2024	**2023**
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 192,211	160,084
Weighted average number of outstanding ordinary shares (in thousands)	58,522	58,522
	$ 3.28	2.74
	2024	**2023**
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	$ 192,211	160,084
Weighted average number of ordinary shares (in thousands)	58,522	58,522
Effect of dilutive potential ordinary shares		
Effect of employee shares bonus	355	563
Weightier-average number of ordinary shares (in thousands) (diluted)	58,877	59,085
	$ 3.26	2.71

(Continued)

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

(r) **Revenue from contracts with customers**

(i) Details of revenue

		2024	2023
Primary geographical markets			
China	$	846,982	791,034
Taiwan		258,919	340,362
India		84,216	57,726
Other		6,121	9,876
	$	**1,196,238**	**1,198,998**
Major products/services lines			
Precision spindles and consumables	$	**1,196,238**	**1,198,998**

(ii) Contract balances

		December 31, 2024	December 31, 2023	January 1, 2023
Contract liabilities	$	**9,216**	**36,619**	**75,349**

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 years ended December 31, 2024 and 2023 , that was included in the contract liability balance at the beginning of the period were $31,721 thousand and $41,679 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.

For the years ended December 31, 2024 and 2023 the Company estimated its employee remuneration amounting to $19,500 thousand and $16,100 thousand, respectively, and directors' remuneration amounting to $3,200 thousand and $2,700 thousand respectively, The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2024 and 2023. Related information would be available at the Market Observation Post System website.The amounts, as stated in the financial statements, were identical to those of the actual distributions for 2024 and 2023.

(t) **Non-operating Income and Expenses**

(i) Interest income

The details of the interest income for the years 2024 and 2023 were as follows:

		2024	2023
Interest income from bank deposits	**$**	**5,963**	**4,936**

(ii) Other income

The details of other income for the years 2024 and 2023 were as follows:

		2024	2023
Government subsidy	$	13,344	6,182
Others		51	11
	$	**13,395**	**6,193**

(iii) Other gains and losses

The details of other gains and losses for the years 2024 and 2023 were as follows:

		2024	2023
Gains on disposal of property, plant and equipment	$	353	-
Foreign exchange gains (losses)		27,402	(298)
Other losses		(719)	(719)
	$	**27,036**	**(1,017)**

(iv) Finance costs

The details of finance costs for the years 2024 and 2023 were as follows:

		2024	2023
Interest expense - bank loans	$	12,246	13,203
Interest expense - lease liabilities		36	8
	$	**12,282**	**13,211**

(u) **Financial Instruments**

(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

To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting trade receivables.

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

Besides, the Consolidated Company monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss.

As of December 31, 2024 and 2023, 74% and 86%, respectively, of trade receivables were five major customers. Thus, credit risk is significantly centralized.

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 and time deposits . 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 years ended December 31, 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.

	Carrying amount	Contractual cash flows	With 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2024						
Non-derivative financial liabilities						
Short-term borrowings	$ 50,000	50,147	50,147	-	-	-
Notes and accounts payable and other payables	270,407	270,407	270,407	-	-	-
Long-term borrowings (Including due within one year)	559,045	621,973	70,322	69,532	189,591	292,528
Lease liabilities	1,766	1,791	981	810	-	-
	$ 881,218	**944,318**	**391,857**	**70,342**	**189,591**	**292,528**
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	-
	$ 1,026,436	**1,096,056**	**477,747**	**70,115**	**202,046**	**346,148**

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)Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2024			December 31, 2023		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	USD 4,110	32.785	134,746	4,184	30.705	128,470
RMB	RMB 62,137	4.478	278,249	88,737	4.327	383,965

2) Sensitivity analysis

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 December 31, 2024 and 2023 would have increased (decreased) the net profit after tax by $3,304 thousand and $4,099 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 perior year.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2024 and 2023, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to $27,402 thousand and $(298) thousand, respectively.

