

**Kaori Heat Treatment Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2024 and 2023 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2024 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No, 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

KAORI HEAT TREATMENT CO., LTD.

By

CHIH-HSYONG WU
Chairman

March 5, 2025

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

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 Consolidated Financial Statements section of our report. We are independent of the Group 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated 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 Group's consolidated financial statements for the year ended December 31, 2024 is stated as follows:

Specific Sales Department's Revenue Recognition

In 2024, Kaori Heat Treatment Co., Ltd. experienced a decrease in operating revenue by approximately 7% 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(12) and 22 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.

Other Matter

We have also audited the parent company only financial statements of Kaori Heat Treatment Co., Ltd. as of and for the years ended December 31, 2024 and 2023, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. 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 consolidated 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 consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

ASSETS	2024		2023	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 6 and 28)	\$ 1,871,305	31	\$ 590,937	12
Financial assets at amortized cost - current (Notes 9 and 28)	49,258	1	21,635	1
Notes receivable (Notes 10 and 28)	14,573	-	14,479	-
Trade receivables (Notes 10 and 28)	807,125	13	782,838	16
Other receivables (Notes 10 and 28)	257	-	825	-
Inventories (Note 11)	1,052,213	17	1,234,668	26
Other current assets	<u>61,076</u>	<u>1</u>	<u>56,290</u>	<u>1</u>
Total current assets	<u>3,855,807</u>	<u>63</u>	<u>2,701,672</u>	<u>56</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 28)	1,514	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 28)	106,624	2	68,634	1
Financial assets at amortized cost - non-current (Notes 9 and 28)	-	-	25,962	1
Property, plant and equipment (Notes 13 and 30)	1,965,780	32	1,838,556	38
Right-of-use assets (Note 14)	12,855	-	8,311	-
Investment properties (Notes 15 and 30)	21,312	-	22,225	1
Intangible asset	9,006	-	2,592	-
Deferred tax assets (Notes 4 and 24)	15,554	-	15,326	-
Other non-current assets (Note 31)	91,679	2	133,371	3
Net defined benefit assets - non-current (Notes 4 and 20)	<u>22,449</u>	<u>1</u>	<u>12,205</u>	<u>-</u>
Total non-current assets	<u>2,246,773</u>	<u>37</u>	<u>2,127,182</u>	<u>44</u>
TOTAL	<u>\$ 6,102,580</u>	<u>100</u>	<u>\$ 4,828,854</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 16 and 28)	\$ 905,000	15	\$ -	-
Contract liabilities - current (Note 22)	33,447	1	38,728	1
Notes payable (Note 28)	1,322	-	1,132	-
Trade payables (Note 28)	360,210	6	204,579	4
Other payables (Notes 18 and 28)	417,484	7	358,939	8
Current tax liabilities (Notes 4 and 24)	82,391	1	119,112	3
Provisions - current (Note 19)	6,411	-	-	-
Lease liabilities - current (Note 14)	5,013	-	2,864	-
Current portion of long-term borrowings (Notes 16, 28 and 30)	53,459	1	254,650	5
Other current liabilities	<u>12,391</u>	<u>-</u>	<u>15,753</u>	<u>-</u>
Total current liabilities	<u>1,877,128</u>	<u>31</u>	<u>995,757</u>	<u>21</u>
NON-CURRENT LIABILITIES				
Financial liabilities at amortized cost - non-current (Notes 7 and 28)	-	-	7,100	-
Bonds payable (Notes 17 and 28)	467,047	8	907,030	19
Long-term borrowings (Notes 16, 28 and 30)	268,156	4	184,505	4
Provisions - non-current (Note 19)	441	-	-	-
Deferred income tax liabilities (Notes 4 and 24)	46,343	1	26,936	-
Lease liabilities - non-current (Note 14)	6,094	-	3,631	-
Guarantee deposits received (Note 28)	<u>363</u>	<u>-</u>	<u>213</u>	<u>-</u>
Total non-current liabilities	<u>788,444</u>	<u>13</u>	<u>1,129,415</u>	<u>23</u>
Total liabilities	<u>2,665,572</u>	<u>44</u>	<u>2,125,172</u>	<u>44</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Share capital				
Ordinary shares	<u>914,647</u>	<u>15</u>	<u>893,841</u>	<u>18</u>
Capital surplus	<u>1,245,856</u>	<u>20</u>	<u>816,351</u>	<u>17</u>
Retained earnings				
Legal reserve	278,353	4	220,836	5
Special reserve	5,401	-	-	-
Unappropriated earnings	<u>956,379</u>	<u>16</u>	<u>778,056</u>	<u>16</u>
Total retained earnings	<u>1,240,133</u>	<u>20</u>	<u>998,892</u>	<u>21</u>
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	<u>11,591</u>	<u>-</u>	<u>143</u>	<u>-</u>
Total other equity	<u>36,372</u>	<u>1</u>	<u>(5,402)</u>	<u>-</u>
Total equity	<u>3,437,008</u>	<u>56</u>	<u>2,703,682</u>	<u>56</u>
Total	<u>\$ 6,102,580</u>	<u>100</u>	<u>\$ 4,828,854</u>	<u>100</u>

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

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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 and 22)	\$ 4,003,440	100	\$ 4,325,671	100
COST OF GOODS SOLD (Notes 11 and 23)	<u>2,808,590</u>	<u>70</u>	<u>3,101,722</u>	<u>71</u>
GROSS PROFIT	<u>1,194,850</u>	<u>30</u>	<u>1,223,949</u>	<u>29</u>
OPERATING EXPENSES (Notes 23 and 28)				
Selling and marketing expenses	139,317	4	139,414	3
General and administrative expenses	297,425	7	287,463	7
Research and development expenses	113,099	3	83,813	2
Expected credit (gain) loss	<u>(1,548)</u>	<u>-</u>	<u>1,821</u>	<u>-</u>
Total operating expenses	<u>548,293</u>	<u>14</u>	<u>512,511</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>646,557</u>	<u>16</u>	<u>711,438</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES (Note 23)				
Interest income	8,562	-	8,274	-
Other income	58,306	2	18,275	-
Other gains and losses	58,955	2	25,053	1
Finance costs	<u>(22,471)</u>	<u>(1)</u>	<u>(33,394)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>103,352</u>	<u>3</u>	<u>18,208</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	749,909	19	729,646	17
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(156,865)</u>	<u>(4)</u>	<u>(153,120)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR (Note 23)	<u>593,044</u>	<u>15</u>	<u>576,526</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	7,167	-	(1,690)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	37,990	1	(17,591)	-

