Kaori Heat Treatment Co., Ltd.

Parent Company Only Financial Statements for the Years Ended December 31, 2024 and 2023 and Independent Auditors’ Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Kaori Heat Treatment Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Kaori Heat Treatment Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2024 and 2023, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the "parent company only financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2024 and 2023, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Emphasis of Matter

In notes 1, 4, and 11 to the parent company only financial statements, on December 31, 2024, Kaori Heat Treatment Co., Ltd. transferred the business (including assets, liabilities, and operations) of the Thermal Energy Division to Kaori Thermal Technology CO., LTD., a wholly owned subsidiary by Kaori Heat Treatment Co., Ltd, with a carrying value of $850,000 thousand. In accordance with the IFRS Q&A and related interpretations issued by the Accounting Research and Development Foundation of the Republic of China, the transaction is an organizational reorganization under common control, and according to the regulations, Kaori Heat Treatment Co., Ltd. has chosen not to treat the business related to the thermal energy business as being held by Kaori Thermal Technology CO., LTD. from the beginning, and not to restate the financial statements for the comparison period. The accountant did not amend the audit opinion as a result.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company’s financial statements for the year ended December 31, 2024 is stated as follows:

<u>Specific Sales Department’s Revenue Recognition</u>

In 2024, Kaori Heat Treatment Co., Ltd.’s experienced a decrease in operating revenue by approximately 9% compared to 2023. However, sales revenue from a particular department significantly increased, deviating from the overall revenue trend and involving a substantial amount. Due to the higher risk associated with the authenticity of this sales revenue, we have identified the validity of the sales revenue from this specific department as a key audit matter. For the accounting policies related to revenue recognition, see Notes 4(l2) and 21 of the financial statements.

The key audit procedures that we performed in respect of revenue recognition for these specific department included the following:

1. We obtained an understanding and tested the appropriateness of the design and the implementation of internal control system that is related to revenue recognition.

2. We sampled the sales from these specific department, and verified related sales orders, shipment records and the received payments.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2024 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 audits resulting in this independent auditors' report are Yu-Shiou Su and Wen-Hsiang Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2025

Notice to Readers

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

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

KAORI HEAT TREATMENT CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	2024		2023	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 27)	$ 1,088,629	19	$ 506,370	11
Notes receivable (Notes 9 and 27)	14,559	-	14,479	-
Trade receivables (Notes 9 and 27)	596,697	10	745,233	15
Trade receivables from related parties (Notes 27 and 28)	3,346	-	8,431	-
Other receivables (Notes 9 and 27)	167	-	825	-
Other receivables from related parties (Notes 27 and 28)	23,333	-	-	-
Inventories (Note 10)	773,924	13	1,150,564	24
Other current assets	58,065	1	39,083	1
Total current assets	2,558,720	43	2,464,985	51
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 27)	1,514	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 27)	106,624	2	68,634	2
Investments accounted for using equity method (Note 11)	1,232,477	21	293,460	6
Property, plant and equipment (Notes 12 and 29)	1,865,320	32	1,783,867	37
Right-of-use assets (Note 13)	9,841	-	6,462	-
Investment properties (Notes 14 and 29)	21,312	-	22,225	1
Insurance swaps	5,799	-	2,592	-
Deferred tax assets (Note 23)	15,554	-	15,326	-
Other non-current assets	77,727	1	129,849	3
Net defined benefit assets - non-current (Notes 4 and 19)	22,449	1	12,205	-
Total non-current assets	3,358,617	57	2,334,620	49
TOTAL	$ 5,917,337	100	$ 4,799,605	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 15 and 27)	$ 905,000	15	$ -	-
Contract liabilities - current (Note 21)	30,838	1	31,421	1
Notes payable (Note 27)	1,322	-	1,132	-
Trade payables (Note 27)	251,210	4	194,475	4
Trade payables from related parties (Notes 27 and 28)	5,298	-	4,369	-
Other payables (Notes 17 and 27)	347,945	6	344,912	7
Current tax liabilities (Notes 4 and 23)	81,536	2	117,998	3
Lease liabilities - current (Note 13)	4,418	-	2,864	-
Current portion of long-term borrowings (Notes 15 and 27)	53,459	1	254,650	5
Other current liabilities	11,460	-	14,687	-
Total current liabilities	1,692,486	29	966,508	20
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current (Notes 7, 16 and 27)	-	-	7,100	-
Bonds payable (Notes 16 and 27)	467,047	8	907,030	19
Long-term borrowings (Notes 15, 27 and 29)	268,156	4	184,505	4
Provisions - non-current (Note 18)	441	-	-	-
Deferred income tax liabilities (Note 23)	46,343	1	26,936	1
Lease liabilities - non-current (Note 13)	5,493	-	3,631	-
Guarantee deposits received	363	-	213	-
Total non-current liabilities	787,843	13	1,129,415	24
Total liabilities	2,480,329	42	2,095,923	44
EQUITY (Note 20)				
Share capital				
Ordinary shares	914,647	15	893,841	18
Capital surplus	1,245,856	21	816,351	17
Retained earnings				
Legal reserve	278,353	5	220,836	5
Special reserve	5,401	-	-	-
Unappropriated earnings	956,379	16	778,056	16
Total retained earnings	1,240,133	21	998,892	21
Other equity				
Unrealized gain on financial assets at fair value through other comprehensive income	24,781	1	(5,545)	-
Exchange differences on translating the financial statements of foreign operations	11,591	-	143	-
Total other equity	36,372	1	(5,402)	-
Total equity	3,437,008	58	2,703,682	56
TOTAL	$ 5,917,337	100	$ 4,799,605	100

The accompanying notes are an integral part of the parent company only financial statements.

KAORI HEAT TREATMENT CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	**%**	**Amount**	**%**
REVENUE (Notes 4, 21 and 28)	$ 3,773,042	100	$ 4,143,285	100
COST OF GOODS SOLD (Notes 10, 22 and 28)	2,652,506	70	3,016,333	73
GROSS PROFIT	1,120,536	30	1,126,952	27
UNREALIZED GAIN ON ASSOCIATES AND JOINT VENTURES	(5,884)	-	(5,878)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES	5,878	-	4,473	-
REALIZED GROSS PROFIT	1,120,530	30	1,125,547	27
OPERATING EXPENSES (Notes 19 and 22)				
Selling and marketing expenses	123,976	3	122,225	3
General and administrative expenses	265,523	7	253,363	6
Research and development expenses	113,099	3	83,813	2
Expected credit (gain) loss	(2,710)	-	1,768	-
Total operating expenses	499,888	13	461,169	11
PROFIT FROM OPERATIONS	620,642	17	664,378	16
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Interest income	8,008	-	7,678	-
Other income	57,861	2	14,722	-
Other gains and losses	59,489	2	25,140	1
Finance costs	(22,471)	(1)	(33,394)	(1)
Share of profit of subsidiaries	19,575	-	38,198	1
Total non-operating income and expenses	122,462	3	52,344	1
PROFIT BEFORE INCOME TAX	743,104	20	716,722	17
INCOME TAX EXPENSE (Notes 4 and 23)	150,060	4	140,196	3
NET PROFIT FOR THE YEAR	593,044	16	576,526	14

(Continued)

KAORI HEAT TREATMENT CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ 7,167	-	$ (1,690)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	37,990	1	(17,591)	(1)
Income tax related to items that will not be reclassified subsequently to profit or loss	(9,098)	-	4,054	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	11,448	-	(5,475)	-
Other comprehensive income (loss) for the year, net of income tax	47,507	1	(20,702)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 640,551	17	$ 555,824	13
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	$ 6.56		$ 6.45	
Diluted	$ 6.35		$ 6.44	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

KAORI HEAT TREATMENT CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

				Retained Earnings			Other Equity		
	Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Exchange	Total Equity
BALANCE AT JANUARY 1, 2023	89,384	$ 893,841	$ 593,414	$ 190,165	$ -	$ 367,629	$ 8,330	$ 5,618	$ 2,058,997
Appropriation of 2022 earnings									
Legal reserve	-	-	-	30,671	-	(30,671)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(134,076)	-	-	(134,076)
Other changes in capital surplus									
Equity component recognized on the issuance of convertible corporate bonds - stock options	-	-	222,937	-	-	-	-	-	222,937
Net profit for the year ended December 31, 2023	-	-	-	-	-	576,526	-	-	576,526
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(1,352)	(13,875)	(5,475)	(20,702)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	575,174	(13,875)	(5,475)	555,824
BALANCE AT DECEMBER 31, 2023	89,384	893,841	816,351	220,836	-	778,056	(5,545)	143	2,703,682
Appropriation of 2023 earnings									
Legal reserve	-	-	-	57,517	-	(57,517)	-	-	-
Special reserve	-	-	-	-	5,401	(5,401)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(357,536)	-	-	(357,536)
Other changes in capital surplus									
Execution of disgorgement	-	-	204	-	-	-	-	-	204
Net profit for the year ended December 31, 2024	-	-	-	-	-	593,044	-	-	593,044
Other comprehensive income (loss) for the year ended December 31, 2024, net of income tax	-	-	-	-	-	5,733	30,326	11,448	47,507
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	-	598,777	30,326	11,448	640,551
Convertible bonds converted to ordinary shares	2,081	20,806	429,301	-	-	-	-	-	450,107
BALANCE AT DECEMBER 31, 2024	91,465	$ 914,647	$ 1,245,856	$ 278,353	$ 5,401	$ 956,379	$ 24,781	$ 11,591	$ 3,437,008

The accompanying notes are an integral part of the parent company only financial statements.