(iv) Interest rate risk

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

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 1 basis points, the Company’s net income would have increased / decreased by $4,872 thousand and $5,410 thousand for the years ended December 31, 2024 and 2023, respectively. This is mainly due to the Company’s borrowing in variable rates.

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

(v) 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:

	December 31, 2024				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 679,163	-	-	-	-
Notes receivable, accounts receivable and other receivables	83,843	-	-	-	-
Guarantee deposits	10	-	-	-	-
	$ 763,016	**-**	**-**	**-**	**-**
Financial liabilities at amortized cost					
Short-term borrowings	$ 50,000	-	-	-	-
Notes payable, accounts payable and other payables	270,407	-	-	-	-
Long-term borrowings (Including due within one year)	559,045	-	-	-	-
Lease liabilities	1,766	-	-	-	-
	$ 881,218	**-**	**-**	**-**	**-**

	December 31, 2023				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
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 deposit	10	-	-	-	-
	$ 839,664	**-**	**-**	**-**	**-**

(Continued)

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

	December 31, 2023				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost					
Short-term borrowings	$ 50,000	-	-	-	-
Notes payable, accounts payable and other payables	349,182	-	-	-	-
Long-term borrowings (Including due within one year)	626,217	-	-	-	-
Lease liabilities	1,037	-	-	-	-
	$ 1,026,436	-	-	-	-

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.

4) Transfers between Level 1 and Level 2

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

(Continued)

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

(v) **Financial risk management**

(i) Overview

The Company is exposed to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects on these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Company' s finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Company minimizes the risk exposure through derivative financial instruments. The board of directors regulated the use of derivative financial instruments in accordance with the Company' s policy on risks arising from financial instruments such as credit risk, currency risk, and interest rate risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Company continue to review the amount of the risk exposure in accordance with the Company' s policies and the risk management' s policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Company's receivables from customers.

1) Account receivables and other receivables

The Company established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Company will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. When it is not possible to obtain such information, the Company will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Company continuously monitors its exposure to credit risk and counterparty credit ratings, and establishes sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed regularly.

(Continued)

The Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

2) Investments

The exposure to credit risk for the bank deposits is measured and monitored by the Company’ s finance department. The Company only deals with banks, other external parties, corporate organizations,government agencies and financial institutions with good credit rating. The Company expects the counterparties above to meet their obligations; hence, there is no significant credit risk arising from these counterparties.

3) Guarantee

At December 31, 2024 and 2023, there was no outstanding guarantees.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. Its management supervises the banking facilities and ensures compliance with the terms of loan agreements.

As of December 31, 2024 and 2023, the Company’s unused credit lines amounted to $100,000 thousand and $150,000 thousand, respectively.

(v) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which affects the Company’ s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company’s entities, primarily the NTD,US Dollars (USD) and CNY.

2) Interest rate risk

The Company adopts a policy of ensuring that exposure to changes in interest rates on borrowings is on a floating-rate basis.

(w) **Capital management**

It is the policy of the Board to keep a sound capital base, which include the Company’s share capital, capital reserve and retained earnings, to maintain the confidence of investors, creditors and the market and to support future operations. The Board of Directors controls the debt-to-capital ratio and the level of dividends on common shares.

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

The debt-to-capital ratios at the reporting date were as follows:

		December 31, 2024	December 31, 2023
Total liabilities	$	944,460	1,150,784
Less: cash and cash equivalents		679,163	545,980
Net debt		265,297	604,804
Total equity		1,395,279	1,260,611
Adjusted capital	$	**1,660,576**	**1,865,415**
Debt-to-equity ratio		**15.98 %**	**32.42 %**

(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 years ended December 31, 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:

				Non-cash changes		
		January 1, 2024	Cash flows	Additions/ Reclassification	Fair value movement	December 31, 2024
Short-term borrowings	$	50,000	-	-	-	50,000
Long-term borrowings (including due within one year)		626,217	(67,172)	-	-	559,045
Lease liabilities (including due within one year)		1,037	(777)	1,506	-	1,766
Total liabilities from financing activities	$	**677,254**	**(67,949)**	**1,506**	**-**	**610,811**

				Non-cash changes		
		January 1, 2023	Cash flows	Additions/ Reclassification	Fair value movement	December 31, 2023
Short-term borrowings	$	175,600	(125,600)	-	-	50,000
Long-term borrowings (including due within one year)		708,026	(81,809)	-	-	626,217
Lease liabilities (including due within one year)		-	-	1,037	-	1,037
Total liabilities from financing activities	$	**883,626**	**(207,409)**	**1,037**	**-**	**677,254**

(7) Related-party transactions

Key management personnel compensation

Key management personnel compensation comprised:

		2024	2023
Short-term employee benefits	$	19,851	18,140
Post-employment benefits		-	-
Other long-term benefits		-	-
Termination benefits		-	-
Share-based payments		-	-
	$	**19,851**	**18,140**

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

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2024	December 31, 2023
Land	Guarantee for bank loans	$ 458,387	458,387
Buildings and structures	Guarantee for bank loans	531,045	552,469
Machinery and equipment	Guarantee for bank loans	165,257	190,331
		$ 1,154,689	1,201,187

(9) Commitments and contingencies

Unrecognized contractual commitments

	December 31, 2024	December 31, 2023
Acquisition of property, plant and equipment	$ 66,992	34,689

(10) Losses due to major disasters:None

(11) Subsequent Events:None

(12) Other

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

	For the years ended December 31					
	2024			2023		
By funtion By item	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	101,624	78,097	179,721	90,714	68,146	158,860
Labor and health insurance	10,290	5,682	15,972	9,214	4,717	13,931
Pension	3,994	2,051	6,045	3,606	1,854	5,460
Remuneration of directors	-	4,601	4,601	-	3,918	3,918
Others	3,569	3,785	7,354	3,188	3,482	6,670
Depreciation	59,622	12,829	72,451	59,506	9,703	69,209
Amortization	131	2,453	2,584	-	1,471	1,471

(Continued)

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

Additional information of the number of employees and employees benefits of the Company in 2024 and 2023 were as follows:

	2024	2023
The number of employees	239	221
The number of non-employee directors	4	4
The average employee benefits	$ 890	852
The average salary	$ 765	732
The adjustment of salary adjustment	4.51%	10.41%
Remuneration of supervisor	$ -	-

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

(i) Remuneration to directors and supervisors

The remunerations to directors and managers are in accordance with the Company's articles of incorporation and the managerial salary standards, which are reviewed by the Remuneration Committee and approved by the board of directors. Furthermore, the remuneration to the Company’s directors and managers is determined by the individual’s performance achievement rate、reference to same industry salary level, and the Company’ s overall operating performance. In addition, the remuneration to managers includes salary、bonus, and employee remuneration. In accordance with the Article 25 of incorporation, the Company should contribute no less than 5% of the profit as directors' remuneration when there is profit for the year. Therefore, the correlation between changes in operating performance and remuneration is reasonable.

(ii) Remuneration to directors and supervisors

According to the standard of market salary, external competitiveness of talented and internal fairness, the supply and demand situation of the labor market, as well as macroeconomics, the Company also considers the individual's education level, professional technique and work history, while not including their gender, religion, ethnicity, nationality, political affiliation, marital status labor union and societies at the same time.

The Company's performance evaluation method aims to enhance its organizational effectiveness and employee abilities through performance evaluation assignment, wherein the promotion for all colleagues is based on individual abilities and qualification, excluding factors such as age, gender or region.
According to Article 25, when there is profit for the year, the Company should allocate 1% to 15% of the profit as employee remuneration, which should be distributed in the form of stocks or cash, with the approval of the board.