(Continued)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	%
Income tax related to items that will not be reclassified subsequently to profit or loss	\$ (9,098)	-	\$ 4,054	-
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>11,448</u>	<u>-</u>	<u>(5,475)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>47,507</u>	<u>1</u>	<u>(20,702)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 640,551</u>	<u>16</u>	<u>\$ 555,824</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 593,044	15	\$ 576,526	13
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 593,044</u>	<u>15</u>	<u>\$ 576,526</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 640,551	16	\$ 555,824	13
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 640,551</u>	<u>16</u>	<u>\$ 555,824</u>	<u>13</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	<u>\$ 6.56</u>		<u>\$ 6.45</u>	
Diluted	<u>\$ 6.35</u>		<u>\$ 6.44</u>	

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

(Concluded)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Other Equity		Total Equity
				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	
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)
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 consolidated financial statements.

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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	\$ 749,909	\$ 729,646
Adjustments for:		
Depreciation expense	151,038	122,793
Amortization expense	7,905	6,371
Expected credit loss (reversed) recognized on trade receivables	(1,548)	1,821
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(12,451)	1,844
Finance costs	22,471	33,394
Interest income	(8,562)	(8,274)
Loss (gain) on disposal or discard of property, plant and equipment	904	(4,437)
Inventory valuation losses	13,326	4,882
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	(22,801)	(225,855)
Other receivables	568	(726)
Inventories	169,129	(59,738)
Other current assets	(4,786)	115,523
Net defined benefit assets	(3,077)	(3,267)
Contract liabilities	(5,281)	(19,943)
Notes payable	190	(169)
Trade payables	155,631	(49,300)
Other payables	16,896	116,481
Provisions	6,852	-
Other current liabilities	(3,362)	(3,775)
Cash generated from operations	1,232,857	806,838
Interest paid	(8,069)	(32,382)
Income tax paid	(183,505)	(95,414)
Net cash generated from operating activities	<u>1,041,283</u>	<u>679,042</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment (Note 26)	(190,252)	(348,854)
Proceeds from disposal of property, plant and equipment	-	10,140
Increase in refundable deposits	(2,394)	-
Payments for intangible assets	(8,080)	(3,150)
Increase in other non-current assets	(2,474)	(12,520)
Interest received	<u>8,562</u>	<u>8,274</u>
Net cash used in investing activities	<u>(194,638)</u>	<u>(346,110)</u>

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KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (repayment) from short-term borrowings	\$ 905,000	\$ (750,000)
Proceeds from issuance of convertible bonds	-	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	<u>204</u>	<u>-</u>
Net cash generated from financing activities	<u>426,128</u>	<u>2,267</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>7,595</u>	<u>(3,552)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,280,368	331,647
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>590,937</u>	<u>259,290</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,871,305</u>	<u>\$ 590,937</u>

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

(Concluded)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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 and its subsidiaries are hereinafter collectively referred to as the “Group”.

The Group specializes in producing mechanical hardware, processing of fabricated metals and 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 Note 12.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated 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 Group’s accounting policies.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
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 classification 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 Group 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)
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: 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 Group 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 Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group 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 Group as a whole, the Group 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 Group is continuously assessing the other impacts of the above amended standards and interpretations will have on the Group'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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, other regulations and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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.

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 consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group 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.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 12 and Table 3 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity'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.

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 items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated 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.

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 the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to 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 re-attributed to the non-controlling interests of the subsidiary but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. 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 the specific identification of cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Except for freehold land which 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 Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 for 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 a group entity 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 issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss 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 settlement date basis.

a) Measurement categories

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is 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, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

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

- i) The financial asset is 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 asset 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, trade receivables at amortized cost and debt investments with no active market, are measured at amortized cost, which equals the gross carrying amount determined by 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 Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

The Group 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 Group 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 Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group'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 Group'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 28.

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 Group 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.

Warranties

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 Group's obligations.

l. Revenue recognition

The Group 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. Revenue is recognized 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. Leasing

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

1) The Group 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 Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for 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 consolidated 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 Group uses the lessee's incremental borrowing rate.

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 Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Borrowing costs

Borrowing costs directly attributable to the 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 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 an expense 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 and net interest on the net defined benefit liability (asset)) are recognized as employee benefit expenses in the period they occur, when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. 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 Group can no longer withdraw the offer of the termination benefit and when the Group 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 arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized 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 they are expected to reverse in the foreseeable future.

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

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

3) Current and deferred taxes 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, the tax effect is included in the accounting for the business combination.

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.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group'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.

When developing material accounting estimates, the Group considers the possible impact on the cash flow projection, growth rates, discount rates, profitability and other material 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	\$ 327	\$ 463
Checking accounts and demand deposits	1,831,058	584,131
Cash equivalents (investments with original maturities less than three months)	30,000	-
Bank acceptance bill	<u>9,920</u>	<u>6,343</u>
	<u>\$ 1,871,305</u>	<u>\$ 590,937</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2024	2023
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Put option for convertible corporate bonds (Note 17)	<u>\$ 1,514</u>	<u>\$ -</u>
<u>Financial liabilities at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Put option for convertible corporate bonds (Note 17)	<u>\$ -</u>	<u>\$ 7,100</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2024	2023
<u>Non-current</u>		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	<u>\$ 106,624</u>	<u>\$ 68,634</u>
<u>Non-current</u>		
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	<u>101,942</u>	<u>63,621</u>
	<u>\$ 106,624</u>	<u>\$ 68,634</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2024	2023
<u>Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 49,258</u>	<u>\$ 21,635</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 1 year	<u>\$ -</u>	<u>\$ 25,962</u>