KAORI HEAT TREATMENT CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 743,104	$ 716,722
Adjustments for:		
Depreciation expense	141,926	115,508
Amortization expense	4,623	3,638
Expected credit loss (reversed) recognized on trade receivables	(2,710)	1,768
Net (gain) loss on fair value change of financial assets and liabilities at fair value through profit or loss	(12,451)	1,844
Finance costs	22,471	33,394
Interest income	(8,008)	(7,678)
Share of gain of subsidiaries	(19,575)	(38,198)
Loss (gain) on disposal of property, plant and equipment	252	(4,323)
Write-down of inventories	13,326	4,882
Unrealized gain on the transactions with subsidiaries	5,884	5,878
Realized gain on the transactions with subsidiaries	(5,878)	(4,473)
Gain on lease modification	-	(5)
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	-	43,170
Notes receivable	(94)	6,402
Trade receivables	(17,427)	(229,304)
Trade receivables from related parties	5,085	5,103
Other receivables	658	(726)
Other receivables from related parties	(23,333)	-
Inventories	153,243	(56,901)
Other current assets	(20,978)	131,598
Net defined benefit assets	(3,077)	(3,267)
Contract liabilities	(583)	(21,717)
Notes payable	190	(169)
Trade payables	150,368	(47,221)
Trade payables to related parties	929	3,220
Other payables	15,533	110,272
Provisions	6,852	-
Other current liabilities	(3,227)	(525)
Cash (used in) generated from operations	1,147,103	768,892
Interest paid	(8,069)	(32,382)
Income tax paid	(176,441)	(73,278)
Net cash generated from operating activities	962,593	663,232

(Continued)

KAORI HEAT TREATMENT CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	$ (664,667)	$ -
Payments for property, plant and equipment (Note 25)	(139,330)	(341,189)
Proceeds from disposal of property, plant and equipment	-	9,700
Payments for intangible assets	(8,080)	(3,150)
Increase in other non-current assets	(2,393)	(7,641)
Interest received	8,008	7,678
Net cash used in investing activities	(806,462)	(334,602)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (repayment) from short-term borrowings	905,000	(750,000)
Issuance of convertible bonds payable	-	1,132,768
Proceeds from long-term borrowings	137,110	110,890
Repayments of long-term borrowings	(254,650)	(354,450)
Proceeds from guarantee deposits received	150	-
Repayment of the principal portion of lease liabilities	(4,150)	(2,865)
Dividends paid to owners of the Company	(357,536)	(134,076)
Execution of disgorgement	204	-
Net cash generated from financing activities	426,128	2,267
NET INCREASE IN CASH AND CASH EQUIVALENTS	582,259	330,897
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	506,370	175,473
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,088,629	$ 506,370

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

KAORI HEAT TREATMENT CO., LTD.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Kaori Heat Treatment Co., Ltd. (the “Company” or “Kaori”) was incorporated in the Republic of China (ROC) in October 1970.

The Company specializes in producing mechanical hardware, processing of fabricated metals and the manufacturing and developing of heat exchange products or thermal products. Factories are established in Zhongli, Kaohsiung, etc.

On November 12, 2024, the Company passed a resolution at the shareholders' meeting to transfer its thermal energy division to Kaori Thermal Technology Co., Ltd. (hereinafter referred to as ' Kaori Thermal Technology Company'), a wholly owned subsidiary, with the spin-off effective on December 31, 2024 (the base date of the split). This transaction constitutes a reorganization under common control. Please refer to Notes 11, 28 and 31.

Kaori’s shares have been listed on the Taiwan Stock Exchange since December 2013.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 5, 2025.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2025

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 1)
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” - the amendments to the application guidance of derecognition of financial assets	January 1, 2026 (Note 2)

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Company shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. It is permitted to apply these amendments for an earlier period beginning on January 1, 2025. An entity shall apply the amendments retrospectively but is not required to restate prior periods. The effect of initially applying the amendments shall be recognized as an adjustment to the opening balance at the date of initial application. An entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" - the amendments to the application guidance of derecognition of financial liabilities	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"	January 1, 2026
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	January 1, 2027

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will supersede IAS 1 "Presentation of Financial Statements". The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.

- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.

- Provides guidance to enhance the requirements of aggregation and disaggregation: The Company shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Company shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Company labels items as "other" only if it cannot find a more informative label.

- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management's view of an aspect of the financial performance of the Company as a whole, the Company shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the other impacts of the above amended standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

3) Liabilities for which the Company does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if the entity classifies the option as an equity instrument.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

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

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

For the purpose of presenting financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Company.

Under the equity method, investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

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

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

h. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Impairment of property, plant and equipment, investment properties, and right-of-use asset

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

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

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

i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. Fair value is determined in the manner described in Note 27.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

k. Provisions

Provisions, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

<u>Warranties</u>

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Company's obligations.

l. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of heat exchange products and thermal products. When the goods are delivered to the customer's specific location, the goods are shipped and the goods are picked up by customers because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2) Revenue from the rendering of services

Revenue comes from services of mechanical hardware and processing of fabricated metals.

m. Leases

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

1) The Company as lessor

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

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

2) The Company as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

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

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

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

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

p. Taxation

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

1) Current tax

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

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

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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

Where current tax or deferred tax arises from the initial accounting for a business combination and the acquisition of a subsidiary, the tax effect is included in the accounting for the business combination and investments in a subsidiary.

q. Organizational restructuring

On December 31, 2024, the Company transferred the thermal energy department's assets, liabilities and business to a subsidiary and obtained the equity issued by the subsidiary. This transaction constitutes a reorganization under common control. The accounting treatment is based on the net value of the transferred assets of the Company minus the liabilities as the cost of acquiring the Company's equity.

In accordance with the IFRS Q&A "Doubts about the Retrospective Restatement of Comparative Financial Statements under Organizational Reorganization" issued by the Accounting Research and Development Foundation on January 30, 2019. The Company has elected not to deem the thermal energy business owned by Kaori Thermal Technology Company from the very beginning, and thus, did not restate its financial statements for the comparative period.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2024	2023
Cash on hand	$ 325	$ 438
Checking accounts and demand deposits	1,058,304	505,932
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	30,000	-
	$ 1,088,629	$ 506,370

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2024	2023
Financial assets at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Redemption right for convertible corporate bonds (Note 16)	$ 1,514	$ -
Financial liabilities at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Put option for convertible corporate bonds (Note 16)	$ -	$ 7,100

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2024	2023
Non-current		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	$ 106,624	$ 68,634
Non-current		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - ACTi Corporation	$ 3,066	$ 4,713
Unlisted shares		
Ordinary shares - Semisils Applied Materials Corp., Ltd.	1,616	300
Foreign investments		
Listed shares		
Ordinary shares - Bloom Energy	101,942	63,621
	$ 106,624	$ 68,634

These investments are held for medium- to long-term strategic purposes and are anticipated to earn profits through long-term investing. The management elected to designate these investments as FVTOCI, for they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with The Company's long-term investment strategy mentioned above.

9. NOTES, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2024	2023
Notes receivable		
Notes receivable - operating	$ 14,632	$ 14,552
Less: Allowance for impairment loss	(73)	(73)
	$ 14,559	$ 14,479
Trade receivables		
At amortized cost		
Gross carrying amount	$ 602,470	$ 753,888
Less: Allowance for impairment loss	(5,773)	(8,655)
	$ 596,697	$ 745,233
Other receivables		
Other receivable	$ 167	$ 825
Less: Allowance for impairment loss	-	-
	$ 167	$ 825

The average credit period of sales of goods is 30-120 days. No interest is charged on trade receivables.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As there are different loss patterns for various customer segments, the Company uses different provision matrixes based on customer segments, and determines the expected credit loss rate by reference to past due days of accounts receivable.

The Company writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on the Company's provision matrix.

December 31, 2024

Thermal products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Total
Gross carrying amount	$ 433,449	$ -	$ -	$ -	$ -	$ 433,449
Loss allowance (Lifetime ECL)	(4,313)	-	-	-	-	(4,313)
Amortized cost	$ 429,136	$ -	$ -	$ -	$ -	$ 429,136

The expected credit loss rate for each above range of the Company is not more than 1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days.

Heat exchange products and other products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Customers with Signs of Default	Total
Gross carrying amount	$ 165,749	$ 17,023	$ -	$ -	$ -	$ 881	$ 183,653
Loss allowance (Lifetime ECL)	(232)	(420)	-	-	-	(881)	(1,533)
Amortized cost	$ 165,517	$ 16,603	$ -	$ -	$ -	$ -	$ 182,120

The expected credit loss rate for each above range of the Company is not more than 0.1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days. Partial receivables due are currently uncollectable for the reason that certain customers are undergoing debt restructuring; therefore, the Company recognizes the full amount as expected credit loss.

December 31, 2023

Thermal products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Total
Gross carrying amount	$ 388,446	$ 126,703	$ -	$ 106	$ -	$ 515,255
Loss allowance (Lifetime ECL)	(4,027)	(3,348)	-	(21)	-	(7,396)
Amortized cost	$ 384,419	$ 123,355	$ -	$ 85	$ -	$ 507,859

The expected credit loss rate for each above range of the Company is not more than 1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days.

Heat exchange products and other products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Customers with Signs of Default	Total
Gross carrying amount	$ 246,148	$ 6,140	$ -	$ 16	$ -	$ 881	$ 253,185
Loss allowance (Lifetime ECL)	(318)	(130)	-	(3)	-	(881)	(1,332)
Amortized cost	$ 245,830	$ 6,010	$ -	$ 13	$ -	$ -	$ 251,853

The expected credit loss rate for each above range of the Company is not more than 0.1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days. Partial receivables due are currently uncollectable for the reason that certain customers are undergoing debt restructuring; therefore, the Company recognizes the full amount as expected credit loss.