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

(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 years ended December 31, 2024:

(i) Loans to other parties:None

(ii) Guarantees and endorsements for other parties:None

(iii) Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates and joint ventures):None

(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:

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

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

(14) Segment information

(a) General information

The Company has two reportable segments: Precision Machinery Parts Department and Consumables Department. The precision machinery parts and consumables department is mainly engaged in the manufacturing, sales, testing and other manufacturing of precision machinery.

(b) Information about reportable segments and their measurement and reconciliations

The Company uses the internal management report that the chief operating decision maker reviews as the basis to determine the resource allocation and make a performance evaluation. The internal management report includes profit before taxation. The segment profit includes depreciation and amortization expenses, income tax expense (income), unusual profit (loss), and other significant non-monetary items. The reporting amount is the same with that of the chief operating decision maker's.

(c) Production and service information

The Company's main industrial sector is the precision machinery parts and consumables sector that engages in the manufacturing and sales of precision machinery. Since the operating income, operating profits and identifiable assets used by this department account for more than 90% of the operating income, operating profits and total assets, it belongs to a single product category.

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, please refer to note 6(r) and segment assets are based on the geographical location of the assets.

Geographical information	December 31, 2024	December 31, 2023
Non-current assets:		
Taiwan	$ **1,273,834**	**1,290,040**

Non-current assets include property, plant and equipment, right-of-use assets and intangible assets, not including financial instruments and deferred tax assets (non-current).

(e) Major customers

	2024	2023
A customer H of precision machinery parts and consumables sector	$ 331,158	270,758
A customer L of precision machinery parts and consumables sector	260,463	189,909
A customer G of precision machinery parts and consumables sector	156,660	243,363
	$ **748,281**	**704,030**

Kenturn Nano. Tec. Co., Ltd.

Statement of cash and cash equivalents

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash	Petty cash	$ 57
Bank deposits	Foreign currency (USD $2,155 thousand x32.785 CNY $58,552 thousand x 4.478 JPY $220,001 thousand x 0.2099 EUR 89 thousand x 34.140)	382,084
	Demand deposits	234,934
	Time deposits on foreign currency (EUR $1,600 thousand x32.785 EUR $200 thousand x34.14)	59,284
	Check deposits	2,804
Total		**$ 679,163**

Kenturn Nano. Tec. Co., Ltd.

Statement of notes and accounts receivables

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Client No.	Description		Amount
Notes receivable-unrelated parties:			
Company A	Operating	$	4,354
Company B	〃		1,759
Other (Note)	〃		1,236
Total		**$**	**7,349**
Accounts receivable-unrelated parties:			
Company E	Operating	$	23,952
Company F	〃		16,051
Company G	〃		11,472
Company H	〃		5,411
Other (Note)	〃		17,150
Subtotal			74,036
Less: Impairment loss on allowance			(1,594)
Total		**$**	**72,442**

Note: Amounts less than 5% for each customer－shall not be disclosed separately.

Kenturn Nano. Tec. Co., Ltd.

Statement of inventories

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Item	Amount: Cost	Amount: Net realisable value	Note	Provision of security of pledge
Raw materials	$ 54,691	55,185	Market value of replacement cost	None
Work in progress	104,871	127,444	Market value of net realizable cost	None
Semi-finished goods	117,923	143,306	Market value of net realizable cost	None
Finished goods	117,571	142,879	Market value of net realizable cost	None
	395,056	$ **468,814**		
Less: Allowance for inventory write-down	(127,878)			
Total	$ **267,178**			

Statement of other current assets

Items	Description	Amount
Other receivables	Business tax refund receivable	$ 4,052
Prepaid expenses	Prepaid software installation and insurance fees	8,989
Total		$ **13,041**

Kenturn Nano. Tec. Co., Ltd.

Statement of changes in property, plant and equipment

For the year ended December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6 (e).