The range of interest rates for time deposits with original maturities of more than 3 months were 3.25%-3.40% per annum as of December 31, 2024 and 2023.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2024	2023
<u>Notes receivable</u>		
Notes receivable - operating	\$ 14,646	\$ 14,552
Less: Allowance for impairment loss	<u>(73)</u>	<u>(73)</u>
	<u>\$ 14,573</u>	<u>\$ 14,479</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 815,886	\$ 793,582
Less: Allowance for impairment loss	<u>(8,761)</u>	<u>(10,744)</u>
	<u>\$ 807,125</u>	<u>\$ 782,838</u>
<u>Other receivables</u>		
Other receivable	\$ 264	\$ 832
Less: Allowance for impairment loss	<u>(7)</u>	<u>(7)</u>
	<u>\$ 257</u>	<u>\$ 825</u>

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

The Group 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 Group 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 Group 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 Group 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 Group'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)	<u>(4,313)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,313)</u>
Amortized cost	<u>\$ 429,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429,136</u>

The expected credit loss rate for each above range of the Group is not more than 1% within the 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	\$ 354,173	\$ 39,569	\$ 315	\$ 222	\$ 1,923	\$ 881	\$ 397,083
Loss allowance (Lifetime ECL)	(477)	(1,096)	(60)	(84)	(1,923)	(881)	(4,521)
Amortized cost	<u>\$ 353,696</u>	<u>\$ 38,473</u>	<u>\$ 255</u>	<u>\$ 138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392,562</u>

The expected credit loss rate for each above range of the Group 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 Group 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	<u>\$ 384,419</u>	<u>\$ 123,355</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 507,859</u>

The expected credit loss rate for each above range of the Group is not more than 1% within the 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	\$ 266,372	\$ 22,903	\$ 1,280	\$ 116	\$ 1,327	\$ 881	\$ 292,879
Loss allowance (Lifetime ECL)	(338)	(984)	(256)	(23)	(939)	(881)	(3,421)
Amortized cost	<u>\$ 266,034</u>	<u>\$ 21,919</u>	<u>\$ 1,024</u>	<u>\$ 93</u>	<u>\$ 388</u>	<u>\$ -</u>	<u>\$ 289,458</u>

The expected credit loss rate for each above range of the Group 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 Group recognizes the full amount as expected credit loss.

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

	2024	2023
Balance at January 1	\$ 10,824	\$ 9,041
Add: Net remeasurement of loss allowance	-	1,821
Less: Impairment losses reversed	(1,548)	-
Less: Amounts written off	(497)	-
Foreign exchange gains and losses	<u>62</u>	<u>(38)</u>
Balance at December 31	<u>\$ 8,841</u>	<u>\$ 10,824</u>

11. INVENTORIES

	December 31	
	2024	2023
Finished goods	\$ 124,349	\$ 132,029
Work in process	381,496	390,060
Raw materials	496,715	656,423
Merchandise	492	683
Spare parts	10,765	14,552
Inventory in transit	<u>38,396</u>	<u>40,921</u>
	<u>\$ 1,052,213</u>	<u>\$ 1,234,668</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2024 and 2023 was \$2,808,590 thousand and \$3,101,722 thousand, respectively. The cost of goods sold for 2024 and 2023 included (reversal of) inventory write-downs of \$13,326 thousand and \$4,882 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

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

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Note
			December 31		
			2024	2023	
Kaori Heat Treatment Co., Ltd.	Kaori International Co., Ltd.	Investment management	100.00	100.00	a
	Kaori Thermal Technology Co., Ltd.	Engaged in the business of immersive liquid cooling solutions	100.00	-	b
	Kaori Technology (Thailand) Co., Ltd.	Engaged in the business of immersive liquid cooling solutions	99.99	-	c
Kaori International Co., Ltd.	Kaori Development Co., Ltd.	Investment management	100.00	100.00	d
	Kaori Technology (Thailand) Co., Ltd.	Engaged in the business of immersive liquid cooling solutions	0.01	-	c
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	Research, development, design and manufacture of heat exchange products and brazing and welding technology related products	100.00	100.00	e

- a. Kaori International Co., Ltd. (hereinafter as “Kaori International”) was incorporated on March 4, 2012 in Samoa, and is 100% owned by the Company. Kaori International is approved by the Ministry of Economic Affairs Overseas Chinese and Foreign Investment Commission to conduct investment and trade related business in China.
- b. Kaori Thermal Technology CO., LTD. (hereinafter as “Kaori Thermal Technology”) was incorporated in August 2024, and is 100% owned by the Company. It primarily engages in the manufacturing of various immersion cooling heat dissipation-related products. On November 12, 2024, the Company's shareholders passed a resolution to enhance competitiveness and asset performance by reorganizing and specializing its operations. As part of this reorganization, the Company's thermal energy business division (including assets, liabilities, and operations) was transferred to Kaori Thermal Technology, with the spin-off date set as December 31, 2024. The book value of the net assets transferred by the Company was NT\$850,000 thousand, and Kaori Thermal Technology issued 42,500 thousand new shares at NT\$20 per share to acquire the net assets transferred by the Company. The related transaction was completed in December 2024.
- c. Kaori Technology (Thailand) Co., Ltd. (hereinafter as “Kaori Thailand”) was incorporated on October 22, 2024 in Thailand, and is 100% owned by the Company and Kaori International.
- d. Kaori Development Co., Ltd. (hereinafter as “Kaori Development”) was incorporated on March 4, 2012 in Samoa, and is 100% owned by Kaori International. Kaori Development is approved by the Ministry of Economic Affairs Overseas Chinese and Foreign Investment Commission to conduct investment and trade related business in China.
- e. Kaori Technology (Ningbo) Corporation (hereinafter as “Kaori Technology (Ningbo)”) was incorporated in July 2012, and is 100% owned by Kaori Development. Kaori Technology (Ningbo) obtained the enterprise legal person permit to do business, the validity period beginning on July 2, 2012 to July 1, 2052. Main businesses include research, development, design and manufacture of heat exchange products as well as brazing and welding technology related products.