The movements of the loss allowance of notes receivables and trade receivables were as follows:

	2024	2023
Balance at January 1	$ 8,728	$ 6,960
Add: Net remeasurement of loss allowance	-	1,768
Less: Impairment losses reversed	(2,710)	-
Less: Reorganization Spin-off	(172)	-
Balance at December 31	$ 5,846	$ 8,728

10. INVENTORIES

	December 31	
	2024	2023
Finished goods	$ 91,177	$ 114,304
Work in process	369,558	395,475
Raw materials	256,547	578,915
Supplies	13,200	14,145

(Continued)

	December 31	
	2024	2023
Merchandise	$ 334	$ 683
Spare parts	7,998	14,552
Inventory in transit	35,110	32,490
	$ 773,924	$ 1,150,564

(Concluded)

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2024 and 2023 was $2,652,506 thousand and $3,016,333 thousand, respectively. The cost of goods sold for 2024 and 2023 included inventory write-downs of $13,326 thousand and $4,882 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2024	2023
Investments in subsidiaries	$ 1,232,477	$ 293,460

Investments in subsidiaries

	December 31	
	2024	2023
Kaori International	$ 324,703	$ 293,460
Kaori Thermal Technology Co., Ltd.	849,802	-
Kaori Technology (Thailand) Co., Ltd.	57,972	-
	$ 1,232,477	$ 293,460

The proportion of the Company’s ownership was as follows:

	December 31	
	2024	2023
Kaori International	100.00%	100.00%
Kaori Thermal Technology Co., Ltd.	100.00%	-
Kaori Technology (Thailand) Co., Ltd.	99.99%	-

The detail information of the subsidiary is disclosed in Table 3.

In August 2024, the Company invested $1,000 thousand to establish Kaori Thermal Technology Co., Ltd., holding a 100% ownership. On November 12, 2024, a resolution was passed at the shareholders’ meeting, in order to enhance competitiveness and improve asset performance through organizational restructuring and specialized operations. Consequently, the thermal energy business unit, including its assets, liabilities, and operations, was transferred to Kaori Thermal Technology Co., Ltd., a wholly owned subsidiary. The spin-off date was December 31, 2024. The net asset value of the spin-off business amounted to $850,000 thousand, and Kaori Thermal Technology Co., Ltd. issued $42,500 thousand new shares at $20 per share in exchange for the transferred net assets. The relevant transactions were completed in December 2024.

Details of assets and liabilities of the spin-off were as follows:

	Amount
Assets	
Cash in bank	$ 606,667
Notes receivable	14
Trade receivables	168,673
Inventories (net of allowance for impairment losses of $12,780 thousand)	210,071
Other current assets	1,996
Property, plant and equipment	13,365
Right-of-use assets	1,189
Intangible assets	3,207
	1,005,182
Liabilities	
Trade payables	93,633
Other payables	53,942
Provisions	6,411
Lease liabilities	1,196
	155,182
Net assets	$ 850,000

In October 2024, the Company invested in the establishment of Kaori Technology (Thailand) Co., Ltd. ("Kaori Thailand'), a Thai subsidiary. The Company holds 99.99% of the shares, while the remaining shares are held by Kaori International, a wholly owned subsidiary of the Company.

The investment was accounted for using the equity method and the share of profit or loss and other comprehensive income; this investment was calculated based on financial statements which have been audited in 2024 and 2023.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Electric Equipment	Transportation Equipment	Office Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2024	$ 704,179	$ 786,288	$ 404,302	$ 198,224	$ 2,452	$ 184,608	$ 4,140	$ 2,284,193
Additions	-	10,797	127,908	4,523	496	77,872	10,293	231,889
Disposals	-	-	(10,505)	(28,307)	(256)	(20,948)	-	(60,016)
Reorganization Spin-off	-	-	(3,194)	-	(496)	(13,341)	-	(17,031)
Reclassifications	-	14,433	-	-	-	-	(14,433)	-
Balance at December 31, 2024	$ 704,179	$ 811,518	$ 518,511	$ 174,440	$ 2,196	$ 228,191	$ -	$ 2,439,035
Accumulated depreciation and impairment								
Balance at January 1, 2024	$ -	$ 226,626	$ 111,784	$ 104,630	$ 805	$ 56,481	$ -	$ 500,326
Depreciation expense	-	30,267	52,150	14,476	378	39,548	-	136,819
Reorganization Spin-off	-	-	(1,207)	-	(1)	(2,458)	-	(3,666)
Disposals	-	-	(10,505)	(28,307)	(256)	(20,696)	-	(59,764)
Balance at December 31, 2024	$ -	$ 256,893	$ 152,222	$ 90,799	$ 926	$ 72,875	$ -	$ 573,715
Carrying amount at December 31, 2024	$ 704,179	$ 554,625	$ 366,289	$ 83,641	$ 1,270	$ 155,316	$ -	$ 1,865,320

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Electric Equipment	Transportation Equipment	Office Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2023	$ 704,179	$ 772,356	$ 272,796	$ 164,849	$ 1,974	$ 141,283	$ 36,228	$ 2,093,665
Additions	-	5,102	217,202	15,029	734	89,191	4,140	331,398
Disposals	-	-	(85,696)	(9,052)	(256)	(45,866)	-	(140,870)
Reclassifications	-	8,830	-	27,398	-	-	(36,228)	-
Balance at December 31, 2023	$ 704,179	$ 786,288	$ 404,302	$ 198,224	$ 2,452	$ 184,608	$ 4,140	$ 2,284,193
Accumulated depreciation and impairment								
Balance at January 1, 2023	$ -	$ 197,029	$ 156,305	$ 97,437	$ 703	$ 72,805	$ -	$ 524,279
Depreciation expense	-	29,597	37,045	15,040	358	29,500	-	111,540
Disposals	-	-	(81,566)	(7,847)	(256)	(45,824)	-	(135,493)
Balance at December 31, 2023	$ -	$ 226,626	$ 111,784	$ 104,630	$ 805	$ 56,481	$ -	$ 500,326
Carrying amount at December 31, 2023	$ 704,179	$ 559,662	$ 292,518	$ 93,594	$ 1,647	$ 128,127	$ 4,140	$ 1,783,867

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Building	20-60 years
Plant equipment	38-51 years
Machinery equipment	
Furnace equipment	8-15 years
Lathe and stamping machinery	8-10 years
Electricity equipment	5-6 years
Transportation equipment	5-6 years
Other equipment	5-6 years

In 2024 and 2023, the Company assessed the property, plant and equipment listed above and found no indication of impairment.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 29.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2024	2023
Carrying amount		
Land	$ 150	$ 271
Transportation equipment	9,691	6,191
	$ 9,841	$ 6,462

	For the Year Ended December 31	
	2024	2023
Addition for right-of-use assets	$ 8,762	$ 6,268
Depreciation charge for right-of-use assets		
Land	$ 121	$ 120
Transportation equipment	4,073	2,748
	$ 4,194	$ 2,868

b. Lease liabilities

	December 31	
	2024	2023
Carrying amount		
Current	$ 4,418	$ 2,864
Non-current	$ 5,493	$ 3,631

Range of discount rate for lease liabilities was as follows:

	December 31	
	2024	2023
Land	1.25%	1.25%
Transportation equipment	1.25-1.8%	1.25%-1.8%

c. Material leasing-in activities and terms

The Company leases certain transportation equipment and land with lease terms of 3-5 years. Those arrangements do not contain renewal or purchase options.

d. Other lease information

	For the Year Ended December 31	
	2024	2023
Expenses relating to short-term leases	$ 1,213	$ 930
Total cash outflow for leases	$ (5,516)	$ (3,858)

The Company's lease of a building qualifies as short-term lease. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. INVESTMENT PROPERTIES

	December 31	
	2024	2023
Completed investment properties	$ 21,312	$ 22,225

	Completed Investment Properties
Cost	
Balance at January 1, 2024	$ 30,895
Disposals	(1,397)
Balance at December 31, 2024	$ 29,498
Accumulated depreciation and impairment	
Balance at January 1, 2024	$ 8,670
Depreciation expense	913
Disposals	(1,397)
Balance at December 31, 2024	$ 8,186
Carrying amount at December 31, 2024	$ 21,312
Cost	
Balance at January 1, 2023	$ 30,895
Balance at December 31, 2023	$ 30,895
Accumulated depreciation and impairment	
Balance at January 1, 2023	$ 7,570
Depreciation expense	1,100
Balance at December 31, 2023	$ 8,670
Carrying amount at December 31, 2023	$ 22,225

The abovementioned investment properties are leased out for 5 years. These arrangements do not contain renewal or purchase options.

Investment properties pledged as collateral for bank borrowings were set out in Note 29.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2024 and 2023 was as follows:

	December 31	
	2024	2023
Year 1	$ 1,620	$ 720
Year 2	270	60
Year 3	-	-
Year 4	-	-
Year 5	-	-
Year 6 onwards	-	-
	$ 1,890	$ 780

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	36 years

The fair value of the Company's investment properties as of December 31, 2024 and 2023 were both $127,708 thousand. The fair value valuation had been performed by the management of the Company using the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The Company management were evaluation, the fair value did not have material impact during the year of 2024.