Statement of changes in right-of-use assets

Please refer to note 6 (f).

Statement of changes in intangible assets

Please refer to note 6 (g).

Kenturn Nano. Tec. Co., Ltd.

Statement of notes and accounts payables

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Manufacturer list	Description	Amount
Notes payable- unrelated parties:		
Company I	Operating	$ 17,089
Company J	〃	15,314
Company K	〃	14,140
Company L	〃	8,093
Company M	〃	6,696
Other(note)	〃	66,127
Total		**$ 127,459**
Accounts payable- unrelated parties:		
Company J	Operating	$ 6,328
Company I	〃	6,242
Company L	〃	5,758
Company K	〃	3,775
Company M	〃	2,873
Company N	〃	2,634
Other(note)	〃	22,272
Total		**$ 49,882**

Note: Amounts less than 5% for each customer－shall not be disclosed separately.

Kenturn Nano. Tec. Co., Ltd.

Statement of other payables and other current liabilities

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Items	Description	Amount
Other payables	Payroll	$ 55,849
	Expense payable	24,118
	Payable on construction and equipment	12,010
	Other(note)	1,089
	Total	**$ 93,066**
Other current liabilities	Deferred revenue	$ 4,190
	Withholding income tax	2,307
	Other(note)	110
	Total	**$ 6,607**

Note: Amounts less than 5% for each customer－shall not be disclosed separately.

Kenturn Nano. Tec. Co., Ltd.

Statement of long-term borrowings

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

		Loan amount				
Creditors	**Description**	**Expired within one year**	**More than one year due**	**Contract Period**	**Range of interest rate**	**Collateral**
First Bank	Secured loans	$ 8,750	38,646	2015.05.06~2030.05.06	1.925	Please refer to note 8
〃	Secured loans	19,172	134,022	2022.06.10~2032.06.10	1.925	〃
Bank of Taiwan	Secured loans	11,538	31,731	2012.09.11~2028.09.11	1.915	〃
〃	Secured loans	20,556	294,630	2020.04.08~2040.04.08	1.950	〃
		$ 60,016	**499,029**			

Kenturn Nano. Tec. Co., Ltd.

Statement of operating revenue

For the year ended December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Unit	Amount
Spindle and parts	24,986	PCS	$ 1,189,252
Maintenance income			8,319
Subtotal			1,197,571
Less: sales return			1,187
sales discount and allowances			146
Total			**$ 1,196,238**

Kenturn Nano. Tec. Co., Ltd.

Statement of operating costs

December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Items	Amount
Raw materials	
Raw materials, beginning of year	$ 55,796
Addition: Raw materials purchased	430,746
Less: Raw materials, end of year	54,691
Sale	15,757
Raw materials used	416,094
Direct labor	69,913
Manufacturing expense	331,206
Manufacturing Cost	817,213
Work in progress, beginning of year	86,718
Decrease:Work in progress, end of year	104,871
Cost of finished goods	799,060
Addition: Finished goods, beginning of year	236,530
Finished goods purchased	1,520
Less: finished goods, end of year	235,494
Cost of sales	801,616
Loss on valuation of inventories	911
Cost of raw materials sales and work in progress	15,757
Unallocated fixed manufacturing expenses	12,489
Revenue from sale of scraps	(1,673)
Total	**$ 829,100**

Kenturn Nano. Tec. Co., Ltd.

Statement of selling expenses

For the year ended December 31, 2024

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Salary	$ 13,312	56,373	13,013
Advertising	2,476	190	-
Export fee	2,102	-	-
Freight	1,629	-	-
Insurance	1,152	4,054	1,119
Depreciation	22	8,801	4,006
Amortization	-	611	1,842
Research and development expenses	-	-	8,969
Others(note)	5,531	31,190	4,384
	$ 26,224	**101,219**	**33,333**

Note: Amounts less than 5% for each customer－shall not be disclosed separately.