13. 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	\$ 825,618	\$ 535,512	\$ 198,225	\$ 5,785	\$ 187,694	\$ 4,284	\$ 2,461,297
Additions	-	10,798	134,271	4,523	1,325	78,094	42,887	271,898
Disposals	-	-	(16,948)	(28,307)	(256)	(21,026)	-	(66,537)
Reclassifications	-	14,433	32,742	-	-	-	(47,175)	-
Effect of foreign currency exchange differences	-	1,373	4,755	-	121	109	4	6,362
Balance at December 31, 2024	<u>\$ 704,179</u>	<u>\$ 852,222</u>	<u>\$ 690,332</u>	<u>\$ 174,441</u>	<u>\$ 6,975</u>	<u>\$ 244,871</u>	<u>\$ -</u>	<u>\$ 2,673,020</u>
Accumulated depreciation and impairment								
Balance at January 1, 2024	\$ -	\$ 249,924	\$ 206,593	\$ 104,630	\$ 3,370	\$ 58,224	\$ -	\$ 622,741
Depreciation expense	-	31,450	59,561	14,477	506	39,849	-	145,843
Disposals	-	-	(16,304)	(28,307)	(256)	(20,766)	-	(65,633)
Effect of foreign currency exchange differences	-	819	3,318	-	90	62	-	4,289
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 282,193</u>	<u>\$ 253,168</u>	<u>\$ 90,800</u>	<u>\$ 3,710</u>	<u>\$ 77,369</u>	<u>\$ -</u>	<u>\$ 707,240</u>
Carrying amount at December 31, 2024	<u>\$ 704,179</u>	<u>\$ 570,029</u>	<u>\$ 437,164</u>	<u>\$ 83,641</u>	<u>\$ 3,265</u>	<u>\$ 167,502</u>	<u>\$ -</u>	<u>\$ 1,965,780</u>
Cost								
Balance at January 1, 2023	\$ 704,179	\$ 812,422	\$ 402,551	\$ 164,850	\$ 5,402	\$ 144,026	\$ 36,228	\$ 2,269,658
Additions	-	5,102	223,486	15,029	1,298	89,862	4,286	339,063
Disposals	-	-	(88,079)	(9,052)	(852)	(46,137)	-	(144,120)
Reclassifications	-	8,830	-	27,398	-	-	(36,228)	-
Effect of foreign currency exchange differences	-	(736)	(2,446)	-	(63)	(57)	(2)	(3,304)
Balance at December 31, 2023	<u>\$ 704,179</u>	<u>\$ 825,618</u>	<u>\$ 535,512</u>	<u>\$ 198,225</u>	<u>\$ 5,785</u>	<u>\$ 187,694</u>	<u>\$ 4,284</u>	<u>\$ 2,461,297</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Electric Equipment	Transportation Equipment	Office Equipment	Property in Construction	Total
Accumulated depreciation and impairment								
Balance at January 1, 2023	\$ -	\$ 219,592	\$ 249,280	\$ 97,437	\$ 3,786	\$ 74,607	\$ -	\$ 644,702
Depreciation expense	-	30,765	42,789	15,040	426	29,717	-	118,737
Disposals	-	-	(83,711)	(7,847)	(793)	(46,066)	-	(138,417)
Effect of foreign currency exchange differences	-	(433)	(1,765)	-	(49)	(34)	-	(2,281)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 249,924</u>	<u>\$ 206,593</u>	<u>\$ 104,630</u>	<u>\$ 3,370</u>	<u>\$ 58,224</u>	<u>\$ -</u>	<u>\$ 622,741</u>
Carrying amount at December 31, 2023	<u>\$ 704,179</u>	<u>\$ 575,694</u>	<u>\$ 328,919</u>	<u>\$ 93,595</u>	<u>\$ 2,415</u>	<u>\$ 129,470</u>	<u>\$ 4,284</u>	<u>\$ 1,838,556</u>

(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	5-16 years
Transportation equipment	5-6 years
Other equipment	5-6 years

In 2024 and 2023, the Group 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 30.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2024	2023
<u>Carrying amount</u>		
Land	\$ 1,975	\$ 2,120
Transportation equipment	<u>10,880</u>	<u>6,191</u>
	<u>\$ 12,855</u>	<u>\$ 8,311</u>
	For the Year Ended December 31	
	2024	2023
Addition for right-of-use assets	<u>\$ 8,762</u>	<u>\$ 6,268</u>
Depreciation charge for right-of-use assets		
Land	\$ 209	\$ 208
Transportation equipment	<u>4,073</u>	<u>2,748</u>
	<u>\$ 4,282</u>	<u>\$ 2,956</u>

b. Lease liabilities

	December 31	
	2024	2023
<u>Carrying amount</u>		
Current	<u>\$ 5,013</u>	<u>\$ 2,864</u>
Non-current	<u>\$ 6,094</u>	<u>\$ 3,631</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2024	2023
Land	1.25%	1.25%
Transportation equipment	1.25%-1.80%	1.25%-1.80%

c. Material leasing activities and terms

The Group leases certain transportation equipment and land with lease terms of 3 to 5 years. These arrangements do not contain renewal or purchase options.

The Group also leases land for the manufacturing of products with lease term of 43 years in China. The lease specifies that payments will be paid in total amount at once, and does not contain purchase option at the end of the contract.

d. Other lease information

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

The Group has leases that qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. INVESTMENT PROPERTIES

	December 31	
	2024	2023
Completed investment properties	<u>\$ 21,312</u>	<u>\$ 22,225</u>

	Completed Investment Properties
<u>Cost</u>	
Balance at January 1, 2024	\$ 30,895
Less: Decrease in the period	<u>(1,397)</u>
Balance at December 31, 2024	<u>\$ 29,498</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2024	\$ 8,670
Depreciation expense	913
Less: Decrease in the period	<u>(1,397)</u>
Balance at December 31, 2024	<u>\$ 8,186</u>
Carrying amount at December 31, 2024	<u>\$ 21,312</u>
<u>Cost</u>	
Balance at January 1, 2023	<u>\$ 30,895</u>
Balance at December 31, 2023	<u>\$ 30,895</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2023	\$ 7,570
Depreciation expense	<u>1,100</u>
Balance at December 31, 2023	<u>\$ 8,670</u>
Carrying amount at December 31, 2023	<u>\$ 22,225</u>

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 30.