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2024	2023
Unsecured borrowings		
Letters of credit	$ 905,000	$ -

The interest rates on letters of credit 1.37%-1.95% per annum as of December 31, 2024.

b. Long-term borrowings

	December 31	
	2024	2023
Secured and unsecured borrowings (Note 29)		
Bank loans	$ 321,615	$ 439,155
Less: Current portion	(53,459)	(254,650)
Long-term borrowings	$ 268,156	$ 184,505

The borrowings of the Company were as follows:

	Detail of Borrowing	December 31 2024	December 31 2023
Secured bank borrowing denominated in NT$	Maturity date: 2030.11.15 Principle is paid monthly since December 2025	$ 110,890	$ 110,890
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since June 2022	19,167	31,944
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since June 2022	18,200	30,333
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since June 2022	3,033	5,056

(Continued)

	Detail of Borrowing	December 31 2024	December 31 2023
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since June 2022	$ 3,833	$ 6,389
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since December 2022	13,613	22,688
Secured bank borrowing denominated in NT$	Maturity date: 2026.06.01 Principle is paid semi-annually since December 2022	11,625	19,375
Secured bank borrowing denominated in NT$	Maturity date: 2025.04.15 Principle is paid quarterly since July 2016, the principal was early repaid in the current period.	4,144	12,480
Unsecured bank borrowing denominated in NT$	Maturity date: 2024.12.28 Principle is paid semi-annually since June 2024, the principal was early repaid in the current period.	-	200,000
Secured bank borrowing denominated in NT$	Maturity date: 2030.11.15 Principle is paid monthly since December 2025	42,770	-
Secured bank borrowing denominated in NT$	Maturity date: 2031.05.15 Principle is paid monthly since June 2026	41,870	-
Secured bank borrowing denominated in NT$	Maturity date: 2030.11.15 Principle is paid monthly since December 2025	26,380	-
Secured bank borrowing denominated in NT$	Maturity date: 2031.05.15 Principle is paid monthly since June 2026	26,090	-
		321,615	439,155
Less: Current portion		(53,459)	(254,650)
		$ 268,156	$ 184,505

(Concluded)

The interest rates on letters of credit 1.43%-1.85% and 1.3%-1.8539% per annum as of December 31, 2024 and 2023.

The Company provides property, plant and equipment and investment properties of financial institutions as collaterals for long-term loans, please refer to Note 29 for details of the collaterals.

16. BONDS PAYABLE

	December 31 2024	December 31 2023
Unsecured domestic convertible bonds	$ 467,047	$ 907,030
Less: Current portion	-	-
	$ 467,047	$ 907,030

On December 6, 2023, the Company issued the fourth round of unsecured domestic convertible bonds with a coupon rate of 0%. The face value of each bond was $100 thousand and was issued at 113.7963% of the face value. The total bonds issued was 10,000 units at a total amount of $1,137,963 thousand, with a maturity period of five years.

Each bondholders has the right to convert one unit of bonds into ordinary shares at a price of $240 per share. If the subsequent conversion price encounters anti-dilution clauses, it will be adjusted in accordance with the conversion regulations. As of December 31, 2024. the conversion price of the bond has been adjusted to NT$237.5 per share. The conversion period is from March 7, 2024 to December 6, 2028. If the corporate bonds are not converted by that time, it will be repaid in cash at maturity according to the face value of the bonds.

Other major clauses are as follows:

a. Put option of the bondholders

These convertible bonds could be sold back by bondholders three years after the issuance date (i.e., December 6, 2026). Bondholders may request the Corporation to redeem the convertible bonds at the price by adding interest compensation to the face value, which is 100.7519% of the face value of the bonds (the real yield is 0.25%). If the Corporation accepts the request of sell-back, the Corporation shall redeem the convertible bonds in cash.

b. Redemption right of the Corporation

From the day after the three-month issuance of the convertible bonds (i.e., March 7, 2024) to the forty days before the expiration of the issuance period (i.e., October 27, 2028), if the closing price of the Corporation’s common stock exceeding the current conversion price by more than 30% (inclusive) for thirty consecutive business days, or when the outstanding balance of the convertible bonds is less than 10% of the original issuance amount, the Corporation may redeem the outstanding bonds in cash according to the face value of the bonds in accordance with the regulations.

The convertible bonds included components of liability and equity; the components of equity were expressed as capital surplus option under the equity item. The effective interest rate originally recognized for the components of liabilities was 1.986%.

Proceeds from issuance (less transaction costs of $5,195 thousand)	$ 1,132,768
Equity component (less transaction costs allocated to the equity component of $1,026 thousand))	(222,937)
Value of put option	(4,300)
Liability component at the date of issue (less transaction costs allocated to the liability component of $4,169 thousand)	905,531
Interest charged at an effective interest rate	1,499
Components of liabilities at December 31, 2023	907,030
Interest charged at an effective interest rate	13,961
Conversion of bonds payable to ordinary shares	(453,944)
Components of liabilities at December 31, 2024	$ 467,047

As of December 31, 2024, due to the exercise of conversion rights by bondholders, the Company has converted bonds with a face value of $495,200 thousand into ordinary shares of the Company, totaling 2,081 thousand shares. Following the conversion, the outstanding face value of the convertible bonds in circulation amounts to NT$504,800 thousand.

In 2024, the Company converted bonds with a book value of $453,944 thousand into ordinary share capital amounting to $20,806 thousand. After offsetting financial assets measured at fair value through profit or loss amounting to $3,837 thousand, a capital reserve of $429,301 thousand was generated.

17. OTHER LIABILITIES

	December 31	
	2024	2023
Other payables		
Payables for salaries and bonus	$ 204,871	$ 236,344
Payables for bonus to employees and directors	44,083	42,517
Payables for goods	16,255	20,600
Payables for processing fees	2,215	973
Payables for prepaid equipment	51,764	18,157
Others	28,757	26,321
	$ 347,945	$ 344,912

18. PROVISIONS

	December 31	
	2024	2023
Non-current		
Warranties	$ 441	$ -

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the corporation obligations for warranties under contracts for the sale of goods. The estimate has been made on the basis of historical warranty trends and may vary as a result of other events affecting product quality.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 9% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2024	2023
Present value of defined benefit obligation	$ (63,680)	$ (71,725)
Fair value of plan assets	86,129	83,930
Net defined benefit assets	$ 22,449	$ 12,205

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Balance at January 1, 2023	$ (72,108)	$ 82,736	$ 10,628
Service cost			
Current service cost	(708)	-	(708)
Net interest (expense) income	(1,082)	1,271	189
Recognized in profit or loss	(1,790)	1,271	(519)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(34)	(34)
Actuarial loss - change in financial adjustments	(1,714)	-	(1,714)
Actuarial gain - experience adjustments	58	-	58
Recognized in other comprehensive income	(1,656)	(34)	(1,690)
Contributions from the employer	-	3,786	3,786
Benefits paid	3,829	(3,829)	-
Balance at December 31, 2023	(71,725)	83,930	12,205
Service cost			
Current service cost	(614)	-	(614)
Net interest (expense) income	(897)	1,072	175
Recognized in profit or loss	(1,511)	1,072	(439)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	4,107	4,107
Actuarial gain - change in financial adjustments	1,500	-	1,500
Actuarial loss - experience adjustments	1,560	-	1,560
Recognized in other comprehensive income	3,060	4,107	7,167
Contributions from the employer	-	3,516	3,516
Benefits paid	6,496	(6,496)	-
Balance at December 31, 2024	$ (63,680)	$ 86,129	$ 22,449

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2024	**2023**
Discount rate(s)	1.50%	1.25%
Expected rate(s) of salary increase	2.00%	2.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2024	**2023**
Discount rate(s)		
0.25% increase	$ (1,450)	$ (1,714)
0.25% decrease	$ 1,500	$ 1,776
Expected rate(s) of salary increase		
0.25% increase	$ 1,466	$ 1,732
0.25% decrease	$ (1,425)	$ (1,681)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2024	**2023**
The expected contributions to the plan for the next year	$ 3,496	$ 3,698
The average duration of the defined benefit obligation	9.3 years	9.7 years

20. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2024	2023
Number of shares authorized (in thousands)	150,000	100,000
Shares authorized	$ 1,500,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	91,465	89,384
Shares issued	$ 914,647	$ 893,841

The change in the Company's shares issued are mainly due to the conversion of convertible bonds.

b. Capital surplus

	December 31	
	2024	2023
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance (bonds) of ordinary shares	$ 268,526	$ 268,526
Conversion of bonds	856,770	317,071
Overdue options	7,817	7,817
May be used to offset deficit only		
Right of disgorgement exercised	204	-
May not be used for any purpose		
Convertible bonds share options	112,539	$ 222,937
	$ 1,245,856	$ 816,351

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 22(g).

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trend and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividend to be distributed. In addition, cash dividends should not be less than 10% of the total dividends to be appropriated.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

When a special reserve is appropriated for cumulative net debit balance reserves from prior period, the special reserve is only appropriated from the prior unappropriated earnings.

The appropriations of earnings and dividends per share for 2023 and 2022 were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Fiscal Year 2023	**For Fiscal Year 2022**	**For Fiscal Year 2023**	**For Fiscal Year 2022**
Legal reserve	$ 57,517	$ 30,671	$ -	$ -
Special reserve	5,401	-	-	-
Cash dividends (Note)	357,536	134,076	3.98	1.50

Note: The cash dividend per share for the year 2023 has been adjusted due to the conversion of convertible bonds into ordinary shares, resulting in a change in the actual number of shares outstanding. The Board of Directors has authorized the Chairman to adjust the dividend distribution ratio, now the cash dividend per share has been revised from $4 to $3.98.

The cash dividends mentioned above were approved in the board meeting on March 8, 2024 and March 22, 2023, the appropriation of earnings for 2023 and 2022 are subject to the resolution of the shareholders in their meeting to be held in June 2024 and June 13, 2023, respectively.