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

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

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 Group's investment properties as of December 31, 2023 and 2024 was \$127,708 thousand. Have not been evaluated by an independent appraiser and are only measured by the Group's management using Level 3 input values using valuation models commonly used by market participants. The said appraisal was made by referring to market evidence of transaction prices of similar real estate in adjacent areas. The Group management evaluated the fair value and concluded that there is no material fluctuation on the Group's investment properties during the year of 2024.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2024	2023
<u>Unsecured borrowings</u>		
Letters of credit	\$ 905,000	\$ -

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

b. Long-term borrowings

	December 31	
	2024	2023
<u>Secured and unsecured borrowings (Note 30)</u>		
Bank loans	\$ 321,615	\$ 439,155
Less: Current portion	(53,459)	(254,650)
Long-term borrowings	\$ 268,156	\$ 184,505

The borrowings of the Group were as follows:

		December 31	
Detail of Borrowing		2024	2023
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	-

(Continued)

Detail of Borrowing		December 31	
		2024	2023
Secured bank borrowing denominated in NT\$	Maturity date: 2031.05.15 Principle is paid monthly since June 2026	\$ 26,090	\$ -
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
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
		321,615	439,155
Less: Current portion		(53,459)	(254,650)
		<u>\$ 268,156</u>	<u>\$ 184,505</u> (Concluded)

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

The Group provides property, plant and equipment and investment properties of financial institutions as collaterals for long-term loans, please refer to Note 30 for details of the collaterals.

17. BONDS PAYABLE

	December 31	
	2024	2023
Unsecured domestic convertible bonds	\$ 467,047	\$ 907,030
Less: Current portion	<u>-</u>	<u>-</u>
	<u>\$ 467,047</u>	<u>\$ 907,030</u>

On December 6, 2023, the Company issued a 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 exceeds 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	<u>(4,300)</u>
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	<u>1,499</u>
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	<u>(453,944)</u>
Components of liabilities at December 31, 2024	<u>\$ 467,047</u>

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.

18. OTHER LIABILITIES

	December 31	
	2024	2023
<u>Other payables</u>		
Payables for salaries and bonus	\$ 251,681	\$ 246,425
Payables for bonus to employees and directors	44,083	42,517
Payables for goods	23,576	20,600
Payables for processing fees	2,309	973
Payables for prepaid equipment	59,365	18,157
Others	<u>36,470</u>	<u>30,267</u>
	<u>\$ 417,484</u>	<u>\$ 358,939</u>

19. PROVISIONS

	December 31	
	2024	2023
<u>Current</u>		
Warranty	<u>\$ 6,411</u>	<u>\$ -</u>
<u>Non-current</u>		
Warranty	<u>\$ 441</u>	<u>\$ -</u>

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 Group's 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.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Group 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 contribute amounts equal to 6% 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group'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	<u>86,129</u>	<u>83,930</u>
Net defined benefit assets	<u>\$ 22,449</u>	<u>\$ 12,205</u>

Movements in net defined benefit assets 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	<u>\$ (72,108)</u>	<u>\$ 82,736</u>	<u>\$ 10,628</u>
Service cost			
Current service cost	(708)	-	(708)
Net interest (expense) income	<u>(1,082)</u>	<u>1,271</u>	<u>189</u>
Recognized in profit or loss	<u>(1,790)</u>	<u>1,271</u>	<u>(519)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(34)	(34)
Actuarial gain - change in financial adjustments	(1,714)	-	(1,714)
Actuarial loss - experience adjustments	<u>58</u>	<u>-</u>	<u>58</u>
Recognized in other comprehensive income	<u>(1,656)</u>	<u>(34)</u>	<u>(1,690)</u>
Contributions from the employer	-	3,786	3,786
Benefits paid	<u>3,829</u>	<u>(3,829)</u>	<u>-</u>
Balance at December 31, 2023	<u>(71,725)</u>	<u>83,930</u>	<u>12,205</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Service cost			
Current service cost	\$ (614)	\$ -	\$ (614)
Net interest (expense) income	<u>(897)</u>	<u>1,072</u>	<u>175</u>
Recognized in profit or loss	<u>(1,511)</u>	<u>1,072</u>	<u>(439)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	4,107	4,107
Actuarial loss - change in financial adjustments	1,500	-	1,500
Actuarial gain - experience adjustments	<u>1,560</u>	<u>-</u>	<u>1,560</u>
Recognized in other comprehensive income	<u>3,060</u>	<u>4,107</u>	<u>7,167</u>
Contributions from the employer	-	3,516	3,516
Benefits paid	<u>6,496</u>	<u>(6,496)</u>	<u>-</u>
Balance at December 31, 2024	<u>\$ (63,680)</u>	<u>\$ 86,129</u>	<u>\$ 22,449</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group 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 changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will 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

21. 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 <u>transferred to share capital*</u>		
Issuance (bonds) of ordinary shares	\$ 268,526	\$ 268,526
Conversion of bonds	856,770	317,071
Overdue options	7,817	7,817

(Continued)

	December 31	
	2024	2023
<u>May only be used to offset a deficit</u>		
Right of disgorgement exercised	\$ 204	\$ -
<u>May not be used for any purpose</u>		
Convertible bonds share options	<u>112,539</u>	<u>222,937</u>
	<u>\$ 1,245,856</u>	<u>\$ 816,351</u>
		(Concluded)

* 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 dividends 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 bonuses to shareholders. For the policies on distribution of compensation of employees and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 23(g).

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

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. 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 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, thus 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.