The appropriations and dividends per share for 2024 were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 59,878	$ -
Reversal of special reserve	(5,401)	-
Cash dividends	365,859	4

The cash dividends mentioned above were approved in the board meeting on March 5, 2025; the appropriation of earnings for 2024 are subject to the resolution of the shareholders in their meeting to be held in May 2025.

21. REVENUE

	For the Year Ended December 31	
	2024	2023
Revenue from sale of goods	$ 3,744,665	$ 4,105,766
Revenue from the rendering of services	28,377	37,519
	$ 3,773,042	$ 4,143,285

Contract liabilities

	December 31 2024	December 31 2023	January 1 2023
Trade receivable (Note 9)	$ 600,043	$ 753,664	$ 531,263
Contract liabilities			
Sale of goods	$ 30,838	$ 31,421	$ 53,138

Revenue in the current year that was recognized from the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods was summarized as follows:

	For the Year Ended December 31	
	2024	2023
From contract liabilities at the start of the year		
Sale of goods	$ 30,840	$ 47,344

22. NET PROFIT

Net profit included the following:

a. Interest income

	For the Year Ended December 31	
	2024	2023
Bank deposits of financial assets at amortized cost	$ 6,950	$ 7,365
Others	1,058	313
	$ 8,008	$ 7,678

b. Other income

	For the Year Ended December 31	
	2024	2023
Rental income	$ 1,404	$ 687
Electric power revenue	4,367	3,861
Settlement income	37,953	1,524
Others	14,137	8,650
	$ 57,861	$ 14,722

c. Other gains and losses

	For the Year Ended December 31	
	2024	2023
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	$ -	$ 956
Financial liabilities mandatorily at FVTPL	12,451	(2,800)
Gain on lease modification	-	5
Net foreign exchange gain	50,197	26,665
(Loss) gain on disposal of property, plant and equipment	(252)	4,323
Others	(2,907)	(4,009)
	$ 59,489	$ 25,140

d. Finance costs

	For the Year Ended December 31	
	2024	2023
Interest on bank loans	$ 8,357	$ 31,832
Interest on Convertible Bonds	13,961	1,499
Interest on lease liabilities	153	63
	$ 22,471	$ 33,394

e. Depreciation and amortization

	For the Year Ended December 31	
	2024	2023
Property, plant and equipment	$ 136,819	$ 111,540
Right-of-use assets	4,194	2,868
Investment properties	913	1,100
Intangible assets	1,666	558
Non-current assets	2,957	3,080
	$ 146,549	$ 119,146
An analysis of depreciation by function		
Operating costs	$ 106,485	$ 77,082
Operating expenses	32,807	36,036
Other gains and losses	2,634	2,390
	$ 141,926	$ 115,508
An analysis of amortization by function		
Operating costs	$ 2,357	$ 2,342
Operating expenses	2,266	1,296
	$ 4,623	$ 3,638

f. Employee benefits expense

	For the Year Ended December 31	
	2024	2023
Post-employment benefits		
Defined contribution plans	$ 22,087	$ 20,920
Defined benefit plans (Note 19)	439	519
	22,526	21,439
Other employee benefits	750,314	745,717
Total employee benefits expense	$ 772,840	$ 767,156
An analysis of employee benefits expense by function		
Operating costs	$ 441,866	$ 457,191
Operating expenses	330,974	309,965
	$ 772,840	$ 767,156

g. Compensation of employees and remuneration of directors for 2024 and 2023

The Company accrued compensation of employees and remuneration of directors at the rates no less than 2% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2024 and 2023 which were approved by the Company's board of directors on March 5, 2025 and March 8, 2024, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2024	2023
Compensation of employees	2.10%	2.10%
Remuneration of directors	3.50%	3.50%

Amount

	For the Year Ended December 31			
	2024		2023	
	Cash	Shares	Cash	Shares
Compensation of employees	$ 16,531	-	$ 15,944	-
Remuneration of directors	27,552	-	26,573	-

If there is a change in the amounts after the actual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2023.

Information on the compensation of employees and remuneration of directors for 2025 and 2024 resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES

a. Major components of tax expense (income) recognized in profit or loss

	For the Year Ended December 31	
	2024	2023
Current tax		
In respect of the current period	$ 143,192	$ 138,484
Income tax on unappropriated earnings	2,115	-
Adjustments for prior year	(3,367)	(1,565)
Tax Refund on Repatriated Funds to Taiwan	(1,961)	-
	139,979	136,919
Deferred tax expense		
In respect of the current period	10,081	3,277
Income tax expense recognized in profit or loss	$ 150,060	$ 140,196

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

	For the Year Ended December 31	
	2024	2023
Profit before tax from continuing operations	$ 743,104	$ 716,722
Income tax expense calculated at the statutory rate	$ 148,621	$ 143,344
Tax effect of adjusting items:		
Income tax on unappropriated earnings	2,115	-
Tax-exempt income	811	(191)
Nondeductible expenses in determining taxable income	4	-
Tax-recognized investment losses	-	(1,322)
Others	-	(70)
Spin-off	3,837	-
Effects of different tax rates of entities operating in other jurisdictions	(5,328)	(1,565)
Income tax expense recognized in profit or loss	$ 150,060	$ 140,196

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2024	2023
Deferred tax income (expense)		
In respect of the current year		
Fair value changes of financial assets at FVTOCI	$ (7,664)	$ 3,716
Remeasurement of defined benefit plans	(1,434)	338
Total income tax recognized in other comprehensive income	$ (9,098)	$ 4,054

c. Current income tax assets and liabilities

	December 31	
	2024	**2023**
Current tax liabilities		
Income tax payable	$ 81,536	$ 117,998

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2024

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Compre- hensive Income**	**Closing Balance**
Deferred tax assets				
Unrealized loss on inventories	$ 9,706	$ 109	$ -	$ 9,815
Associates	1,471	-	-	1,471
Allowance for impairment loss	521	(192)	-	329
Unrealized loss on foreign differences	119	(119)	-	-
Provisions	1,864	88	-	1,952
Financial liabilities at FVTPL	560	(560)	-	-
Financial assets at FVTOCI	785	-	(785)	-
Other	300	1,687	-	1,987
	$ 15,326	$ 1,013	$ (785)	$ 15,554
Deferred tax liabilities				
Associates	$ 24,607	$ 3,914	$ -	$ 28,521
Defined benefit obligation	2,329	614	1,434	4,377
Unrealized gain on foreign exchange	-	4,636	-	4,636
Financial liabilities at FVTPL	-	1,930	-	1,930
Financial assets at FVTOCI	-	-	6,879	6,879
	$ 26,936	$ 11,094	$ 8,313	$ 46,343

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Unrealized loss on inventories	$ 8,729	$ 977	$ -	$ 9,706
Associates	1,119	352	-	1,471
Allowance for impairment loss	602	(81)	-	521
Unrealized loss on foreign differences	-	119	-	119
Provisions	1,864	-	-	1,864
Financial liabilities at FVTPL	-	560	-	560
Financial assets at FVTOCI	-	-	785	785
Other	-	300	-	300
	$ 12,314	$ 2,227	$ 785	$ 15,326
Deferred tax liabilities				
Associates	$ 16,966	$ 7,641	$ -	$ 24,607
Defined benefit obligation	2,013	654	(338)	2,329
Unrealized gain on foreign exchange	2,791	(2,791)	-	-
Financial assets at FVTOCI	2,931	-	(2,931)	-
	$ 24,701	$ 5,504	$ (3,269)	$ 26,936

e. Income tax assessments

The tax returns through 2022 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2024	2023
Basic earnings per share	$ 6.56	$ 6.45
Diluted earnings per share	$ 6.35	$ 6.44

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

	For the Year Ended December 31	
	2024	**2023**
Profit for the year attributable to owners of the Company	$ 593,044	$ 576,526
Effect of potentially dilutive ordinary shares		
Interest after tax of convertible bonds	11,169	-
Gain on valuation of redemption rights	(9,961)	-
Profit for the year attributable to owners of the Company	$ 594,252	$ 576,526

The number of ordinary shares outstanding (in thousands of shares) was as follows:

	For the Year Ended December 31	
	2024	**2023**
Weighted average number of ordinary shares used in the computation of basic earnings per share	90,424	89,384
Effect of potentially dilutive ordinary shares		
Convertible bonds	3,127	-
Compensation of employees	97	79
Weighted average number of ordinary shares used in the computation of diluted earnings per share	93,648	89,463

If the Company were allowed to choose the payment of employee compensation in the form of either stocks or cash, when calculating diluted earnings per share, it is assumed that the employee compensation will be paid in the form of stocks and the weighted average number of outstanding shares will be included when the potential common shares have a dilutive effect. Diluted earnings per share will be calculated accordingly. When calculating diluted earnings per share before deciding on the number of shares to be issued as employee compensation in the following year, the dilutive effect of such potential common shares will continue to be considered.

The Company stock outstanding convertible bonds, if converted, as the effect is anti-dilutive, are not included in the calculation of diluted earnings per share for the year 2023.

25. CASH FLOW INFORMATION

Non-cash Transactions

The net cash outflow for the acquisition of property, plant, and equipment by the Company in 2024 and 2023 is as follows:

	For the Year Ended December 31	
	2024	**2023**
Acquisition of property, plant and equipment		
Additions of property, plant and equipment	$ 231,889	$ 331,398
(Decrease) increase in advance payment for equipment	(51,558)	14,804
Increase in payables on equipment	(41,001)	(5,013)
Payment in cash for the acquisition of property, plant and equipment	$ 139,330	$ 341,189

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Redemption rights for convertible corporate bonds	$ -	$ 1,514	$ -	$ 1,514
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic investments				
Listed shares and emerging market shares	$ -	$ -	$ 3,066	$ 3,066
Domestic investments				
Unlisted shares	-	-	1,616	1,616
Foreign unlisted shares	101,942	-	-	101,942
	$ 101,942	$ -	$ 4,682	$ 106,624

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic investments				
Listed shares and emerging market shares	$ -	$ -	$ 4,713	$ 4,713
Domestic investments				
Unlisted shares	-	-	300	300
Foreign unlisted shares	63,621	-	-	63,621
	$ 63,621	$ -	$ 5,013	$ 68,634
Financial liabilities at FVTPL				
Put option for convertible corporate bonds	$ -	$ 7,100	$ -	$ 7,100

There were no transfers between Levels 1 and 2 in the current periods.

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

For the year ended December 31, 2024

	Financial Assets at FVTOCI
	Equity Instruments
Financial assets	
Balance at January 1, 2024	$ 5,013
Recognized in other comprehensive income	(331)
Balance at December 31, 2024	$ 4,682

For the year ended December 31, 2023

	Financial Assets at FVTOCI
	Equity Instruments
Financial assets	
Balance at January 1, 2023	$ 4,021
Recognized in other comprehensive income	992
Balance at December 31, 2023	$ 5,013

3) Valuation technique and input to Level 2 fair value measurement

Financial Instrument	Valuation Technique and Input
Put option for convertible corporate bonds	Binomial tree valuation model. Evaluated by the observable closing price of the stocks, risk-free interest rate, stock price volatility, risk discount rate, and liquidity risk at the balance sheet date.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair value of the investment in domestic emerging market shares is determined using the market approach. In this approach, the evaluation is be based on the stock market price and liquidity of the entity. The assessment and input amount refer to the entity's operations, national policies as well as GDP forecasts and industry outlook.

The assessment of fair value of domestic unlisted shares securities is based on the financial status of the investee, analysis of current operations, the sales of peer companies, stock price in market, and related information. The target's own financial performance is evaluated and used as the basis to set the appropriate valuation multiple to calculate the assessment target's value.

b. Categories of financial instruments

	December 31	
	2024	**2023**
Financial assets		
FVTPL		
Mandatorily at FVTPL	$ 1,514	$ -
Financial assets at amortized cost (1)	1,726,731	1,275,338
Financial assets at FVTOCI		
Equity instruments	106,624	68,634
Financial liabilities		
FVTPL		
Mandatorily at FVTPL	-	7,100
Amortized cost (2)	2,299,800	1,891,286

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables, trade payables from related parties, other payables and guarantee deposits received, long term loans and refundable deposits.

c. Financial risk management objectives and policies

The Company's major financial instruments included equity investments, notes receivable, trade receivables, other receivables, notes payables, trade payables, other payables, long term loans, borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The financial department reported quarterly to the board of directors, which monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are disclosed in Note 32.

Sensitivity analysis

The Company was mainly exposed to the USD and EUR.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. The sensitivity analysis included external loans/borrowings as well as loans/borrowings to foreign operations within the Company where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	USD Impact For the Year Ended December 31		EUR Impact For the Year Ended December 31	
	2024	**2023**	**2024**	**2023**
Profit or loss*	$ 6,871	$ 6,680	$ 1,643	$ 791

* This was mainly attributable to the exposure to outstanding USD and EUR receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company's bank deposits and borrowings are at floating interest rates.

The carrying amounts of the Company’s financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2024	**2023**
Fair value interest rate risk		
Financial assets	$ 30,000	$ -
Financial liabilities	$ 788,662	$ 1,346,185
Cash flow interest rate risk		
Financial assets	$ 1,057,933	$ 505,725
Financial liabilities	$ 905,000	$ -

Sensitivity analysis

The sensitivity analyses below were determined based on the Company’s exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% basis points higher and all other variables were held constant, the Company’s pre-tax profit for the years ended December 31, 2024 and 2023 would have decreased by $382 thousand and $1,264 thousand, respectively, which was mainly attributable to the Company’s exposure to interest rates on its floating rate bank deposits and bank borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company’s maximum exposure to credit risk which will cause a financial loss to the Company due to failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company could be equal to the carrying amount of the recognized financial assets as stated in the balance sheets.

The Company’s concentration of credit risk of 72% and 68% of total trade receivables as of December 31, 2024 and 2023, respectively, was attributable to the Company’s largest customer.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company’s operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

As of December 31, 2024 and 2023, the Company had available unutilized overdraft and short-term bank loan facilities; see (b) below:

a) Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2024

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative liabilities					
Lease liabilities	$ 379	$ 759	$ 3,414	$ 5,568	$ -
Variable interest rate liabilities	101,266	406,886	403,661	-	-
Fixed interest rate liabilities	2,493	812	54,789	691,941	52,693
	$ 104,138	$ 408,457	$ 461,864	$ 697,509	$ 52,693

December 31, 2023

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative liabilities					
Lease liabilities	$ 298	$ 595	$ 2,055	$ 3,682	$ -
Variable interest rate liabilities	-	-	-	-	-
Fixed interest rate liabilities	2,687	1,218	256,879	1,147,634	43,060
	$ 2,985	$ 1,813	$ 258,934	$ 1,151,316	$ 43,060

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2024	2023
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 915,000	$ 210,600
Amount unused	1,745,000	2,509,400
	$ 2,660,000	$ 2,720,000
Secured bank overdraft facilities:		
Financial assets	$ 523,000	$ 285,890
Financial liabilities	233,300	370,410
	$ 756,300	$ 656,300

28. RELATED PARTY TRANSACTIONS

Details of transactions between the Company and related parties are disclosed below.

a. Related party name and relationship

Related Party Name	Relationship with the Company
Kaori Technology (Ningbo) Corporation	Subsidiary
Kaori Thermal Technology Co., Ltd.	Subsidiary

b. Sales of goods

	For the Year Ended December 31	
	2024	2023
Subsidiary	$ 50,574	$ 112,169

In 2024 and 2023, the selling prices were not significantly different from those with third parties.

c. Purchase of goods

	For the Year Ended December 31	
	2024	2023
Subsidiary	$ 22,635	$ 91,139

The purchasing price is determined based on cost plus a 10% markup, reflect the Group's pricing strategy and related party relationships.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31 2024	December 31 2023
Trade receivables	Subsidiary	$ 3,346	$ 8,431
Other receivables	Subsidiary		
	Kaori Thermal Technology Co., Ltd.	$ 23,333	$ -

The outstanding accounts receivable from related parties are unsecured. The trade receivables from related parties in 2024 and 2023 did not have allowance for impairment loss.

Other receivables primarily consist of compensation payments arising from the spin-off transaction, which were fully collected in February 2025.

e. Payables from related parties (excluding loans to related parties)

	December 31 2024	December 31 2023
Subsidiary	$ 5,298	$ 4,369

The outstanding accounts payables from related parties are unsecured.

f. Compensation of key management personnel

	For the Year Ended December 31 2024	For the Year Ended December 31 2023
Short-term employee benefits	$ 102,924	$ 93,726
Post-employment benefits	2,067	2,061
	$ 104,991	$ 95,787

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and foreign exchange forward contracts:

	December 31 2024	December 31 2023
Land	$ 197,229	$ 197,229
Building equipment, net	489,194	493,341
	686,423	690,570
Investment properties, net	21,312	22,225
	$ 707,735	$ 712,795

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2024 and 2023 were as follows:

a. Outstanding letter of credit

As of December 31, 2023, the balance of outstanding letter of credit for the Company is US$168 thousand.

b. Customs guarantee and construction guarantee

As of December 31, 2024 and 2023, the import taxes on goods for the Company were guaranteed by the Cathay United Bank, Ltd. Hsin-Chu Branch, for a total of $10,000 thousand each year. As of December 31, 2023, the guarantee deposits for the CPC Corporation pipeline projects amounted to $600 thousand, secured by the Taoyuan-Hsin Branch of Mega International Commercial Bank.

c. Minchali Copper Industry (hereinafter referred to as “Minchali”) accused the Company of delivering heating furnace beams and parts that did not meet specifications, resulting in bending and deformation after heating. Consequently, Minchali filed a lawsuit against the Company for damages. The Taiwan High Court initially ruled in May 2018 that the Company must pay Minchali $4,619 thousand plus related interests. However, the Company appealed to the Supreme Court, which remanded the case to the Taiwan High Court for retrial in November 2020. On November 1, 2024, the High Court annulled the original decision regarding the payment of over $5,308 thousand in principal and interest, as well as the declaration of provisional enforcement for that portion. The litigation costs for the first, second, and third instances prior to remand were to be borne 70% by Minchali and 30% by the Company. The Company filed another appeal to the Supreme Court in November 2024, and the case is still pending in the Taiwan High Court.

After the ruling of the Taoyuan District Court in February 2016, the Company paid a guarantee deposit of $9,321 thousand to the court and recognized a compensation loss of $9,321 thousand in 2016.

31. OTHER ITEMS

a. On February 15, 2023, the president of the ROC announced the amendments to the “Climate Change Response Act”, which added the provision of carbon fee collection. Subsequently, the Ministry of Environment announced the “Regulations Governing the Collection of Carbon Fees”, “Regulations for Administration of Voluntary Reduction Plans” and “Designated Greenhouse Gas Reduction Goal for Entities Subject to Carbon Fees” on August 29, 2024 and the carbon fee rate on October 21, 2024. The fees will be levied starting from January 1, 2025. Based on the emissions of the Company in 2023, the Group anticipates that it does not yet meet the criteria for carbon fees.

b. Reorganizational - Disclosure of information regarding the transfer of business through spin-off to subsidiaries

As described in Notes 1 and 11, as of December 31, 2024, the Company spun off its energy business unit (including assets, liabilities, and operations) to Kaori Thermal Technology Co., Ltd. The Company has chosen not to treat the energy business unit’s operations as being owned by Kaori Thermal Technology Co., Ltd. from the outset and has not restated its financial statements. Assuming that the Company treated the energy business as owned by Kaori Thermal Technology Co., Ltd. as of January 1, 2023, the pro forma condensed balance sheets as of December 31, 2024 and 2023, and the pro forma condensed income statements for the years 2024 and 2023, are presented as follows:

The above pro forma financial information is prepared based on the allocation of business related to the thermal energy business unit that can be directly attributed to or individually identified as the basis for the spin-off. However, for any items that are difficult to clearly identify or attribute to, they are prepared or allocated based on other reasonable methods.