22. REVENUE

	For the Year Ended December 31	
	2024	2023
Revenue from sale of goods	\$ 3,973,683	\$ 4,285,228
Revenue from the rendering of services	<u>29,757</u>	<u>40,443</u>
	<u>\$ 4,003,440</u>	<u>\$ 4,325,671</u>

Contract Liabilities

	December 31, 2024	December 31, 2023	January 1, 2023
Trade receivable (Note 10)	<u>\$ 807,125</u>	<u>\$ 782,838</u>	<u>\$ 558,798</u>
Contract liabilities			
Sale of goods	<u>\$ 33,447</u>	<u>\$ 38,728</u>	<u>\$ 58,671</u>

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
<u>Contract liabilities from the beginning of the year</u>		
Product sales	<u>\$ 37,753</u>	<u>\$ 52,447</u>

23. 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	\$ 7,504	\$ 7,961
Others	<u>1,058</u>	<u>313</u>
	<u>\$ 8,562</u>	<u>\$ 8,274</u>

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	<u>14,582</u>	<u>12,203</u>
	<u>\$ 58,306</u>	<u>\$ 18,275</u>

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 (loss)	50,424	26,582
Property, plant and equipment impairment (loss) gain	(904)	4,437
Others	<u>(3,016)</u>	<u>(4,127)</u>
	<u>\$ 58,955</u>	<u>\$ 25,053</u>

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	<u>153</u>	<u>63</u>
	<u>\$ 22,471</u>	<u>\$ 33,394</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2024	2023
Property, plant and equipment	\$ 145,843	\$ 118,737
Right-of-use assets	4,282	2,956
Investment properties	913	1,100
Intangible assets	1,666	558
Non-current assets	<u>6,239</u>	<u>5,813</u>
	<u>\$ 158,943</u>	<u>\$ 129,164</u>
An analysis of depreciation by function		
Operating costs	\$ 114,580	\$ 83,473
Operating expenses	33,824	36,930
Other gains and losses	<u>2,634</u>	<u>2,390</u>
	<u>\$ 151,038</u>	<u>\$ 122,793</u>
An analysis of amortization by function		
Operating costs	\$ 5,639	\$ 5,075
Operating expenses	<u>2,266</u>	<u>1,296</u>
	<u>\$ 7,905</u>	<u>\$ 6,371</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2024	2023
Post-employment benefits		
Defined contribution plans	\$ 35,061	\$ 26,897
Defined benefit plans (see Note 20)	<u>439</u>	<u>519</u>
	<u>35,500</u>	<u>27,416</u>
Other employee benefits	<u>806,219</u>	<u>807,901</u>
	<u>\$ 841,719</u>	<u>\$ 835,317</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 481,184	\$ 494,503
Operating expenses	<u>360,535</u>	<u>340,814</u>
	<u>\$ 841,719</u>	<u>\$ 835,317</u>

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 been approved by the Company's board of directors on March 5, 2025 and March 8, 2024, respectively, were as follows:

Accrual rate

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

Amount

	<u>For the Year Ended December 31</u>			
	<u>2024</u>		<u>2023</u>	
	<u>Cash</u>	<u>Share</u>	<u>Cash</u>	<u>Share</u>
Compensation of employees	\$ 16,531	\$ -	\$ 15,944	\$ -
Remuneration of directors	27,552	-	26,573	-

If there is a change in the amounts after the annual consolidated 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 consolidated financial statements for the year ended in 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 are available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAXES

a. The major components of tax expense (income) were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2024</u>	<u>2023</u>
Current tax		
In respect of the current period	\$ 149,997	\$ 151,408
Income tax on unappropriated earnings	2,115	-
Adjustments for prior year	(3,367)	(1,565)
Tax refund on repatriated funds to Taiwan	<u>(1,961)</u>	<u>-</u>
	<u>146,784</u>	<u>149,843</u>
Deferred tax expense		
In respect of the current period	<u>10,081</u>	<u>3,277</u>
Income tax expense recognized in profit or loss	<u>\$ 156,865</u>	<u>\$ 153,120</u>

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

	For the Year Ended December 31	
	2024	2023
Profit before tax	\$ 749,909	\$ 729,646
Income tax expense calculated at the statutory rate	\$ 149,982	\$ 145,929
Tax effect of adjusting items:		
Tax-exempt income	811	(191)
Nondeductible expenses in determining taxable income	4	-
Tax-recognized investment losses	-	(1,322)
Others	-	(70)
Spin-off	3,837	-
Income tax on unappropriated earnings	2,115	-
Effect of different tax rates of entities operating in other jurisdictions	5,444	10,339
Adjustments for prior years' tax	<u>(5,328)</u>	<u>(1,565)</u>
Income tax expense recognized in profit or loss	\$ 156,865	\$ 153,120
b. Income tax expense recognized in other comprehensive income		

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

c. Current tax assets and liabilities

	December 31	
	2024	2023
Current tax liabilities		
Income tax payable	\$ 82,391	\$ 119,112

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
<u>Deferred tax assets</u>				
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 exchange	119	(119)	-	-
Provisions	1,864	88	-	1,952
Financial liabilities at FVTPL	560	(560)	-	-
Financial assets at FVTOCI	785	-	(785)	-
Others	<u>300</u>	<u>1,687</u>	<u>-</u>	<u>1,987</u>
	<u>\$ 15,326</u>	<u>\$ 1,013</u>	<u>\$ (785)</u>	<u>\$ 15,554</u>
<u>Deferred tax liabilities</u>				
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	<u>-</u>	<u>-</u>	<u>6,879</u>	<u>6,879</u>
	<u>\$ 26,936</u>	<u>\$ 11,094</u>	<u>\$ 8,313</u>	<u>\$ 46,343</u>

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
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 exchange	-	119	-	119
Provisions	1,864	-	-	1,864
Financial liabilities at FVTPL	-	560	-	560
Financial assets at FVTOCI	-	-	785	785
Other	<u>-</u>	<u>300</u>	<u>-</u>	<u>300</u>
	<u>\$ 12,314</u>	<u>\$ 2,227</u>	<u>\$ 785</u>	<u>\$ 15,326</u>
<u>Deferred tax liabilities</u>				
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	<u>2,931</u>	<u>-</u>	<u>(2,931)</u>	<u>-</u>
	<u>\$ 24,701</u>	<u>\$ 5,504</u>	<u>\$ (3,269)</u>	<u>\$ 26,936</u>

e. Income tax assessments

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

25. EARNINGS PER SHARE

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2024	2023
Basic earnings per share	<u>\$ 6.56</u>	<u>\$ 6.45</u>
Diluted earnings per share	<u>\$ 6.35</u>	<u>\$ 6.44</u>

	<u>For the Year Ended December 31</u>	
	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	<u>(9,961)</u>	<u>-</u>
Profit for the year attributable to owners of the Company	<u>\$ 594,252</u>	<u>\$ 576,526</u>

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

	<u>For the Year Ended December 31</u>	
	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 bond	3,127	-
Compensation of employees	<u>97</u>	<u>79</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>93,648</u>	<u>89,463</u>

If the Group 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 Group 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.