	December 31	
	2024	2023
Current assets	$ 2,558,720	$ 2,457,937
Non-current assets	3,358,617	2,326,874
	$ 5,917,337	$ 4,784,811
Current liabilities	$ 1,692,486	$ 921,475
Non-current liabilities	787,843	1,129,415
	$ 2,480,329	$ 2,050,890

	For the Year Ended December 31	
	2024	2023
Revenue	$ 3,084,411	$ 4,024,182
Cost of goods sold	(2,281,430)	(2,933,170)
Gross profit	802,981	1,091,012
Unrealized gain on associates and joint ventures	(5,884)	(5,878)
Realized gain on transactions with associates and joint ventures	5,878	4,473
Realized gross profit	802,975	1,089,607
Operating expenses	(399,286)	(423,673)
Profit from operations	403,689	665,934
Non-operating income and expenses	120,504	51,861
Profit before income tax	524,193	717,795
Income tax expense	(106,278)	(140,196)
Net profit for the current period	$ 417,915	$ 577,599

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company’s significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Unit: In Thousands of Foreign Currencies and New Taiwan Dollars

December 31, 2024

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 22,314	32.785 (USD:NTD)	$ 731,564
EUR	4,832	34.14 (EUR:NTD)	164,964

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 1,355	32.785 (USD:NTD)	$ 44,424
EUR	19	34.14 (EUR:NTD)	649

(Concluded)

December 31, 2023

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 23,213	30.705 (USD:NTD)	$ 712,755
EUR	2,329	33.98 (EUR:NTD)	79,139
Financial liabilities			
Monetary items			
USD	1,458	30.705 (USD:NTD)	44,768

For the years ended December 31, 2024 and 2023, net foreign exchange gain was $50,197 thousand and $26,665 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities.

33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees:

1) Lending funds to others. (None)

2) Providing endorsements or guarantees for others. (None)

3) Holding of securities at the end of the period (excluding investments in subsidiaries, associates and joint venture). (Table 1)

4) Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more. (Table 2)

5) Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

6) Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more. (None)

8) Trade receivables from related parties reaching NT$100 million or 20 percent of paid-in capital or more. (None)

9) Trading in derivative instruments. (None)

10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Table 3)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 4)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Table 5)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (None).

TABLE 1

KAORI HEAT TREATMENT CO., LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2024				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Kaori Heat Treatment Co., Ltd.	Equity investment							
	Bloom Energy Co.	None	Financial assets at fair value through other comprehensive income - non-current	140,000	$ 101,942	-	$ 101,942	
	ACTi Corporation	〃	〃	117,980	3,066	-	3,066	
	Semisils Applied Materials Corp., Ltd.	〃	〃	300,000	1,616	-	1,616	
					$ 106,624		$ 106,624	

Note 1: The marketable securities mentioned in this schedule refer to stocks, bonds, beneficiary certificates and marketable securities derived from the above items within the scope of IFRS 9 “Financial Instruments”.

Note 2: For information on investments in Subsidiaries, please refer to Note 11 and Table 3.

KAORI HEAT TREATMENT CO., LTD.

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition (Note)		Disposal				Adjusted in accordance with the equity method	Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal		Number of Shares	Amount
Kaori Heat Treatment Co., Ltd.	Stock	Investments accounted for using equity method	Kaori Thermal Technology Co., Ltd.	Parent company to subsidiary	-	$ -	42,600,000	$ 851,000	-	$ -	$ -	$ -	$ (1,198)	42,600,000	$ 849,802

Note: The increase of $851,000 thousand in the current period is due to an investment of $1,000 thousand for establishment and a business spin-off transfer of $850,000 thousand.

KAORI HEAT TREATMENT CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2024			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2024	December 31, 2023	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Kaori Heat Treatment Co., Ltd.	Kaori International Co., Ltd.	Trust Net Chambers, Lotemau Centre, P. O. Box 1225, Apia, Samoa	Investment management	$ 171,641	$ 171,641	5,100,000	100.00	$ 324,703	$ 19,618	$ 19,618	1 and 2
	Kaori Thermal Technology Co., Ltd.	No. 8-1, Ziqiang 4th Rd., Zhongli Dist., Taoyuan City	Product manufacturing	851,000	-	42,600,000	100.00	849,802	(72)	(72)	1 and 2
	Kaori Technology (Thailand) Co., Ltd.	No. 915/1 Moo 9, Tambol Hua Samrong, Amphur Plaeng Yao, Chachoengsao Province, 24190	Product manufacturing	57,000	-	14,999,999	99.99	57,972	29	29	1 and 2
Kaori International Co., Ltd.	Kaori Development Co., Ltd.	Trust Net Chambers, Lotemau Centre, P. O. Box 1225, Apia, Samoa	Investment management	169,984	169,984	5,050,000	100.00	328,698	19,642	19,642	1 and 2
	Kaori Technology (Thailand) Co., Ltd.	No. 915/1 Moo 9, Tambol Hua Samrong, Amphur Plaeng Yao, Chachoengsao Province, 24190	Product manufacturing	-	-	1	0.01	-	29	-	1 and 2
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	No. 8, Chuangye Fourth Road, Bonded West Zone, Beilun District, Ningbo, Zhejiang	Product manufacturing	168,267	168,267	-	100.00	328,201	19,689	19,689	1 and 2

Note 1: Subsidiary included in the consolidated entities.

Note 2: For the equity-method subsidiaries included in the consolidated financial statements, investment income or loss recognized under the equity method, and the net equity of the investee are fully eliminated.

KAORI HEAT TREATMENT CO., LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2024 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2024 (In Thousand)	Percentage of Ownership	Current Profit and Loss of the Invested Company	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2024	Accumulated Inward Remittance of Earnings as of December 31, 2024
					Outflow	Inflow						
Kaori Technology (Ningbo) Corporation	Research, development, design and manufacture of heat exchange products and brazing and welding technology related products	$ 168,267 (US$ 5,000)	Indirect investment of the Company in mainland China through the Company's subsidiary in a third region	$ 171,641 (US$ 5,100)	$ -	$ -	$ 171,641 (US$ 5,100) (Note 2)	19,689	100%	$ 19,689 (Note 1)	$ 328,201	$ 86,483 (US$ 1,534 and RMB 10,000)

Note: 1. The investment profit is recognized according to the audited financial reports for the year ended December 31, 2024.

2. The amount invested in Kaori International Co., Ltd., to which Kaori International Co., Ltd. then indirectly invested US$5,100 thousand to Kaori Technology (Ningbo).

2. The limited amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 171,641 (US$ 5,100)	$ 171,641 (US$ 5,100)	$ 2,062,205 (Note)

Note: According to the Investment Commission of MOEA, the investment amount in mainland China should be limited to the greater of the net profit or 60% of consolidated net profit.

KAORI HEAT TREATMENT CO., LTD.

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD AREA, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
			Amount	Percentage (%)	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	Sales	$ 50,574	1	Average markup price around 10%	30 days upon arrival	Sales price has no significant difference to non-related parties' transactions	$ 3,346	1	$ (4,758)
		Purchase	22,635	1	〃	60 days upon shipment	Purchase price has no significant difference to non-related parties' transactions	5,298	2	-

KAORI HEAT TREATMENT CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, and Foreign Currency)

Item	Explanation	Amount
Cash		
Cash on hand		$ 325
Cash in banks		
Foreign-currency deposits (Note)		382,889
Demand deposits		675,044
Checking accounts		371
Time deposits		30,000
		$ 1,088,629

Note: Exchange rates: US$1=NT$32.785; EUR1=NT$34.14.

STATEMENT 2

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF NOTES RECEIVABLE
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount
Third parties		
A Company	For goods	$ 2,645
B Company	〃	2,039
C Company	〃	1,028
Others (Note)	〃	8,920
		14,632
Less: Allowance for doubtful accounts		(73)
		$ 14,559

Note: Each account was less than 5% of the total account balance.

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF TRADE RECEIVABLES
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount
Third parties		
A Company	For goods	$ 435,579
B Company	〃	37,103
Others (Note)	〃	129,788
		602,470
Less: Allowance for doubtful accounts		(5,773)
		$ 596,697

Note: Each account was less than 5% of the total account balance.

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF INVENTORIES
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Cost	Market Value (Note)
Raw materials	$ 278,512	$ 256,547
Supplies and spare parts	16,103	13,200
Work in process	385,792	369,558
Finished goods	95,828	91,177
Merchandise	803	334
Goods in transit	35,110	35,110
Spare parts	10,850	7,998
	822,998	$ 773,924
Less: Allowance for loss	(49,074)	
	$ 773,924	

Note: The market value is based on net realizable value.