26. CASH FLOW INFORMATION

Non-cash Transactions

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

	<u>For the Year Ended December 31</u>	
	2024	2023
<u>Acquisition of property, plant and equipment</u>		
Increase in property, plant and equipment	\$ 271,898	\$ 339,063
(Decrease) increase in prepayments for equipment	(40,438)	14,804
Increase in payables on equipment	<u>(41,208)</u>	<u>(5,013)</u>
Payment in cash for the acquisition of property, plant and equipment	<u>\$ 190,252</u>	<u>\$ 348,854</u>

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group 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 Group 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 Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group 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 Group 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.

28. 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
<u>Financial assets at FVTPL</u>				
Redemption rights for convertible corporate bonds	\$ -	\$ 1,514	\$ -	\$ 1,514
<u>Financial assets at FVTOCI</u>				
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	<u>101,942</u>	<u>-</u>	<u>-</u>	<u>101,942</u>
	<u>\$ 101,942</u>	<u>\$ -</u>	<u>\$ 4,682</u>	<u>\$ 106,624</u>

December 31, 2023

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
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	<u>63,621</u>	<u>-</u>	<u>-</u>	<u>63,621</u>
	<u>\$ 63,621</u>	<u>\$ -</u>	<u>\$ 5,013</u>	<u>\$ 68,634</u>

Financial liabilities at FVTPL

Put option for convertible corporate bonds	<u>\$ -</u>	<u>\$ 7,100</u>	<u>\$ -</u>	<u>\$ 7,100</u>
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There were no transfers between Levels 1 and 2 in the current and prior periods.

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

For the year ended December 31, 2024

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

For the year ended December 31, 2023

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

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

<u>Financial Instrument</u>	<u>Valuation Technique and Input</u>
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 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 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

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL	\$ 1,514	\$ -
Financial assets at amortized cost (1)	2,742,518	1,436,676
Financial assets at FVTOCI		
Equity instruments	106,624	68,634
<u>Financial liabilities</u>		
FVTPL		
Mandatorily at FVTPL	-	7,100
Amortized cost (2)	2,473,041	1,911,048

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

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

c. Financial risk management objectives and policies

The Group's major financial instruments included equity investment, notes receivable, trade receivables, other receivables, notes payable, trade payables, other payables, bonds payables and borrowings. The Group'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 Group 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 corporate treasury function reported quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group'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).

a) Foreign currency risk

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

The carrying amounts of the Group'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 33.

Sensitivity analysis

The Group was mainly exposed to the USD and EUR.

The following table details the Group'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 Group 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		EUR Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2024	2023	2024	2023
Profit or loss*	\$ 7,288	\$ 7,052	\$ 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 Group is exposed to interest rate risk because the entities in the Group borrow funds at both fixed and floating interest rates.

The carrying amounts of the Group'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	\$ 89,178	\$ 53,940
Financial liabilities	\$ 788,662	\$ 1,346,185
Cash flow interest rate risk		
Financial assets	\$ 1,830,687	\$ 583,925
Financial liabilities	\$ 905,000	\$ -

Sensitivity analysis

The sensitivity analyses below were determined based on the Group'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/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2024 and 2023 would have increased by \$2,314 thousand and \$1,460 thousand, which was mainly attributable to the Group'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 a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group could be equal to the total of the carrying amount of the recognized financial assets as stated in the balance sheets.

The Group's concentration of credit risk of 53% and 65% of total trade receivables as of December 31, 2024 and 2023, respectively, was attributable to the Group's largest customer.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group'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 Group 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 Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes 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 upon 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 year.

December 31, 2024

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5 Years
<u>Non-derivative liabilities</u>					
Lease liabilities	\$ 430	\$ 861	\$ 3,873	\$ 6,175	\$ -
Variable interest rate liabilities	101,266	406,886	403,661	-	-
Fixed interest rate liabilities	<u>2,493</u>	<u>812</u>	<u>54,789</u>	<u>691,941</u>	<u>52,693</u>
	<u>\$ 104,189</u>	<u>\$ 408,559</u>	<u>\$ 462,323</u>	<u>\$ 698,116</u>	<u>\$ 52,693</u>

December 31, 2023

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

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	<u>1,745,000</u>	<u>2,509,400</u>
	<u>\$ 2,660,000</u>	<u>\$ 2,720,000</u>
Secured bank overdraft facilities:		
Financial assets	\$ 523,000	\$ 285,890
Financial liabilities	<u>233,300</u>	<u>370,410</u>
	<u>\$ 756,300</u>	<u>\$ 656,300</u>

29. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Remuneration of key management personnel

	For the Year Ended December 31	
	2024	2023
Short-term employee benefits	\$ 105,846	\$ 96,000
Post-employment benefits	<u>2,495</u>	<u>2,196</u>
	<u>\$ 108,341</u>	<u>\$ 98,196</u>

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

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

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

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group 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 Group 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.

d. KAORI THAILAND entered into a land purchase agreement with Apex Park Company Limited on December 9, 2024, for a total land area of approximately 25.8825 rai. The purpose of the land acquisition is to establish a manufacturing facility for thermal-related products. The total contract price is THB113,107 thousand, with the payment terms as follows:

- 1) The first payment 10% of the contract price, amounting to approximately THB11,311 thousand, is to be paid upon the execution of this agreement.
- 2) The second payment, 30% of the contract price, amounting to approximately THB33,932 thousand, is to be paid within 60 days from the date of signing the agreement. If the second payment is not made on time, the seller has the right to terminate this agreement and forfeit the full deposit.
- 3) The third payment, 30% of the contract price, amounting to approximately THB33,932 thousand, is to be paid within 15 days from the receipt of the land use permit approved by the Industrial Estate Authority of Thailand, Ministry of Industry, or within 6 months from the execution of the agreement, whichever comes first.
- 4) The fourth payment, 30% of the contract price, amounting to approximately THB33,932 thousand, is to be paid upon the completion of the transfer of the land ownership title.