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars and Shares)

	Beginning Balance		Increase		Decrease		Ending Balance			Market Price or Net Asset Value		Valuation Method	Pledge or Security
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	Unit Price	Amount		
Kaori International (Notes 1 and 4)	-	$ 293,460	-	$ 31,243	-	$ -	-	100.00	$ 324,703	$ -	$ 324,703	Equity method	None
Kaori Thermal Technology Co., Ltd. (Notes 2 and 4)	-	-	-	849,802	-	-	-	100.00	849,802	-	849,802	Equity method	None
Kaori Technology (Thailand) Co., Ltd (Notes 3 and 4)	-	-	-	57,972	-	-	-	99.99	57,972	-	57,972	Equity method	None
		$ 293,460		$ 939,017		$ -			$ 1,232,477		$ 1,232,477		

Note 1: Share from subsidiaries accounted for using the equity method gain $19,618 thousands, exchange differences on translating the financial statements of foreign operations $10,505 thousands, upstream transactions adjustment increase $1,120 thousands, totaling $31,243 thousands increase this year.

Note 2: Investment for establishment of $1,000 thousand and a business spin-off transfer of $850,000 thousand (including cash and cash equivalents of $606,667 thousand and net assets other than cash and cash equivalents of $243,333 thousand.), the share from subsidiaries accounted for using the equity method loss $(72) thousands, upstream transactions adjustment decrease $(1,126) thousands, totaling $849,802 thousands increase this year.

Note 3: Share issuance for cash $57,000 thousands, share from subsidiaries accounted for using the equity method gain $29 thousands, exchange differences on translating the financial statements of foreign operations $943 thousands, totaling $57,972 thousands increase this year.

Note 4: The market calculated on the basis of the audited financial statement for the same period.

STATEMENT 6

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Increase	Decrease	Business Spin-off Transfer to Subsidiaries	Ending Balance
Cost					
Land	$ 601	$ -	$ -	$ -	$ 601
Transportation equipment	10,106	8,762	(3,838)	(1,640)	13,390
	$ 10,707	$ 8,762	$ (3,838)	$ (1,640)	$ 13,991
Accumulated depreciation					
Land	$ 330	$ 121	$ -	$ -	$ 451
Transportation equipment	3,915	4,073	(3,838)	(451)	3,699
	$ 4,245	$ 4,194	$ (3,838)	$ (451)	$ 4,150
Net balance	$ 6,462	$ 4,568	$ -	$ (1,189)	$ 9,841

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, United States Dollars)

Item	Ending Balance	Contract Period	Annual interest Rates (%)	Financing Facilities	Pledged or Secured	Note
Unsecured borrowings						
E.SUN Bank	$ 20,000	2024/11/27-2025/2/27	1.950	$ 180,000	-	Unsecured borrowings
Cathay United Bank	85,000	2024/12/23-2025/3/21	1.892	150,000	-	Unsecured borrowings
Fubon Bank	165,000	2024/12/5-2025/9/25	1.403	165,000	-	Unsecured borrowings
Fubon Bank	85,000	2024/9/25-2025/9/25	1.370	85,000	-	Unsecured borrowings
The Export-Import Bank of the Republic of China	50,000	2024/11/27-2025/11/27	1.909	350,000	-	Unsecured borrowings
The Export-Import Bank of the Republic of China	100,000	2024/12/12-2025/12/12	1.909	350,000	-	Unsecured borrowings
Mega International Commercial Bank	100,000	2024/11/27-2025/1/17	1.900	130,000	-	Unsecured borrowings
Mega International Commercial Bank	100,000	2024/12/20-2025/3/20	1.946	120,000	-	Unsecured borrowings
First Bank	120,000	2024/12/16-2025/2/14	1.898	120,000	-	Unsecured borrowings
Chang Hwa Commercial Bank	80,000	2024/12/20-2025/3/20	1.935	80,000	-	Unsecured borrowings
	$ 905,000					

STATEMENT 8

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF TRADE PAYABLES
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Explanation	Amount
Third parties		
A Company	Payment for goods	$ 16,474
B Company	〃	13,797
C Company	〃	13,356
Others (Note)	〃	207,583
		$ 251,210

Note: Each account was less than 5% of the total account balance.

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Lease Term	Discount Rate	Ending Balance
Land	2021.04-2026.03	1.25%	$ 154
Transportation equipment	2023.03-2029.02	1.25-1.8%	9,757
			$ 9,911

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Thermal products		$ 2,361,431
Heat exchange products		1,411,611
		$ 3,773,042

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF COST OF GOODS SOLD
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Beginning raw materials	$ 600,426
Add: Raw materials purchased	1,294,659
Returned raw materials	329
Gain from raw material physical count	9
Transferred from other accounts	193
Less: Ending materials	(278,512)
Reorganization Spin-off	(43,315)
Transferred to research expense	(4,924)
Transferred to supplies expense	(364)
Transferred to other accounts	(31)
Loss from disposal	(3,371)
Raw materials used	1,565,099
Beginning supplies	17,260
Add: Supplies purchased	272,880
Gain from physical counts	2
Transferred from other accounts	298
Returned raw materials	161
Less: Ending supplies	(16,103)
Reorganization Spin-off	(138,218)
Transferred to research expense	(7,214)
Transferred to supplies expense	(33,517)
Loss from disposal	(23)
Transferred to other accounts	(27)
Supplies used	95,499
Direct labor	348,882
Manufacturing expense	646,280
Manufacturing cost	2,655,760
Add: Beginning work in progress	406,863
Transferred from other accounts	27,349
Less: Transferred to research expense	(7,833)
Loss from disposal	(374)
Ending work in process	(385,792)
Reorganization Spin-off	(20,789)
Transferred to supplies expense	(1,640)
Transferred to other accounts	(2,693)
Merchandise and processing cost	2,670,851
Add: Beginning merchandise, products	158,287
Purchases	26,089
Merchandise and returned products	6
Warranty provision	6,852

(Continued)

Item		Amount
Less:	Transferred to expenses	$ (21,110)
	Transferred to research expense	(3,661)
	Loss from disposal	(8,581)
	Ending merchandise, products and work in transit	(131,741)
	Reorganization Spin-off	(20,529)
Cost of goods sold		2,676,463
Add:	Loss on disposal of inventory	12,349
	Inventory write-up and loss for market price	13,326
Less:	Revenue from sales of scrap	(49,621)
	Gain on physical count of inventory	(11)
Total cost of goods sold		$ 2,652,506

(Concluded)

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Amount
Salary and bonus	$ 85,682
Depreciation	106,485
Expenditures	68,794
Utilities expense	47,064
Processing expense	267,767
Supplies expense	35,768
Others (Note)	34,720
	$ 646,280

Note: Each account was less than 5% of the total account balance.

KAORI HEAT TREATMENT CO., LTD.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Item	Selling and Marketing	General and Administration	Research and Development
Salary (including overtime pay and bonus)	$ 67,858	$ 170,346	$ 57,132
Depreciation	548	29,937	2,322
Transportation expense	21,285	138	314
Consumables expense	-	-	24,612
Expenditures	-	55	9,348
Others (Note)	34,285	65,047	19,371
	$ 123,976	$ 265,523	$ 113,099

Note: Each account was less than 5% of the total account balance.

KAORI HEAT TREATMENT CO., LTD.

EMPLOYEE WELFARE, DEPRECIATION AND AMORTIZATION EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	2024			2023		
Item	**Operating Cost**	**Operating Expense**	**Total**	**Operating Cost**	**Operating Expense**	**Total**
Salaries	$ 363,736	$ 267,784	$ 631,520	$ 377,520	$ 253,543	$ 631,063
Insurance	36,050	18,424	54,474	36,400	13,535	49,935
Pension	14,201	8,325	22,526	13,692	7,747	21,439
Remuneration of directors	-	27,552	27,552	-	26,573	26,573
Other employee benefit	27,879	8,889	36,768	29,579	8,567	38,146
	$ 441,866	$ 330,974	$ 772,840	$ 457,191	$ 309,965	$ 767,156
Depreciation expense	$ 106,485	$ 32,807	$ 139,292	$ 77,082	$ 36,036	$ 113,118
Amortization expense	$ 2,357	$ 2,266	$ 4,623	$ 2,342	$ 1,296	$ 3,638

Note 1: As of December 31, 2024 and 2023, the number of employees were 639 and 628 people with both 4 directors not included in the employees, respectively.

Note 2: Information should be disclosed:

a. The average of employee benefit is $1,174 thousand in the current year.
The average of employee benefit is $1,187 thousand in the previous year.

b. The average of salaries is $995 thousand in the current year.
The average of salaries is $1,011 thousand in the previous year.

c. Decrease in the average salary adjustment is 1.6%.

Note 3: The corresponding remuneration of supervisors was $2,160 thousand and $1,440 thousand for the years ended December 31, 2024 and 2023.

Note 4: The remuneration policy of directors, management, and employees are as follows:

Directors

According to Article 28 of the Company’s Articles of Incorporation, if the Company makes a profit in a fiscal year, it shall allocate no less than 2% for employee remuneration and no more than 5% for director remuneration. The remuneration amount will be determined by the Company’s Remuneration Committee, taking into account the Company’s operating performance and the individual’s contribution to the Company’s performance.

Management

The remuneration policy for the General Manager and Deputy General Manager is based on the relevant industry standards and the past business performance of the Company. The standards, structure, and system of their compensation are subject to timely review and adjustment based on the actual operating conditions and relevant legal changes; furthermore, the Company does not engage in any actions that would lead managers beyond the Company’s risk to pursue remuneration. The reasonableness of compensation is subject to review by the Compensation Committee, and any recommendations are submitted to the Board of Directors for discussion.

Employees

To maintain overall competitiveness of remuneration, also taking into consideration the Company’s operational performance and future development, a bonus plan is established based on performance. The policy is implemented based on performance and differential rewards, which are given based on individual performance to reward employees for their contributions.