As of December 31, 2024, KAORI THAILAND has made the first payment on December 9, 2024, amounting to \$11,311 thousand, which is recorded under other non-current assets.

32. OTHER ITEMS

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 Group in 2023, the Group expects that it would not be subject to carbon fees.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities of entities in Group 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
<u>Financial assets</u>			
Monetary items			
USD	\$ 23,323	32.785 (USD:NTD)	\$ 764,658
USD	312	7.1884 (USD:RMB)	10,047
EUR	4,832	34.14 (EUR:NTD)	164,964
<u>Financial liabilities</u>			
Monetary items			
USD	1,400	32.785 (USD:NTD)	45,904
EUR	19	34.14 (EUR:NTD)	649

December 31, 2023

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 23,213	30.705 (USD:NTD)	\$ 712,755
USD	1,268	7.0827 (USD:RMB)	38,934
EUR	2,329	33.98 (EUR:NTD)	79,139
<u>Financial liabilities</u>			
Monetary items			
USD	1,458	30.705 (USD:NTD)	44,768
USD	55	7.0827 (USD:RMB)	1,689

For the years ended December 31, 2024 and 2023, net foreign exchange gain was \$50,424 thousand and \$26,582 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.

34. 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 ventures). (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 6)
- 11) Information on investees. (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 receipt 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)

35. SEGMENT INFORMATION

The Group's revenue and operation results in segments for 2024 and 2023 are as follows:

a. Segment revenues and results

Segment Revenue and Operation Results	Heat Exchange Products		Thermal Products		Total	
	2024	2023	2024	2023	2024	2023
Revenue	\$ 1,642,009	\$ 2,309,941	\$ 2,361,431	\$ 2,015,730	\$ 4,003,440	\$ 4,325,671
Cost	<u>1,255,291</u>	<u>1,688,802</u>	<u>1,830,736</u>	<u>1,667,660</u>	<u>3,086,027</u>	<u>3,356,462</u>
Segment income	<u>\$ 386,718</u>	<u>\$ 621,139</u>	<u>\$ 530,695</u>	<u>\$ 348,070</u>	917,413	969,209
Interest revenue					8,562	8,274
Finance costs					(22,471)	(33,394)
Other gains and losses					117,261	43,328
HQ management cost and remuneration of key management personnel					<u>(270,856)</u>	<u>(257,771)</u>
Profit before tax					<u>\$ 749,909</u>	<u>\$ 729,646</u>
Identifiable assets:						
Notes and trade receivables	\$ 210,383	\$ 246,354	\$ 611,315	\$ 550,963	\$ 821,698	\$ 797,317
Inventory	463,375	633,871	588,838	600,797	1,052,213	1,234,668
Property, plant and equipment	<u>1,141,303</u>	<u>1,208,250</u>	<u>824,477</u>	<u>630,306</u>	<u>1,965,780</u>	<u>1,838,556</u>
	<u>\$ 1,815,061</u>	<u>\$ 2,088,475</u>	<u>\$ 2,024,630</u>	<u>\$ 1,782,066</u>	3,839,691	3,870,541
Assets in general					<u>2,262,889</u>	<u>958,313</u>
Total assets					<u>\$ 6,102,580</u>	<u>\$ 4,828,854</u>
Identifiable liability:						
Notes and trade payables	<u>\$ 95,065</u>	<u>\$ 79,890</u>	<u>\$ 266,467</u>	<u>\$ 125,821</u>	\$ 361,532	\$ 205,711
Liabilities in general					<u>2,304,040</u>	<u>1,919,461</u>
Total liabilities					<u>\$ 2,665,572</u>	<u>\$ 2,125,172</u>

Segment revenue reported above represents revenue generated from external customers.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, gain or loss on foreign exchange, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Geographical information

The Group operates in three principal geographical areas - Asia, Europe and America.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from		Non-current Assets	
	External Customers		December 31	
	For the Year Ended December 31			
	2024	2023	2024	2023
Asia	\$ 1,519,871	\$ 1,193,779	\$ 2,100,632	\$ 2,005,055
America	1,915,897	1,984,185	-	-
Europe	559,890	1,133,184	-	-
Others	<u>7,782</u>	<u>14,523</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,003,440</u>	<u>\$ 4,325,671</u>	<u>\$ 2,100,632</u>	<u>\$ 2,005,055</u>

Non-current assets excluded deferred tax assets and financial instruments.

c. Major customer information

Single customer contributing 10% or more to the Group's revenue is as follows:

	For the Year Ended December 31	
	2024	2023
A group	<u>\$ 1,637,557</u>	<u>\$ 1,859,647</u>
B group	<u>\$ 499,379</u>	<u>\$ 67,642</u>

TABLE 1

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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.	<u>Equity investment</u> 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	<u>1,616</u>	-	<u>1,616</u>	
					<u>\$ 106,624</u>		<u>\$ 106,624</u>	

Note: 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”.

TABLE 2

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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.

TABLE 3

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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)

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.

TABLE 4

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS 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	\$ 168,207 (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.

Note 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 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.

TABLE 5

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, 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:

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 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’s transactions	\$ 3,346	1	\$ (4,758)
	Purchase	22,635	1	Average markup price around 10%	60 days upon shipment	Purchase price has no significant difference to non-related parties’s transactions	5,298	2	-

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)**

For the year ended December 31, 2024

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	1	Sales (Note)	\$ 50,574	Kaori Heat sold inventories to Karori Technology (Ningbo), collection period is 30 days upon arrival.	1
				Trade receivable - related party	3,346		-
				Purchase	22,635	Kaori Technology (Ningbo) sold inventories to Kaori Heat, collection period is 60 days upon shipment.	1
		Kaori Thermal Technology Co., Ltd.	1	Trade payable - related party	5,298		-
				Other receivable - related party	23,333		-

Note 1: Information regarding intercompany transactions should be numbered according to the following:

- a. Parent company should be numbered 0.
- b. Subsidiaries should be numbered beginning with 1.

Note 2: Intercompany transactions can be divided into three categories as following:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: For the percentage of intercompany transaction in total sales or asset, year-end balance is used for balance sheet accounts while income statement accounts use the accumulated amount to calculate.

Note 4: The Company may decide whether to list the material transactions in this table according to the principle of materiality.